CUR'S GTHA Urban Digest

"Promoting Better Urban Policy through Economic Understanding"

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Time to Change the "Growth Must Pay for Growth" Mantra of Ontario Municipalities to "Beneficiaries Must Pay for Growth"

Municipalities in Ontario currently fund about 80% of the infrastructure costs linked to growth (that is, the infrastructure costs involved with new building construction of all types). According to the Association of Ontario Municipalities (AMO) and at least one economist (Adam Found), this is inadequate:

"AMO will continue to press the case that development charges should be calculated in a way that will fully cover the costs of new development and growth." (AMO, **Development Charge Reform: Growth Must Pay for Growth**)

"Only once the 'growth-pays-for growth' prescription is fully respected in municipal finance legislation can DCs [development charges] reach their full potential as an effective tool for recovering growth-related capital costs." (A. Found, **Development Charges in Ontario: Is Growth Paying for Growth?,** 18)

CUR Response (Frank Clayton)

The extent of development charges (DCs) funding growth-related infrastructure in the Greater Toronto Area (GTA) is already hefty. DCs in Halton/Oakville, for example, total up to $87,731 per new single-detached house and up to $68,985 per 3-bedroom townhouse. Any additional increase in these charges will put upward pressure on prices and will therefore negatively impact housing affordability.

Proponents of growth paying for growth miss the broader benefits of growth. Investment in infrastructure is a key source of economic growth and productivity which benefits many parties beyond just the owners of new buildings. According to the Conference Board of Canada, economic growth is the sum of three components: productivity growth; growth in the capital stock (infrastructure, equipment and buildings); and labour force growth (population growth). (Centre for Urban Research and Land Development, **New Direction for Funding Growth-Related Water and Wastewater Infrastructure in the Greater Toronto Area and Hamilton**, 21)

In our opinion, the proper way to finance infrastructure is to calculate the degree of growth generated by the investment in infrastructure and to prorate the costs associated to be shared by the parties benefiting from them. Using Oakville as an example once again, 56% of the estimated $232,498 of government charges of all kinds imposed on new single-detached houses end up in the coffers of the provincial and federal governments. (Altus Group, **Government Charges and Fees on New Homes in the Greater Toronto Area**, 22). This figure alone provides a rationale for the consistent funding of municipal growth-related infrastructure by the provincial and federal governments, something not being done at present.

Let all those who benefit from the economic gains generated by new development pay the costs.

This publication provides a commentary on what we are reading in regards to the performance of economies and real estate markets, as well as land-use policy issues across the GGH. Feel free to pass this issue to your colleagues and let us know your reactions to our observations.

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