

**METRO VANCOUVER REGIONAL DISTRICT
MAYORS COMMITTEE**

SPECIAL MEETING

Thursday, October 17, 2024

1:00 pm

28th Floor Boardroom, 4515 Central Boulevard, Burnaby, British Columbia

Webstream available at <https://www.metrovancover.org>

The purpose of this meeting is to receive industry input on Metro Vancouver's implementation of Development Cost Charges.

A G E N D A¹

A. ADOPTION OF THE AGENDA

1. October 17, 2024 Special Meeting Agenda

That the Mayors Committee adopt the agenda for its special meeting scheduled for October 17, 2024 as circulated.

B. DELEGATIONS

1. Beau Jarvis, President, Wesgroup

Subject: Metro Vancouver Development Cost Charges Increases

2. Rob Bruno, Executive Vice President, Polygon Homes Ltd

Subject: Metro Vancouver Development Cost Charges Increases

3. Rick Johal, President, Zenterra Developments

Subject: Metro Vancouver Development Cost Charges Increases

C. REPORTS FROM COMMITTEE OR CHIEF ADMINISTRATIVE OFFICER

1. Industry Input on the Implementation of Development Cost Charges

That the Mayors Committee receive for information the report dated October 4, 2024 titled "Industry Input on the Implementation of Development Cost Charges".

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¹ Note: Recommendation is shown under each item, where applicable.

D. RESOLUTION TO CLOSE MEETING

Note: The Committee must state by resolution the basis under section 90 of the Community Charter on which the meeting is being closed. If a member wishes to add an item, the basis must be included below.

E. ADJOURNMENT

That the Mayors Committee adjourn its special meeting of October 17, 2024.

Membership:

Locke, Brenda (C) – Surrey

West, Brad (VC) – Port Coquitlam

Berry, Ken – Lions Bay

Brodie, Malcolm – Richmond

Buchanan, Linda – North Vancouver City

Cassidy, Laura – scəwəθən məsteyəx^w
(Tsawwassen First Nation)

Harvie, George V. – Delta

Hurley, Mike – Burnaby

Johnstone, Patrick – New Westminster

Knight, Megan – White Rock

Lahti, Meghan – Port Moody

Leonard, Andrew – Bowen Island

Little, Mike – North Vancouver District

MacDonald, Nicole – Pitt Meadows

McCutcheon, Jen – Electoral Area A

McEwen, John – Anmore

Pachal, Nathan – Langley City

Ross, Jamie – Belcarra

Ruimy, Dan – Maple Ridge

Sager, Mark – West Vancouver

Sim, Ken – Vancouver

Stewart, Richard – Coquitlam

Woodward, Eric – Langley Township

To: Mayors Committee

From: Dorothy Shermer, Corporate Officer

Date: October 4, 2024

Meeting Date: October 17, 2024

Subject: **Industry Input on the Implementation of Development Cost Charges**

RECOMMENDATION

That the Mayors Committee receive for information the report titled “Industry Input on the Implementation of Development Cost Charged”, dated October 4, 2024.

A Mayors Committee meeting has been convened to receive industry input on the Implementation of Development Cost Charges. An information package has been submitted by Wesgroup and is attached for the Committee’s information.

ATTACHMENTS

1. Information Package submitted by Wesgroup.

71122727

October 7, 2024

Metro Vancouver Regional District Board
Metrotower III, 4515 Central Boulevard
Burnaby BC V5H 0C6
By email to Dorothy.Shermer@metrovancover.org

Re: Supplementary Materials for Special Mayors Committee Delegation

Please find attached supplemental materials that we believe will be helpful context for the Metro Vancouver Board and Mayors Committee in hearing the delegations on October 17th.

1) Distressed / Stalled Development Projects

- Over 50 proposed projects in Metro Vancouver have been identified as being in distress or stalled
- There are 7,541 proposed housing units currently in Court Ordered Sale / Legal Proceedings
- There are another 3,154 housing units that have been identified as being Stalled

2) Urban Development Institute Taxing Growth: Analysing the Taxes and Fees on New Housing Development

- Government fees, charges and taxes on new housing equate to 29% of the potential purchase price of a new home in example projects
- It has been argued that rising costs do not directly impact housing costs because they assume increasing fees and taxes come out of the price of the land and unit prices and rents are driven by the market, as are land values. However, it is not guaranteed that a land vendor will be willing to reduce their selling price to reflect rising costs. They can and have taken their sites off the market, which reduces the amount of land available for development and fewer homes available to rent or buy. In a Province with severe land constraints and increasing demand due to immigration and other factors, this leads to and widens the gap between supply and demand, indirectly resulting in higher prices overall.

3) CMHC The Housing Observer October 3, 2024

- This article explores the crucial role of the private sector in driving housing supply, analyzes the impact of interest rates on different types of housing, and outlines potential long-term solutions that could enhance private-sector confidence and inject capital in housing development

- Most of the increased housing supply that Canada needs must come from the private sector.
- All levels of government need to ensure that the private sector can build as much housing as possible when the going is good, and interest rates are low. In practice, this means improving the responsiveness of the housing system, for example through faster approval times and reduced uncertainty. Frameworks may need to be designed to ensure construction continues even when interest rates are higher.

4) CMHC Housing Market Insight – Government Charges on Residential Development in Canada’s Largest Metropolitan Areas – July 2022

- Government charges can represent more than 20% of the cost of building a home in major Canadian cities
- A larger number of development charges may lengthen the development approval process and, in turn, lengthen the delivery of new supply to market
- In addition to land and construction costs, some input costs include fees levied by government. The collection and administration of such fees introduces two main challenges. First, they add a direct cost to the production of housing. Second, government fees may introduce complexity and a level of uncertainty to the development process

5) Canadian Centre for Economic Analysis : Will Feds Answer the Call? Infrastructure Investment Lags Amidst Highly Taxed Housing Construction – April 2023

- A primary requirement for population growth is the construction of new homes. However, building new homes requires significant public infrastructure investment, which is primarily the responsibility of local governments. Unfortunately, local governments cannot access the fiscal benefits of growth through other tiers of government, making it challenging to fund public infrastructure investment adequately. While the federal government enjoys the majority of the benefits of growth through the taxation of new homes in Ontario, it has not been a significant participant in funding public infrastructure investment, averaging a rate of 7.1%. The low participation of the federal government in funding growth, and its absence as a source puts a strain on local governments and residents, which has contributed to the experience of inadequate infrastructure investment and the impediment of economic growth in Canada

- The tax burden on new housing has significantly increased and now accounts for 31% of the purchase price of a new home in Ontario, twice that on the rest of the economy. Production taxes and taxes paid on the sale of a new home are the primary contributors to this tax burden challenge.
- Governments make three times more than a builder of a new home. The government is the largest beneficiary of a new home's construction, accounting for 31% of the purchase price of a new home
- A new home in Ontario has a tax burden twice that of the rest of the economy
- Of the 31% tax burden on a new home in Ontario, the federal government is the largest beneficiary, with a 39% share. However, the federal government contributes only 7.1% of the public infrastructure investment required for Ontario to grow. As a result of this inflated growth benefit to cost ratio, the federal government is 9.7 times better off than the province and 6.9 times better off than Ontario municipalities

6) Smart Prosperity Institute: Unlocking Canada's Housing Crisis – October 1, 2024

- Governments have set ambitious but necessary housing supply targets, yet housing starts are falling. The federal government needs to take bold action, but limited funds constrain its options. Fortunately, there are a series of reforms they can take, at little to no cost, that would enable the construction of new homes.
- Reduce Financing Costs – Government can lower costs through changing the timing of when development related taxes and fees must be paid

Thank you,



Beau Jarvis
President
bjarvis@wesgroup.ca
604-690-6396

1) Distressed / Stalled Development Projects

Distressed /Stalled Development Projects

8/30/2024

Court Ordered Sale/Legal Proceedings

Ref #	Developer	Municipality	Address	Status	Type	Units	Proposal / Notes
1	Terrapoint	Vancouver	1045 Haro St, Vancouver, BC	COURT ORDERED SALE - Sold	Condo/Rental	516	2 Tower - 55 storey Condo Building 450 Units, and 15 storey rental building; 66 units; Sold to Chard
2	iFortune	Vancouver	2465 W 41st, Vancouver, BC	COURT ORDERED SALE	Condo	24	4 Storey Condo - 24 homes
3	Buffalo Investment	Vancouver	8655 Granville Street, Vancouver, BC	COURT ORDERED SALE	Condo	55	11 Storeys (132'6"), Condo, 55 units
4	PortLiving	Vancouver	1250 W Hastings St, Vancouver	COURT ORDERED SALE - sold	Condo	20	20 Storey Condo building
5	South Street Development	Richmond	5333 No. 3 Road, Richmond	COURT ORDERED SALE	Condo	674	Richmond Atmosphere project- being marketed for sale by JLL
6	PortLiving	Vancouver	8427 Cambie St, Vancouver, BC	COURT ORDERED SALE - sold	Rental	426	Sold March 2022 - Altus
7	Vivagrand	Vancouver	5888 Cambie St, Vancouver BC	COURT ORDERED SALE	Condo	269	High Density Mixed use development
8	Coromandel	Vancouver	3883, 3863, 3909, 3919, 3855, 3863, 3805, 3815, 3825, 3835 & 3845 Nanaimo, Vancouver	CCAA Filing	-	-	No application / no drawings
9	Coromandel	Vancouver	2469, 2475, 2425, 2419, 2441, 2483, 2415, 2459 & 2461 26 Ave E, Vancouver	COURT ORDERED SALE	-	-	No application / no drawings
10	Coromandel	Vancouver	2745, 2723, 2735, 2741, 2757 & 2765 E 29th, Vancouver	COURT ORDERED SALE	-	-	No application / no drawings
11	Coromandel	Vancouver	3240 E 58 th , Vancouver	CCAA Filing	-	-	No application / no drawings
12	Coromandel	Vancouver	5666, 5676, 5686, 5638, 5592 & 5576 Alberta Street, Vancouver	COURT ORDERED SALE	-	-	No application / no drawings
13	Coromandel	Vancouver	5250 & 5270 Ash; 595 W 37th Ave, 5434, 5472, 5448, 5408 & 5392 Manson, Vancouver	CCAA Filing	Rental	77	6 storey residential building - social housing
14	Coromandel	Vancouver	5910, 5936 & 5976 Cambie, Vancouver	CCAA Filing	Condo/Hotel	448	168 Condo. 270 Hotel, 10 Artist live work
15	Coromandel	Vancouver	6012, 6036, 6062, 6068 & 6088 Cambie, Vancouver	CCAA Filing	Condo	23	Under construction
16	Coromandel	Vancouver	7510 Cambie, Vancouver	COURT ORDERED SALE	Condo	90	Court ordered sales x2, 2018 and present - 2 different developers
17	Coromandel	Vancouver	5210 & 5188 Ash, Vancouver	CCAA Filing	-	-	No application / no drawings
18	Coromandel	Vancouver	282, 286, 288-289,292, 296 & 298 E Georgia; 721 & 729 Gore, Vancouver	CCAA Filing	-	-	No application / no drawings
19	Coromandel	Vancouver	2725 Kingsway	CCAA Filing	Condo	219	10 storeys - Started selling but not sufficient to get financing
20	Coromandel	Vancouver	7225, 7235 & 7255 Laurel, 935 & 955 W 57th, Vancouver	COURT ORDERED SALE	-	-	No application / no drawings
21	Coromandel	Vancouver	9725 W 52nd, Vancouver	CCAA Filing	Condo	23	Under construction
22	Coromandel	Vancouver	1380 Burrard (Kilborn Building) Vancouver	COURT ORDERED SALE	Condo/Hotel	337	217 condos and 120 hotel suites plus retail
23	Coromandel	Vancouver	2050, 2056, 2058, 2060, 2062 & 2066 SW Marine Drive, Vancouver	CCAA Filing	Resi	5	Under Construction
24	Centred Developments	Coquitlam	218 Blue Mountain St, Coquitlam	COURT ORDERED SALE	Condo	150	21 storey mixed-use condo project with 150 units
25	G.S.R. Capital Group	White Rock	1310 Johnston Road	COURT ORDERED SALE	Condo	-	6 Storey
26	-	Langley	2958, 2974, 3014, 3072 208th st Langley	COURT ORDERED SALE	-	-	34.08 single family development site
27	LandMax Construction Ltd	Vancouver	7239 Oak Stree	COURT ORDERED SALE	Town Homes	18	Town Homes
28	Vivagrand Developments	Vancouver	1555 Robson St	COURT ORDERED SALE	Rental	177	28 Storey Rental - 151,060 SF development potential
29	-	Saanich	1544 Christmas Ave	COURT ORDERED SALE	Multi Family	24	4 Storey - Condo
30	Align Properties	Vancouver	1485 Davie	COURT ORDERED SALE	Condo	179	21 Storey - 128 Strata Condo, 51 social housing
31	-	Vancouver	7505 Victoria Drive	COURT ORDERED SALE	Rental Units	6	6 secured market rental units, two commercial retail shells
32	-	Campbell River	2699 Soderholm Road	COURT ORDERED SALE	Town Homes	25	25 Strata town homes
33	-	Langley	7007-204th St	COURT ORDERED SALE	Residential	386	2.39 FSR 4,725 sf commercial, at third reading
34	Bonnis Properties	Vancouver	800-876 Granville St	Cancelled	Office/Retail	-	17 Storeys
35	Quarry Rock Developments	Surrey	20335 70A Avenue	Receivership	Townhomes	87	The Willoughby - Stalled during phase 1 of construction
36	Quarry Rock Development	Port Coquitlam	2241-2251 McAllister Avenue	COURT ORDERED SALE	Condo	80	The Met - five-story mixed-use condo building
37	Quarry Rock Development	Richmond	23400, 23440, 23460, & 23500 Gates Avenue	COURT ORDERED SALE	Townhomes	60	Richmond Hamilton Townhouses
38	Quarry Rock Development	Langley	7010 204 Avenue and 20443 70 Avenue	COURT ORDERED SALE	Condo	254	The Graham - low-rise condo building
39	Quarry Rock Development	Langley	7021 & 7033 204 Street	COURT ORDERED SALE	Condo	386	The Gordon - 6-storey woodframe development site
40	Aimforce	Surrey	10227 King George Boulevard	COURT ORDERED SALE	Condo/Office/Retail	746	67 storeys, with a seven-storey podium consisting of retail and office space, as well as an eight-storey residential podium
41	Quad-City Real Estate Group Ltd	Port Moody	3101-3103 John St Port Moody	COURT ORDERED SALE	Condo/Rental	197	Two buildings 6 stories 44 Market rental, 6 non market housing units at shelter rates
42	Cape Group/0793231 BC Ltd.	Vancouver	304-316 E 1st Avenue - Vancouver	Foreclosure	Rental	96	9 storey rental building
43	Marvel Group	North Vancouver	2050-2070 Marine Drive & 2000 Curling Road	COURT ORDERED SALE	Condo/Rental/Retail	331	3 mixed-use residential buildings, 330 residential units and 1 CRU at grade
44	Centred Developments	Vancouver	1488 Park Drive & 7576 Granville Street	COURT ORDERED SALE	Townhomes	17	17 townhouses set at the intersection of Park Drive and Granville St in Marpole
45	Align Properties	Vancouver	5589-5661 Baillie Street	Foreclosure	Rental	120	2 six storey rental towers, 120 units near Oakridge Park
46	Aultrust Financial	Port Moody	3000 Henry Street	Receivership	Condo/Townhomes	173	173 apartments and "ground-oriented homes," with some of the homes set to be rent-to-own units.
47	Slate Asset Management	Burnaby	4330 Kingsway & 5945 Kathleen	Receivership	Office/Retail	-	1980s office complex redevelopment into Triple A office space with 284 strata office units
48	Weststone Group	South Surrey	14990 North Bluff Road	COURT ORDERED SALE	Condo/Rental	247	Largescale site with plans in progress for two 6-storey woodframe buildings
49	IDS Group	Burnaby	6622 Willingdon	Foreclosure	Rental	460	34 storey tower w/ podium and ground level townhomes
50	-	Surrey	14019 & 14178 104 Avenue	COURT ORDERED SALE	Office/Retail	-	274,285 sf office building on 201,953 sf land
51	-	Surrey	1618 157 Street	COURT ORDERED SALE	Condo	116	Rezoning, subdivision and development permit approved, CACs paid. Building permits submitted.
						Total of info available	7,541

Stalled projects (no public announcement has been made on status of these projects - we are making an assumption they are stalled)

Ref #	Developer	Municipality	Address	Status	Type	Units	Proposal / Notes
49	Wesgroup	Vancouver	1450 West Georgia St.	Stalled	Condo/Rental	355	49-storey tower
50	Prima Properties	Vancouver	1157 Burrard St	Stalled	Condo	289	289 condos and commercial, child care and cultural space.
51	100 Developments	Port Moody	2115 - 2131 St. Johns Street	Redemption Period	-	-	a pair of 12-storey buildings
52	Landa Global Properties	Vancouver	1650 Alberni St.	Stalled	Condo/Rental	264	198 condos and 66 rentals.
53	Westbank	Vancouver	1684 Alberni St	Stalled	Condo	94	39 Storey Condo building - 94 market residential
54	Kenwood Apartments Ltd.	North Vancouver	1536 & 1550 Eastern Ave	Stalled	Rental	124	13 storey 106,884 sf, 18 space child care
55	Kirpal Group and SVM Homes	Burnaby	6677 Silver Avenue, Burnaby	Stalled	Condo/Rental	120	24-storey mixed-use site totalling 123,926 SF / 6.25 FSR
56	Aryze	Victoria	415 Parry St	Stalled	Condo/Rental	68	Rental or Condo 68 units
57	Bene Richmond Development Ltd	Richmond	6560-6700 No 3 Road	Stalled	Condo/Commercial	166	213,000 sf gross floor area
58	Holborn Properties	Vancouver	Little Mountain	Stalled	Condo/Rental	1684	284 Social housing units, 1,400 market units
						Total	3,164
						Grand Total	10,705

Other

Ref #	Developer	Municipality	Address	Status	Type	Units	Proposal / Notes
59	-	Vancouver	1660-1698 Robson St & 818 Bidwell St	COURT ORDERED SALE	Retail/Office Strata	10	Nine stratified retail at grade units and one stratified second floor office unit
60	-	Surrey	2185 176th Street	COURT ORDERED SALE	Development Land	N/A	8 acres of development land within the Grandview OCP. 4-15 units per acre.

2) Urban Development Institute Taxing Growth: Analysing the Taxes and Fees on New Housing Development

Taxing Growth:

Analysing the Taxes
and Fees on New
Housing Development

Introduction

Across British Columbia (B.C.), developers of new housing navigate taxes, fees, and the policies that drive them, generated by all levels of government. These taxes and fees are levied to fund services and amenities that support complete communities. However, these same taxes and fees make it more costly to build the housing that communities need, and can ultimately restrict the amount of new housing that is built. We are already failing to build enough new housing in B.C. and homes remain unaffordable for many British Columbians. In a [June 2022](#) report, CMHC calculated that 570,000 new homes would need to be built in the province to restore affordability.¹

There are high barriers to new development and one of these obstacles is the layers of government taxes and fees charged on housing. This is an impact seen across jurisdictions and housing types, from a new condo development in Kelowna to a purpose-built rental building in Vancouver.

In this report, UDI examines the taxes and fees associated with building new housing in British Columbia. UDI has engaged experienced multi-family developers and tax experts to analyse three hypothetical condo project budgets from Vancouver, Kelowna and Saanich, and a purpose-built rental project from Vancouver. The tables for each of these examples are included in the appendix. Each analysis uses current cost estimates that would be calculated by builders in their budgeting process.



Summary Analysis

The analysis in this report of four mid-rise housing projects in B.C. shows that the layering of taxes and fees can create cost barriers and added risk for builders.

For a new condo unit in Vancouver, the value of the taxes and fees paid by the builder as part of the development process can total over \$250,000, not including taxes the buyer pays at the time of purchase. These costs form part of the purchase price paid by the buyer, along with the additional taxes paid at time of sale. In total, these taxes equate to **29%** of the potential purchase price in our example. The developer must determine whether the market can bear this cost burden when considering whether to undertake the project.

It has been argued that rising costs do not directly impact housing costs because they assume increasing fees and taxes come out of the price of the land and unit prices and rents are driven by the market, as are land values. However, it is not guaranteed that a land vendor will be willing to reduce their selling price to reflect rising costs. They can and have taken their sites off the market, which reduces the amount of land available for development and fewer homes available to rent or buy. In a Province with severe land constraints and increasing demand due to immigration and other factors, this leads to and widens the gap between supply and demand, indirectly resulting in higher prices overall.

There are also instances when taxes and fees rise after land is purchased by a builder. If these cost increases exceed the project risk margin, it may be delayed (until prices/rents increase) or not built at all; both would undermine affordability.

In 2018, UDI conducted a similar analysis, where it was identified that the purchaser of a new condo unit in Vancouver could be paying up to 26% of the cost of their unit in taxes and fees. Between 2018 and today, builders have seen unprecedented cost increases in all budget areas, including construction costs, insurance, and financing, alongside dramatic increases

in government charges. The updated Vancouver condo analysis demonstrates a project that is not viable in today's environment if the purchase price for a 700 sq. ft. one bedroom unit were set at \$980,000. The estimated hard costs and contingency, land costs, and government taxes and fees nearly exceed the total market value revenue for the project. The project is facing viability challenges even before the estimates of soft costs, financing, and the margin for risk is factored in. This renders the project unviable and would likely not be financeable.

The market-driven cost increases, in combination with higher taxes and fees, has led to a significantly more risky environment for builders to provide much-needed housing in British Columbia.

The condo example from Saanich illustrates that between 8.66% and 10.32% of the cost of housing is attributed to taxes and fees, while a comparable project in Vancouver could have government charges nearly three times as high. In the condo example from Kelowna, 12.97% to 14.63% of the potential purchase price is attributed to taxes and fees. Both the Saanich and Kelowna examples demonstrate that despite the lower percentage of taxes and fees relative to the price of a new unit, there are still challenges in both regions. The layering of these charges along with other costs will still impact project budgets. Jurisdictions across B.C. are seeing supply unable to keep up with demand, putting pressure on home prices of all types and the availability and affordability of housing.

In the City of Vancouver, there are additional taxes and fees on new housing development such as the recently increased Empty Homes Tax (EHT) and the Public Art fee. There are also regional charges such as the TransLink DCC, the newly increased Greater Vancouver Sewer DCC, and the Water DCC, which is pending approval from the Province. These line

items impact the costs associated with new housing. The layers of taxes and fees on projects often coincide with communities where housing is greatly needed.

The current analysis also examines a purpose-built rental development in Vancouver. For the renter of a new unit at \$2,698 per month, it is estimated that approximately one-third of their monthly rent, or \$882.70, could be paid towards the government taxes and fees which were incurred during the development process. The challenges associated with rising costs and uncertainty are especially significant for rental housing. Rental housing projects are viewed as long-term investments, with tight budgeting processes. If there are unexpected changes in government charges, projects can quickly be rendered unviable. In addition, builders may not be willing to take on the risk of additional charges and will look for other investment opportunities that provide more certainty. This has a significant impact on the ability to deliver new rental housing to an underserved market, creating additional pressure on rents for existing homes.

In CMHC's most recent [Rental Market Report](#), it was identified that vacancy rates in Vancouver's Census Metropolitan Area (CMA) dropped from an already-low 1.2% in 2021 to 0.9% in 2022. There has been an uptick in supply in the past year, however, demand continues to outpace the creation of new rental housing. This has led to decreased vacancy rates and higher rents for the units that are available on the market.²

Rental developments have significantly higher equity requirements than condo developments, contributing to the cost sensitivities in the initial budgeting process. Rental developments, unlike strata and condo projects, cannot gather equity from presales. Rents can only be charged once the units are occupied, and initial rents are generally determined by the market at the time, regardless of the additional cost pressures which may occur during the permitting and construction process.

As policies change, often resulting in increased costs, the development process becomes riskier.

Municipalities and the Province need to mitigate these risks in order to support new housing development, especially purpose-built rental. This report examines one of the key development risks and drivers of new housing costs - taxes and fees - and provides recommendations for governing bodies to reduce barriers to new housing delivery.



Breaking Down the Taxes & Fees

The critical challenges associated with the cost of building new homes are rarely caused by individual taxes and fees. This report outlines several government charges analysed in the examples, however there are many other government-driven costs that affect new housing. For example, inclusionary zoning requires builders to incorporate a fixed percentage of below-market housing into their projects. These homes are typically restricted to rental use and generally have a value that is significantly less than the cost to construct them. As a result, this shortfall must be distributed across all of the other units within a development unless this cost is offset through density or a public program. If more density is provided, enough to offset the costs of building below-market units, this results in more housing supply added to the overall housing continuum. If the additional costs on these units exceed market values, it could undermine the project.

Similarly, green building requirements for new buildings add to the construction cost, as high efficiency materials and systems are incorporated into the building design. While this cost is not paid directly to governments, it is generated by government policy, and unexpected changes can impact project viability.

While we support the addition of below-market rental housing and green building practices in new buildings, both of these requirements add to the collective burden of charges and costs imposed by all levels of government that put strain on project finances. Any of these policies and charges can change throughout the development process, making housing delivery less certain. In addition to this, separate levels of government rarely coordinate policies and charges, resulting in a piling-on effect.

Empty Homes Tax (EHT), Speculation and Vacancy Tax (SVT) & Additional School Tax (AST)

The applicability of taxes and fees on new housing can be difficult for builders to navigate. Taxes such as Vancouver's Empty Homes Tax (EHT) and British Columbia's Speculation and Vacancy Tax (SVT) are intended to target similar market issues at two different jurisdictional levels. Both taxes are collected on vacant homes to generate funds for affordable housing while incentivizing owners to contribute to the secondary rental market. The Additional School Tax (AST), applied to the amount of a property's residential value over \$3 million, is an annual charge factored into a builder's budget as part of the residential property tax. The evaluation of these taxes during the development process is made more complicated by their differing applicability and exemption criteria. The SVT requires *Building Activity* criteria to be met in order for a project to be exempt. For Vancouver's EHT, the exemption is defined by a *Letter of Enquiry (LOE)*, which differs from the AST exemption of *Construction Activity*.

In Vancouver, if developments do not meet the necessary exemptions, they could attract both the SVT and EHT, and end up paying increased AST depending on the length of the approvals process. For example, a project may meet the *Building Activity* exemption thresholds for the provincial SVT, but still be required to pay the EHT in Vancouver if the project has not submitted an *LOE*. The *LOE* process was initially intended as a high-level application to understand the merits of a project, however in recent years it has grown into a more detailed application, adding time to the process and making it more difficult to meet the EHT exemption threshold. In addition, the longer a property is in the approvals process, the more property tax is paid on the land. AST adds to this burden, as it is charged alongside property tax.



