

Potential alternative to Development Charge collection finds support, caution

The first steps in exploring alternatives in how Development Charges are collected in a bid to make the housing market more affordable for first-time homebuyers received support from Council last week amid cautions from municipal staff.

At issue was a motion from Ward 5 Councillor John Gallo tasking staff with looking into the feasibility of removing Development Charges (DCs) fees paid by developers to municipalities to account for growth out of the cost of the purchase price of a home and instead giving new homeowners the option of paying the DCs upfront or amortized over 25 years through their property taxes.

Exploring this model would allow the Town to be as creative as we can in trying to make homes more affordable, said Councillor Gallo.

To be clear, the concept is not to reduce any revenues to the Town, not looking for any other levels of government to subsidize, he explained. As we say many, many times, there's only one taxpayer and that would have to come from somewhere. It's a concept to try to minimize that or reduce that purchase price to have people enter the marketplace.

The motion to have staff explore the possibility received the broad support of Council at last week's Committee of the Whole meeting, although Mayor Tom Mrakas said he would not support the motion as he didn't believe it would achieve its affordability objective.

Nobody has the key to this affordability issue, and any tools that we can provide in order to offer people an opportunity, some flexibility on their down payment and costs, I'm all for this, but I'd like to see what the report says, said Ward 1 Councillor Ron Weese, asking staff for further information on resources it would take at Town Hall to administer the program, as well as the likelihood of whether the system would actually result in a lower purchase price.

Additional questions were posed by Ward 3 Councillor Wendy Gaertner on how interest fees would be handled if these DCs are amortized over 25 years, while Ward 4 Councillor Michael Thompson asked for further information on American jurisdictions where this model has been put in place.

From the perspective of Mayor Tom Mrakas, some of these questions had already been answered by staff, and given their feedback, he would not be lending his support to getting a report.

This proposal doesn't lower the cost of housing. It just moves the Development Charges from the developer to the resident, said Mayor Mrakas, noting recent conversations with Town Treasurer Rachel Wainwright-van Kessel. Instead of being built on the price of the home, families would pay it in 25 years as a new municipal tax that's a win for developers and a loss for the resident.

[Developers] are not paying the DC under this proposal; the resident is paying the DC. Yes, they pay it now, but the only person winning is the developer not the municipality, not the resident and I might remind everyone DCs in the Town of Aurora for a single-family home is \$41,000, and for an apartment or condo, it's \$23,000, so I'm not going to task staff to look into this and take a deep dive because I've already asked them. Asked by Councillor Thompson to elaborate on the Mayor's comments, Wainwright-van Kessel said it just shifts the part of the mortgage essentially onto the Town as this new municipal tax.

When you're actually looking for total affordability on a purchase price, when you're buying a property, your mortgage company considers other things such as condo fees and things like that, and then they look at your purchase agreement, she said. If you're including the DCs as part of a municipal tax, they're going to factor that in, so it's not going to have a significant impact overall on what you can afford. You're still going to be able to afford the same amount of house, it's just a matter of where are you paying those DCs? Is it in the developer's price, or is it in your municipal tax?

Tying the 25-year amortization to the property rather than the homeowner, she added, could create a challenge in the resale market

and owners would have to be aware of any fees still tied to the property before they purchase it.

Additionally, it could be a challenge for the Town to verify that developers are indeed passing along DC savings to the purchaser, she said.

?There is going to be some administrative burden. It will defer some of the cash flow, but it will be coming in basically on installments over that amortization period. It will mean that we'll need to issue additional debt for new capital projects?.I would be interested to learn about some of these municipalities in the US that Councillor Gallo is looking at so we can do some further investigation to fully understand what he's seeing, to be able to weigh in further on this.?

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