

RESEARCH REPORT



Examination into Government Imposed Charges on New Housing Construction



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CMHC

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

FINAL REPORT

DECEMBER 24, 2010



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EXECUTIVE SUMMARY

This study examined government imposed charges (GICs) on new housing in 21 centres across Canada in 2009. GICs are comprised of a range of levies, fees, charges and taxes that are imposed by municipal, provincial and federal levels of government.

This study is the 4th in a series; the other studies examined GICs in 1996, 2002 and 2006.

- The 1996 study conducted for CMHC entitled *Levies, Fees, Charges, Taxes and Transaction Costs on New Housing* examined government imposed costs on single detached and row housing in 26 municipalities and compared the costs to the sale price for these housing types. The 1996 study included homes in the 20th-25th percentile of selling prices; these were identified as 'modest' priced homes. Due to the significant variation found in the 'typical' modest home, the study introduced a standard single-detached house in an attempt to provide a more consistent basis of comparison by using the same size of house and lot in all municipalities. The standard house comprised 1,200 sq ft in area and had a 35-foot lot. The analysis for the standard single detached house was limited to local municipal charges.
- The 2002 study *Levies, Fees, Charges and Taxes on New Housing 2002* increased the sampling universe to 30 municipalities and covered a broader range of dwelling types to include condominiums and rental apartments. The 2002 study focused on the modest priced dwelling units defined as falling into the 20th-25th percentile of all selling prices. The 2002 study did not examine the 'standardized' house which had been reviewed in the 1996 study.
- The 2006 study *Government Imposed Charges on New Housing in Canada* further expanded the sample to 32 municipalities and covered the same GICs as the 2002 study. It excluded rental apartments from the range of dwelling types reviewed. The 2006 study examined the 'median' priced dwelling unit, defined as being at the 50th percentile of overall selling prices by type; it did not examine the 'modest' priced units. Due to this divergence, the authors of the 2006 study adjusted the 2002 housing and GIC data to reflect the 'median' selling prices in order to carry out a trends analysis for the single detached dwellings category¹.

This 2009 report presents estimates of the various GICs associated with new dwelling units – both 'median' (50th percentile) and 'modest' (20th-25th percentile) priced single-detached, semi-detached, row and apartment units in 21 centres². Further, this report examines trends in GICs over the 2006 to 2009 timeframe based on the findings of the current study relative to the 2006 study focusing on 'median' priced single detached units.

In addition to the GICs examined in the 2002 and 2006 reports, the 2009 study also examines incentives for new housing development, offered at the municipal, provincial and federal levels. Further, the subject study includes two additional infrastructure charges at the municipal level: public transport and/or environmental related fees/contributions.

The report is comprised of 4 sections. Section 1 provides an introduction and background including an overview of the report structure. Section 2 details the study scope and methodology used to gather and analyze data. Section 3 includes a description of the various GICs at the municipal, provincial and federal levels. The estimates of the 2009 GICs for new housing in 2009 are detailed

¹ Refer to the 2006 *Government Imposed Charges on New Housing in Canada* for further details on the approach used to adjust the 2002 housing data.

² As per the terms of reference for this study, where municipalities did not have sufficient housing starts in a particular housing category in 2008, no GIC information was to be collected and no analysis was to be performed for that housing type.