Aligning exemptions for similarly focused tax measures would streamline the budgeting process for new housing.

Funds collected through both the EHT and SVT are intended to increase the availability and affordability of housing within Vancouver and the province, but can ultimately pose as a barrier to the delivery of new homes. For the AST, development sites that have a high residential value when they are assembled can attract this tax while the developer is awaiting permit approvals. As AST is charged annually, it is dependent on approvals timelines to determine the overall cost burden on the project budget. Exemptions for new developments would eliminate the impact of the AST on the cost of new housing. In addition, faster permitting timelines would mitigate the impacts of annual property taxes in general. Applying the exemptions allowed in the SVT legislation to the AST and EHT would improve the complicated application of these taxes on new housing developments.

Federal Goods and Services Tax (GST)

The Federal Goods and Services Tax (GST) is not a new cost, but it has substantial impacts on the ability to deliver much-needed rental housing. For purpose-built rental builders, it is often the most impactful tax or fee that is charged on a project. GST rebates were introduced to incentivize rental development; however, they are no longer effective in many urban centres. The qualification thresholds are set at a national level and the unit values do not vary based on jurisdiction. Compounding their ineffectiveness, these thresholds have not been updated since they were introduced nearly two decades ago.

For rental housing, GST rebates are available for new residential rental units with a fair market value below \$350,000 and partial rebates for units valued up to \$450,000. There are no rebates available for new rental housing exceeding \$450,000 in value. This is an issue in jurisdictions that cannot meet the rebate thresholds. In an estimate completed by a rental housing

developer, a 430 sq. ft. studio unit in a new rental building in downtown Vancouver could be valued at approximately \$554,000 based on current market rents in new buildings. Even a studio exceeds the rebate threshold value and therefore would not meet the rebate eligibility criteria, larger units in Vancouver would almost certainly be required to pay the full GST amount. The GST rebate criteria is a substantial barrier in areas where demand for rental housing far exceeds supply and market values are high. This results in a situation where markets that are most in need of new rental housing are least likely to receive a GST rebate.

While all levels of government acknowledge the need to increase the supply of rental housing, the way in which the GST is applied is counter-productive to that goal. GST is the largest single tax or fee in a rental project budget.

There has been a substantial increase in market values over the past 20 years, and the rebate thresholds for rental development should be revised to reflect inflation and the rise in housing prices. The GST rebate should also be varied by local CMA. This would incentivize rental housing development in the jurisdictions with some of the greatest housing availability challenges, such as in Vancouver, the Capital Region or Okanagan. In the Vancouver rental analysis, GST could account for nearly 10%, or \$250.60, of the average unit starting rent paid per month. Removing this charge or offering a rebate would eliminate one of the most significant barriers to delivering new rental homes.

GST Allocation in the Vancouver Rental Budget Example

	Size	Per unit
Monthly Rent	675	\$2,698
GST		\$250.60



Development Cost Charges (DCCs) and Development Cost Levies (DCLs)

Development Cost Charges (DCCs) and Development Cost Levies (DCLs) can be set at both the local and regional level. These fees are levied on new developments to fund infrastructure-related expenses that support growth, such as water and sewer services or parks.

Regional DCC Infrastructure Categories
Transportation
Water
Sewer
Municipal DCC Infrastructure Categories
Road
Sewer
Water
Drainage
Parkland Acquisition and Improvements
City of Vancouver DCL Infrastructure Categories
Road
Sewer
Water
Drainage
Parkland Acquisition and Improvements
Child Care Facilities
Replacement Housing (Social/Non-Profit Housing)

It is understood that growth needs to pay for growth, however, increasing DCC and DCL rates with inadequate notice and the layering of both local and regional charges adds to project costs, which become a component of the purchase price or monthly rent.

When the budgeting stage of the development process is complete, the project viability is based-on what policies are in place at the time. While DCCs are intended to undergo a comprehensive review at least every five years and can be indexed to inflation, there are a number of municipalities that do not follow these best practices. DCCs can increase intermittently and without a fixed schedule. DCC and DCL changes with inadequate notice can result in builders paying higher fees after purchase commitments have been made and significant redevelopment costs have been incurred. This can impact whether the project can be built at all.

The Provincial DCC and DCL framework allows for some in-stream protections to guard against this challenge. Outlined in Sections 568 and 511 of the *Local Government Act (LGA)*, a “pre-cursor application” must be in-stream, meaning a building permit, development permit, rezoning or subdivision application. This would satisfy the first stage of an “in-stream” application, and the second stage would be met if a building permit is issued within 12 months of the adoption of the increased rates.³ These protections set by provincial legislation were introduced over 10 years ago. Since then, the municipal approval process has increased in complexity and staffing shortages within municipalities have put strain on the ability to process applications.

In the 2022 [Municipal Supply and Benchmarking Study](#) released by the Canadian Home Builders’ Association of B.C. (CHBA BC), it is identified that the average municipal approval timelines in B.C. are 14.2 months for a rezoning approval, and 13.6 months for a development permit. In the project budgets analysed, a building permit can take anywhere between 6-12 months for approval. In municipalities facing staffing shortages, permits can take even longer. The CHBA BC’s report states that, “*Shorter timelines can help improve the responsiveness of housing supply to demand.*”⁴ Shorter approval timelines would provide greater certainty that projects could qualify for in-stream protections if DCC or DCL rate changes occurred during the approval process. This would avoid the builder paying higher fees than they had previously budgeted for. In addition, phasing-in substantial DCC or DCL increases over a multi-year period would mitigate the budgetary impact for projects that are in-stream but unable to receive their building permit within the first year after the new rates are approved. In-stream cost increases are a risk when combined with the overall burden of taxes and fees, and make it more challenging to develop new housing.

Developers are often required to deliver cash or in-kind contributions for infrastructure. In Metro Vancouver, a housing project will pay DCCs to fund infrastructure



that facilitates the provision of regional utilities like water and sewer delivery. The project will also pay municipal DCCs or DCLs for new or upgraded systems within their local community. In the Vancouver condo example, the Regional DCCs and Municipal DCCs charged on the development of an average unit total \$31,910. This amount will increase by a further \$4,261 with the anticipated addition of Metro Vancouver’s new Water DCC in 2023.

DCC rebates can be available, but developers are not always able to access these rebates after the infrastructure has been financed. This creates a level of risk associated with paying for, or directly building, growth-related infrastructure as part of the development process. The issue is compounded in an inflationary environment, when financing requirements are increased and more difficult to achieve. Increases can occur to multiple types of government charges in a short time period, emphasizing the need for coordination across levels of government. This can result in developers paying up to three separate charges for various parts of new service. This type of layering of taxes and fees contributes to the overall burden of taxes on a new housing project.

Community Amenity Contributions (CACs)

Community Amenity Contributions (CACs) can be a very unpredictable cost in the delivery of new housing. A CAC is another fee levied by some municipalities, outside of the legislative framework provided by the Local Government Act and Community Charter (or Vancouver Charter). CACs are commonly used to fund amenities such as childcare, community facilities, park upgrades, and affordable housing, but funds are ultimately allocated by the municipality.⁵ In the Vancouver rental example, the CAC could account for \$161.30 of the average monthly rent per unit, or 5.97%, and in the Vancouver condo example the CAC could contribute \$89,992 to the cost of an average unit. The CAC rates in Vancouver are greater than the CACs budgeted in the other examples in this analysis.

If the CAC amounts are negotiated with the municipality, the process can take several years to reach a conclusion. This can create a risk so high that builders may decide not to proceed with a new housing development. While the scenarios in this analysis have fixed CAC rates, some municipalities, including the City of Vancouver, also use negotiated CACs which are much harder to calculate into the budgeting process. Although fixed CAC rates provide more predictability, CACs in general are a burden on any new housing development, adding more costs to projects. If these costs exceed project revenue or the amount a project can bear, after other costs have been fixed (ie. land cost), the project may be delayed, or not built at all.

In the Vancouver rental example, the CAC could be charged at \$25.61 per sq. ft. and in the Vancouver condo example, the CAC could be more than four times as high, totalling \$112.49 per sq. ft. Supplying new housing, especially rental housing, is critical to meet the demands of a growing population, but high CAC expectations can create a burden big enough to render a project unviable. If a project does not proceed it will reduce the new housing supply as well as the funding for amenities.

CAC - Vancouver Rental Example		
	Per unit	Total Charge per sq. ft.
CAC per unit	\$161.30	\$25.61
Total Fees per unit	\$882.70	

CAC - Vancouver Condo Example		
	Per unit	Total Charge per sq. ft.
CAC	89,992.00	\$112.49
Total Fees per unit saleable	\$327,565.53	\$409.46



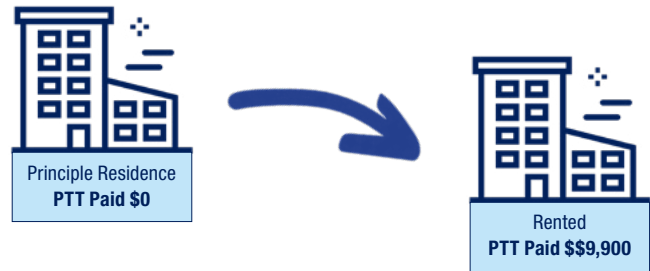
Property Transfer Tax

In all of the condo examples, there is potential for the Property Transfer Tax (PTT) to be charged twice. This tax is charged when the builder assembles a site, and becomes embedded in the cost of the housing. It then can be charged again if the unit purchaser does not meet all of the PTT exemption requirements.⁶ Both of these PTT charges have been included in the budget of the development projects analysed to show the range of PTT an end user could pay. There are several types of exemptions a buyer could qualify for, including the Newly Built Home Exemption, which would apply to housing purchased from a developer. To qualify for this exemption, the unit must:

- Be located in British Columbia;
- Only be used as a principal residence;
- Have a fair market value of \$750,000 or less; and
- Be 0.5 hectares (1.24 acres) or smaller.

All criteria have to apply for the purchaser to qualify for an exemption. In the Vancouver condo example, the average unit is above the value threshold and would not be eligible for a PTT exemption. In the Saanich and Kelowna examples, the average unit would meet the fair market value criteria. However, the purchaser could still pay the PTT at the time of purchase if the unit is intended to be rented out and would not be the buyer's primary residence.

If an investor purchases a new unit for the purpose of renting it out, rather than living in it themselves, the PTT on the sale of the completed unit would apply. In the Saanich example, this could be an additional \$10,062.00 cost for the average unit, and would become part of what the renter would pay. If the purchaser meets all of the PTT exemption criteria, including the criteria of purchasing the unit as their principal residence, the PTT charge on the purchase would be \$0 at the purchaser stage. In the Kelowna scenario, the PTT charged on the purchase of the average unit could either be \$0 or \$9,900, dependant on the purchaser's eligibility to meet the exemption criteria.



Public Art Fee

A municipal Public Art Fee is another type of cash contribution charged to a project to raise funds for public amenity projects. In the Vancouver condo example, this is a charge of \$1,584.00 per unit, and in the Vancouver rental example, the charge could impact rent by \$12.50 per month. While this is a lower charge, it still contributes to the layered taxes and fees charged on housing.

Municipal Permits

In B.C., municipal permits refer to a wide range of approvals. In this analysis, the examples have included development and building permits. In the Vancouver rental example, it can take anywhere from 6-12 months to receive a development permit, and a further 6-10 months for a building permit. Municipalities such as Vancouver are recognizing the negative impacts of long processing times, and are working to streamline their reviews and approval processes.

Vancouver Rental Example - Project Timeline				
48-90 MONTHS TOTAL				
12-18 Months Rezoning	6-12 Months Development Permit	6-10 Months Building Permit	18-42 Months Construction	6-8 Months Lease Up Period

Permitting: 24-40 Months

Construction & Leasing: 24-50 Months



Building the housing supply that is required to meet British Columbia’s current needs and planning for future growth will take action by all levels of government.

The recommendations outlined in this report are only some of the tools to address taxes and fees as barriers to new housing delivery. Some of these recommendations build on the opportunities identified by the [Development Approvals Process Review \(DAPR\)](#) and recommendations of the [Canada-B.C. Expert Panel on Housing Supply and Affordability \(Expert Panel\)](#), to improve processing times and streamline development approvals at the local and provincial levels. Other recommendations include tax-specific solutions to create certainty for home builders, and intentionally support the development of new rental housing.

Streamline Development Approval Processes

Steps must be taken to streamline approvals and minimize the impact of annual property taxes, as well as better coordinate government charges to reduce the layers of taxes and fees that apply to new housing. Lengthy development processes add costs to new housing in the form of both time and funding. Considering the extensive rezoning timelines in jurisdictions such as Vancouver, holding costs such as property taxes and interest can become significant while the project goes through the development approvals process. Uncertainty in the total amount of charges on a project add a level of risk that can jeopardize the viability of the project.

Establish Standardized Timelines and Processes

UDI recommends that municipalities establish standardized and predictable development approval timelines and processes. This recommendation aligns with the *Expert Panel*, which advised that “the B.C. government impose statutory time limits to all stages of the property development process, municipal or other, for all types of development.”⁷ Currently, larger developments can take many years to reach final approval due to the capacity constraints of municipal staff, competing policy objectives, negotiated CACs, and lengthy Council proceedings. Streamlining municipal approvals could address the risks associated with taxes that are charged annually, such as the AST. It could also minimize the impact of changes to DCC, DCL, and CAC rates on in-stream projects. Additionally, offsetting increases in community amenity contributions with added density would help maintain the viability of a project, and ultimately support the growth of the full housing continuum.

Incorporate Pre-zoning into Official Community Plans

Pre-zoning sites would reduce a project’s approval timeline by decreasing the time and risks associated with a full rezoning process. The *DAPR* recognizes the opportunity to “Provide training to local governments and/ or create best practices guide on conducting a meaningful and robust public consultation process for OCP and pre-zoning, then delegate approval of subsequent applications.”⁸ In the Vancouver and Saanich examples, it is estimated that rezoning could take anywhere from 12-26 months. The taxes incurred during this time, and the uncertainty embedded within the public-hearing process, adds risk to the delivery of new housing. Approaches could include pre-zoning at the end of area planning processes, or pre-zoning within 800 metres of major transit hubs. This would improve certainty for builders and speed up the approvals process, reducing both cost and time barriers to new housing delivery.⁹

Remove Barriers to Purpose-Built Rental Supply

Rental development is especially sensitive to tax and fee changes, and faces unique challenges; it is a long-term investment for developers requiring stability in the regulatory environment. Secured market rental housing is a critical part of the housing continuum. The [2021 Census data](#) shows the share of renter households is growing in communities across B.C. In the Vancouver CMA, 37.9% of households rent, and the portion is even higher in the City of Vancouver, where renter households make up 54.5% of the city. In the Victoria CMA, the share of renter households was effectively the same as Metro Vancouver at 38%, while in the Kelowna CMA, the percentage is slightly lower at 29.2%.¹⁰ However, new Statistics Canada housing data also shows that the percentage of Kelowna's renter households grew 54.1% between 2011 and 2021, a higher growth rate than any other CMA in Canada.¹¹ All levels of government acknowledge that there is not enough rental housing supply to meet the current demand, let alone the needs of a growing province. With vacancy rates well below the national average in many communities, and 0.9% in Vancouver's CMA, the availability of rental housing remains a critical concern.¹²

Eliminate Community Amenity Charges

Eliminating CAC requirements for purpose-built rental development would reduce some of the time and cost barriers to new housing delivery. Local governments have the opportunity to recognize the economic difference between rental and condo developments by reducing the burden of taxes and fees on rental housing.

Reduce or Eliminate the GST

The application of the Federal GST creates a substantial added cost to the delivery of rental housing. While there are rebates available for new housing, they are not effective in many British Columbian markets where values are high.

UDI recommends a review and revision of the rebate thresholds to more accurately reflect current values in local markets. By limiting the availability of GST rebates to unit values at \$450,000 or less, many homes are excluded in urban areas of Metro Vancouver, the Capital Region or Central Okanagan. Raising these thresholds would allow the rebates to more effectively support new rental supply, rather than creating another barrier.

Reduce the Impact of Layered Government Charges

The development process must be modernized and brought into alignment with other levels of government that regulate new development. The layered taxes and fees on housing at local, regional, provincial and federal levels can be difficult for builders to navigate. Individual taxes and fees do not typically create significant burdens on a project budget.

It is the cumulative impact of charges from all levels of government that creates a barrier to new housing delivery.

Allow Exemption Thresholds to Rise with Inflation

Allowing tax thresholds to rise with inflation could make the tax system more conducive to housing delivery in higher value markets, especially in the case of rental housing.

At the federal level, structuring GST rebate thresholds to rise with inflation would ensure that they reflect more current market conditions. When the rebates were introduced approximately 20 years ago, most rental units would have qualified for at least some part of the rebate, however this is not the case today in many parts of B.C. In addition, having the rebates vary based on CMAs would ensure new housing



development is incentivized in the areas where it is needed most. In these local markets, the demand is high and the supply is low, causing high market values and the inability for builders to qualify for the rebate.

Provincially, the Newly Built Home Exemption for the PTT is also capped at a fixed property value, and is not differentiated by region. This results in the application of the PTT to the average unit in the Vancouver condo example, but not necessarily in Saanich or Kelowna. As values continue to rise with inflation, the average units in the Capital Region and Okanagan may soon attract this tax as well. By allowing the exemption threshold to rise with the cost of housing, it ensures that it remains an effective tool to target support for new housing supply, especially if it is linked to the local market.

Conduct a Review of Development Finance Mechanisms

A provincial policy review of DCC/DCL rates and CACs could address the risks associated with amenity negotiations in order to secure rezoning approvals. The Expert Panel report notes that, *“While new development or redevelopment should be expected to pay its share of infrastructure or amenity costs incurred by cities, setting fees too high means unnecessarily raising the price of both new housing and existing housing across the city.”*¹³ It is recognized that growth needs to pay for growth, but as municipal infrastructure and amenity charges increase, they can impact project viability – especially if the negotiation process is lengthy, or there is a rate change after a project budget has been completed.

UDI recommends that the Province implement a cap on the amount that development charges could cumulatively increase in a calendar year to reduce the impact on new housing when provincial, regional, and municipal charges are increased separately. Introducing a cap would also ensure that large DCC or DCL changes are phased in, reducing the risks associated with large increases after a project has

been through the budgeting process. Implementing fixed CAC rates would allow builders to have security after they have purchased land and finalized financial agreements, and contribute to a more certain development process. However, these amenity and infrastructure charges are still expensed as a cost to new housing, contributing to a layer of fees that a project budget must bear. If the costs exceed the amount that can be supported by the market, it will result in projects being deferred or changed, further impacting the availability of housing, particularly in under-supplied areas.

UDI recognizes the long-term impacts of new housing delivery challenges today. Taxes and fees are just one of the many barriers to new housing development, but must be addressed by all levels of government in order to support new housing supply. With the implementation of these recommendations, governments can take steps to:

- 1. Streamline development approval processes;**
- 2. Remove barriers to purpose-built rental supply; and**
- 3. Reduce the impact of layered government charges.**



Appendix

The examples illustrate the amount that taxes and fees contribute to the cost of new housing. For each of the four examples, the itemized taxes and fees charged on new housing are shown alongside the cost estimates for project value, construction costs and development timelines. Each example is intended to illustrate a mid-rise residential project.

Typically, 15% profit on cost is needed to receive financing for a project. Banks require a high degree of certainty in a project's success in order to provide financing. This profit on cost allowance is also designed to mitigate the impact of cost increases over the life of the project, these include escalations in the cost of construction materials and labour as well as new government requirements. If the cost burden of taxes and fees increases unexpectedly, it reduces this allowance, making the project more risky and less likely to be built. In the case of the Vancouver condo budget example, the costs associated with development nearly exceed the revenue, rendering the project unviable when the profit on cost is taken into account.

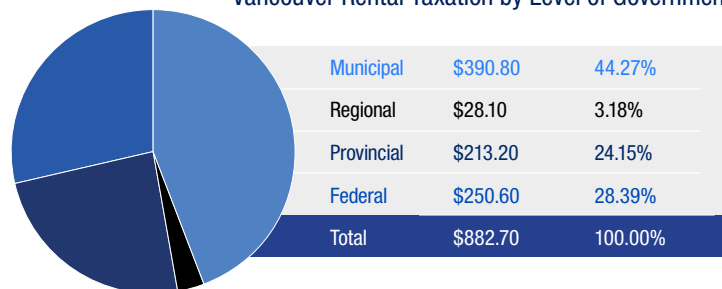
The cost estimates in the project examples were recorded as of September 2022, including approved rate increases beginning in January 2023, to capture the current taxes and fees rates and the future changes anticipated by builders in their budgeting process. The new Metro Vancouver Water DCC has not yet come into effect, and therefore is excluded from the budget tables. A footnote is included in the Vancouver condo and rental examples to show the impact this new DCC could have. Regulatory and market changes can cause fluctuations in a project budget, resulting in varied estimates among builders and tax experts, and an uncertain environment for taking on risk. These examples are hypothetical projects underwritten with the best available estimates, and are therefore subject to change.



Vancouver Rental Budget Example

This example demonstrates a typical wood-frame purpose-built rental development in Vancouver. Unlike the other examples, this project requires long-term certainty for returns, and therefore includes calculations of operating expenses, net operating income, vacancy rates, and capitalization rates.

Vancouver Rental Taxation by Level of Government



HARD COSTS AND LAND VALUE		% OF RENT/ \$ PER SQ. FT.
Building Value Attributed to Unit	0.79%	
Buildable Sq. Ft.	100,000	
Hard Costs + Contingency	\$42,000,000	\$420.00
Land Value	\$9,500,000	\$95.00
Units	126	

BUILDING VALUATION AND REVENUE	
Net Operating Income	\$3,182,400
Cap Rate	4.00%
Value	\$79,560,000
Revenue	
Value per Rentable sq. ft.	\$936
Market Rental Revenue per sq. ft.	\$4
Rentable sq. ft.	\$85,000
Annual Revenue	\$4,080,000

Notes

Based on a 2% vacancy rate

GOVERNMENT TAXES AND FEES	AVG. UNIT SIZE	PER UNIT/MONTH
Monthly Rent	675	\$2,698
Building Permits		\$10.80
Development Permit		\$5.30
Empty Homes Tax		\$29.90
DCL - Residential		\$171.00
DCC TransLink - Residential		\$12.30
Greater Vancouver Sewer DCC		\$15.80
Public Art		\$12.50
Property Tax During Construction		\$37.80
Property Tax		\$175.40
GST		\$250.60
CAC per unit		\$161.30
Total Fees per unit		\$882.70
Total Gov. Fees as a % of Rent		32.72%

Notes / per sq. ft.

Average unit size multiplied by average rent

0.41% of Hard Costs

0.20% of Hard Costs

5% of Land Cost

\$31.92 per residential sq. ft.

\$1,554 per unit

\$1,988 per unit

\$1.98 per sq. ft.

Avg. Property Tax During Construction for a Residential property

Assumes Property Taxes are 6.5% of Rental Income

5% of unit value

\$25.61 per sq. ft.

* The Metro Vancouver Water DCC has been given Third reading, and is now under review by the Province. If this scenario included the Water DCC in its budgeting process, this charge would increase the total fees per unit/month to \$916.50, or 33.96% of the total government fees as a % of rent.

Project Timeline				
48-90 MONTHS TOTAL				
12-18 Months Rezoning	6-12 Months Development Permit	6-10 Months Building Permit	18-42 Months Construction	6-8 Months Lease Up Period

Permitting: 24-40 Months

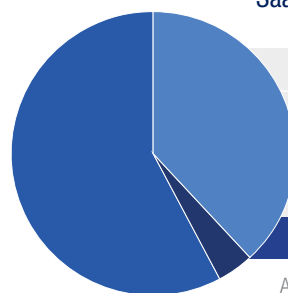
Construction & Leasing: 24-50 Months



Saanich Condo Budget Example

This Saanich example illustrates a typical wood-frame condo development in the Capital Region.

Saanich Condo Taxation by Level of Government



Level of Government	Amount	Percentage
Municipal	\$19,879.00	38.08%
Regional	\$0	0.00%
Provincial	\$2,164.68	4.15%
Federal	\$30,153.75	57.77%
Total	\$52,197.43	100.00%

Assuming the purchaser is exempt from the additional PTT charge

Building Assumptions

BUILDING VALUATION AND REVENUE		NOTES / PER SQ. FT.
Total Market Value Revenue	\$55,789,580	\$935.00
Buildable Sq. Ft.	59,668	
Hard Costs + Contingency	\$29,177,652	\$489.00
Land Value	\$5,071,738	\$85.00
Units	79	

	SIZE	PER UNIT IF PURCHASED FOR PRINCIPAL RESIDENCE	PER UNIT IF PURCHASED BY AN INVESTOR TO RENT OUT
Average Unit Value	645	\$603,075	\$603,075
Per sq. ft. charges			
Building Permits		\$4,652.00	\$4,652.00
Development Permit		\$102.00	\$102.00
DCC - Residential		\$7,605.00	\$7,605.00
Property Transfer Tax		\$1,031.00	\$1,031.00
Property Tax incl. AST		\$808.98	\$808.98
Per unit charges			
GST		\$30,153.75	\$30,153.75
Property Transfer Tax		\$0.00	\$10,062.00
CAC per unit		\$5,339.00	\$5,339.00
Subtotal Fees per unit buildable		\$49,691.73	\$59,753.73
Total Fees per unit saleable		\$52,197.43	\$62,259.43
Total Gov. Fees as a % of Unit Value		8.66%	10.32%

Notes / per sq. ft.

Average unit size multiplied by revenue per buildable

Development Cost Charge (DCC)

Property Tax - Purchase of an assembled site

Additional School Tax (AST)

5.00% of unit value

Property Tax - Paid by Purchaser if not exempt

Community Amenity Contribution

\$80.93 per sq. ft.

*Attributed based on saleable sf for the average unit.

Cost by Unit Type

COST ON TYPICAL UNITS	SIZE	TAXATION \$	TAXATION %	PURCHASE PRICE
Bachelor	477	\$38,602	8.66%	\$445,995
One Bedroom plus Den	570	\$46,128	8.66%	\$532,950
Two Bedroom	850	\$68,787	8.66%	\$794,750

*The purchaser of the bachelor unit could be eligible for the GST New Housing Rebate after the purchase at this price.

Project Timeline

73 MONTHS TOTAL

6	26	6	7	28
Months Application Preparation	Months Rezoning and Development Permit	Months Building Permit	Months Building Permit Review	Months Construction

Permitting: 39 Months

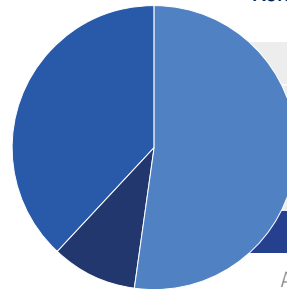
Construction: 28 Months



Kelowna Condo Budget Example

This example demonstrates a typical wood-frame condo development in Kelowna.

