Bid to restructure how Development Charges are collected, paid, rejected by Council

A move which could have seen a significant shift in how Development Charges (DCs) are paid and collected was rejected by Council last week.

At issue was a motion put forward by Ward 5 Councillor John Gallo which would have tasked municipal staff with exploring a new structure of collecting DCs, which are fees paid by incoming developers to the municipality to improve infrastructure taking into account a larger population as a result of development.

The Councillor proposed exploring a new structure which would take the price of Development Charges out of the upfront price of a home and instead giving first-time home-buyers the option to amortize these fees over 25 years.

The new structure, said Councillor Gallo, would help reduce the upfront cost of purchasing the home while providing flexibility, but Council members against the motion said it would do nothing to ultimately reduce the price of a home while adding an extra layer of bureaucracy at Town Hall.

?This motion does not eliminate development charges, it does not reduce municipal revenue, and it does not commit this Council to implementing a new system. What it does is ask staff to study an alternative, one that improves affordability and transparency while fully protecting the Town's financial position,? said Ward 5 Councillor John Gallo.

?Today in Aurora, development charges are collected at occupancy. While developers technically pay them, everybody in this room understands the reality. Those costs are fully embedded into the purchase price of a new home. Buyers then finance those charges through their mortgage and pay interest on them for decades. To put it in real numbers, a single semi-detached home in Aurora today carries roughly $142,000 in total development charges, once you combine the Town portion, the Region and Education portion.

?The townhouse carries approximately $117,000, a large apartment unit, $91,000, and even small apartments, over $63,000. All of that is added directly to the purchase price before a buyer even steps into the home. Under the concept being studied, the amount would be removed from the upfront purchase price, itemized clearly and separated ? not only the Town's portion, but also York Region and Education portions, and buyers would be given a choice. They could pay those charges upfront, exactly as they do today, or they could opt to repay them over time as a clearly-disclosed, property-tied tax charge on their bill.?

But whether or not it ultimately reduced the final bill for the homeowners in question was the sticking point.

Ward 6 Councillor Harold Kim, for instance, said while ?the intention is great? there is ?no guarantee that?savings would be passed onto the homebuyer.? Ward 2 Councillor Rachel Gilliland offered a similar perspective, stating ?I just kind of feel like Peter is paying Paul to pay Peter in a different way.?

?I don't see where the savings is,? she said, adding the bureaucracy of maintaining any system resulting from the motion would cost further money. ?I feel like what this is going to end up resulting is just more work for staff in Town and more risk and more delay and defer on DCs and our future potential growth, because at the end of the day, you need the Province, you need the Region, you need the fFderal government, you need all this collaboration. At the end of the day, this is just not a single tier, like a municipality solution. This is an entire big balloon of things.

?And if we really are serious, maybe what we should do is be delegating at AMO (Association of Municipalities of Ontario) or FCM (Federation of Canadian Municipalities) and doing a delegation in front of the Ministers and telling them what we want to do and getting them to put their act together and maybe putting together some sort of responsible plan.?

Ward 4 Councillor Michael Thompson voiced a similar perspective, adding he ?struggled? to see how a switch would improve affordability as the total bill will be the same in the end.

?I share those concerns that have been voiced around the table. I'm concerned that our Director of Finance is not necessarily supportive of this, given the administrative burden, so I'm not supportive of it,? he said.

Final word went to Mayor Tom Mrakas who described the proposed structure as ?as a shell game? that would benefit developers over first-time homebuyers.

?[It] takes development charges off the developer entirely and dumps them onto the home buyer as a long-term municipal tax,? he said. ?Developer doesn't pay. They don't carry the cost. They don't carry the risk, and they collect their profit and walk away. Meanwhile, the homeowners left with a 25-year bill attached to their property, payable whether they stay, sell, or struggle. That is not affordability. That's not attainability. That is offloading costs onto families.

?Let's not pretend that this lowers the price of housing. There is zero guarantee, zero, none, that a developer would reduce the purchase price by a single dollar. All this does is hide the cost and make it less visible at the point of sale.?

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