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

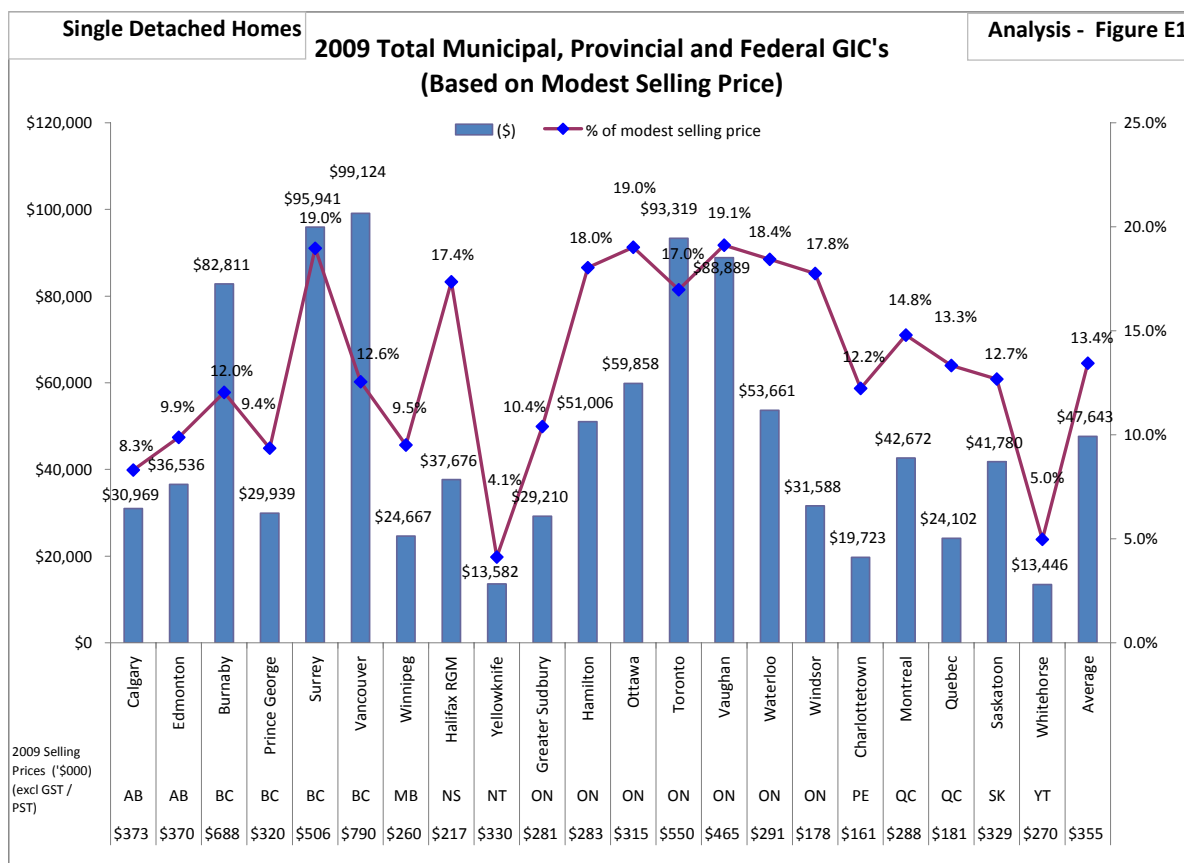
for the modest and median single detached dwelling units. Section 4 details the absolute and relative GIC trends for median priced single detached dwelling units over the 2006 to 2009 timeframe.

GICs FOR MODEST PRICED SINGLE DETACHED DWELLING UNITS

Overall, the average GIC in 2009 among all municipalities studied was \$47,643 for a modest single detached dwelling unit. Table E1 and Figure E1 show the estimated GICs for the 21 centres reviewed for 2009 for the 'modest' category. In absolute terms, Vancouver had the highest GICs at \$99,124, followed by Surrey at \$95,941, Toronto at \$93,319, Vaughan at \$88,889 and Burnaby at \$82,811. Then there is a drop of some \$23,000 to the next highest GICs in Ottawa at \$59,858, followed by Waterloo at \$53,958. The lowest GICs are in Whitehorse at \$13,446, Yellowknife at \$13,582 and Charlottetown at \$19,381. The rankings in relative and absolute values are provided in Table E1.

Table E1 - 2009 Total Estimated Municipal, Provincial and Federal GICs for Dwellings with Modest Selling Price

2009 Total Municipal, Provincial and Federal GICs for Dwellings with Modest Selling Price							
Decreasing relative value of GICs				Decreasing absolute value of GICs			
Centre	Total GICs	% of selling price	Average selling price ('000s)	Centre	Total GICs	% of selling price	Average selling price ('000s)
Vaughan, ON	\$88,889	19.1%	\$465	Vancouver, BC	\$99,124	12.5%	\$790
Surrey, BC	\$95,941	19.0%	\$506	Surrey, BC	\$95,941	19.0%	\$506
Ottawa, ON	\$59,858	19.0%	\$315	Toronto, ON	\$93,319	17.0%	\$550
Waterloo, ON	\$53,661	18.4%	\$291	Vaughan, ON	\$88,889	19.1%	\$465
Hamilton, ON	\$51,006	18.0%	\$283	Burnaby, BC	\$82,811	12.0%	\$688
Windsor, ON	\$31,588	17.7%	\$178	Ottawa, ON	\$59,858	19.0%	\$315
Halifax RGM, NS	\$37,676	17.4%	\$217	Waterloo, ON	\$53,661	18.4%	\$291
Toronto, ON	\$93,319	17.0%	\$550	Hamilton, ON	\$51,006	18.0%	\$283
Montreal, QC	\$42,672	14.8%	\$288	Montreal, QC	\$42,672	14.8%	\$288
Quebec, QC	\$24,102	13.3%	\$181	Saskatoon, SK	\$41,780	12.7%	\$329
Saskatoon, SK	\$41,780	12.7%	\$329	Halifax RGM, NS	\$37,676	17.4%	\$217
Vancouver, BC	\$99,124	12.5%	\$790	Edmonton, AB	\$36,536	9.9%	\$370
Charlottetown, PE	\$19,723	12.3%	\$161	Windsor, ON	\$31,588	17.7%	\$178
Burnaby, BC	\$82,811	12.0%	\$688	Calgary, AB	\$30,969	8.3%	\$373
Greater Sudbury, ON	\$29,210	10.4%	\$281	Prince George, BC	\$29,939	9.4%	\$320
Edmonton, AB	\$36,536	9.9%	\$370	Greater Sudbury, ON	\$29,210	10.4%	\$281
Winnipeg, MB	\$24,667	9.5%	\$260	Winnipeg, MB	\$24,667	9.5%	\$260
Prince George, BC	\$29,939	9.4%	\$320	Quebec, QC	\$24,102	13.3%	\$181
Calgary, AB	\$30,969	8.3%	\$373	Charlottetown, PE	\$19,723	12.3%	\$161
Whitehorse, YT	\$13,446	5.0%	\$270	Yellowknife, NT	\$13,582	4.1%	\$330
Yellowknife, NT	\$13,582	4.1%	\$330	Whitehorse, YT	\$13,446	5.0%	\$270