Kelowna Condo Taxation by Level of Government



Assuming the purchaser is exempt from the additional PTT charge

Building Assumptions

BUILDING VALUATION AND REVENUE		NOTES / PER SQ. FT.
Total Market Value Revenue	\$41,122,900	\$700.00
Buildable Sq. Ft.	58,747	
Hard Costs + Contingency	\$21,001,963	\$357.50
Land Value	\$4,700,000	\$80.00
Units	69	

	SIZE	PER UNIT IF PURCHASED FOR PRINCIPAL RESIDENCE	PER UNIT IF PURCHASED BY AN INVESTOR TO RENT OUT
Average Unit Value	850	\$595,000	\$595,000
Per sq. ft. charges			
BP/DP/DCCs		\$33,702.50	\$33,702.50
Property Transfer Tax		\$2,213.73	\$2,213.73
Property Tax incl. AST		\$4,377.50	\$4,377.50
Per unit charges			
GST		\$29,750.00	\$29,750.00
Property Transfer Tax		\$0.00	\$9,900.00
Subtotal Fees per unit buildable		\$70,043.73	\$79,943.73
Total Fees per unit saleable		\$77,154.39	\$87,054.39
Total Gov. Fees as % of Unit Value		12.97%	14.63%

Notes / per sq. ft.

Average unit size multiplied by revenue per buildable

Bldg Permits, Dev Permits, Dev Cost Charges

Property Tax - Purchase of an assembled site

Additional School Tax (AST)

5.00% of unit value

Property Tax - Paid by Purchaser if not exempt

\$90.77 per sq. ft.

*Attributed based on saleable sf for the average unit.

Cost by Unit Type

COST ON TYPICAL UNITS	SIZE	TAXATION \$	TAXATION %	PURCHASE PRICE
Bachelor	500	\$45,385	12.97%	\$350,000
One Bedroom plus Den	700	\$63,539	12.97%	\$490,000
Two Bedroom	880	\$79,877	12.97%	\$616,000
Family 3 bed unit	1,160	\$105,293	12.97%	\$812,000

*The purchaser of the bachelor unit could be eligible for the GST New Housing Rebate after the purchase at this price.

Project Timeline

48-60 MONTHS TOTAL

12-18	24-36
Months Rezoning, Development Permit and Building Permit	Months Construction

Permitting: 12-18 Months

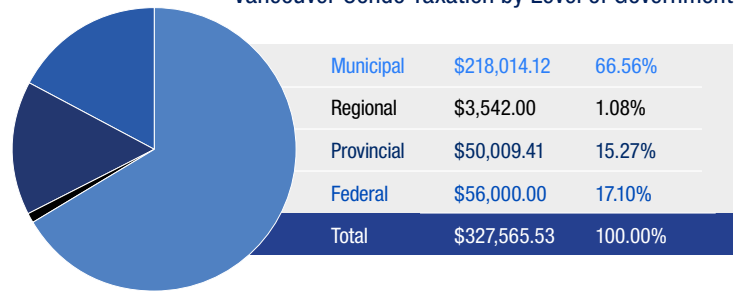
Construction: 24-36 Months



Vancouver Condo Budget Example

This budget example shows the costs that go into a typical wood-frame condo development in the City of Vancouver.

Vancouver Condo Taxation by Level of Government



Building Assumptions

BUILDING VALUATION AND REVENUE		NOTES / PER SQ. FT.
Total Market Value Revenue	\$59,500,000	\$1,400.00
Buildable Sq. Ft.	50,000	
Hard Costs + Contingency	\$30,000,000	\$600.00
Land Value	\$18,750,000	\$375.00
Units	53	

	SIZE	PER UNIT	Notes / per sq. ft.
Average Unit Value	800	\$1,120,000	Average unit size multiplied by revenue per buildable
Per sq. ft. charges			
Building Permits		\$1,376.00	
Development Permit		\$3,992.00	
Empty Homes Tax		\$60,000.00	5.00%
DCL - Residential		\$28,368.00	Development Cost Levy (DCL)
Property Transfer Tax		\$13,688.00	Property Tax - Purchase of an assembled site
Property Tax incl. AST		\$11,480.00	Additional School Tax (AST)
CAC		\$89,992.00	Community Amenity Contribution
Public Art		\$1,584.00	
Per unit charges			
GST		\$56,000.00	5.00%
Greater Vancouver Sewer DCC		\$1,988.00	Flat rate per unit
Translink DCC		\$1,554.00	Flat rate per unit
Property Transfer Tax		\$20,400.00	Property Tax - Paid by Purchaser if not exempt
Subtotal Fees per unit buildable		\$290,422.00	
Total Fees per unit saleable		\$327,565.53	\$409.46 per sq. ft.
Total Gov. Fees as % of Unit Value		29.25%	*Attributed based on saleable sf for the average unit.

*The Metro Vancouver Water DCC has been given Third reading, and is now under review by the Province. If this scenario included the Water DCC in its budgeting process, this charge would increase the total fees per unit to \$331,826.53 or 29.63% of the total government fees as a % of the unit value.

Cost by Unit Type

COST ON TYPICAL UNITS	SIZE	TAXATION \$	TAXATION %	PURCHASE PRICE
Bachelor	500	\$204,728	29.25%	\$700,000
One Bedroom plus Den	700	\$286,620	29.25%	\$980,000
Two Bedroom	900	\$368,511	29.25%	\$1,260,000
Family 3 bed unit	1,200	\$491,348	29.25%	\$1,680,000

Project Timeline				
76-84 MONTHS TOTAL				
12-18 Months Rezoning	10-12 Months Development Permit	12 Months Building Permit	42 Months Construction	

Permitting: 34-42 Months

Construction: 42 Months



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1. Canada Mortgage and Housing Corporation. “Housing Market Information: Canada’s Housing Supply Shortages: Estimating what is needed to solve Canada’s housing affordability crisis by 2030” (June, 2022), 24.
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3. Similar language is in the Vancouver Charter regarding Development Cost Levies (DCLs). VANCOUVER CHARTER [SBC 1953] CHAPTER 55 Part XXIV-A – Development Cost Levies.
https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/vanch_255#partXXIV-A
4. Altus Group. “Municipal Housing Supply and Benchmarking Study, Canadian Home Builders’ Association of British Columbia” (2022), vii.
5. Unlike DCCs and DCLs, which are set by Provincial Regulations and the Vancouver Charter respectfully, there are no regulated in-stream protections for CAC increases.
6. There is also potential for the PTT to be charged three times on the same unit. This occurs when a builder purchases an already-assembled site. The PTT would have been paid at the time of assembly, then again when the builder purchases the already-assembled site, and a third time when the unit is sold.
7. The Province of British Columbia. “Opening doors: unlocking housing supply for affordability: Final report of the Canada-British Columbia Expert Panel on the Future of Housing Supply and Affordability” (2021), 26.
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9. Municipalities can pre-zone areas and still collect funds for community amenities and necessary infrastructure when density bonusing is used to offset the costs.
10. Statistics Canada. “Focus on Geography Series, 2021 Census of Population: Vancouver CMA, Vancouver City, Victoria CMA, Kelowna CMA.” (Updated October, 2022).
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12. The Province of British Columbia. “Opening doors: unlocking housing supply for affordability: Final report of the Canada-British Columbia Expert Panel on the Future of Housing Supply and Affordability” (2021), 29.



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3) CMHC The Housing Observer October 3, 2024



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In 2023, higher rates resulted in 30,000 fewer housing starts

While higher interest rates will hold back housing starts in the short run, Canada faces critical long-term housing shortages.

October 3, 2024



Aled ab Iorwerth — Deputy Chief Economist

How can Canada build its way out of housing supply challenges to improve affordability? With soaring demand and interest rates throwing a wrench in construction plans, the answer is far from simple.

This article explores the crucial role of the private sector in driving housing supply, analyzes the impact of interest rates on different types of housing, and outlines potential long-term solutions that could enhance private-sector confidence and inject capital in housing development.

Canada has an urgent need to build far more housing to address affordability challenges in many Canadian cities. Housing is a critical infrastructure for the economy, supporting labour mobility and ensuring a greater share of income can be invested in productive capital.

Significant barriers to increasing housing supply include the long-standing challenges of regulatory costs and delays. Increasing housing supply will also require training more workers and improving productivity in the development and construction industries.

In the short term, however, housing supply has been particularly affected by high interest rates.

Our modelling suggests that in 2023, higher interest rates decreased housing starts by about 30,000 units (roughly 10 to 15 per cent) in Canada.

The state of housing supply is summarized in our recent [Housing Supply Report](#). It found that higher interest rates affected new construction of condo buildings across most of the country (apart from Alberta).

We remain concerned that starts in Toronto have yet to reflect the full impact of higher interest rates. While delayed effects of higher rates will likely continue, the move to lower interest rates should stimulate housing supply over the coming year. Given this opportunity, efforts conducive to supporting more housing supply must continue.

The private sector is central to increasing supply and improving affordability

Most of the increased housing supply that Canada needs must come from the private sector.

Small investors provide much of the funding to build condo apartments. Developers raise funds from prospective buyers who may occupy those units or rent them out. Buyers need to borrow money, perhaps not for their downpayment, but almost certainly to pay for units upon completion.

So, the willingness of individual buyers and investors to borrow will dictate the construction of condo buildings. Developers will move ahead with their construction if roughly 70% of apartments are presold. In turn, condo apartments have become a critical supply of rental availability in Toronto and Vancouver.

Large investors are also critical to supplying financing for building large multi-storey purpose-built rental buildings. While their multi-million-dollar construction costs will ultimately be covered by renters over time, those upfront expenditures need to be paid before revenues begin to flow in.

To manage this timing mismatch, financial institutions step in with debt to match current costs with future revenues. But this financing mechanism makes the decision of whether to proceed with construction more sensitive to interest rates and reliant on whether financial institutions are willing to provide credit.

The sensitivity of private investors in housing – whether large or small – to macroeconomic fluctuations suggests that ensuring long-term continuous flow of investment funds is essential to increasing housing supply.

What do the data say?

Clearly, housing supply is sensitive to interest rates. But in different ways.

Condominium starts are sensitive to interest rates that buyers face, while rental starts are sensitive to interest rates that corporate investors face. Longer-term mortgages faced by individual investors and short-term bond rates, more likely to be faced by corporate borrowers, increased by almost five percentage points.

Ultimately, condo starts fell recently as individual investors responded quickly to changing mortgage rates.

In the modelling we have developed to address how much housing Canada needs, we estimate that the recent increase in interest rates – leaving aside other changes in the economy – resulted in 30,000 fewer housing starts, out of a total annual average of around 250,000.

The effect of interest rates was offset by other economic factors and government policies to support construction of rental buildings across Canada. Construction remained stronger than anticipated in Alberta because of a strong economy.

Long-term implications to securing Canada's housing supply

Over the past two decades, Canada has built a structural deficit in housing supply that can only be remedied through extensive investment by the private sector. With the private sector providing roughly 95 per cent of housing in Canada, this is especially true to address the affordability challenges of the middle-class, whether for rental or for ownership.

Unfortunately, this also means relying on a sector that is affected by changes in the economy, notably changes in interest rates. So, all levels of government need to ensure that the private sector can build as much housing as possible when the going is good, and interest rates are low.

In practice, this means improving the responsiveness of the housing system, for example through faster approval times and reduced uncertainty. Frameworks may need to be designed to ensure construction continues even when interest rates are higher.

Recently the Government announced it would set up a working group to look at domestic investment opportunities for Canadian pension funds. Developing ways in which long-term patient capital can be devoted to meeting Canada's long-term housing shortfall will clearly be important.

Ultimately, building a future where all Canadians have access to housing that is affordable requires a collective effort. While higher interest rates still present a short-term hurdle, they offer important learnings for us all. We must consider ways to empower the private sector throughout the economic cycle if we are to address the housing crisis.



Aled ab Iorwerth
Deputy Chief Economist

**4) CMHC Housing Market Insight – Government Charges on Residential Development in
Canada’s Largest Metropolitan Areas – July 2022**

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HOUSING MARKET
INFORMATION

HOUSING MARKET INSIGHT CANADA

Government Charges on
Residential Development
in Canada's Largest
Metropolitan Areas

DATE RELEASED: JULY 2022

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“A review of government charges on residential development within and across Canada’s three largest metropolitan areas shows the number and magnitude of these charges vary substantially by municipality. This may signal important differences in processes and approaches. By equipping governments and industry participants with this information, we hope to generate discussions among them around best practices for delivering housing units in a timely and cost-effective manner.”

Summary and Highlights

This study analyzes how government charges impact construction costs within and across Canada’s largest metropolitan areas: Vancouver, Toronto, and Montréal.

The motivation for this analysis is to draw attention to the complex nature of the residential development process. As such, we developed a comparative analysis to describe key differences in the number and magnitude of fees in the hope to shed light on best practices. This represents a step to support our various levels of government and industry leaders committed to tackling challenges related to increasing supply.

This study contributes to our understanding of housing supply and affordability in the following ways:

- We present new data commissioned from Altus Group pertaining to government fees on residential development. Our analysis then compares these fees across major Canadian municipalities.
- Comparing fees across municipalities allows industry stakeholders (policy makers, developers, government staff, etc.) to explore similarities and differences in fees and development processes. Ultimately, this should stimulate discussions around potential best practices.
- With this data, we report quantitatively the dollar value of government fees in the total development cost of a new dwelling unit. Importantly, the degree of additional cost represented by government fees may influence the affordability of new units.
- We also explore the potential implications of government fees on development approval timelines. Initial findings regarding the development process were documented in our 2018 report *Examining escalating house prices in large Canadian metropolitan centres*.¹

Highlights from our analysis include:

- The number and magnitude of government charges on residential development vary substantially by municipality. This signals differences in processes and approaches across centres and presents an opportunity for identification of best practices.
- At the upper end, government charges can represent more than 20% of the cost of building a home in major Canadian cities. Across all dwelling types, charges were lowest in the City of Montréal. Higher government

charges in the City of Toronto and the City of Vancouver were mainly due to higher development charges and density payments.

- A larger number of government charges may lengthen the development approval process and, in turn, lengthen the delivery of new supply to market. Municipalities in the Montréal metropolitan area generally had fewer government charges and shorter development approval timelines than those in Vancouver and Toronto.
- Once a subdivision agreement is registered, the single-detached home tends to be the housing type subject to the lowest government fees. This seems to run contrary to densification efforts being pursued by municipalities, which are necessary to increase housing supply within existing urban areas.

Introduction

Purpose

The provision of new housing supply is a priority for improving housing affordability for everyone in Canada. The various input costs associated with producing new housing determine the number of units produced. While better understanding these costs represents a step in the right direction, it should be noted that tackling the affordability crisis is a complex, multi-faceted issue.

In addition to land and construction costs, some input costs include fees levied by governments. The collection and administration of such fees introduces two main challenges. First, they add a direct cost to the production of housing. Second, government fees may introduce complexity and a level of uncertainty to the development process as construction timelines hinge upon the successful collection of fees.

In this study, we examine the number, complexity, and cost of government fees on six different development scenarios in select municipalities in Canada’s three largest metropolitan areas (Vancouver, Toronto, and Montréal). These large centres

¹ <https://assets.cmhc-schl.gc.ca/sf/project/cmhc/pdfs/content/en/69262.pdf>

have seen the highest housing demand and affordability pressures, especially Toronto and Vancouver where affordability challenges have been longstanding.

Understanding cost variations across municipalities, dwelling types, and tenures may help identify examples of policies that result in housing being supplied at a lower cost. This could be the result of not only lower fees, but also simpler processes that reduce risk and uncertainty in the development process.

It is worth noting that there are many other considerations and processes pertaining to the regulatory aspects of residential development, including regulations such as view cones, height limits, minimum lot frontage, and more. Examining the impact of these measures is not within the scope of this report.

Background: Housing Input Costs

Housing prices reflect the equilibrium of supply and demand. Focusing on the supply side entails examining all input costs involved in developing the housing unit, which can be broadly categorized as follows:

- **Land costs**, which vary widely by location and size, purchase time, zoning, and surrounding amenities;
- **Hard construction costs**, including materials, labour, and equipment;
- **Soft construction costs**, which include fees paid to professionals (architects, engineers, urban planners, lawyers, etc.), project management fees, marketing costs, fees and interest on loans, and contingency costs arising from uncertainty in the development approval timeline;
- **Government charges**, which are usually levied by a municipal government and include fees for development and building permits, zoning and amendments, site-servicing fees, infrastructure and community levies, and taxes; and,
- **Developer profit**, which can be thought of as the residual between the sale price and all of the other cost components. It is typically planned to be between 10-15% on a development pro-forma statement, which is often a condition for securing financing.

Defining government charges on new development

Government charges on new development have a variety of purposes. Some are designed to recover the cost of providing services to the new building (water, sewer, etc.), while others are used to raise revenue for broader amenities or public goods in the community. For the purposes of this work, government charges can be broadly categorized as follows:

- **Taxes**, which can be levied at the municipal, provincial, or federal level and can pertain to transactions to buy or sell a property, as well as simply holding it. Taxes are a tool to raise revenue to provide government services.
- **Warranty fees** provide insurance to the end user against construction defects in materials, labour, and the building envelope and structure. These fees are typically charged on a per unit basis by a new home warranty program administered by an independent entity under provincial laws.
- **Municipal fees**, are charged according to site area or on a per unit or fixed fee basis to review amendments for a given site, site plan approval, development agreements, and other approvals needed from various municipal and regional departments.
- **Development charges**, also known as a Development Cost Levies, are fees that may be assessed at the regional level to contribute to capital costs for infrastructure (e.g., sewage treatment plant expansion) necessary to accommodate growth. They can be assessed according to site area or per unit.
- **Density payments** relate to the amount of density permitted on the site and are designed to raise revenue for community amenities (e.g., swimming pools, parks, etc.). They vary widely by municipality and even neighbourhoods within the municipality, as well as the tenure type of the project (e.g., rental, condominium, etc.). The size of contribution payments can be subject to negotiation, introducing an additional layer of complexity and uncertainty. The amount levied is related to the incremental value of the site pending rezoning (“land lift”) or additional density being permitted on a site (“density for benefit”).

- **Permit fees** cover administrative costs associated with issuing building, development, and occupancy permits, among others. The number of permits required, as well as the time needed to obtain each, can introduce costly uncertainty to the development timeline. The fee amount can be fixed or charged as a per cent of hard construction costs.

In all cases, the above charges can vary by jurisdiction and may not represent an exhaustive list.

It is worth noting that the above charges represent one of the few limited channels for municipalities to raise revenues. Lowering input costs, and specifically government charges, would require broader changes by municipalities in order to maintain the current level of municipal services.

Overview of methodology

In 2019 and 2020, CMHC commissioned Altus Group to provide construction cost data on 6 residential development scenarios (see Figure 1). In order to understand how government fees vary by dollar value and public process,

each scenario was duplicated across 10 municipalities within Canada's largest metropolitan areas of Vancouver, Toronto and Montréal (see Figure 2). These municipalities were selected to provide variation in geography and approach to development within each metropolitan area.

The cost estimates for each scenario were drawn from two sources: Altus Group's previous consulting work on similar projects in each respective municipality and their direct consultations with municipalities. The estimates cover all the components of the cost of creating new housing except land costs and taxes on that land, which are variable and site-specific. Federal Goods and Services Tax (GST) was also not considered. While Altus Group provided cost data on development scenarios, interpretations of this data and all calculations and analyses derived from this data are CMHC's own.

The development scenarios assume a particular planning area within each municipality. Additional specifications, considerations, and limitations of the methodology are discussed in the [Appendix](#).

Figure 1: Development scenarios examined in each municipality

Scenario	Dwelling Type	Tenure Type	Number of units	Gross Floor Area (sq ft)
1	Single-detached home	Freehold	1	3,000
2	Row home	Freehold or Condominium	4	7,360
3	Apartment (low-rise)	Rental	50	39,375
4	Apartment (low-rise)	Condominium	50	39,375
5	Apartment (high-rise)	Rental	200	157,500
6	Apartment (high-rise)	Condominium	200	157,500

Source: CMHC and Altus Group

Figure 2: Municipalities for which each development scenario was examined

Province	Metropolitan Area	Municipalities
British Columbia	Vancouver	City of Vancouver, City of North Vancouver, City of Burnaby, Township of Langley
Ontario	Toronto	City of Toronto, City of Mississauga, City of Markham
Québec	Montréal	City of Montréal, City of Brossard, City of Terrebonne

Source: CMHC and Altus Group

Analysis Findings

1. Setting the context: Quantifying the number of government charges, by municipality and dwelling type

This section quantifies the number of government charges in residential development. Paying attention to the number of government charges is important for two reasons.

First, each charge represents an incremental step in the development process and involves civil servants (planners, clerks, lawyers, etc.) and developers. As a result, it is logical to hypothesize that as the number of levies grows, the development approval process tends to lengthen as well. Second, since public processes typically involve a minimum administrative charge, more levies may result in larger overall fees per site. These two hypotheses are discussed throughout this report in the context of the scenarios developed by Altus Group.

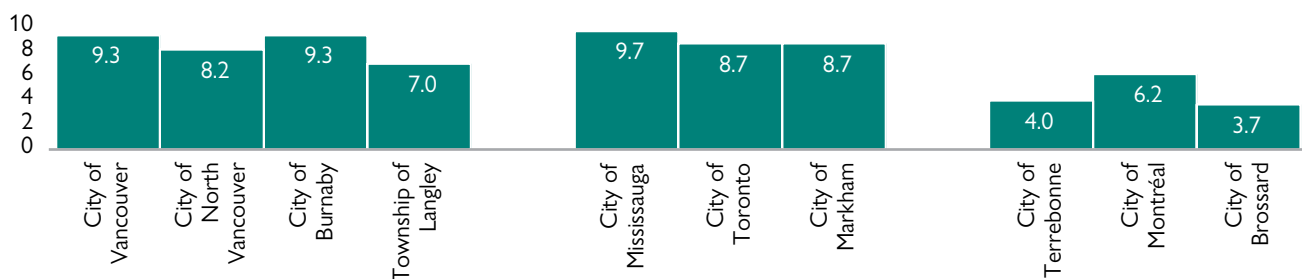
Municipalities surveyed in the Montréal Census Metropolitan Area (CMA) have the fewest government charges, ranging between 4-6 on average (Figure 3). There are fewer municipal fees and development charges² in these centres as compared to those studied in the Vancouver and Toronto CMAs.

The Vancouver and Toronto CMAs averaged 7-9 and 9-10 government charges, respectively. Municipalities studied within these two CMAs levied, on average, more than one fee from most government charge sub-types (sub-types include permit fees, municipal fees, warranty fees, development charges, and density payments).

Among the different dwelling types studied, single-detached houses tend to be the subject of the fewest government charges—ranging between 3-7 (Figure 4). Low- and high-rise condominium apartment complexes, conversely, are the subject of the most charges—ranging between 5-10. The disparity between the number of charges for detached homes and low- and high-rise condominiums comes from fees on density for the latter.

By tenure, density payments are not levied for rental apartment complexes in most Vancouver CMA municipalities. This may be with the intention of incentivizing purpose-built rental apartment construction due to low vacancy rates in some municipalities in recent years. By contrast, density payments are levied on both low- and high-rise rental apartment complexes in the Toronto and Montréal CMA municipalities studied.

Figure 3: Number of government charges levied*, by municipality (all dwelling types averaged**)



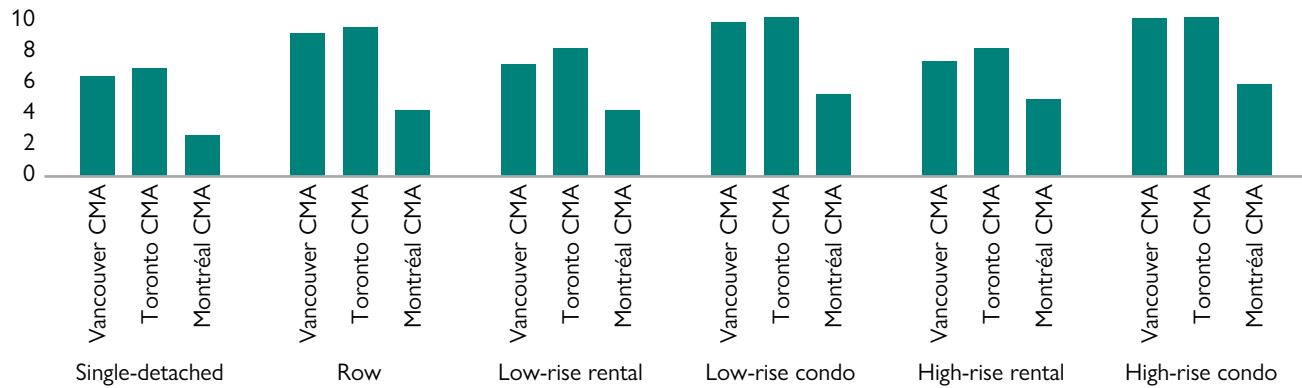
Source: Altus Group, CMHC calculation

* In Montréal, “Affordable & Family Housing” and “Social Housing” fees were counted as separate and distinct charges, however, they both fall under a single regulation.

** See Figure 1 for a listing of dwelling types.

² Some development charges (e.g., for sidewalks, sewer connection, etc.) can be charged to builders by municipalities. In some Canadian municipalities included in this report, development charges are applied on a per unit basis or per floor area, making it simpler to evaluate their impact on construction costs. In other Canadian municipalities, these charges can be applied partly or totally on a cost recovery basis, meaning that they can vary greatly from one project to the other, making it more challenging to evaluate their impact on construction costs. In the latter case, it is possible that those specific charges were excluded for some municipalities surveyed in this report. Excluding those charges lowers the number and impact of government fees on construction costs for these municipalities, though not likely in a way that would meaningfully alter the findings presented throughout this report.

Figure 4: Number of government charges levied, by dwelling type (average across select municipalities* in each Census Metropolitan Area)



Source: Altus Group, CMHC calculations

* See [Figure 2](#) for a listing of municipalities.

2. Outlining the potential implications of government charges on the development approval timeline

A larger number of government charges may result in a lengthier, and potentially more complex, time navigating the municipal development system.

According to estimates of approval timelines³ provided by Altus Group, the presence of more government fees was associated with longer development timelines, a relationship we will explore further in future work. This may be attributable to additional administrative processes adhered to as the number of charges rise.

By municipality, centres in the Montréal CMA have the fewest government charges and, correspondingly, the shortest development approval timelines. Timelines in Vancouver and Toronto CMA centres are comparatively longer.

Single-detached homes, the dwelling type subject to the fewest charges, boast the shortest development approval timeline,⁴ while low- and high-rise rental and condominium apartment complexes take the longest to proceed through approvals. The difference is primarily owing to the general absence of the need for rezoning for the former.

