Building Industry & Land Development Association

Peel Region Growth Management Workshop

September 5, 2014

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Today's Outline:

- BILD
- Industry's Economic Impact in the GTA & Peel Region
- Development Charges 101
- The Development Charges – Bringing it back to Affordability
- Why do we need Growth in Peel Region?
- Financial Management Options
- The Halton & York Model
- Closing Remarks

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BILD -

- With more than 1,400 member companies, BILD is the voice of the land development, home building and professional renovation industry in the Greater GTA.

- BILD also represents commercial, institutional, retail, and industrial land developers.

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The Industry's Economic Impact – Why Growth is Good!

GTA:

AN ECONOMIC ENGINE

With up to 100,000 people and 50,000 jobs coming to the GTA every year, the building, land development and professional renovation industry is supporting the growth of our region and economy.

In 2013, residential and non-residential construction generated:

34,719
new housing starts

$22.6 BILLION
investment value of construction, renovation & repair, acquisitions & conversions

207,400 jobs, paying
$9.7 BILLION in wages

In 2012, professional renovation generated:

$13 BILLION
in investment value of renovation and repair

99,900 jobs, paying
$5.3 BILLION in wages

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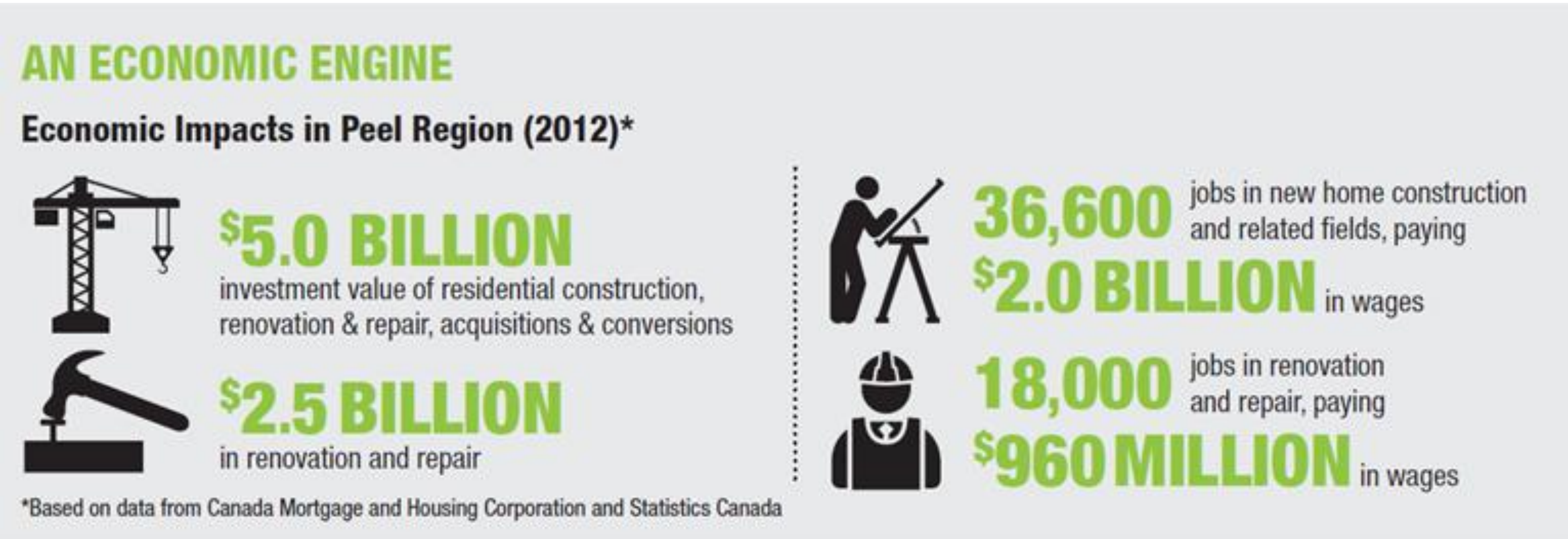
The Industry's Economic Impact – Why Growth is Good!

PEEL REGION:



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The Industry's Economic Impact – Why Growth is Good!

PEEL REGION:

Average New Home Price (2013)*

High rise

$353,873

9.91%

since 2010

Low rise

$587,027

7.48%

since 2010

*Based on data from RealNet

New Home Sales (2013)*

931
High rise

3,834
Low rise

Construction Starts (2013)*

1,249
High rise

5,049
Low rise

*Based on data from RealNet

Building Permits Value (2013)*

$1.45 BILLION Residential

$1.16 BILLION Non-residential

* According to CMHC, 2013

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Development Charges 101 – who pays – what, where and why

A 2013 Altus Group Study commissioned by BILD reveals:

- Since 2004 (for the municipalities studied), DCs have increased between 143% and 357%.
- Since 2005, the average selling price of new low-rise homes across the GTA has increased by 70%, and the average selling price of new high-rise homes has increased by 61%.
- In most municipalities, the most significant government charge for new homes are ***development charges:***
  - For low-rise development, DCs represent from 38% to 47% of all government charges.
  - For high-rise development, DCs make up between 33% and 52% of all government charges.

