

Housing Affordability Requires Modernization of Ontario's Development Charge System, BILD and OHBA Study

Greater Toronto Area, January 28, 2025 – A new study, *The State of Development Charges in Ontario*, developed by Keleher Planning + Economic Consulting (KPEC) for the Building Industry and Land Development Association (BILD) and the Ontario Home Builders' Association (OHBA) recommends that the Province modernize the Development Charge (DC) system to help reduce housing costs and make the system more efficient. The study recognizes the important role DCs play in supporting housing in the province and emphasizes areas where the legislation can be improved, rather than eliminated. For a full copy of the report, click [here](#) to download.

"Ontario's DC system has been with us for over 35 years," said David Wilkes, President and CEO of BILD. "The system has resulted in massive cost escalation of municipal fees on new homes, especially in the last 10 years is creating a cost to build challenge and undermining housing affordability. An extra \$100,000 to \$150,000 per single-family home added by DCs across the GTA is simply not sustainable. When combined with the complexity of the system and the changing needs of Ontarians there is an urgent need to modernize the DC legislation".

DCs are intended to offset the cost of providing infrastructure and municipal services to support new housing growth. They are calculated and imposed in a formalized manner prescribed by the Development Charges Act. Municipalities charge DCs to residential builders and developers on a per unit basis, and these costs are rolled into the final price of the home paid by the new home purchaser. DCs perform a vital function, because new housing is dependent on infrastructure. The DC Act and subsequent processes provide an important legal framework to manage and allocate responsibility for funding growth-related capital infrastructure in Ontario.

Key findings of *The State of Development Charges in Ontario* study include:

- Extensive changes are required to the DC model to significantly re-orient the incidence of capital costs, and lower DCs without eliminating the rigorous and transparent system of the current DC model.
 - These include moving water and sewer DCs to a utility-funded model, adjusting how land values are incorporated into DC rate setting calculations, and only allowing actual 'incurred' land costs to be funded by DCs rather than funding long-term projections of future land acquisition costs, which are prone to significant overestimation.
- Updating the DC Act to enhance clarity and both mitigate and simplify legal conflicts, including:
 - Mandate preparation of local service policies and standardize certain specific elements to ensure they are clear and easily interpretable.
 - Reduce subjectivity and variability in the estimation of "Benefit to Existing" allocations by promoting standardized calculations and formulating guidelines for how it is to be estimated.
 - Standardize inputs to historic level of service calculations; values used to set DC rate caps should be consistent with parallel financial documents regularly prepared by municipalities (such as Financial Information Returns, Asset Management Plans, etc.).
 - Increase provincial oversight through various changes.

"Despite the beneficial features of Ontario's Development Charge system, there are elements that desperately need to be updated and best practices from other jurisdictions that could be incorporated to simplify the system, right-size

costs on new homes and modernize the legislative framework,” said Scott Andison CEO of OHBA. “The system as-is drives up the cost of housing due to the current DC calculation methodology.”

Since the 1997 version of the Development Charges Act (the framework legislation), there have been countless legislative and regulatory changes made. These changes have made both the calculation and application of DC rates more complex and difficult for all stakeholders involved. A clearer, simpler system is needed to reduce confusion, varied interpretations, conflicts, and legal disputes.

Additionally, jurisdictions across Canada and North America all have different ways to fund growth and housing related infrastructure. Given that the GTA and Ontario have some of the highest levels of municipal costs on new homes on the continent, updating the legislation would allow the province the opportunity to seek out and implement better practices from other jurisdictions. In particular, the opportunity to examine different and more efficient mechanisms that could be incorporated into the existing system to right-size DCs, lower costs, and ultimately help address affordability.

“The DC system in Ontario performs a vital function, both legally and in provision of housing supportive infrastructure,” said Wilkes. “Given the relative scale of DCs in dollar terms, the current housing crisis, the need to reduce complexity and the opportunity to learn from best practices from other jurisdictions, an update of the DC Act is significantly overdue and must be completed with a sense of urgency.”

With 1,000 member companies, BILD is the voice of the home building, residential and non-residential land development and professional renovation industries in the Greater Toronto Area. The building and renovation industry provides 256,000 jobs in the region and \$39.3 billion in investment value. BILD is affiliated with the Ontario and Canadian Home Builders' Associations.

Founded in 1962, the Ontario Home Builders' Association (OHBA) is the voice of the residential construction industry in Ontario. It represents over 4,000 member companies in the home building, land development, professional renovation, and professional services sectors through 28 local chapter associations across the province. OHBA advocates on behalf of its members to key stakeholders, provides member benefits and training, and promotes innovation and professionalism within the residential construction industry.

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