The type of charges being levied may also contribute to the lengthening of the development process. As mentioned previously, density payments—present across all centres studied in all three CMAs (to varying degrees)—may be subject to negotiation, which may introduce complexity, disagreement, and uncertainty to the development approval process.

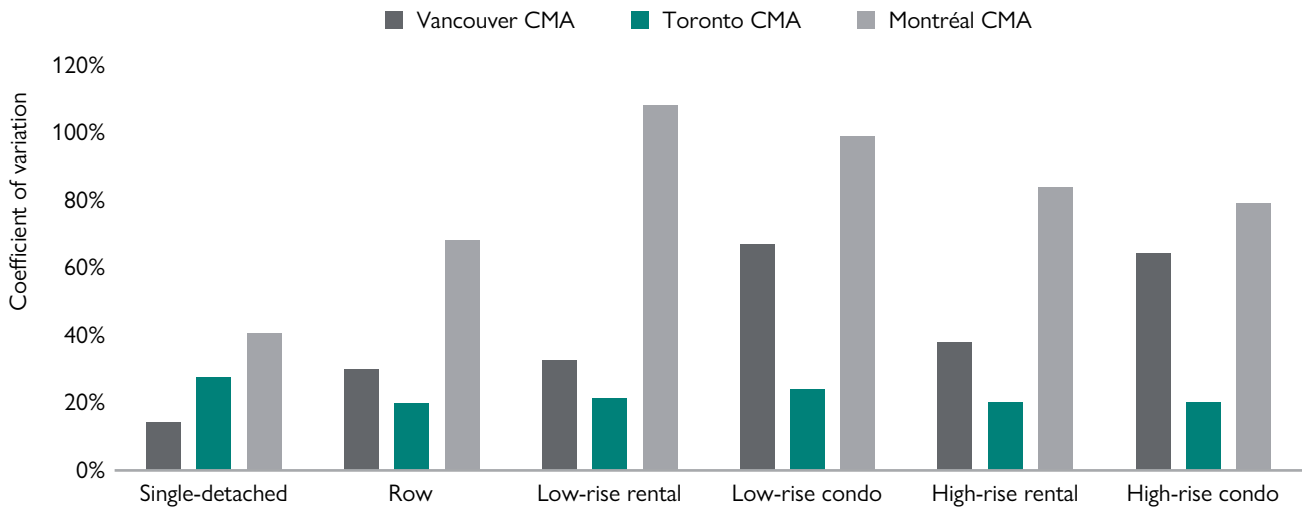
A lengthier development timeline ultimately delays the provision of supply to market. Lengthy approvals also impose additional costs on development (i.e., interest on loans, equipment rentals and labour, unforeseen material cost increases, contingency costs, and opportunity costs). Such costs may get passed on to the end buyer and may limit the number of developers participating in the market to those who can bear them.

Finally, as with the number of government charges, the dollar amount of these charges, as measured by cost per square foot, vary across and within the three metropolitan areas (Figure 5). This may add another layer of complexity to development, particularly as developers must learn the idiosyncrasies of each housing market or rely on consultants to work on their behalf.

³ Includes rezoning, site plan agreement, and permitting (does not include construction time). Also worth noting is that development approval timelines may differ considerably on a project-to-project basis and may not necessarily align with the estimates provided by Altus Group referred to in this work.

⁴ Assumes the development of one (single-detached) unit and *not* the development of an entire subdivision. Also assumes rezoning is not required for said unit.

Figure 5: Variation in the total cost per square foot* of government charges within Census Metropolitan Areas (select municipalities***)**



Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see Appendix Table A1 for total saleable/leaseable area for each dwelling type scenario).

** As per the coefficient of variation (%), which is a measure of the relative variability of a data series calculated by dividing the series' standard deviation by its mean. For the purpose of this figure, a value of 0% would indicate government fees in municipalities within a Census Metropolitan Area are identical, while a value above 0% would indicate that there is relative variability in government fees in municipalities within a Census Metropolitan Area. The higher the value of the coefficient of variation, the greater the degree of relative variability of government fees between municipalities within a Census Metropolitan Area.

*** See Figure 2 for a listing of municipalities.

3. Comparing the dollar amount of government charges in the municipalities of Vancouver, Toronto, and Montréal

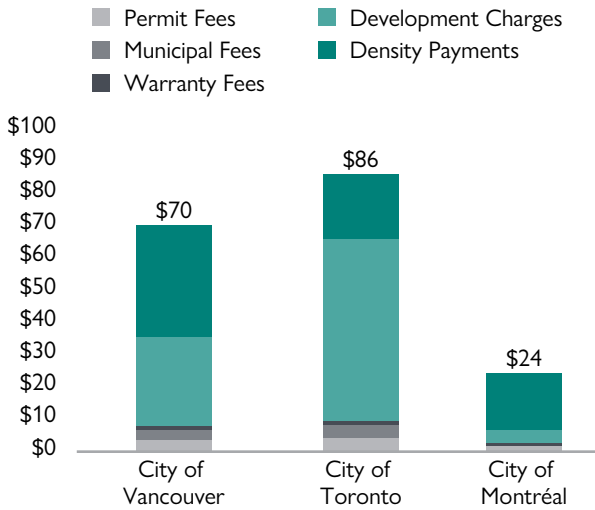
In this section, we turn our attention to a comparative analysis of the dollar amount of government charges across the Cities of Vancouver, Toronto, and Montréal. We later compare these municipalities to other municipalities within the same metropolitan areas (e.g., The City of Toronto is later compared to the City of Markham and the City of Mississauga).

Comparisons are drawn on both a *per square foot* basis and a *per unit* basis. These metrics enable us to draw comparisons across dwelling types of different sizes.

The City of Toronto has the highest average government charge per square foot, while the City of Montréal has the lowest

The average government charge per square foot varies considerably across the three municipalities, both overall and by the different government charge sub-types (Figure 6).

Figure 6: Average government charge per square foot*, by municipality (all dwelling types averaged)**



Source: Altus Group, CMHC calculations

* Of saleable/leaseable area.

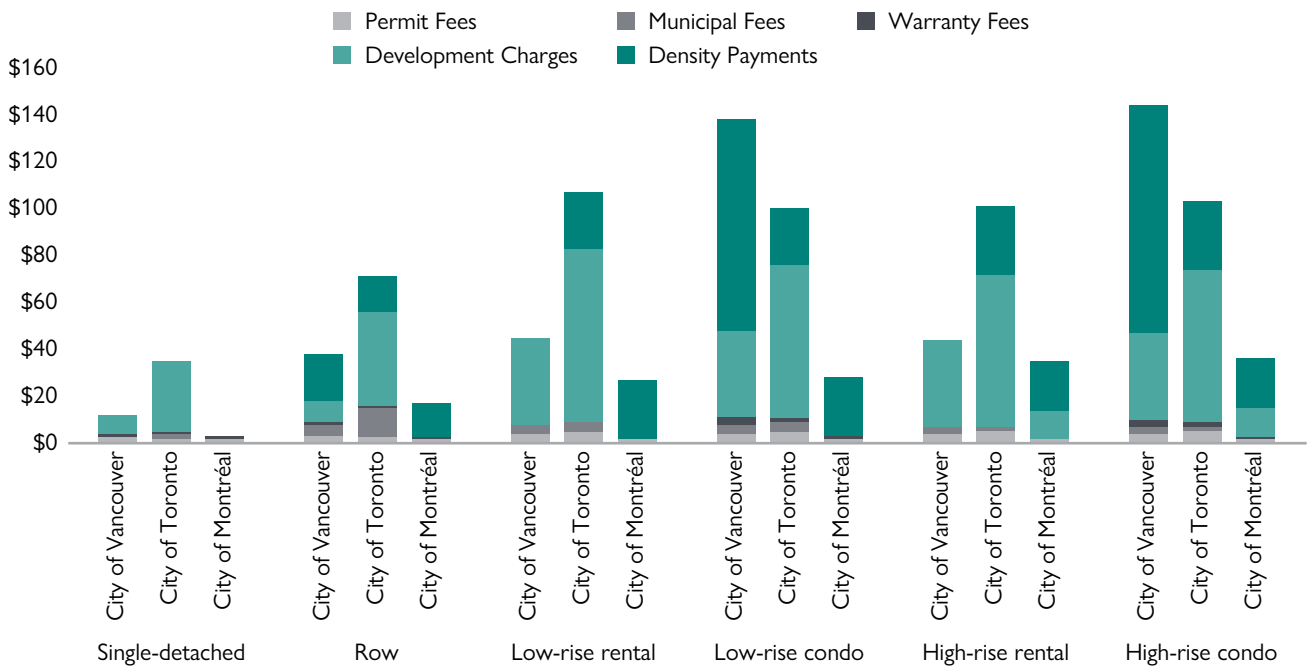
** See Figure 1 for a listing of dwelling types.

The average government charge per square foot is highest in Toronto (\$86) because of its higher development charges. It is second highest in Vancouver (\$70) owing to density payments, which comprise a particularly large component of government charges there relative to the other two centres.

Montréal has the lowest average government charge per square foot (\$24). This is because the magnitude of most government charge sub-types in Montréal is generally much lower.

The same pattern tends to hold by dwelling type. In other words, across dwelling types, the government charge per square foot is typically highest in Toronto, followed by Vancouver, and then Montréal (Figure 7). This does not hold for low- and high-rise condominiums, where Vancouver has the highest government charge per square foot owing entirely to density payments.

Figure 7: Government charge per square foot* by municipality, by dwelling type



Source: CMHC and Altus Group

* Of saleable/leaseable area (see Appendix Table A1 for total saleable/leaseable area for each dwelling type scenario).

Government charges can account for more than 20% of the construction costs of a dwelling unit in some major Canadian cities

Here, we will be examining how government charges factor into the total construction cost⁵ of a dwelling unit. In other words, what is the portion of construction cost that can be attributed to government charges? And do some charges have a significantly greater weight than others on total costs?

It is important to mention that, in addition to government charges, hard and soft costs, which also vary from city to city,⁶ have an impact on total construction costs. This section, however, only considers the role of government charges.

As shown in Figure 8, the City of Toronto generally has the highest government charges as a portion of total construction costs. If we were to remove government charges, the cost of a dwelling would be 10% to 24% lower, depending on dwelling type. In the case of row homes, government charges represent about a quarter of the construction cost.

Figure 8: Percent reduction of total construction cost per unit when government charges excluded

Municipality	Fees/Structures	Single-Detached	Row Homes	Low-Rise Rental	Low-Rise Condo	High-Rise Rental	High-Rise Condo
City of Vancouver	Total Charges	-3.7%	-9.2%	-8.1%	-20.4%	-7.1%	-19.0%
City of Toronto	Total Charges	-10.4%	-23.5%	-17.2%	-15.8%	-15.0%	-14.9%
City of Montréal	Total Charges	-1.7%	-7.9%	-10.2%	-10.0%	-12.2%	-11.8%
City of Vancouver	Permit fees	-0.9%	-0.8%	-0.7%	-0.6%	-0.6%	-0.6%
City of Toronto	Permit fees	-0.7%	-1.0%	-0.9%	-0.9%	-0.8%	-0.8%
City of Montréal	Permit fees	-1.2%	-1.0%	-0.8%	-0.8%	-0.8%	-0.8%
City of Vancouver	Municipal fees	0.0%	-1.3%	-0.7%	-0.5%	-0.5%	-0.4%
City of Toronto	Municipal fees	-0.5%	-3.9%	-0.6%	-0.6%	-0.3%	-0.3%
City of Montréal	Municipal fees	-0.2%	-0.1%	0.0%	0.0%	0.0%	0.0%
City of Vancouver	Guarantee fees	-0.2%	-0.2%	0.0%	-0.4%	0.0%	-0.4%
City of Toronto	Guarantee fees	-0.3%	-0.4%	0.0%	-0.4%	0.0%	-0.3%
City of Montréal	Guarantee fees	-0.4%	-0.5%	0.0%	-0.4%	0.0%	-0.4%
City of Vancouver	Development charges	-2.5%	-2.1%	-6.8%	-5.5%	-5.9%	-4.9%
City of Toronto	Development charges	-8.9%	-13.3%	-11.9%	-10.2%	-9.6%	-9.3%
City of Montréal	Development charges	0.0%	0.0%	0.0%	0.0%	-4.2%	-4.0%
City of Vancouver	Density payments	0.0%	-4.8%	0.0%	-13.5%	0.0%	-12.8%
City of Toronto	Density payments	0.0%	-5.0%	-3.8%	-3.7%	-4.3%	-4.2%
City of Montréal	Density payments	0.0%	-6.3%	-9.4%	-8.8%	-7.2%	-6.7%

Source: Altus Group, CMHC calculations

Due to rounding, the percent reduction in total charges for a given dwelling type may not correspond exactly with the sum of the percent reduction from the different fees.

⁵ The total cost includes hard costs, soft costs, and government charges. Land costs and profits are excluded.

⁶ Using our development scenarios as an example, the hard and soft costs of building a single-detached home are about \$350,000 higher in Toronto and Vancouver than in Montréal, whereas, for a large rental or condominium building, the difference is about \$40 million.

In Vancouver, various charges account for 7% to 20% of the cost of building a home (except for single-detached homes). Condominiums are the housing type for which charges increase total construction costs the most (20%).

In Montréal, government charges generally account for the smallest portion of construction costs across all housing types. The charges are lowest for single-detached homes (representing less than 2% of total construction costs).

While government charges for single-detached homes are higher in Vancouver and Toronto, they are much lower than for denser housing types such as row homes and condominiums. In a context in which many municipalities have implemented policies to increase density, it may seem surprising that the least dense housing type is also the one whose total cost is least affected by government charges.

Nevertheless, for both single-detached homes and other dwelling types, the higher charges in Toronto and Vancouver are mainly due to higher development charges and density payments than those in Montréal.

In the case of rental buildings, government charges are slightly higher in Montréal than in Vancouver. In Montréal, density payments⁷ for rental buildings include park fees and fees ensuing from the new *By-law for a Diverse Metropolis*⁸, while, in Vancouver, rental projects are exempt from density

payments. For other fees, such as permit fees, municipal fees and warranty fees, the difference between the three cities is marginal (Figure 8).

Overall, the structure of government charges in Montréal therefore inflates housing construction costs the least.

4. Comparing the dollar amount of government charges within the Census Metropolitan Areas of Vancouver, Toronto, and Montréal

In this section, we compare government fees between select municipalities within the CMAs of Vancouver, Toronto, and Montréal. We analyze these fees on both a per unit and a per square foot basis.

On a per unit basis, government charges are higher in Vancouver than in other B.C. municipalities

Figure 9 reports results on the impact of government charges in select municipalities within the Vancouver CMA. Across most structures, the City of Vancouver reports the highest government charges.

Figure 9: Percent reduction of total construction cost per unit when government charges excluded, select municipalities within the Vancouver Census Metropolitan Area

Structures	City of Vancouver	City of North Vancouver	Township of Langley	City of Burnaby
Single-detached	-3.7%	-2.7%	-3.8%	-2.9%
Row homes	-9.2%	-7.2%	-5.2%	-9.8%
Low-rise rental	-8.1%	-3.7%	-6.2%	-4.5%
Low-rise condo	-20.4%	-7.6%	-6.3%	-7.0%
High-rise rental	-7.1%	-2.9%	-5.4%	-3.4%
High-rise condo	-19.0%	-9.2%	-5.5%	-5.7%

Source: Altus Group, CMHC calculations

Note: For certain development scenarios appearing in this table, calculations were based on synthetic data (see [Appendix Table A2](#) for a list of scenarios based on synthetic data). This was due to the absence of certain structure types in certain municipalities.

⁷ The new *By-law for a Diverse Metropolis* came into effect in April 2021, which was after CMHC received data on housing cost scenarios from the Altus Group. Public information available on the by-law, at the time the data was collected, was used to estimate the impact to the cost of construction.

⁸ It should be noted that the purpose of this report is to assess the impact of government charges on total construction costs. The impact of including affordable or social housing on rent affordability offered to tenants through the *By-law for a Diverse Metropolis* is beyond the scope of this analysis and could result in other societal benefits.

This is generally due to density payments that are often higher than elsewhere in the Vancouver CMA. This is also true for development charges. Density payments and development charges in the City of Vancouver comprise most of the additional cost related to government fees for both low- and high-rise condominium developments.

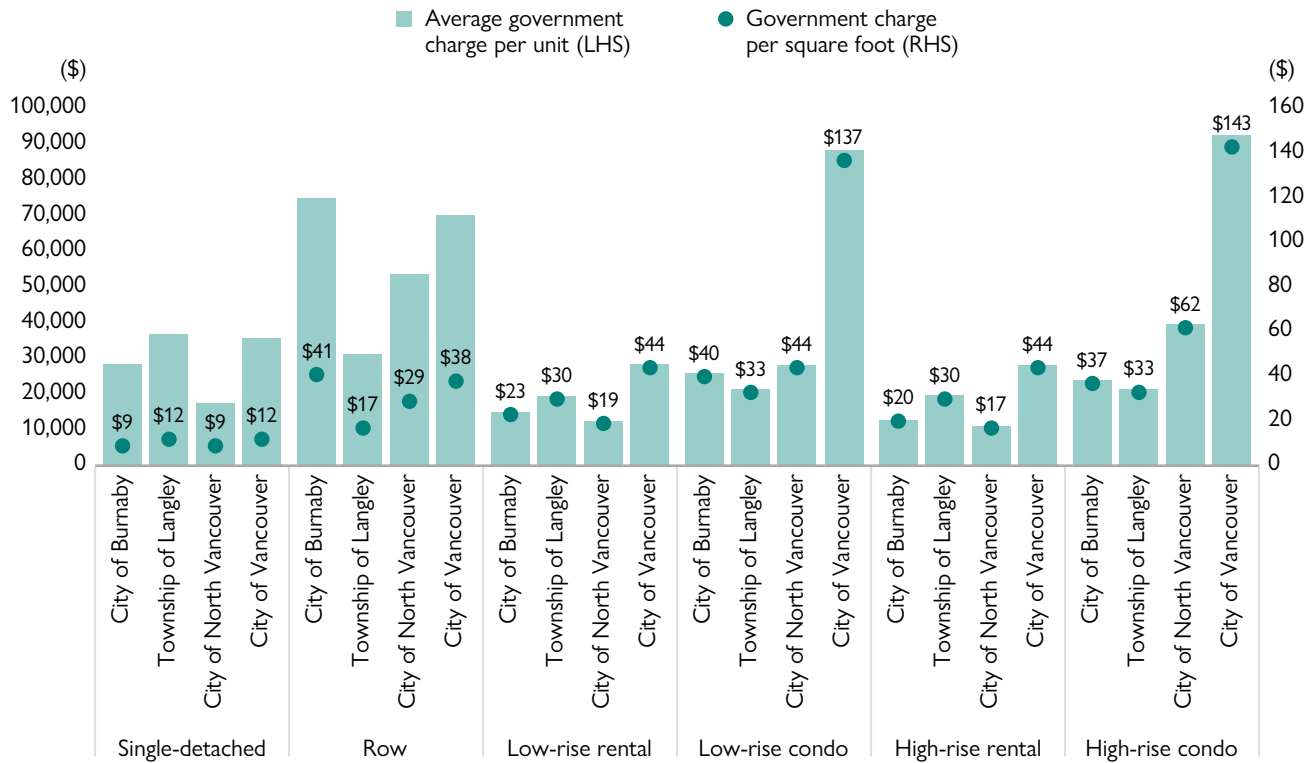
The Township of Langley also has high development charges relative to the cost of construction, but one of the lowest density payments. This allows Langley to be one of the municipalities where total government charges add the least to construction costs.

North Vancouver and Burnaby have relatively similar profiles when it comes to government charges, which, except for row homes in Burnaby, are lower than in Vancouver.

As noted previously, density payments can be subject to negotiation. Negotiation can be lengthy, complex and a source of uncertainty. As a result, differences in charges across municipalities within the Vancouver CMA may be indicative of differences in process and, subsequently, time costs.

Moreover, data for the City of Vancouver in this study is based on the Cambie Corridor which has a fixed dollar per square foot amount sought by the municipality for density payments. Density payment estimates in this study may therefore represent a lower bound compared to those that might be incurred for an ad-hoc development elsewhere in the City of Vancouver.

Figure 10: Government charges per unit (LHS) and government charges per square foot* (RHS) by select municipality and dwelling type within the Vancouver Census Metropolitan Area



Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see Appendix Table A1 for total saleable/leaseable area for each dwelling type scenario).

Note: For certain development scenarios appearing in this table, calculations were based on synthetic data (see Appendix Table A2 for a list of scenarios based on synthetic data). This was due to the absence of certain structure types in certain municipalities.

On a per square foot basis, the previous findings hold (Figure 10). Depending on the dwelling type, the City of Vancouver’s government fees per square foot range between \$12 and \$143, the lowest being for single-detached, and the highest being for high-rise condominium apartments. Density payments and development charges make up the largest share of the government fees per square foot in the latter. At the opposite end, Langley has the lowest government fees per square foot (between \$12 and \$33).

As was the case with the analysis on a per unit basis, fees per square foot in North Vancouver and Burnaby are quite similar, hovering between \$9 and about \$40.

Government charges per unit are higher in Markham than Toronto and Mississauga

Among the three municipalities examined in the Toronto CMA, Markham is the city with the highest charges relative to total construction cost, ranging from one fifth to one third of the cost (Figure 11). Development charges are generally higher there than in the other two municipalities. Municipal fees—essentially for site plan control⁹—also represent a larger share of construction costs than elsewhere.

Figure 11: Percent reduction of total construction cost per unit when government charges excluded, select municipalities within the Toronto Census Metropolitan Area

Structures	City of Toronto	City of Mississauga	City of Markham
Single-detached	-10.4%	-10.9%	-17.2%
Row homes	-23.5%	-25.0%	-34.4%
Low-rise rental	-17.2%	-14.7%	-20.0%
Low-rise condo	-15.8%	-14.5%	-20.6%
High-rise rental	-15.0%	-15.6%	-19.7%
High-rise condo	-14.9%	-15.5%	-18.8%

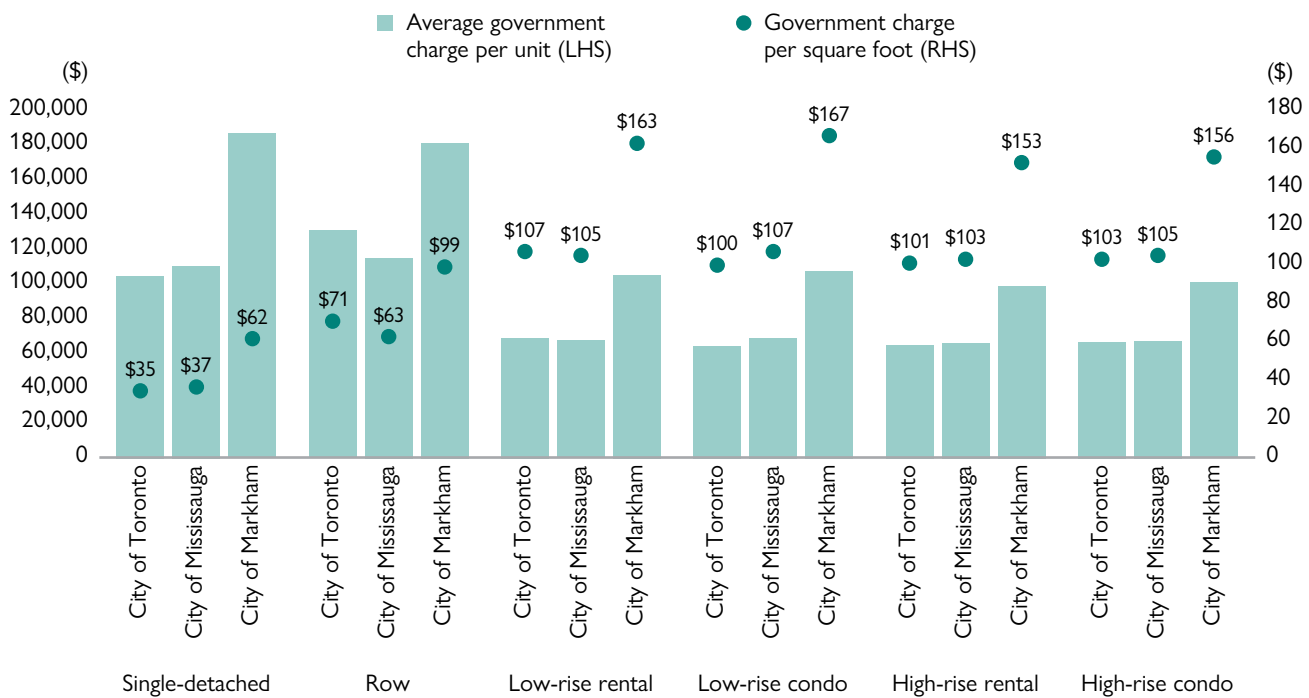
Source: Altus Group, CMHC calculations

⁹ It includes planning review, urban design review, and engineering review.

Toronto and Mississauga have a similar profile but the scale of each type of charge is different in each of the two cities. In Mississauga, development charges, are higher than in Toronto while in Toronto, cash-in-lieu-of-parkland density payments are higher than in Mississauga.

A per square foot comparison reports similar findings. In Toronto, government fees can represent, depending on the dwelling type, between \$35 and \$107 per square foot (Figure 12). Results for Mississauga are similar (between \$37 and \$107). On the other hand, fees in Markham hover between \$62 and \$167. The higher upper bound in Markham is once again mainly attributable to the presence of higher development charges.

Figure 12: Government charges per unit (LHS) and government charges per square foot* (RHS) by select municipality and dwelling type within the Toronto Census Metropolitan Area



Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see Appendix Table A1 for total saleable/leaseable area for each dwelling type scenario).

Government charges per unit are higher in Montréal than others Québec municipalities

In the Montréal CMA, the cities of Terrebonne, Brossard and Montréal were compared. Of the three cities, Montréal is the one where government charges relative to the cost of construction are the most significant (Figure 13).

One explanation relates to density payments. Park fees are closely linked to land values and land values are higher in Montréal. The charges from the *By-law for a Diverse Metropolis*, applicable only in Montréal, further widen the gap. Lastly, permit fees are also slightly higher in Montréal. The combination of these factors pushes up the relative cost of charges in Montréal.

Figure 13: Percent reduction of total construction cost per unit when government charges excluded, select municipalities within the Montréal Census Metropolitan Area

Structures	City of Montréal	City of Brossard	City of Terrebonne
Single-detached	-1.7%	-0.7%	-1.0%
Row homes	-7.9%	-2.7%	-2.1%
Low-rise rental	-10.2%	-1.2%	-1.1%
Low-rise condo	-10.0%	-1.6%	-1.5%
High-rise rental	-12.2%	-5.8%	-0.6%
High-rise condo	-11.8%	-6.1%	-1.1%

Source: Altus Group, CMHC calculations

Note: For certain development scenarios appearing in this table, calculations were based on synthetic data (see [Appendix Table A2](#) for a list of scenarios based on synthetic data). This was due to the absence of certain structure types in certain municipalities.