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Development Charges 101 – who pays – what, where and why

Comparison of Changes in Average Price of Absorbed Single-Detached Units, DC Rates and Non-Residential Construction Price Index

Year	Average Price of Absorbed Single-Detached Units, Peel Region	Peel Region DC Rates			Non-Residential Construction Price Index, Toronto CMA
		Residential [1]	Industrial	Non-Industrial	
	Dollars / Unit	*Dollars / Unit*			*2002 = 100*
2004	335,790	6,874	27.58	38.24	110.5
2005	351,830				116.4
2006	401,144				124.2
2007	438,004	15,285	57.03	81.66	132.6
2008	481,063				145.3
2009	512,627	17,653	65.87	94.32	142.5
2010	551,896				142.4
2011	563,772	17,263	65.79	94.21	148.2
2012	586,200	35,567	88.94	128.44	151.5
2013	603,547	35,813	89.63	196.34	152.1
2014 (YTD)	630,403	36,071	135.82	197.75	153.6
% Change vs. 2004	**88%**	**425%**	**392%**	**417%**	**39%**
% Change vs. 2007	**44%**	**136%**	**138%**	**142%**	**16%**
% Change vs. 2011	**12%**	**109%**	**106%**	**110%**	**4%**

Development Charges 101 – who pays – what, where and why

- Development charges are a legitimate source of revenue for regions and municipalities when used to offset infrastructure-related costs directly resulting from new growth.
- *BILD* has always recognized this and the industry has never objected to paying their fair share.
- On average, 56% of government charges are levied on land owners, developers, or home builders.

Development Charges:

- **Charges levied during the development and/or building process are likely to get passed on to new home buyers.**
- **Charges paid for by new home owners can have direct impacts on the amount of income available to pay for a mortgage, as well as other costs of living.**

The Development Charges – Bringing it back to Affordability

These absolute numbers reveal a significant impact on new home prices, directly reducing affordability, choice and opportunity for buyers

Why do we need Growth in Peel Region ?

- Growth ***will*** occur in Peel Region.
- Places to Grow: The Region of Peel is expected to reach 1.97 million population by 2041.

- A report by the Canadian Centre for Economic Analysis titled *Macroeconomic Evaluation of Water/Wastewater New Investment after 2031:*
  - W/WW investments of $4B - $4.5B maximizes economic productivity and are required to maximize economic sustainability.
  - This leads to a higher standard of living, holds inflation in check, and enhances geo-regional competitiveness.
  - **NO INVESTMENT = "Economic collapse of the Region."**

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Financial Management Options:

- Growth ***will*** occur in Peel Region (Growth Plan).
- **BILD does not support any deferral of required infrastructure projects within a DC by-law.**
- All large-scale core infrastructure (trunk sewers, plant expansions etc.) requires implementation on the current timeline, in order for the Region to meet the needs of future growth.
- **BILD supports expediting DC collection at subdivision approval or by pre-payment agreement and suggested the Region make this change to the DC collection process in the 2012 DC By-law review.**

Pushing the Limits – The Halton Model

ALLOCATION PROGRAM:

- Halton Region's Official Plan requires that an Infrastructure Staging Plan, including a financial and implementation plan, be prepared to Council's satisfaction prior to development proceeding:

$23,503.00 – Local development charge (Oakville)
$36,779 – Regional development charge
$3,665 – Education development charge
$1,032 – GO Transit DC
+$27,516.00 – Region Allocation Charge (=cash-flow assistance/ the Region will not borrow)
= **$92,495 per single family home**

The York Model:

- The York Model collects hard (W/WW) DC's at the subdivision approval stage.
- The Region's cash flow model would be improved and under less stress/risk.

- *EXAMPLE:*
  - A 500 unit Subdivision would pay (W/WW)prior to registration vs as building permits would be issued over an approx. 4 year time frame.

- **BILD suggests that the subdivision agreements in Peel be updated to reflect this payment timeline**.

Closing Remarks:

- BILD looks forward to continuing the good working relationship with the Region of Peel.
- We are at a critical juncture where we have to continue to work together to find a solution to the Region's financial concerns.
- We do not believe that the "Halton model" is a sustainable financial model.
- Development Charges are working.
- Region must look internally (value engineering) and externally (new funding sources) to reduce the cash flow risk.
- BILD must be at the table in an engaged partnership role to solve this problem.

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Thank you!