

Motion could give potential homeowners, builders flexibility on Development Charges

A re-think on how Development Charges are collected by municipalities could help ease the affordability of local homes, according to Ward 5 Councillor John Gallo.

Local lawmakers this week will consider a motion from Councillor Gallo that could result in a significant departure from how Development Charges (DCs) ? fees incoming builders pay to municipalities to support infrastructure in growing communities ? are collected, as well as the sticker shock that is associated with the purchase of a new home today.

?Residential DCs are currently collected by the Town of Aurora from developers in full occupancy. The cost of DCs is typically embedded into the purchase price of new homes, effectively passing this cost directly to first-time and other homebuyers through higher purchase prices,? says the Councillor in his motion. ?The current practice contributes to housing affordability challenges for new homebuyers in Aurora and alternative models for the collection of development charges may improve transparency, enhance affordability, and provide more flexible options for new homeowners while ensuring the Town maintains the necessary revenue to fund growth-related infrastructure.?

The Town, he says, ?has the capacity to issue bonds or other financing instruments to secure the full amount of DC revenues upfront, while amortizing repayment through the municipal tax system.?

Should Council approve the motion, municipal staff will be tasked with reporting back on the feasibility of implementing alternative DC collection models by the end of the second quarter of 2026.

The model outlined in his motion includes removing the cost of DCs from the purchase price of a new home, while giving new homeowners the option at the time of purchase to either pay the full DC amount upfront, or opt in to a DC repayment program amortized over 25 years.

Here, the amortized repayments would be collected through the property tax system and would be tied to the property, rather than the homeowner, until it is fully paid off.

Ahead of this week's Committee of the Whole meeting, Councillor Gallo told The Auroran his motion was inspired by models shared with him by American friends, which have shown to be effective.

?I started to investigate and try to get a better understanding of the concept, always with the concept of how do we make things somewhat more affordable for any new homebuyers,? he says. ?DCs always, always come up both on the development side and we always talk about?how much we need them, and, developers, how much they don't want them, so this seemed like a good opportunity to explore this concept of basically not charging the developer DCs, pulling them out of the purchase price, and having a separate tax bill if the homeowner chooses and amortize [that DC amount] over 25 years.

?The Town would issue a bond or some other type of financial instrument where we would put that in the open market [and] I have been told that most investors would buy that up easily and then have the homeowner amortize that over 25 years, and it would stay with the property, not the owner.?

Should this model move forward, he conceded there might be a ?few bumps and probably some things to iron out? along the way, and cited the biggest challenge getting the Provincial government to ?tweak? the relevant legislation to allow towns like Aurora to issue bonds and collect DCs in a different way.

As to how a DC fee being included as part of a home's resale, Councillor Gallo says it would not be unlike a condominium going on the market, with that extra condo fee to consider.

?I think it's a win-win for everyone,? he says. ?The municipality collects upfront like we normally would do. The homeowner gets to choose whether they want to pay for it in the purchase price or amortize that over 25 years and reduce the cost of the home, sometimes up to 10 per cent, depending on what the DCs are, and the developer doesn't have to come up with that money upfront and we can move projects along a lot quicker, I think.?

The future of DCs has been clouded in uncertainty in recent years, leading to questions from Regional and Municipal levels of government.

Councillor Gallo describes DCs, as they currently stand, as a ?moving target? and has resulted in ?some instability in terms of long-term planning.?

?I'm hopeful that this will somewhat even the playing field and provide another way of having homes a little bit more affordable,? he says. ?There's not a lot we can do outside of our taxes and our user fees to impact the cost of homes. There's not a lot of tools in our toolbox.

?It's going to take some time and some study, and some political will on multiple levels of government, but it's a concept, it's an idea, and let's see how much traction it gets.?

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