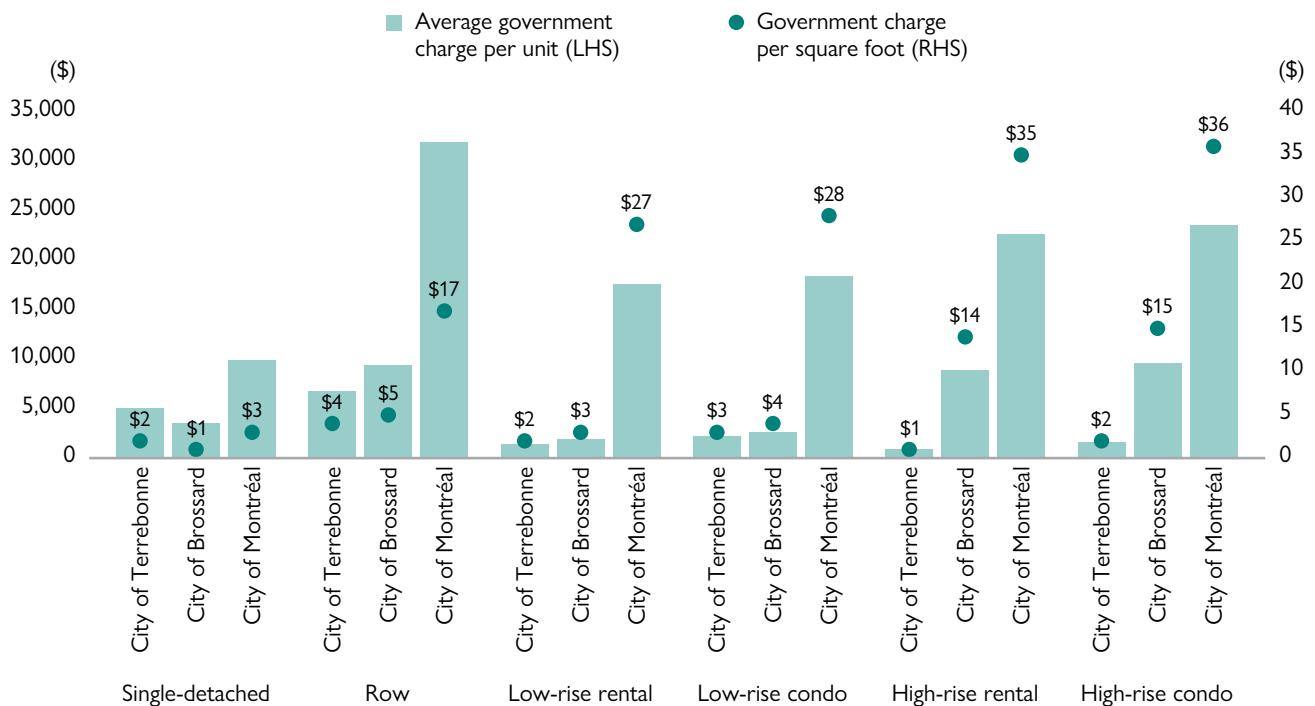
In the case of Brossard, large rental and condominium buildings also have relatively high government charges, given the levies collected for the development of the Réseau express métropolitain (REM) public transport system. This charge also applies to Montréal for this dwelling type.

Terrebonne is therefore the municipality where construction costs are the least influenced by the different types of charges; they represent only 1% to 2% of total construction costs, regardless of the dwelling type. This result is attributable to lower land prices (lower park fees) and the absence of a special levy such as that for the REM.

The above results are also evident when looking at government fees on a per square foot basis (Figure 14). Terrebonne has the lowest government fees per square foot, hovering between \$1 and \$4 depending on the dwelling type. They range between \$1 and \$15 in Brossard. The upper range is only for high-rise structures, as REM fees are applied for this development scenario.

Finally, in Montréal, government fees per square foot range between \$17 and \$36 (only single-detached homes fall outside this range, at \$3). The inclusion of the *By-law for a Diverse Metropolis* adds to the park and REM fees also present in Montréal.

Figure 14: Government charges per unit (LHS) and government charges per square foot* (RHS) by select municipality and dwelling type within the Montréal Census Metropolitan Area



Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see Appendix Table A1 for total saleable/leaseable area for each dwelling type scenario).

Note: For certain development scenarios appearing in this table, calculations were based on synthetic data (see Appendix Table A2 for a list of scenarios based on synthetic data). This was due to the absence of certain structure types in certain municipalities.

Conclusion and Next Steps

In this study, we reported new data on government fees on housing development by dwelling type and tenure type for different municipalities in Canada's three largest urban centres: Vancouver, Toronto, and Montréal.

We found that:

- The number and magnitude of government charges on residential development vary substantially by municipality.
- The number, complexity, and uncertainty of government charges, particularly when they are subject to negotiation, may lengthen the development approval process and, in turn, the amount of time needed to bring new supply to market.
- The structure of fees sometimes contradicts objectives regarding density and environmental sustainability, for example by allowing lower density forms of housing (particularly single-detached homes) to be built with significantly lower fees.

By comparing fees on development across cities, we hope to create discussions among governments and industry participants to identify best practices for delivering housing units in a timely and cost-effective manner for the end user.

Our findings suggest the following opportunities for housing policy discussion:

- **Increasing certainty around the number, timing, and magnitude of government fees** could improve housing affordability by decreasing other development costs, such as those for construction (e.g., labour, equipment) and financing.

- **Further aligning government fees on development with other housing policy goals.** We identified examples where municipalities had lower fees for rental apartment development, which aligned well with what those governments wanted to promote. These efforts could be reinforced by making fees higher for less dense development, such as single-detached homes, or ensuring that denser housing forms that could be built on the same lot carried lower fees.
- **Eliminating density payments payable upon spot rezoning.** These payments can be subject to negotiation, which introduces complexity and uncertainty. The amount levied is often linked to the change in the value of the site pending rezoning or additional density being permitted on a site.
- **Eliminating some steps of the development process, such as spot rezoning,** would decrease the time and cost of delivering new housing. For example, in areas with an Official Community Plan, sites could be pre-zoned to permit the density and typologies consistent with the plan.
- **Exploring alternate tools for municipalities to raise revenue** to fund municipal services and capital projects. Where infrastructure is largely funded through means other than development charges, government fees on residential development tend to be comparatively lower. This may result in new housing being delivered at a lower cost.

The findings in this report represent an important step in understanding how government charges affect the cost of delivering new housing. Our understanding of this topic, as well as the above policy ideas, could be enhanced through further research by:

- Assessing how government charges have evolved over time and how this might have influenced housing affordability;
- Examining government charges in other municipalities, particularly those in smaller centres who may face less severe housing affordability pressures;
- Examining how municipalities use the finance tools at their disposal to investigate how to optimize revenues;
- Constructing a dataset on the time required to complete each regulatory step in the development process in municipalities across Canada to identify ways housing can be delivered more quickly, and hence at lower cost.

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Appendix

Details of the methodology and development scenarios

The development scenarios examined were held constant across all municipalities to understand the variation in government fees on development across Canada (Table A1). Note that the general assumptions, unit breakdowns, and floor areas may therefore not be representative of what might be constructed in each municipality based on current local market and development conditions.

For the development scenarios identified, Altus Group provided cost estimates for the government fees that would apply in each municipality. This information was drawn from its database of residential projects based on its consulting experience. Where information was lacking, Altus Group consulted directly with municipalities to obtain representative hypothetical figures (Table A2). Additional assumptions for each municipality, such as the planning area or proximity to transit, are provided in Table A3.

Table A1: Structure details and assumptions for development scenarios (all municipalities)

	Single-detached home	Row home	Low-rise apt. (condo or rental)	High-rise apt. (condo or rental)
Number of storeys	2	3	6	24
Number of units	1	4	50	200
Average unit size (sq ft)	3,000	1,840	650	650
Total saleable/leaseable area (sq ft)	3,000	7,360	32,288	129,150
Gross floor area (sq ft)	3,000	7,360	39,375	157,500

Source: CMHC and Altus Group

Table A2: Development scenarios based on synthetic data (indicated by an X)

Dwelling type / Municipality	Single-detached	Row home	Low-rise condo	Low-rise rental	High-rise condo	High-rise rental
Vancouver	X					
North Vancouver	X					
Burnaby	X					
Langley					X	X
Toronto						
Mississauga						
Markham						
Montréal						
Brossard					X	X
Terrebonne					X	X

Source: CMHC and Altus Group

Table A3: Planning area and assumptions for municipalities

Municipality	Dwelling type	Planning area and assumptions
Vancouver	All	Cambie Corridor area. Density payment (CAC) amounts were as prescribed for this planning area and are not necessarily representative of amounts that might need to be negotiated for spot rezonings elsewhere in the City.
North Vancouver	All	Lonsdale regional city centre area. Density payment (CAC) amounts per the City of North Vancouver's 2018 Density Bonus and Community Benefits Policy.
Burnaby	All	Brentwood area. Density payments (CACs) are typically negotiated, so amounts considered were taken from comparable projects.
Langley	All	Density payments (CACs) as prescribed by the Township of Langley. Note that high-rise scenarios are synthetic per Table A2.
Toronto	Single-detached	Midtown area.
	Row home	Scarborough area.
	Low-rise apt. (rental or condo)	Junction area. Density payments are based on a 5-year average for comparable projects.
	High-rise apt. (rental or condo)	Yorkdale / Lawrence Heights area. Density payments are based on a 5-year average for comparable projects.
Mississauga	All	Density payments, where applicable, are based on a 5-year average for comparable projects.
Markham	All	Density payments, where applicable, are based on a 5-year average for comparable projects.
Montréal*	Single-detached	Park fees, REM fees, and Social and Affordable housing contributions excluded.
	Row home	Park fees included. REM fees and Social and Affordable housing contributions excluded.
	Low-rise apt. (rental or condo)	REM fees excluded. Park fees and Social and Affordable housing contributions included.
	High-rise apt. (rental or condo)	Park fees, REM fees, and Social and Affordable housing contributions included.
	All	Midtown Montréal area.
Brossard*	Single-detached	Park and REM fees excluded.
	Row home	Park fees included. REM fees excluded.
	Low-rise apt. (rental or condo)	Park fees included. REM fees excluded.
	High-rise apt. (rental or condo)	Park fees and REM fees included.
Terrebonne	All	Park fees included for all dwelling types except single-detached homes.

Source: CMHC and Altus Group

* For Montréal and Brossard, high-rise developments (rental and condo) were assumed to be located within 1 km of future Réseau Express Métropolitain (REM) transit stations.

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Alternative text and data for figures

Figure 3: Number of government charges levied*, by municipality
(all dwelling types averaged**)

Municipality	Number of government charges levied*
City of Vancouver	9.3
City of North Vancouver	8.2
City of Burnaby	9.3
Township of Langley	7.0
City of Mississauga	9.7
City of Toronto	8.7
City of Markham	8.7
City of Terrebonne	4.0
City of Montréal	6.2
City of Brossard	3.7

Source: Altus Group, CMHC calculations

* In Montréal, “Affordable & Family Housing” and “Social Housing” fees were counted as separate and distinct charges, however, they both fall under a single regulation.

** See [Figure 1](#) for a listing of dwelling types.

Figure 4: Number of government charges levied, by dwelling type
(average across select municipalities* in each Census Metropolitan Area)

Dwelling Type	Census Metropolitan Area (CMA)	Number of government charges levied (average across select municipalities)
Single-detached	Vancouver CMA	6.5
	Toronto CMA	7.0
	Montréal CMA	2.7
Row	Vancouver CMA	9.3
	Toronto CMA	9.7
	Montréal CMA	4.3
Low-rise rental	Vancouver CMA	7.3
	Toronto CMA	8.3
	Montréal CMA	4.3
Low-rise condo	Vancouver CMA	10.0
	Toronto CMA	10.3
	Montréal CMA	5.3

Dwelling Type	Census Metropolitan Area (CMA)	Number of government charges levied (average across select municipalities)
High-rise rental	Vancouver CMA	7.5
	Toronto CMA	8.3
	Montréal CMA	5.0
High-rise condo	Vancouver CMA	10.3
	Toronto CMA	10.3
	Montréal CMA	6.0

Source: Altus Group, CMHC calculations

* See [Figure 2](#) for a listing of municipalities.

Figure 5: Variation in the total cost per square foot* of government charges within Census Metropolitan Areas (select municipalities***)**

Census Metropolitan Area (CMA)	Single-detached	Row	Low-rise rental	Low-rise condo	High-rise rental	High-rise condo
Vancouver CMA	14.3%	29.9%	32.8%	67.1%	38.0%	64.4%
Toronto CMA	27.5%	19.9%	21.5%	24.1%	20.2%	20.2%
Montréal CMA	40.8%	68.2%	108.3%	99.1%	84.0%	79.3%

Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see [Appendix Table A1](#) for total saleable/leaseable area for each dwelling type scenario).

** As per the coefficient of variation (%), which is a measure of the relative variability of a data series calculated by dividing the series' standard deviation by its mean. For the purpose of this figure, a value of 0% would indicate government fees in municipalities within a Census Metropolitan Area are identical, while a value above 0% would indicate that there is relative variability in government fees in municipalities within a Census Metropolitan Area. The higher the value of the coefficient of variation, the greater the degree of relative variability of government fees between municipalities within a Census Metropolitan Area.

***See [Figure 2](#) for a listing of municipalities.

Figure 6: Average government charge per square foot*, by municipality (all dwelling types averaged)**

Fees/Structures	City of Montréal	City of Toronto	City of Vancouver
Permit Fees	\$2	\$4	\$4
Municipal Fees	\$0	\$4	\$3
Warranty Fees	\$1	\$1	\$1
Development Charges	\$4	\$57	\$28
Density Payments	\$18	\$20	\$35
Sum total	\$24	\$86	\$70

Source: Altus Group, CMHC calculations

* Of saleable/leaseable area.

** See [Figure 1](#) for a listing of dwelling types.

Figure 7: Government charge per square foot* by municipality, by dwelling type

Dwelling Type	Municipality	Permit Fees	Municipal Fees	Warranty Fees	Development Charges	Density Payments
Single-detached	City of Vancouver	\$3	\$0	\$1	\$8	\$0
	City of Toronto	\$2	\$2	\$1	\$30	\$0
	City of Montréal	\$2	\$0	\$1	\$0	\$0
Row	City of Vancouver	\$3	\$5	\$1	\$9	\$20
	City of Toronto	\$3	\$12	\$1	\$40	\$15
	City of Montréal	\$2	\$0	\$1	\$0	\$14
Low-rise rental	City of Vancouver	\$4	\$4	\$0	\$37	\$0
	City of Toronto	\$5	\$4	\$0	\$74	\$24
	City of Montréal	\$2	\$0	\$0	\$0	\$25
Low-rise condo	City of Vancouver	\$4	\$4	\$3	\$37	\$90
	City of Toronto	\$5	\$4	\$2	\$65	\$24
	City of Montréal	\$2	\$0	\$1	\$0	\$25
High-rise rental	City of Vancouver	\$4	\$3	\$0	\$37	\$0
	City of Toronto	\$5	\$2	\$0	\$65	\$29
	City of Montréal	\$2	\$0	\$0	\$12	\$21
High-rise condo	City of Vancouver	\$4	\$3	\$3	\$37	\$97
	City of Toronto	\$5	\$2	\$2	\$65	\$29
	City of Montréal	\$2	\$0	\$1	\$12	\$21

Source: CMHC and Altus Group

* Of saleable/leaseable area (see [Appendix Table A1](#) for total saleable/leaseable area for each dwelling type scenario).**Figure 10: Government charges per unit (LHS) and government charges per square foot* (RHS) by select municipality and dwelling type within the Vancouver Census Metropolitan Area**

Dwelling type	Municipality	Average government charge per unit (LHS)	Government charge per square foot (RHS)
Single-detached	City of Burnaby	\$28,315	\$9
	Township of Langley	\$36,965	\$12
	City of North Vancouver	\$17,502	\$9
	City of Vancouver	\$35,700	\$12
Row	City of Burnaby	\$74,923	\$41
	Township of Langley	\$31,333	\$17
	City of North Vancouver	\$53,752	\$29
	City of Vancouver	\$70,202	\$38
Low-rise rental	City of Burnaby	\$14,915	\$23
	Township of Langley	\$19,420	\$30
	City of North Vancouver	\$12,319	\$19
	City of Vancouver	\$28,353	\$44

Dwelling type	Municipality	Average government charge per unit (LHS)	Government charge per square foot (RHS)
Low-rise condo	City of Burnaby	\$26,080	\$40
	Township of Langley	\$21,377	\$33
	City of North Vancouver	\$28,294	\$44
	City of Vancouver	\$88,553	\$137
High-rise rental	City of Burnaby	\$12,886	\$20
	Township of Langley	\$19,621	\$30
	City of North Vancouver	\$11,215	\$17
	City of Vancouver	\$28,291	\$44
High-rise condo	City of Burnaby	\$23,853	\$37
	Township of Langley	\$21,579	\$33
	City of North Vancouver	\$39,741	\$62
	City of Vancouver	\$92,656	\$143

Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see Appendix Table A1 for total saleable/leaseable area for each dwelling type scenario).

Note: For certain development scenarios appearing in this table, calculations were based on synthetic data (see Appendix Table A2 for a list of scenarios based on synthetic data). This was due to the absence of certain structure types in certain municipalities.

Figure 12: Government charges per unit (LHS) and government charges per square foot* (RHS) by select municipality and dwelling type within the Toronto Census Metropolitan Area

Dwelling type	Municipality	Average government charge per unit (LHS)	Government charge per square foot (RHS)
Single-detached	City of Toronto	\$104,786	\$35
	City of Mississauga	\$110,485	\$37
	City of Markham	\$186,716	\$62
Row	City of Toronto	\$130,993	\$71
	City of Mississauga	\$115,022	\$63
	City of Markham	\$181,306	\$99
Low-rise rental	City of Toronto	\$69,032	\$107
	City of Mississauga	\$67,690	\$105
	City of Markham	\$105,347	\$163
Low-rise condo	City of Toronto	\$64,624	\$100
	City of Mississauga	\$69,225	\$107
	City of Markham	\$107,760	\$167
High-rise rental	City of Toronto	\$65,185	\$101
	City of Mississauga	\$66,326	\$103
	City of Markham	\$99,096	\$153
High-rise condo	City of Toronto	\$66,816	\$103
	City of Mississauga	\$67,622	\$105
	City of Markham	\$101,007	\$156

Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see Appendix Table A1 for total saleable/leaseable area for each dwelling type scenario).

Figure 14: Government charges per unit (LHS) and government charges per square foot* (RHS) by select municipality and dwelling type within the Montréal Census Metropolitan Area

Dwelling type	Municipality	Average government charge per unit (LHS)	Government charge per square foot (RHS)
Single-detached	City of Terrebonne	\$4,996	\$2
	City of Brossard	\$3,500	\$1
	City of Montréal	\$9,813	\$3
Row	City of Terrebonne	\$6,778	\$4
	City of Brossard	\$9,397	\$5
	City of Montréal	\$31,929	\$17
Low-rise rental	City of Terrebonne	\$1,424	\$2
	City of Brossard	\$1,891	\$3
	City of Montréal	\$17,571	\$27
Low-rise condo	City of Terrebonne	\$2,169	\$3
	City of Brossard	\$2,636	\$4
	City of Montréal	\$18,393	\$28
High-rise rental	City of Terrebonne	\$843	\$1
	City of Brossard	\$8,832	\$14
	City of Montréal	\$22,655	\$35
High-rise condo	City of Terrebonne	\$1,588	\$2
	City of Brossard	\$9,577	\$15
	City of Montréal	\$23,477	\$36

Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see [Appendix Table A1](#) for total saleable/leaseable area for each dwelling type scenario).

Note: For certain development scenarios appearing in this table, calculations were based on synthetic data (see [Appendix Table A2](#) for a list of scenarios based on synthetic data). This was due to the absence of certain structure types in certain municipalities.

**5) Canadian Centre for Economic Analysis : Will Feds Answer the Call? Infrastructure
Investment Lags Amidst Highly Taxed Housing Construction – April 2023**

Will Feds Answer the Call? Infrastructure Investment Lags Amidst Highly Taxed Housing Construction

April 2023



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EXECUTIVE SUMMARY

Economic growth is a crucial factor for a country's overall development and the well-being of its citizens. This growth brings several benefits, including job opportunities, reduced unemployment rates, increased income levels, and higher standards of living for individuals. Moreover, economic growth leads to an increase in tax revenue for the government, which can be invested in public services such as education, healthcare, and infrastructure, ultimately improving the quality of life of citizens.

However, in the context of an aging population and declining birth rates, maintaining economic growth and sustainability has become a challenge. In Ontario, as the population ages, the number of people in the workforce decreases, leading to a shortage of skilled workers in various sectors. To combat this shortage and maintain a robust economy, immigration has become critical for the community to grow. Immigration provides a steady stream of workers with diverse skills, which is necessary to fill the labour gap and sustain the economy.

With the aging population and the need for workers, the responsibility of supporting growth falls on all three levels of government in Canada.

A primary requirement for population growth is the construction of new homes. However, building new homes in Ontario requires significant public infrastructure investment, which is primarily the responsibility of local governments. Unfortunately, local governments cannot access the fiscal benefits of growth through other tiers of government, making it challenging to fund public infrastructure investment adequately.

While the federal government enjoys the majority of the benefits of growth through the taxation of new homes in Ontario, it has not been a significant participant in funding public infrastructure investment, averaging a rate of 7.1%. The low participation of the federal government in funding growth, and its absence as a source puts a strain on local governments and residents, which has contributed to the experience of inadequate infrastructure investment and the impediment of economic growth in Canada generally, and Ontario specifically.

To understand the costs and benefits of growth better, this research report examines the sources of taxation related to the construction of new homes in Ontario and the level of public infrastructure investment that supports all population and economic growth. By examining these factors, we can gain insights into the pressures and constraints imposed upon current and new residents and their local governments.

RESULTS AT A GLANCE

The research findings highlight the following key points:

- Since 2010, Ontario has been in a housing affordability crisis, with the unaffordability of homes having increased by 58%. Much of the problem has to do with the availability of new homes.
- Ontario's population must grow to counter the effects of an aging society. Without immigration, the number of dependents (people who are too young or too old to work) would grow by 40% by 2050, compared to the number of young people who can work and support them. Additionally, by 2050, Ontario would have the same number of non-government workers as it had in 2008 without immigration.
- The construction of new homes is vital to support the population's growth, but the ability of Ontario to build new homes has been decreasing. While the population has grown by 68% since the 1970s, the number of annual new housing completions has dropped by 23%.
- Public infrastructure investment funding required to support growth trends is 30% below what economic analysis would otherwise suggest, compounding the growth problem.
- The tax burden on new housing has significantly increased and now accounts for 31% of the purchase price of a new home in Ontario, twice that on the rest of the economy. Production taxes and taxes paid on the sale of a new home are the primary contributors to this tax burden challenge.
- The government is the largest beneficiary of a new home's construction, accounting for 31% of the purchase price of a new home, three times more than residential construction builders and housing material suppliers.
- Of the 31% tax burden on a new home in Ontario, the federal government is the largest beneficiary, with a 39% share. However, the federal government contributes only 7.1% of the public infrastructure investment required for Ontario to grow. As a result of this inflated growth benefit to cost ratio, the federal government is 9.7 times better off than the province and 6.9 times better off than Ontario municipalities.

Tax burden on new housing in Ontario is 31% of the purchase price.

Governments make three times more than a builder of a new home.

A new home in Ontario has a tax burden twice that of the rest of the economy.

The federal government is the largest beneficiary of new housing at 39% share of tax revenues. It invests 7.1% in Ontario public infrastructure.

CONCLUSIONS

The research findings indicate a critical need for increased federal government involvement in funding public infrastructure investment to support growth and to ease the housing unaffordability problem in Ontario. This lack of support has arguably been a catalyst for the worst housing affordability crisis in Ontario's history. Furthermore, it hinders population growth and economic development, making it increasingly difficult to construct new homes.

Moreover, the current level of federal investment in public infrastructure in Ontario appears to be imbalanced compared to the benefits it receives from housing development. This puts the provincial government and the local governments of Ontario in a difficult position as the taxation revenues from building new homes is not allocated proportionately to those who are responsible for the required public infrastructure investment to support such growth.

While Ontario is facing an unprecedented housing unaffordability crisis, the federal government's recent proclamation of a 55% increase in immigration on pre-pandemic levels highlights the lack of understanding of the housing crisis on the ground and the fiscal and public investment imbalances that exist due to federal government policy. The uncomfortable contradiction is that the federal government's immigration policies aim to drive growth in Ontario, but it does not provide enough funding from the benefits growth to allow the province to grow. This awkward situation has been a factor in Ontario's unaffordable housing crisis and has raised concerns about Ontario's economic sustainability and the quality of life of its residents.

To promote sustainable economic growth in Ontario, the federal government must address this imbalance by increasing its involvement in funding relevant public infrastructure investment. By doing so, the federal government can support growth while sharing the burden of funding growth more equitably. This will ensure that the benefits of growth are shared more equally, creating a more sustainable economic future for Ontario and Canada as a whole.

INTRODUCTION

The economic growth and prosperity of Canada heavily rely on the development of its provinces and territories, and Ontario plays a crucial role in driving the national economy as the most populous province in the country. However, Ontario is facing significant challenges related to unaffordable housing, the underinvestment in public infrastructure, and sustainable economic growth. The need for workers and an aging population make growth imperative, which requires appropriate public infrastructure investment, and all three levels of government in Canada have a responsibility to support it.

While the federal government's immigration policies have been driving growth in Ontario, there is a lack of funding for public infrastructure investment required to sustain that growth. Housing unaffordability has reached a crisis level, with high costs deterring workers from moving to urban centers, risking wider economic damage. A large portion of renters' and new homebuyers' incomes must be spent on housing, putting them under significant financial pressure.

To restore housing affordability in Ontario, there needs to be a significant increase in the production of new homes, as found by CANCEA in 2017¹ and CMHC in 2018² and 2022³. In fact, beyond current trends, the production of new homes in Ontario would have to at least increase by over 80%. However, achieving more housing construction presents significant challenges. Municipal governments, which have traditionally led housing policy, have no access to fiscal benefits of growth. Provincial governments set goals for the province as a whole, but municipalities are primarily influenced by local residents who often oppose new housing. Furthermore, there are significant delays in the processes of approving new housing construction, and requesting approval today may not lead to those housing units being built for many years in many places.

Then there is the federal government which announced in late 2022 a record-breaking immigration target of 1.5 million new Canadians within the next three years, with plans to bring in 500,000 people in 2025⁴. While federal officials claim that this will help boost the economy, the targets are causing concern among many due to the current housing crisis in the country. The federal government seems to have ignored the situation on the ground, and it is raising questions about how current and new generations of Canadian's will be able to find affordable and adequate housing, and what impact this influx of people will have on an already strained housing market.

While governments have vocally supported the building of more housing as part of the solution for the housing shortage, it is important to consider whether this rhetoric matches with what governments are doing to encourage its construction. This report aims to investigate the sources of taxation related to the construction of new homes and who pays for the level of public infrastructure investment that supports all economic growth. Additionally, it will analyze how different levels of government share in

¹ Understanding the forces driving the shelter affordability issue, CANCEA 2017

² Examining escalating house prices in large Canadian metropolitan centres, CMHC 2018

³ Canada's Housing Supply Shortages: Estimating what is needed to solve Canada's housing affordability crisis by 2030, CMHC 2022

⁴ Canada To Welcome Unprecedented 1.45 Million Immigrants In Next Three Years www.immigration.ca

the benefits and costs of growth concerning the construction of new homes and the level of public infrastructure investment required. It is worth considering whether the taxation of housing is exacerbating the housing affordability problem and if a high tax burden on new homes is standing in the way of growth.

Objectives and Methodology

The primary objectives of this research analysis are to provide a transparent and replicable account of:

- The sources of taxation related to the construction of new homes and the level of public infrastructure investment required to support economic growth; and
- How different levels of government share the benefits and costs of growth regarding the construction of new homes and the level of public infrastructure investment.

To achieve these objectives, this research report employs a quantitative methodology that involves decomposing the economic accounts provided by Statistics Canada, the Ontario government, and the Financial Information Returns (FIR) provided by municipalities. The analysis intentionally avoids using market or proprietary information to ensure stakeholders have confidence that the results use the same data produced and used by different levels of government.

Given the unique circumstances presented by the COVID-19 pandemic, all reported numbers in this report represent the three-year average between 2019 and 2021, unless otherwise specified. To highlight the tax components associated with the construction of new homes, all percentages are expressed in terms of either the builder cost before taxes on production, such as development charges (DCs) and other fees paid. Once production taxes are added to the builders' costs, the total aligns with the definition of economic output in the economic accounts.

This methodology ensures the results presented in this report are transparent, replicable, and based on publicly available data sources. By employing a rigorous methodology, this research aims to provide policymakers and stakeholders with valuable insights into the challenges and opportunities associated with growth in Ontario.

Importance of Growth to Ontario

Economic growth is vital for the overall development and well-being of a country and its citizens. It refers to an increase in the production of goods and services in an economy over time, resulting in increased income, employment, and living standards for individuals.

One of the critical benefits of economic growth is that it creates job opportunities, reduces unemployment rates, and increases income levels, leading to higher standards of living for individuals. Economic growth also increases the government's tax revenue, which can be used to invest in public services such as education, healthcare, and infrastructure, improving the overall quality of life in the country.

In the context of an aging population and declining birth rates, immigration is critical for Ontario's community to grow and maintain a robust economy. As the population ages and the birth rate declines, the number of people in the workforce decreases, leading to a shortage of skilled workers in various

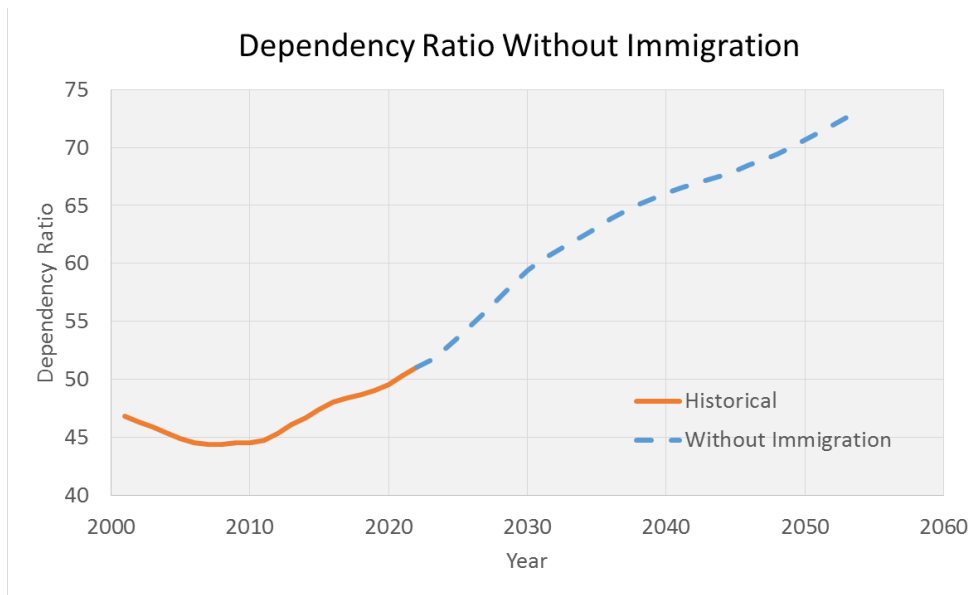
sectors. Immigration provides a steady stream of workers with a diverse range of skills, which is essential to fill the labour gap and sustain the economy.

The Dependency Ratio Problem

A dependency ratio is a measure that compares the number of dependents (people who are too young or too old to work) to the number of people who are working and able to support them⁵. It is usually expressed as a ratio or percentage and is used to evaluate the economic burden on a population's productive workforce.

A dependency ratio measures the number of people not working to the number of people working. As the ratio increases, there is a problem for future sustainability.

Figure 1 Growth in Ontario's dependency ratio without immigration



Monitoring the dependency ratio is important because it provides an indication of the pressure that a growing population can place on the working-age population to support those who are not working. In Ontario, as in many other provinces and countries, an aging population and declining birth rates have resulted in a higher dependency ratio, which means that there are fewer people of working age to support a growing number of dependents. Canada currently has a dependency ratio of 52.2%, and Ontario 50.4%. Without immigration, Ontario's dependency ratio would grow to 70.7% by 2050, roughly where Japan is currently, leading to threats to urban form, economic sustainability, long-term solvency of public pensions, health care, and long-term care systems⁶.

Without immigration, Ontario's dependency ratio would grow to 70.7% by 2050, which would be second highest in the world.

⁵ <https://www150.statcan.gc.ca/n1/pub/82-229-x/2009001/demo/dep-eng.htm>

⁶ Shrinkonomics Lessons from Japan, IMF 2020

This has important implications for the economy, as a high dependency ratio can result in increased pressure on public services and reduced economic growth. One way to address this issue is by encouraging immigration, which can help to increase the number of people of working age in the population.

Later in this report it is found that the tax burden on new homes in Ontario is twice as much as the tax burden on the rest of the economy. This is difficult to ignore when considering the housing unaffordability crisis in Ontario and its potential to inhibit the construction of new housing, all of which makes it more difficult to attract immigrants to the province and the ability to manage the dependency ratio problem. It is therefore important to address the tax policy issue to help increase the supply of affordable housing and attract new residents to Ontario, which can help to reduce the dependency ratio and support long-term economic growth.

Growth: Role of Residential Construction and Public Infrastructure

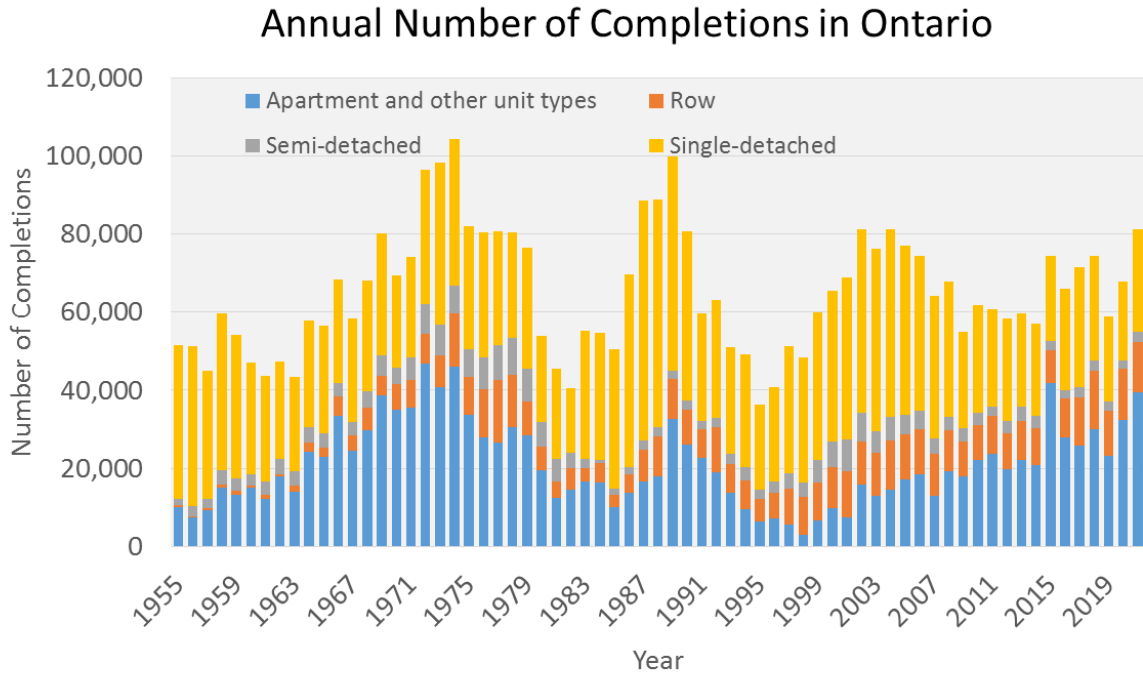
Residential construction of new homes and new investments in public infrastructure are critical to population growth and overall economic growth:

- **New housing construction:** Building new homes increases the housing supply, making it easier for new residents to move into the area. This, in turn, attracts more people to the region, creating a larger workforce and customer base, which can drive economic growth.
- **Public infrastructure investment:** Adequate public infrastructure, including transportation, energy, and communication networks, is necessary to support population growth and the expansion of businesses. This includes building new roads, bridges, public transit systems, water and sewage systems, and broadband networks. It also includes investing in schools, hospitals, and other public facilities that are critical to attracting and retaining residents.
- **Job creation:** Residential construction and public infrastructure investment create job opportunities, leading to increased employment levels and a more robust economy. This job creation can also lead to increased spending, as new workers have disposable income to spend in the local economy, further driving economic growth.
- **Quality of life:** Access to adequate housing and public infrastructure is critical to maintaining a high quality of life for residents, making the area more attractive to businesses and individuals looking to relocate.

The residential construction of new homes and new investments in public infrastructure are important to population growth, job creation, and economic growth, making them critical components of any strategy aimed at supporting sustainable and inclusive economic and social progress.

To gain a sense of Ontario's experience with building new homes, figure 2 shows the number of new housing completions since 1971.

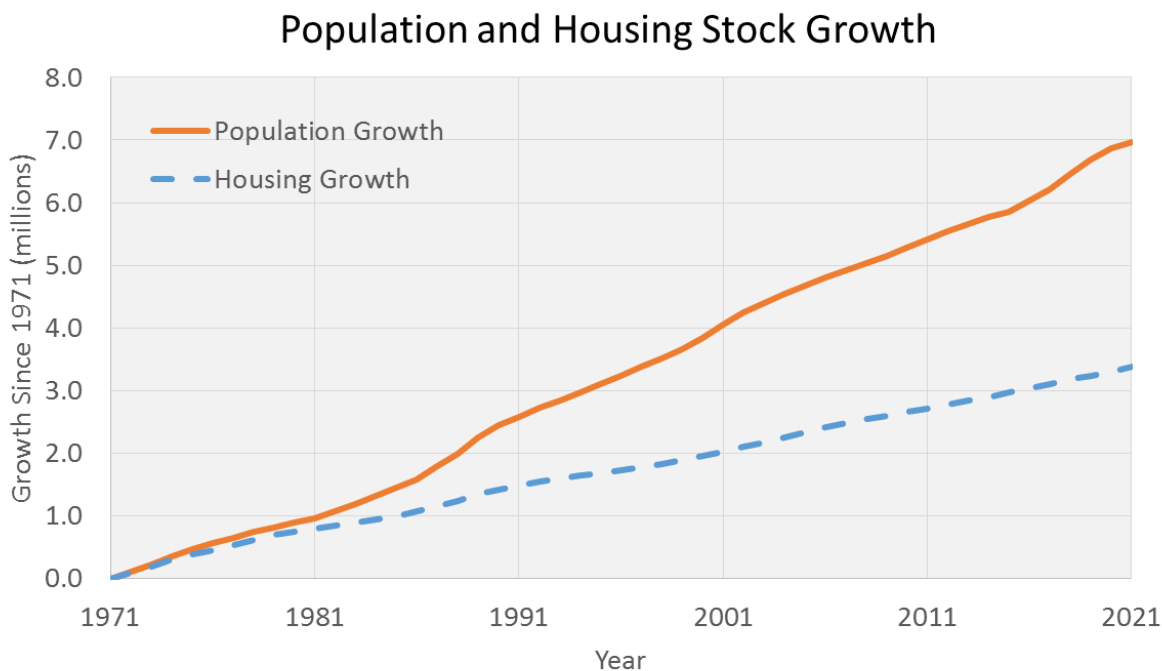
Figure 2 Housing completions since 1971 in Ontario



While the population has grown in the past by 68% since the 1970's, the number of annual new housing completions has dropped by 23%. The production of new homes has not been keeping up with population growth, with younger generations and new residents having to squeeze into more unsuitable dwellings.

Population
↑ +68%
Building of new homes
↓ -23%

Figure 3 Growth in housing and population since 1971



The challenge of declining rates of new housing relative to population growth is exacerbated further by the stagnant levels of public infrastructure investment. In the past decade, although the Ontario economy has grown in real terms by approximately 18% and its population has increased by 12%, public infrastructure investment levels have remained under invested. Research suggests that public infrastructure investment and maintenance should be above 4% of economic activity to promote growth and sustainability⁷. At current levels, investment in Ontario public infrastructure is 30% below what economic analysis suggests it should be and the levels of investment have not increased in real terms as a percentage of GDP for the past 10 years.

At current levels, investment in Ontario public infrastructure is 30% below what economic analysis suggests it should be.

This is consistent with Canada's poor track record with public infrastructure investment. A more recent study found that, in terms of export and transportation infrastructure investments, when compared to other countries, Canada's investment levels have dropped significantly in the past five years. The nation now invests only half as much as Australia and 64% of what the UK invests in relation to GDP⁸.

⁷ Public Infrastructure Underinvestment: The Risk to Canada's Economic Growth, CANCEA 2017. Infrastructure Update 2018, CANCEA 2018

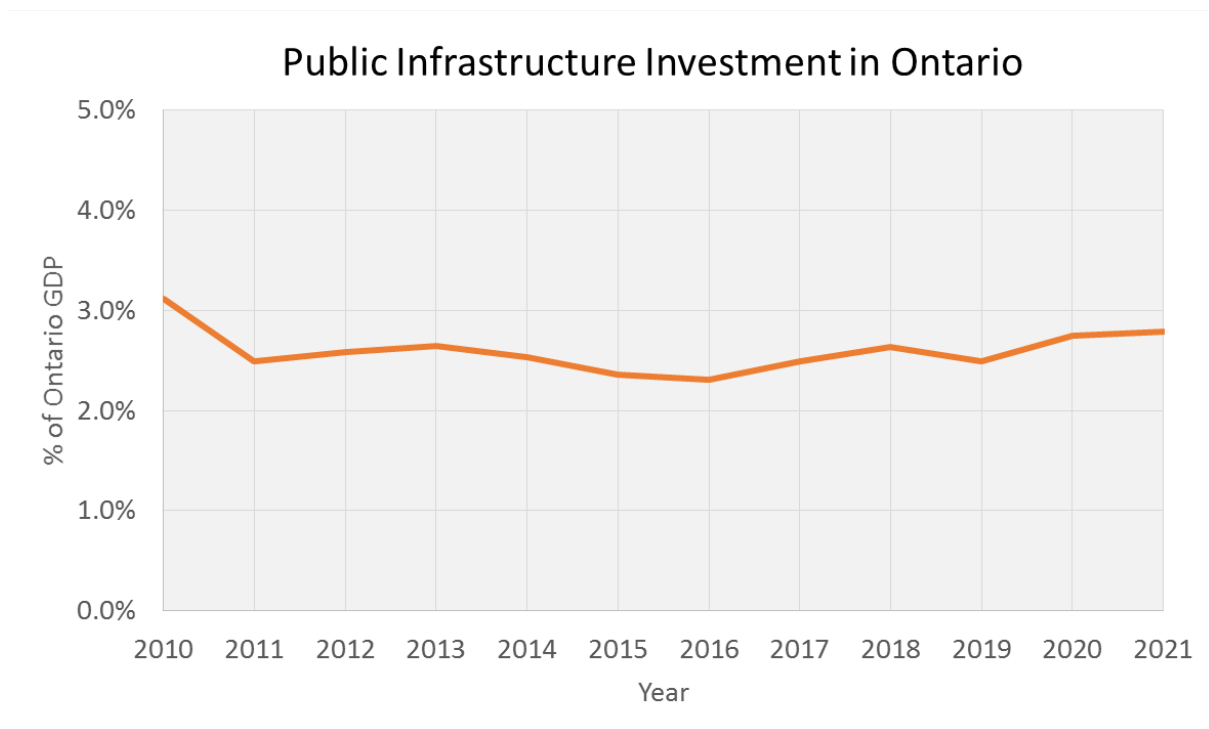
⁸ Exports and Transportation Infrastructure Analysis for the Canadian Construction Association, CANCEA 2022

Additionally, the volatility⁹ of transportation infrastructure commitments in Canada is considerably higher than its peers, at 3.6 times the average, 10 times more than the US, and double that of Mexico¹⁰.

Public infrastructure investment in Ontario refers to all investments made by all levels of government. This includes federal, provincial and municipal investments in:

Public Infrastructure Investments in Ontario	
Transportation engineering infrastructure	Marine engineering infrastructure
Waterworks infrastructure	Electric power infrastructure
Sewage infrastructure	Communications networks
Commercial buildings	Oil and gas engineering construction
Other engineering construction	Other Infrastructure Categories: aboriginal services, defence services, educational services, government business enterprise, hospitals, and nursing and residential care facilities
Institutional buildings	
Transportation machinery and equipment	

Figure 4 Public infrastructure investment as a percentage of GDP



⁹ The idea of the volatility of infrastructure investments, as opposed to stable and predictable investments, was introduced in the RRCAO study “Public Infrastructure Underinvestment: The Risk to Canada’s Economic Growth”, CANCEA 2010.

¹⁰ Exports and Transportation Infrastructure Analysis for the Canadian Construction Association, CANCEA 2022

Barriers to the construction of new homes and investment in public infrastructure are a significant constraint on growth in several ways:

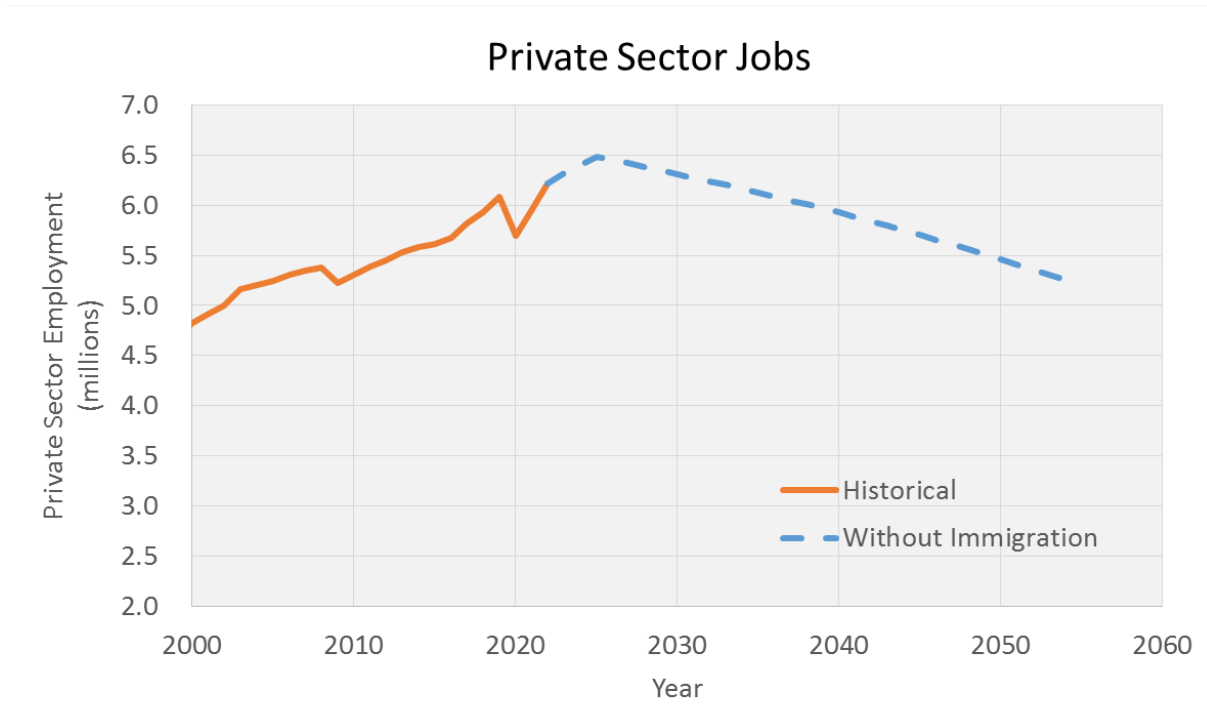
- **Housing affordability:** High taxation rates on new residential construction increases the cost of purchasing new homes, making it less affordable for families and individuals. This can lead to a shortage of housing, increasing rental prices and reducing population growth in the area.
- **Infrastructure deficits:** Lack of investment in public infrastructure can lead to a deficit in essential services, such as transportation, healthcare, and education. This makes Ontario less attractive to new businesses and individuals, hindering population growth and economic activity.
- **Business investment:** Without adequate public infrastructure, businesses are less likely to invest in the province, reducing job opportunities and economic growth potential.
- **Demographic changes:** The province of Ontario will face an increasing dependency on fewer workers if economic immigration does not occur. If immigration were not to occur, Ontario would have the same number of non-government workers by 2050 as it had in 2008, which threatens Ontario's ability to generate real economic substance¹¹. Refer to figure 5.
- **Reduced government revenue:** The lack of economic growth resulting from barriers to construction and infrastructure investment can reduce government revenue from taxes and fees, limiting the resources available to invest in essential public services¹².

If immigration were not to occur, Ontario would have the same number of non-government workers by 2050 as it had in 2008.

¹¹ This risk is compounded by the fact that nearly one in four employed workers in Ontario work for the government which crowds out private enterprises, particularly at the small business level.

¹² Again, this issue is significantly compounded by the high levels of public sector employed workers in Ontario.

Figure 5 Private sector labour market without growth



Investing in the capital stock of public infrastructure and housing is crucial for promoting population growth. Failure to make such investments may hinder growth by creating a shortage of housing for new residents and inadequate infrastructure for residents to live, work, and engage in leisure activities. Therefore, it is imperative to prioritize investments in public infrastructure and housing to support sustained economic and social development.

Overall, barriers to the construction of new homes and investment in public infrastructure significantly limit population growth, reduce economic potential, and create social and debt financing challenges. It is, therefore, essential to address these barriers to promote sustained economic growth and development.

BUILDING A NEW HOME IN ONTARIO

Breakdown of costs

The construction of a new home can be broken down into the following components:

- Input of goods and services used by a builder such as raw materials (including land), architect services etc. These costs are referred to as indirect costs and any taxation related to those are called indirect taxation;
- Federal and provincial taxes on production;
- Local taxes on production and other local government fees, which include development charges, building permit fees etc.;
- Wages and benefits for construction workers. These in turn produce personal income tax revenues for the province and the federal government;
- Builder margins before taxes and financial costs. These in turn produce corporate income tax revenues for the province and the federal government;
- Federal and provincial sales tax which is paid on the sale of the new home. Rebates are accounted for with the net revenue being reported¹³;
- Land transfer taxes which are charged by the province and the City of Toronto upon the transfer of title to a new home.

The following table is a deconstruction of the economic accounts that relate to the production of a new home in Ontario. The results are the aggregate results for Ontario.

Table 1 Components of the final purchase price of a new home in Ontario

	Annual Value (\$B, 3 year average)	Percent of Builders Cost before Production Taxes
Input Goods and Services	\$29.9	56.6%
Wages and Benefits	\$14.7	27.8%
Margins	\$8.2	15.6%
Total Builder Cost before production taxes	\$52.8	100.0%
Production taxes (including development charges)	\$4.5	8.6%
Total Builder output (cost)	\$57.3	108.6%
Net Provincial Sales Tax	\$3.0	5.7%
Net Federal Sales Tax	\$2.9	5.5%
Land Transfer Taxes	\$1.8	3.3%
Total Purchase Cost	\$65.0	123.1%

¹³ Note that the rebates are marginal (federally), and capped (provincially) as the value at which a home is sold exceeds the limits of those homes that would qualify. Also note that the value of a home that is used as the test for a sales tax rebate includes production taxes such as development charges.

Regarding Ontario's aggregate results, the construction of new homes generates a total builders' cost of \$52.8 billion. However, an additional \$12.2 billion in production, sales, and transfer taxes are added by the time the new home is sold, representing an additional 23.1% on top of builders' costs. It is important to note that all tax credits and rebates have been taken into account, while real estate fees and legal expenses of the sale have not been included in this analysis.

The meaning of the aggregate numbers presented can be challenging to comprehend. Therefore, to make it more relatable to those Ontarians that seek to buy a new home, the following table shows the results when the totals are divided by the number of Ontario housing completions. These results provide an approximation of the average cost of building a new home in Ontario, making it easier for Ontarians to understand the costs associated with purchasing a new home.

Table 2 Average cost components per dwelling constructed in Ontario

	Annual Value (\$, 3 year average)	Percent of Builders Cost before Production Taxes
Input Goods and Services	\$432,945	56.6%
Wages and Benefits	\$211,608	27.8%
Margins	\$118,339	15.6%
Total Builder Cost before production taxes	\$762,892	100.0%
Production taxes (including development charges)	\$66,910	8.6%
Total Builder output (cost)	\$829,802	108.6%
Net Provincial Sales Tax	\$43,536	5.7%
Net Federal Sales Tax	\$41,710	5.5%
Land Transfer Taxes	\$25,326	3.3%
Total Purchase Cost	\$940,374	123.1%

As can be seen in Table 2, the three-year average price paid for a new home in Ontario is about \$940,400 before real estate and legal fees. This is over 15 times the Ontario median household after-tax income over the same period. Production, sales and transfer taxes that are added by the time the new home is sold is 2.9 times the Ontario median after-tax income household income.

Production, sales and transfer taxes that are added by the time the new home is sold is 2.9 times the Ontario median household after-tax income.

Total Taxation Revenues

The cost to the builder, before any production taxes and fees, makes up 81.1% of the \$940,400 to purchase a new home. The balance of 18.9% are taxes paid, being on average \$177,500 per dwelling¹⁴.

Given the objective of the research is to understand all the taxation embedded in the cost of a new home, the costs are further decomposed by the income and corporate taxes that are paid as part of the

¹⁴ Note that production taxes and fees vary considerably across Ontario and can be well above the 8.8% on average as reported here. Also note that sales taxes and transfer fees apply to production taxes as well.

building process. Table 3 shows that the purchase price of a house contains at least 31% of taxation revenues in total. Note that tax on land value appreciation held by a builder has not been taken into account as it is unknown.

Table 3 Average tax burden per residential dwelling constructed in Ontario

	Average per Dwelling	Total Taxes	Type of Tax				
			Income Tax	Corporate Taxes	Sales Taxes	Production Taxes	Transfer Taxes
Input Goods and Services	\$432,945	\$45,291	\$28,392	\$10,614		\$6,284	
Wages and Benefits	\$211,608	\$54,613	\$54,613				
Margins	\$118,339	\$20,394		\$20,394			
Production Taxes	\$66,910	\$57,659				\$57,659	
Provincial Sales Tax	\$43,536	\$43,536			\$43,536		
Federal Sales Tax	\$41,710	\$41,710			\$41,710		
Land Transfer Taxes	\$25,326	\$25,326					\$25,326
Total Purchase Cost	\$940,374	\$288,528	\$83,005	\$31,009	\$85,246	\$63,942	\$25,326
Percent of Purchase Price		30.7%	8.8%	3.3%	9.1%	6.8%	2.7%

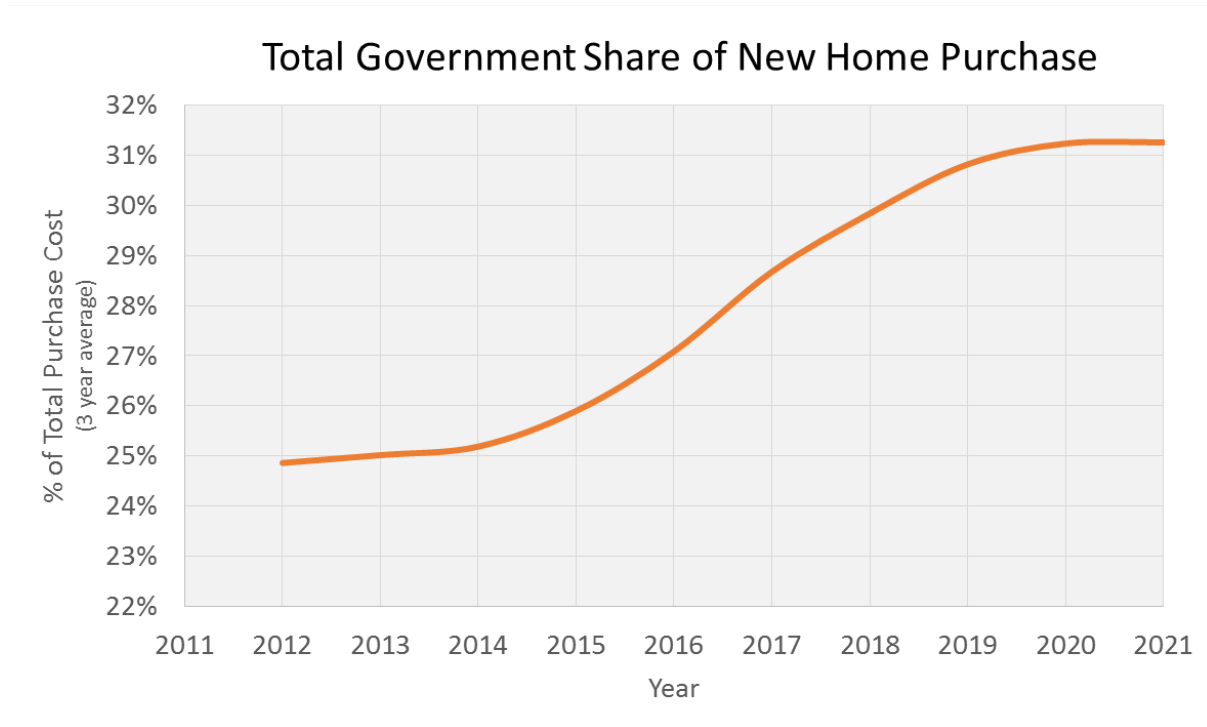
With the total taxation contained in the construction of new home at 31% of its purchase price, at the average purchase price of \$940,400, \$288,500 is taxation revenue paid to some level of government. Sales taxes are the largest tax source at 29.5% of total tax, with income taxes embedded in the wages paid at 28.8% being the second. Production taxes including development charges are a close third at 22.2% of total tax.

Financial Gainers from a New Home Build in Ontario

By taking into account the costs and taxes paid as part of constructing a new home in Ontario, it was found that the total taxation contained in the purchase of a new home is 31% of its final price.

Over the past 10 years, there has been a notable increase of 26% in the share of a new home that goes to government. This trend is largely driven by the price inflation of homes, which has allowed for large revenue increases in land transfer taxes and sales tax revenues. In addition, development charges, which also contribute to the amount of land and sales tax paid, appear to be aligning with housing market values, which further compounds the government's share of a new home.

Figure 6 Government share of new home purchase price



Once the purchase costs of a new home are adjusted for the cost of land and raw materials, and considering what industry stakeholders gain on an after-tax basis from the building of a new home, it is found that the stakeholder with the largest returns is the total taxation revenues of government at 31%. Construction workers, on an after-tax basis, are the second largest beneficiary at 17.0% of the cost of a new home. The after-tax margins of developers and suppliers are the lowest beneficiaries¹⁵.

Government is the largest beneficiary from the process of building a new home in Ontario at 31%.

¹⁵ While land and materials represent 23% of the purchase price of a new home, it is not being counted as the line item doesn't represent an obvious stakeholder in the building process.

Table 4 Take home breakdown from a new dwelling as percentage of final purchase price

Recipient	% of Final Cost of Purchaser
Governments	31%
Value of Land and materials	23%
Construction workers (after tax)	17%
Supplier workers (after tax)	11%
Developer margin (after tax)	10%
Supplier margins (after tax)	7%
Total	100%

It is worth noting that any gains made, and taxes paid, from the change in land values held by developers have not been included in the calculation of their margins, as it is unknown¹⁶. If some developers engage in “land banking,” it may lead to higher margins, not from building new homes, but from real estate investment, which is a different activity.

Given the after-tax net margin of 10%, it is difficult to justify the risk of being a residential developer based solely on building margins. The process and costs associated with local zoning rules, building approvals, and rising production taxes, in the form of development charges, make residential development a high-risk venture.

Over the past 25 years, real estate investment has experienced a significant increase in land values which has arguably compensated ‘land banking’ builders for the risks inherent in building a new home. If increasing land values have artificially supported the building of new homes, the risk is, once land values stop rising, builders will be disincentivized to continue their engagement in the business of building new homes and housing production will decelerate. A potential disengagement by builders in the production of new homes is a problem for the planning of growth by governments.

Taxation revenues from housing and the general economy

The preceding analysis focused on how much tax is generated as part of the entire process of producing a new residential dwelling. This had included taking into account tax revenues paid as part of the supply chain (input goods and services), taxes paid by construction workers and the developer, and taxes paid as part of the sale of the new dwelling.

At 31% of the cost to purchase a new home, the tax burden appears to be quite high. A natural question is how this tax burden compares to the tax burden on the rest of the economy. A comparison of the tax burden on the building of a new home in Ontario to the rest of the economy can be made by either considering taxation on economic output or on economic activity. “Economic output” and “gross

¹⁶ Also not included in the total taxation revenue of government is taxation related to gains in land values and property taxes paid by developers on that land.

domestic product (GDP)” are similar concepts, but there is a technical difference between the two measures.

Economic output is a broad term used to describe the total value of goods and services produced by an economy over a given period, usually a year. This measure includes the output of all industries, including manufacturing, construction, services, and agriculture, and it takes into account changes in prices over time. In terms of residential construction activity, the concept of economic output is synonymous with the total builders cost of building a new home.

Gross domestic product (GDP) is a specific measure of economic output that is used to compare the size and growth of different economies. It is the monetary value of all finished goods and services produced within a country’s borders in a specific period. GDP is often used as a key indicator of a country’s economic performance and is frequently used to compare the economic performance of different countries. In terms of residential construction activity, the concept of GDP is synonymous with the total incomes and margins that are generated from a residential builder’s activity.

If the accounting of either economic output or GDP is used, then taxation revenues must also be accounted for in the same way.

In terms of economic output measures, the ratio of direct taxes on the construction of a new home to its economic output is 31%, which is the same as the percentage of tax reported earlier. Conversely, the ratio of direct taxes on the rest of the economy’s output is 16.3%. In other words, the construction of new homes in Ontario is taxed at 1.9 times the rate of the rest of the economy, in terms of direct economic output.

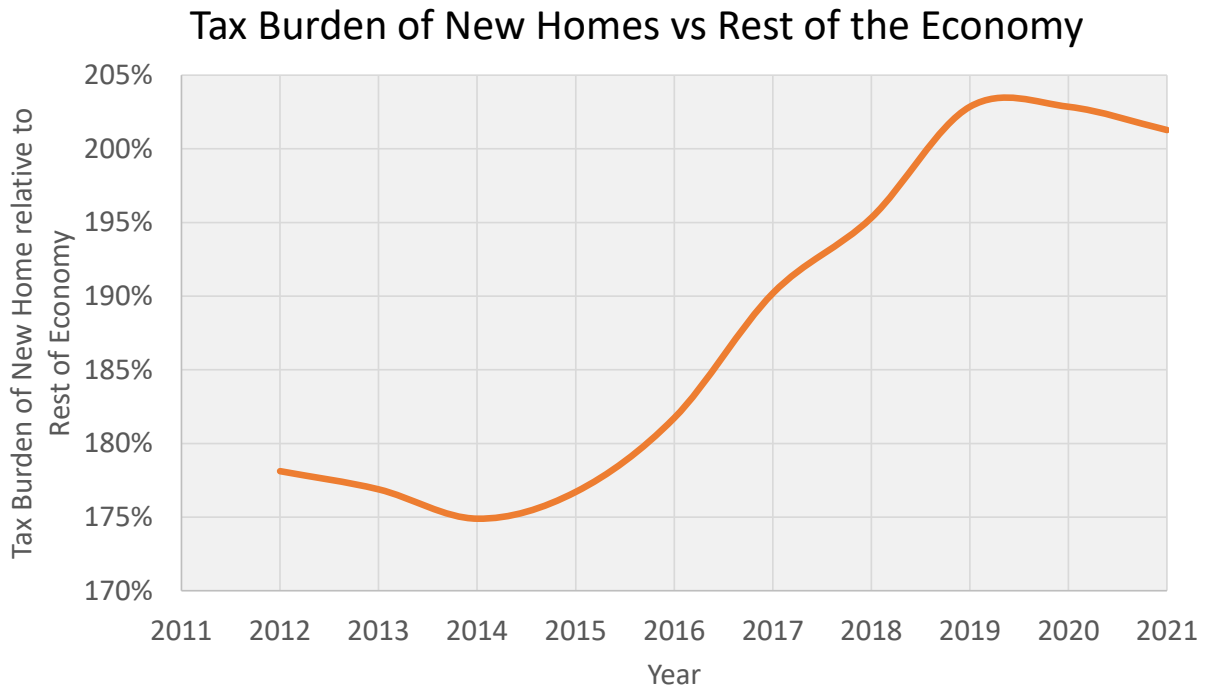
In terms of GDP measures, the ratio of direct taxes on the construction of a new home to the GDP it generates is 63.5%. On the other hand, the ratio of direct taxes on the rest of the economy’s output is 30.9%. This indicates that the construction of new homes in Ontario is taxed at 2.09 times the rate of the rest of the economy, in terms of direct GDP.

In terms of policy direction and argument, it is reasonable to assert that the construction of new homes in Ontario is subject to twice the tax burden compared to the rest of the economy.

The construction of new homes in Ontario is subject to twice the tax burden compared to the rest of the economy.

Figure 7 shows the three-year rolling average of the relative tax burden of a new home in Ontario using both the economic output approach and the GDP approach mentioned above.

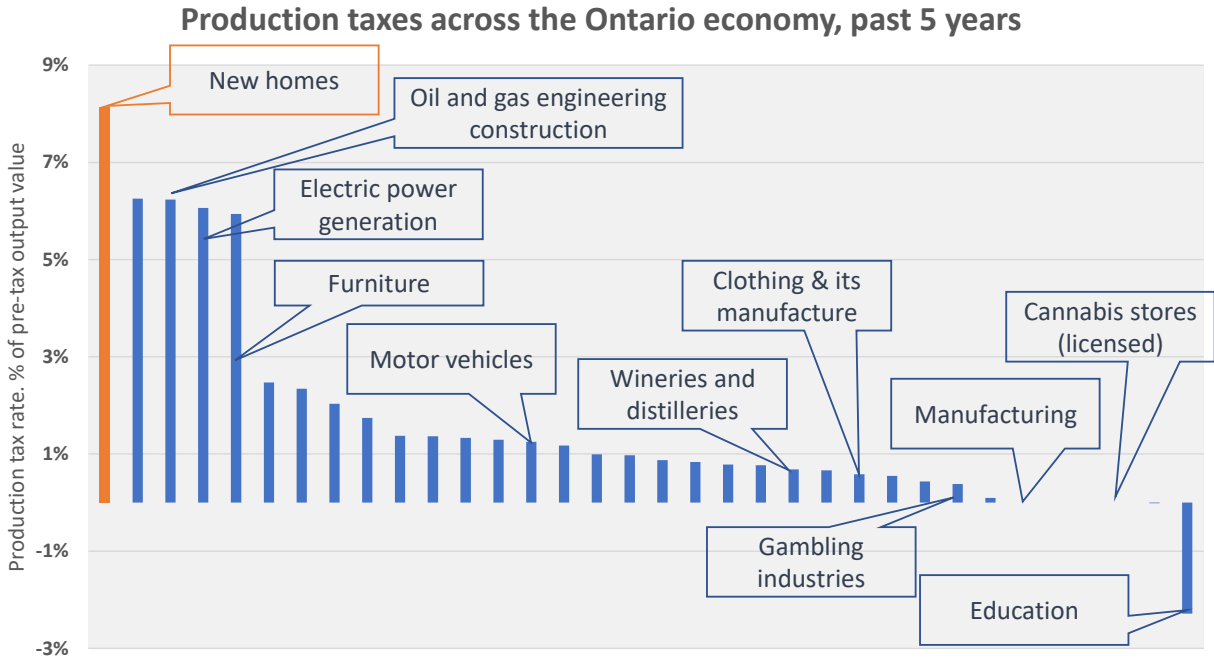
Figure 7 Tax burden of new home compared to the rest of the economy



The tax burden on a new home in Ontario versus the rest of the economy has been growing and has increased generally by 13% over the past 10 years.

The key driving factors of the difference between the tax burden on new homes and the rest of the economy are generally property transfer taxes, production taxes such as development charges and sales taxes. Production taxes on residential construction are the highest out of the 231 industry sectors (refer to figure 8).

Figure 8 Production taxes by industry sector



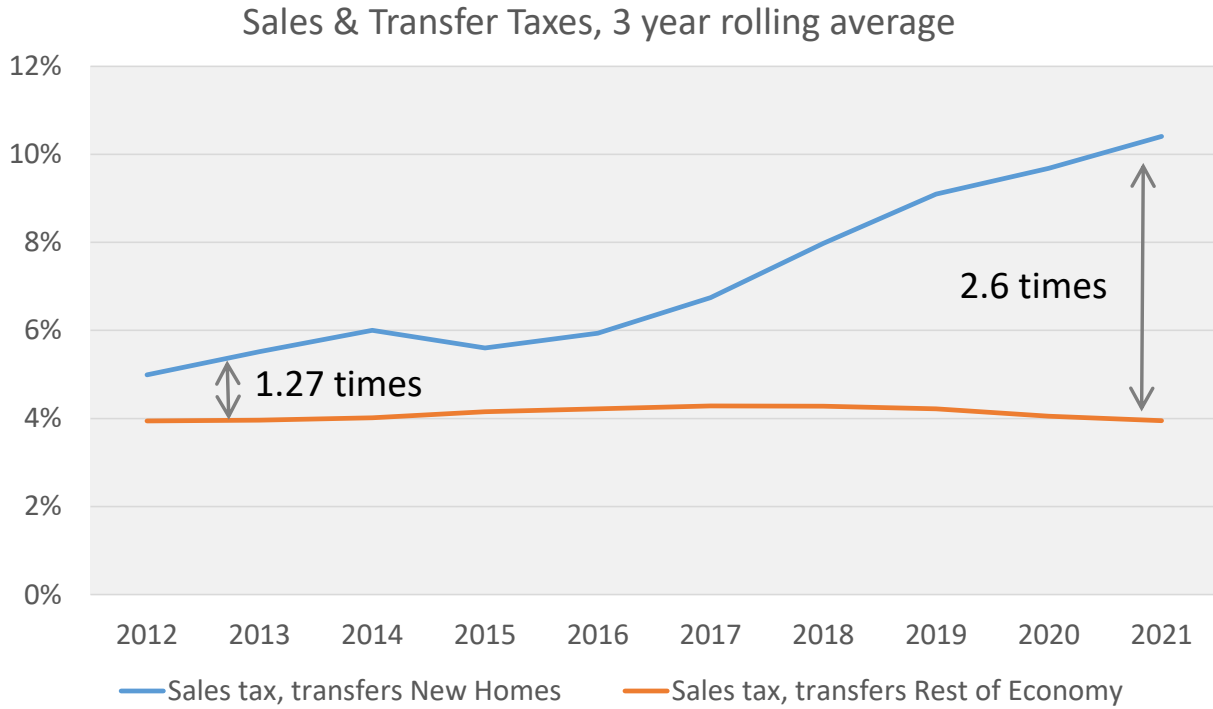
The key argument raised for high production taxes on homes is that it takes infrastructure investment to make them valuable. Yet, after analyzing the economic accounts, it appears that housing is an outlier, while the production and sale of other infrastructure dependent products (e.g., cars, electronics, communications), are not charged for the infrastructure that makes them valuable.

Additionally, as can be seen in Figure 9, taxes that are incurred on the sale of new home in Ontario is 2.6 times more than the general economy, given that nearly the full scheduled rate of sales tax by the province and the federal government are applied and the application of additional land transfer taxes. The federal rebates decline to zero if the price exceeds \$450,000, being 54% of the average builders cost of a new home in Ontario. Provincial rebates are capped if the price exceeds \$400,000, which results in an average provincial sales tax of 5.1%. At the average builders cost of a new home, the imposition of land transfer taxes by the province is 1.8% and the City of Toronto is 1.8%.

The construction of new homes in Ontario is the highest-taxed sector in terms of production taxes.

Taxes at the point of sale of new homes is 2.6 times more than the rest of the economy.

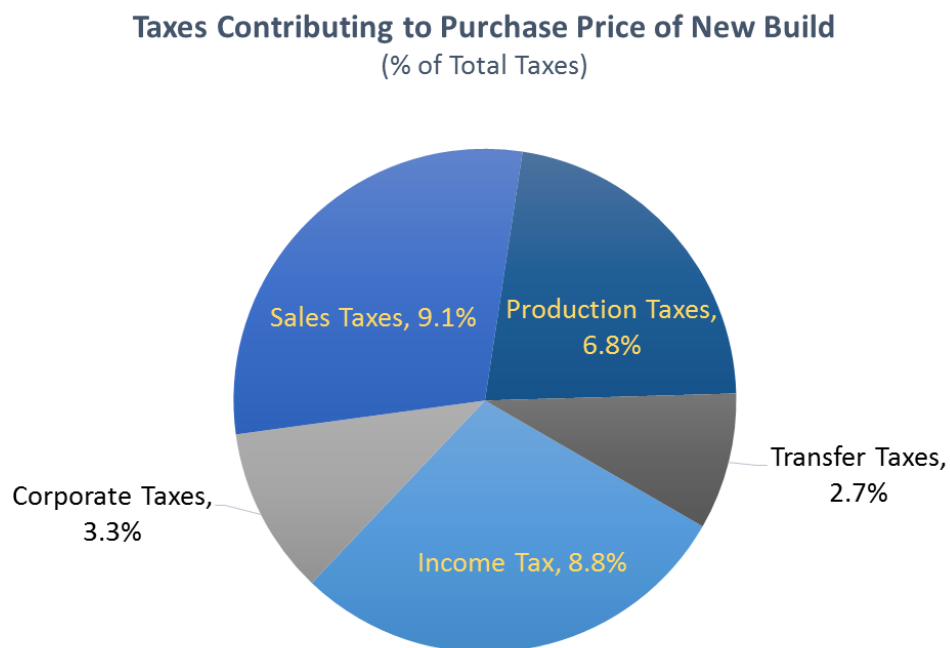
Figure 9 Tax burden of new home compared to the rest of the economy



In total, as shown in Figure 10, over half of the taxes on a new home are sales taxes, production taxes and transfer taxes, which accounts for the reason why the construction of new homes in Ontario is subject to twice the tax burden compared to the rest of the economy.

High production, sales and transfer taxes explain why new homes are taxed twice as much as the rest of the economy.

Figure 10 Types of taxes contributing to the final purchase price of a new home



Federal, Provincial and Local Taxation Revenues

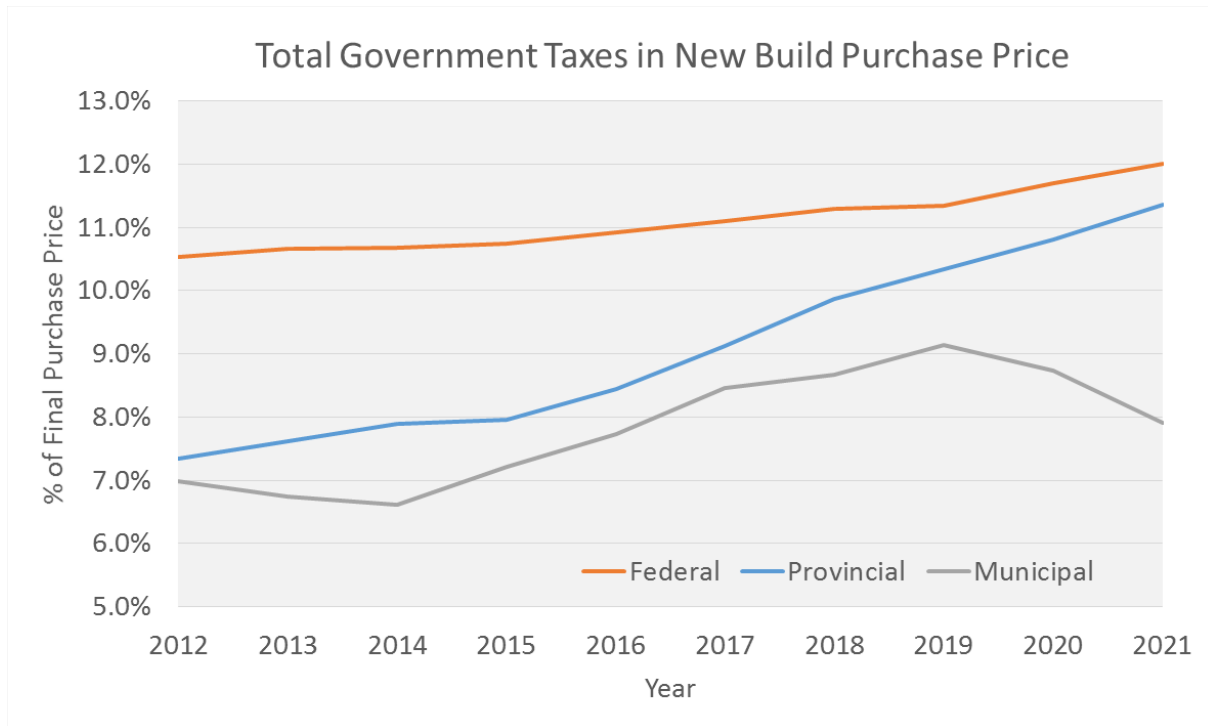
With the total taxation burden of the building and sale of a new home in Ontario measured at 31%, attention is now turned to the levels of government that are the primary beneficiaries. Table 5 shows the breakdown by each level of government and tax type.

Table 5 Tax revenue by level of government

Government	Income Tax	Corporate Taxes	Sales Taxes	Production Taxes	Transfer Taxes	Total Taxes	% of Total Taxes
Federal	\$51,860	\$18,687	\$41,710	\$263	\$0	\$112,520	39%
Provincial	\$31,145	\$12,321	\$43,536	\$4,272	\$15,196	\$106,470	37%
Local Municipal	\$0	\$0	\$0	\$59,408	\$10,130	\$69,538	24%
Total	\$83,005	\$31,009	\$85,246	\$63,942	\$25,326	\$288,528	100%

The breakdown shows that the federal government is the largest tax revenue beneficiary of a new home build in Ontario at 39% (\$112,500), with the province at 36.9% (\$106,500) and local governments at 24.1% (\$69,500). The next chart shows the rolling three-year average of each level of governments' share of the total purchase price of a home.

Figure 11 Three-year average of each level of governments' share of the total purchase price of a home



Over the past 10 years, the federal government's share of the purchase price of a new home has grown by 14%, local governments 13% and the province 55%.

TAXATION REVENUES AND PUBLIC INFRASTRUCTURE INVESTMENT

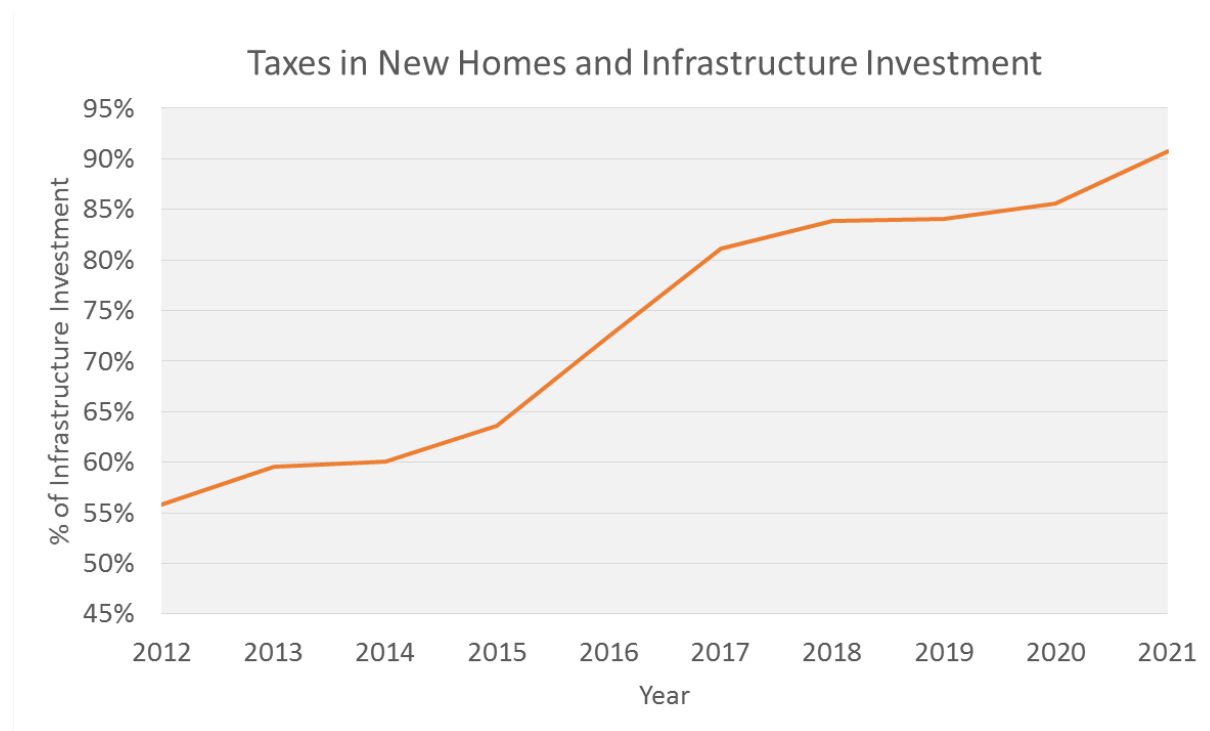
Paying taxes is crucial for the functioning of a government and for providing essential public services to citizens. Taxes provide the government with the necessary revenue to fund public services such as healthcare, education, public safety, and infrastructure development.

Two primary types of government expenditures occur, being capital investments and operational expenditures. The key difference between capital and operational expenditures is that capital expenditures are investments made by the government to create new assets or improve existing ones, while operational expenditures are ongoing expenses incurred to maintain and operate those assets. Capital expenditures are focused on long-term benefits, while operational expenditures are focused on maintaining the ongoing provision of essential public services.

In terms of the promotion and support of population growth, capital expenditures are critical. Capital expenditures, such as investments in public infrastructure and housing, create the necessary conditions for attracting new residents and businesses to an area. Operational expenditures for new residents are then paid for by the taxation revenues they generate for the government as they work and invest.

As Figure 12 shows, the taxation associated with the building of a new home in Ontario has become increasingly important to the funding of public infrastructure in Ontario. The tax burden on new homes in Ontario is now over 85% of all the total public infrastructure investment in Ontario, either from the federal government, the provincial government or local governments.

Figure 12 Ratio of new-home supported tax revenue and infrastructure investment in Ontario



While taxation revenues grow with an economy, and the economy grows with the addition of new residents, the expectation would be that, on the grounds of economic returns to government stakeholders, that the sources of funding for public infrastructure in Ontario would follow a distribution that reflects the rewards of public infrastructure investment for government (as measured by tax revenue) and the risk of investment (quantified by the amount invested in infrastructure).

One way to assess whether public infrastructure funding across government tiers is balanced is to determine whether the investment level by each tier of government is in the same proportion to the revenue it is accruing from the overall investment.

Public capital investment in Ontario accrues from all three levels of government. As reported earlier, over the past ten years, the level of public infrastructure investment in Ontario has varied between 2.3% and 3.1%. Over the same period, after adjusting for grants, transfers and government business enterprises, the funding of public infrastructure in Ontario has been shared as:

- 7.1% Federal Government
- 56.7% Provincial government
- 36.2% Local governments

Figure 13 Infrastructure investment in Ontario by level of government funding

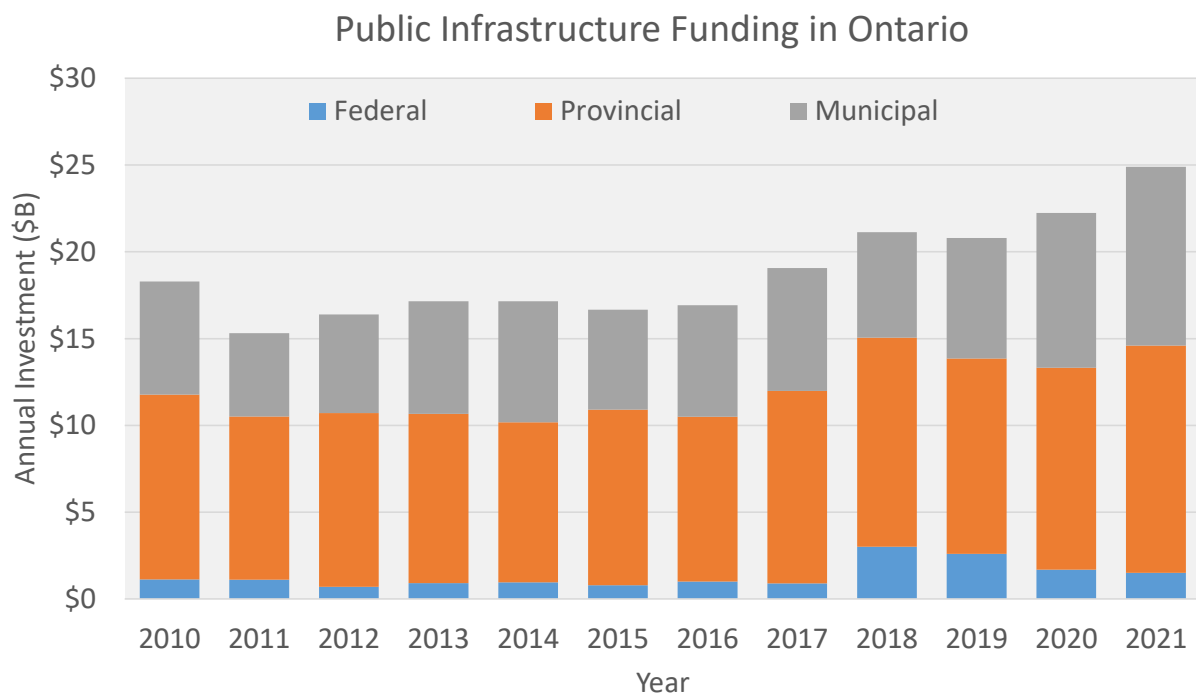


Table 6 Comparison of infrastructure funding and housing-related revenue by level of government over the last decade

Government	Share of Public Infrastructure Funding	Share of Tax Revenue from New Housing	Ratio
Federal	7%	39%	5.50
Provincial	57%	32%	0.57
Municipal	36%	29%	0.79
Total	100%	100%	

Now contrast this against the tax burdens on the production of new homes in Ontario, as shown in Table 6. The table shows that the federal government on average over the past 10 years receives 39 cents of every \$1 of tax revenue generated from the construction of a new home in Ontario, yet it only pays 7 cents of every \$1 invested in public infrastructure in Ontario. Put another way the federal government shares in 5.5 times more taxation revenue from the construction of a new home in Ontario than its investment share in public infrastructure in Ontario. This represents 9.7 times more than the provincial government and 6.9 times more than Ontario local governments.

The current level of federal investment in public infrastructure in Ontario seems to be disproportionate to the benefits it receives from housing development. The Ontario government is facing a challenging predicament as it struggles to balance the taxation revenues realized from the building of new homes against the costs of their own infrastructure investment.

These findings are consistent with the general economic results found in 2016, which showed that Ontario's government struggled to cover the costs of their infrastructure investment through increased taxation revenues from economic growth. This is because the federal government is a significant beneficiary of the investment in public infrastructure and the construction of new homes, yet without complementary investment in either.

The construction of new homes in Ontario seems to be an attractive avenue for generating taxation revenues by all levels of government, as people require a place to live and cannot opt-out of paying these taxes. However, this taxation burden on new housing contrasts significantly with the taxation burden on the rest of the economy, which is half of that of housing. The production in the rest of the

Does growth pay for growth?

The federal government receives 39 cents of every \$1 of tax revenue generated from the construction of a new home in Ontario, yet it only pays 7 cents of every \$1 invested in public infrastructure in Ontario.

The federal government growth benefit is 9.7 times more than the province and 6.9 times more than municipalities.

economy is often discretionary, and demand is more responsive to changes in price, making it easier for people to adjust their spending accordingly.

From an economic perspective, housing is generally considered demand inelastic up to a certain point. Demand inelasticity occurs when changes in the price of a product has little impact on the quantity demanded. In other words, consumers are willing to pay a relatively high price for a product even if the price increases. Private industry can take advantage of this by setting higher prices for their products and increasing their profit margins.

However, in the case of housing, there is a limit to demand inelasticity, and it is usually at the expense of immigration and growth. That is, people may choose not to move to high-priced housing markets, ultimately affecting the growth of the economy.

In the case of Ontario housing, governments seem to have benefited from the demand inelasticity of housing. Unlike private industry, the federal government through immigration and the provincial government through mandated population growth targets can exert demand pressure on the housing market while simultaneously taking advantage of the demand inelasticity of housing, thereby taking advantage of the fact that people have to have a home to live in. The compounding of both these phenomena has led to increasing taxation revenues for the government, resulting in the observed increase in the taxation burden on new homes.

Moreover, the federal government has the discretion to set immigration levels independently of other levels of government, which allows them to enjoy the largest share of taxation revenues without investing a proportionate share in public infrastructure required to support population growth. This has placed a considerable amount of pressure on:

- Ontario municipalities that are unable to access the taxation revenues associated with growth; and
- The province, which can access the taxation revenues associated with growth but has been crowded out by the federal government, given that government's preference to receive a majority of the taxation revenue benefits associated with growth without making corresponding investments in growth.

Investment in public infrastructure is critical to support economic growth and prosperity. However, the current balance of investment and rewards between the federal government and other levels of government in Ontario seems to be unfair, particularly when viewed against the taxation burden on housing in Ontario. The federal government is contributing too little compared to the amount of revenue it generates from infrastructure investment in Ontario.

CONCLUSIONS

The research findings reveal that the construction of new homes in Ontario carry a tax burden twice that of the rest of the economy, and that the difference is largely made up of production, sales and transfers taxes. At 39%, the federal government receives the greatest proportion of taxation revenues generated. Yet, the federal government invests only 7% in the public infrastructure of Ontario that is necessary for new housing construction growth and the subsequent growth of the economy.

With the federal government's growth benefit being 9.7 times more than the province and 6.9 times more than municipalities, there is an urgent need for the federal government to either increase funding of public infrastructure investment to support growth in Ontario or transfer more of its proceeds back to the Ontario provincial government and Ontario municipalities. This support is crucial given the historically high levels of housing unaffordability in Ontario and the need to increase housing construction significantly to avoid hindering population growth and economic development.

The current level of federal investment in public infrastructure in Ontario is imbalanced relative to the tax revenue it receives from housing development. The Ontario provincial government and Ontario municipalities are left in a challenging position, with taxation revenues from building new homes failing to match the necessary public infrastructure investment.

The federal government's recent proclamation of a 55% increase in immigration on pre-pandemic levels further highlights the fiscal and public investment imbalances that exist due to federal government policy. This situation seems extreme and counterproductive to Ontario's economic sustainability and growth.

The federal government's immigration policies are meant to drive population and economic growth in Ontario. Yet, by not providing sufficient funding for growth to the province and its municipalities it is promoting unaffordable housing and putting Ontario's economic sustainability into question. In effect, the federal government is benefiting from Ontario's continued efforts to grow while hindering its economic health and jeopardizing the future of Canadian generations.

To promote sustainable economic growth in Ontario, the federal government must address this imbalance by increasing its funding of public infrastructure investment. This will enable the federal government to support growth while sharing the burden of funding more equitably. Ultimately, this will ensure that the benefits of growth are shared more equally and create a more sustainable economic future for Ontario and Canada as a whole.

APPENDIX: DATA SOURCES

The following Statistics Canada data sources were used in the analysis:

- **11-10-0191:** Income statistics by economic family type and income source
- **17-10-0005:** Population estimates on July 1st, by age and sex
- **17-10-0006:** Estimates of deaths, by age and sex, annual
- **17-10-0008:** Estimates of the components of demographic growth, annual
- **17-10-0014:** Estimates of the components of international migration, by age and sex, annual
- **17-10-0015:** Estimates of the components of interprovincial migration, by age and sex, annual
- **17-10-0016:** Estimates of births, by sex, annual
- **18-10-0005:** Consumer Price Index, annual average, not seasonally adjusted
- **34-10-0126:** Canada Mortgage and Housing Corporation, housing starts, under construction and completions, all areas, annual
- **34-10-0135:** Canada Mortgage and Housing Corporation, housing starts, under construction and completions, all areas, quarterly
- **36-10-0221:** Gross domestic product, income-based, provincial and territorial, annual
- **36-10-0450:** Revenue, expenditure and budgetary balance - General governments, provincial and territorial economic accounts
- **36-10-0478:** Supply and use tables, detail level, provincial and territorial
- **36-10-0489:** Labour statistics consistent with the System of National Accounts (SNA), by job category and industry
- **36-10-0595:** Input-output multipliers, provincial and territorial, detail level
- **36-10-0608:** Infrastructure Economic Accounts, investment and net stock by asset, industry, and asset function
- **36-10-0610:** Infrastructure Economic Accounts, economic impact by asset, industry, and asset function
- **98-10-0015:** Population and dwelling counts: Canada, provinces and territories, census subdivisions and dissemination areas
- **98-10-0041:** Structural type of dwelling and household size: Canada, provinces and territories, census divisions and census subdivisions
- **98-10-0123:** Census family structure, presence of children and average number of persons per census family: Canada, provinces and territories, census metropolitan areas and census agglomeration
- **98-10-0233:** Dwelling condition by tenure: Canada, provinces and territories, census divisions and census subdivisions
- **98-10-0307:** Immigrant status and period of immigration by place of birth: Canada, provinces and territories, census divisions and census subdivisions

In additional, Ontario municipal financial information returns (FIR) from 2010 to 2021 were also used:

- [Municipal Financial Information Returns Datasets](#)

6) Smart Prosperity Institute: Unlocking Canada's Housing Crisis – October 1, 2024



October 1, 2024

By Mike Moffat (<https://institute.smartprosperity.ca/profile/mike-moffat>)

Governments have set ambitious but necessary housing supply targets, yet housing starts are falling. The federal government needs to take bold action, but limited funds constrain its options. Fortunately, there are a series of reforms they can take, at little to no cost, that would enable the construction of new homes.

The context Canada finds itself in is bleak. The federal government has set a target of **unlocking 3.87 million new homes** (<https://www.pm.gc.ca/en/news/news-releases/2024/04/12/announcement-canadas-housing-plan#:~:text=In%20our%20housing%20plan%20and,at%20the%20heart%20of%20that.%E2%80%9D>) by 2031 to help house a growing population. To achieve that target, housing starts would need to be roughly 500,000 per year.^[1] Despite this ambitious target, home starts are falling in most of the country. The **latest forecast** (<https://economics.td.com/ca-forecast-tables#ca-econ>) from TD Economics shows housing starts falling to 234,000 units in 2024, as compared to 242,000 units the previous year, and to remain under 260,000 a year through 2029. Particularly worrying is new condo sales **falling to near zero** (https://stevesaretsky.substack.com/p/keeping-the-lights-on?utm_source=publication-search), as this indicates that new condo starts will be very low for the next two years.

The reasons for the fall in housing starts are straightforward. Stable, and in some cases, falling prices and rents, rising regulatory costs and taxes, particularly **development charges** (<https://storeys.com/development-charges-increase-toronto-condo/>), interest rate volatility, and elevated levels of uncertainty have made many projects unviable despite a greater-than-ever need for housing.

Policy reforms are needed to enable the construction of more homes. But governments must do so under tight budgets and ensure that our housing plans are compatible with the realities of a changing climate. We have seen governments institute some of the recommendations in the **National Housing Accord** (<https://www.nationalhousingaccord.ca/>) and **Blueprint for More and Better Housing** (<https://housingandclimate.ca/blueprint/>).

Below is a series of recommendations, broken out into five themes that governments could implement that would have little or no fiscal cost but can enable higher levels of home construction, some of which are unimplemented recommendations from the Blueprint and the Accord. The federal government could implement these recommendations, either directly or

indirectly by making them requirements of the Housing Accelerator or other infrastructure programs.

1. Reduce Financing Costs

Financing costs make up a significant proportion of the cost of building new housing. Governments can lower these costs but facilitating access to lower-rate forms of capital, but also through changing the timing of when development-related taxes and fees must be paid. The federal government can reduce financing costs, either directly, or indirectly through municipal funding requirements by:

- a. Having Development Charges and other large municipal development-related charges payable upon occupancy or sale instead of at the time of obtaining permits, to lower interest costs during construction.
- b. Having Development Charges as a separate line item on the purchase of a new home, and exempting that line item from GST, PST, and land transfer taxes, to eliminate the tax-on-tax nature of development charges.
- c. Extending the Development Charge freeze in the **Canada Housing Infrastructure Fund** (<https://www.amo.on.ca/policy/finance-infrastructure-and-economy/new-federal-infrastructure-housing-items-upcoming-2024>) to all municipalities, not just those with populations of over 300,000.
- d. Require the use of a municipal services corporation utility model for water and wastewater under which the municipal corporation would borrow and amortize costs among customers instead of using development charges, which would dramatically reduce both the cost of building new infrastructure and lower development charges on homes. (Adapted from Recommendation 44 of **Report of the Ontario Housing Affordability Task Force** (<https://files.ontario.ca/mmah-housing-affordability-task-force-report-en-2022-02-07-v2.pdf>))
- e. Implementing the recommended reforms of the Canadian Mortgage and Housing Corporation (CMHC) the MLI Select program, the Affordable Housing Fund (AHF) and the Apartment Construction Loan Program (ACLP) detailed in the **Blueprint for More and Better Housing** (<https://housingandclimate.ca/wp-content/uploads/2024/03/Blueprint-for-More-and-Better-Housing-Mar-2024-EN.pdf>) (Recommendations VI.1 and VI.2)
- f. Implementing Recommendation VIII.4 of the **Blueprint for More and Better Housing** (<https://housingandclimate.ca/wp-content/uploads/2024/03/Blueprint-for-More-and-Better-Housing-Mar-2024-EN.pdf>) to provide more attractive financing to scale the not-for-profit housing sector.

2. Remove Barriers to Much-Needed Capital

If the federal government is to hit its housing target, Canada needs to build an additional two million homes over the business-as-usual case. This level of construction will require an estimated **\$1 trillion in capital** (<https://www.theglobeandmail.com/business/commentary/article-three-charts-show-why-the-trudeau-promise-of-387-million-homes-is-next/>). Attracting capital, both foreign and domestic, will be vital in achieving this goal. Governments can facilitate investment through:

- a. Removing any rules that prohibit foreign investment in new building construction.
- b. Extending the **EIFEL exemption** (<https://budget.canada.ca/2024/report-rapport/tm-mf-en.html>) for purpose-built rental housing, announced in Budget 2024, to all forms of buildings, not just purpose-built rental housing, as many projects and complexes involve multiple uses (for example, residential buildings with ground-floor retail).
- c. Creating an equivalent to the **US Section 892 provisions** (<https://www.linkedin.com/pulse/unlocking-solutions-leveraging-foreign-capital-tax-canadas-wojtecki-x4zif/?trackingId=dzoP8N9PRJG7gM%2BX3WtiOw%3D%3D>), to encourage foreign sovereign wealth funds and pension plans to invest in new housing construction in Canada.

3. Streamline and Harmonize Approvals Processes

Lengthy and uncertain approval processes increase costs and risks for new housing development. Governments can streamline these processes, enable more and faster construction of homes, while still ensuring rule compliance through the following initiatives:

- a. Implementing automated approvals processes for development permits, as is being done in the **City of Edmonton** (<https://edmonton.citynews.ca/2024/09/12/edmonton-becomes-1st-canadian-city-to-approve-automated-development-permits/#:~:text=The%20City%20of%20Edmonton%20says,building%20on%20the%20same%20day.>).
- b. Designing, adopting and publishing a national standard for Building Information Modeling, from which provinces will be able to mandate BIM-friendly zoning bylaws and publish fully digital building codes for automated rule checking.
- c. Creating a more permissive land use, planning, and approvals system, including:
 - i. Repealing municipal policies, zoning, or plans that prioritize the preservation of the physical character of the neighbourhood.
 - ii. Exempting from site plan approval and public consultation all projects that conform to the Official Plan and require only minor variances.
 - iii. Ensuring that approvals for an Official Community Plan application take less than four months, approvals for a Development Plan application take less than three months, and approvals for a rezoning take less than three months, and allowing for applications to be made concurrently.
- d. Enhancing data collection, develop consistent definitions of terms such as “affordability” and “affordable housing”, write zoning bylaws in BIM-readable matrices and tables, and ensure that zoning bylaws are up to date with official plans.

4. Legalize Child-Friendly and Seniors-Friendly Housing Options

The **Blueprint for More and Better Housing** (<https://housingandclimate.ca/blueprint/>) provides a guide for eliminating the regulatory barriers that prevent the construction of, or increase the construction cost of, great child-friendly and seniors-friendly housing options. Here we loosely define child-friendly housing as homes with three or more bedrooms, and seniors-friendly housing as communities that meet the standard set out in the CMHC’s **Developing a Housing Strategy for an Age-Friendly Community** (<https://assets.cmhc-schl.gc.ca/sf/project/cmhc/pdfs/content/en/69257.pdf?rev=23e6a4b1-ffbd-487d-9c27-0a4f3a61b6cb>).

To enable the creation of child-friendly and senior-friendly neighbourhoods, governments should:

- a. Create clear definitions of child-friendly and seniors-friendly housing.
- b. Implement Recommendation I in the provincial section of the Blueprint, which is as follows:

Legalize Walkable, Accessible, Inclusive, Transit-Rich Climate-Friendly Neighbourhoods: In many cases, existing zoning regulations and rules such as parking minimums make it illegal, or economically unviable, to create great climate-friendly neighbourhoods accessible to all. Governments should ensure that rules allow for the building of great neighbourhoods while also ensuring that those neighbourhoods have the necessary infrastructure to support their population, from sewers to green infrastructure such as parks and trees. As part of this recommendation, provincial governments should:

 1. Abolish parking minimums, unit maximums, and limit exclusionary zoning in municipalities through binding provincial action to allow “as of right” residential housing.
 2. Permit “as of right” secondary suites, garden suites, laneway houses, multi-tenant housing (renting rooms within a dwelling) and conversions of underutilized or redundant commercial properties to residential or mixed residential and commercial use.

3. Adopt ambitious as-of-right density permissions adjacent to transit stations and consider adopting British Columbia's transit density rules targeting larger communities in every community with high-frequency transit, subject to context-specific considerations and supportive infrastructure.
4. Create higher density zones, including a potential minimum allowable height of 8 storeys, and a minimum allowable density (FAR) of 3.0, for sites less than 800m from a university or college campus, to facilitate the construction of student housing for students.
- c. Exempt from site plan approval and public consultation all projects where 100% of the units are 3+ bedrooms or all units are intended for use by those aged 55+ that conform to the Official Plan and require only minor variances.
- d. Develop a federal strategy for seniors housing for aging seniors to remain in their communities and unlock housing supply for the next generation of families with children.
- e. Follow the lead of **London, Ontario** (<https://lfpres.com/news/local-news/18-days-critics-fear-major-changes-to-londons-growth-blueprint-rushed>) and allow, as-of-right, four-storey stacked townhouses on neighbourhood connector streets, to create attainable housing options for families with children.
- f. Revise building codes to support repeatable design and floorplates and adopt Sweden's single egress rules, which allow for "one exit for class 3 (residential) buildings up to 16 storeys with a maximum occupant load of 50 people per storey and a maximum travel distance of 30m. Different requirements for the fire-protection rating/smoke-tightness standard of closures apply for buildings of not more than 8 storeys and buildings of more than 8 but not more than 16 storeys." This would allow for better designed and safer buildings that can **better accommodate the construction of 3 bedroom units** (<https://secondegess.ca/A-Wicked-Problem>).
- g. Allow for wood-frame construction of up to 12 storeys.
- h. Harmonize building codes across provinces and municipalities to allow for economies of scale in housing construction.
- i. Waive office space requirements in all downtown building conversions and re-developments.
- j. Support the repurposing of surplus municipal lands and school lands (if applicable) to housing and ensure there is enough flexibility and supports for municipal governments to look at underused and strategically located employment lands for mixed-uses, including housing.

5. Ensure Predictable Population Growth

Fluctuating and unpredictable population growth rates have directly led to instability in home prices and rents, as the housing stock and infrastructure do not have time to respond to increases in population growth rates. Conversely, uncertainty about the size of future reductions in population growth rates creates risks for developers. Longer-term and predictable population growth rates can reduce this risk and facilitate planning across the housing supply chain. The federal government has already **enacted reforms** (<https://thehub.ca/2024/08/27/mike-moffatt-my-remarks-to-the-federal-cabinet-on-housing-immigration-and-the-temporary-foreign-worker-program/>) in this area, however, further reforms are needed. To facilitate better population planning, the federal government should:

- a. Have permanent residency, non-permanent residency, and population growth targets in each annual release of the **Immigration Levels Plan** (<https://www.canada.ca/en/immigration-refugees-citizenship/news/notices/supplementary-immigration-levels-2024-2026.html>). The targets in the plan should be made for a period of ten years, up from the current three.
- b. Develop a plan to return non-permanent resident populations down from 7% to 2% of Canada's population. This would be a further reduction of the current 5% target, which would see non-permanent resident populations fall to approximately 850,000 persons, levels last seen in 2017. This would reverse the temporary foreign worker and international student bubbles, and ensure that all newcomers have the housing and social supports they need to thrive.
- c. Provide detailed annual population forecasts at the municipal level, incorporating policy developments such as changes to immigration targets, using these population forecasts as the basis for housing targets for each order of government.

If the federal government is willing to expend additional financial resources, it could undertake a number of initiatives to enable additional housing construction, such as fulfilling the unimplemented **1989 commitment** (https://publications.gc.ca/collections/collection_2016/fin/F2-85-1-1989-eng.pdf) to inflation index the **GST rebate for new housing** (<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/gst-hst-businesses/gst-hst-rebates/new-housing-rebate.html>), which currently only applies to homes valued at less than \$450,000. However, tight budgets should not prevent the federal government from enacting pro-supply housing reforms, as there are a multitude of solutions that governments can implement at little to no cost.

[1] This assumes the target is from the start of 2024 to the end of 2031 - the federal government has yet to indicate what period the 3.87 million target covers.



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