Figure E1 - 2009 Total Estimated Municipal, Provincial and Federal GICs for Dwellings with Modest Selling Price

GICs exceeded \$80,000 in 4 municipalities: Surrey, Toronto, Vaughan and Burnaby. A 2nd tier of municipalities had GICs in the range of \$40,000 to \$60,000: Ottawa, Waterloo, Hamilton, Montreal and Saskatoon. A 3rd tier of GICs in the \$20,000 to \$39,000 range included: Halifax, Edmonton, Windsor, Calgary, Prince George, Greater Sudbury, Winnipeg and Quebec. The 4th tier of GICs, below \$20,000 included: Charlottetown, Yellowknife and Whitehorse.

Figure E1 also shows the GICs on modest single detached dwelling units in each centre in relative terms (i.e., as a percentage of selling price). Overall, GICs represent 13.3% of the selling price³ in 2009. Across the 21 centres the percentage ranged from a low of 4.1% in Yellowknife to a high of 19.1% in Vaughan. In Vaughan, Ottawa, Surrey, Waterloo, Windsor, Halifax and Toronto, the percentage was 17% or higher. For Montreal, Quebec, Saskatoon, Burnaby and Sudbury it was between 10% and 15%. And for the remaining centres of Edmonton, Winnipeg, Calgary, Whitehorse and Yellowknife the percentage was less than 10%.

The analysis reveals that the absolute GIC (dollar value) and the relative GIC (% of selling price) do not necessarily result in the same ranking. For example, Vancouver which ranked 1st overall in absolute terms at \$99,124 for total GICs, ranked 12th in relative terms at 12.6%.

³ Selling price is net of GST.

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

Overall, the municipal GICs represented the largest component of total GICs at 42.4%, followed by federal charges at 29.6% and provincial charges at 28.1%. The composition of GICs also varied across the country, as follows:

- Municipal GICs represented the largest proportion of overall GICs in 10 of the 21 centres, including: Waterloo (61.2%), Edmonton (60.5%), Ottawa (60%), Hamilton (58.9%), Saskatoon (56.6%), Surrey (55.7%), Calgary (52.3%), Windsor (54.1%), Vaughan (54%) and Toronto (47.1%).
- The Federal GST represented the largest proportion of GICs for Yellowknife (77.6%), Whitehorse (64.3%), Burnaby (41.5%) and Vancouver (39.8%).
- The Provincial GICs represented the largest proportion of total GICs for Montreal (61.9%), Charlottetown (49.7%), Halifax (47.5%), Quebec (46.5%), Winnipeg (42.9%) and Prince George (40.8%).

For all centres included in the survey, application and processing fees represented a small component of the overall GICs (\$641 on average or 0.2% of the average selling price of \$355,000) as did home warranty programs (\$756 on average, or 0.2% of selling price), other provincial charges (\$96 on average or less than 0.1%) and other municipal charges (\$618 on average or 0.2%).

Overall, in absolute terms GICs are highest for single detached units relative to all other dwelling unit types included in the survey (i.e., semi-detached, row and apartments). In relative terms, generally the single detached units have the highest percentage of GICs expressed as a percentage of the selling price. However, for some centres the GICs for semi detached or the row dwelling units represented a higher percentage of the selling price relative to the single detached dwelling unit.

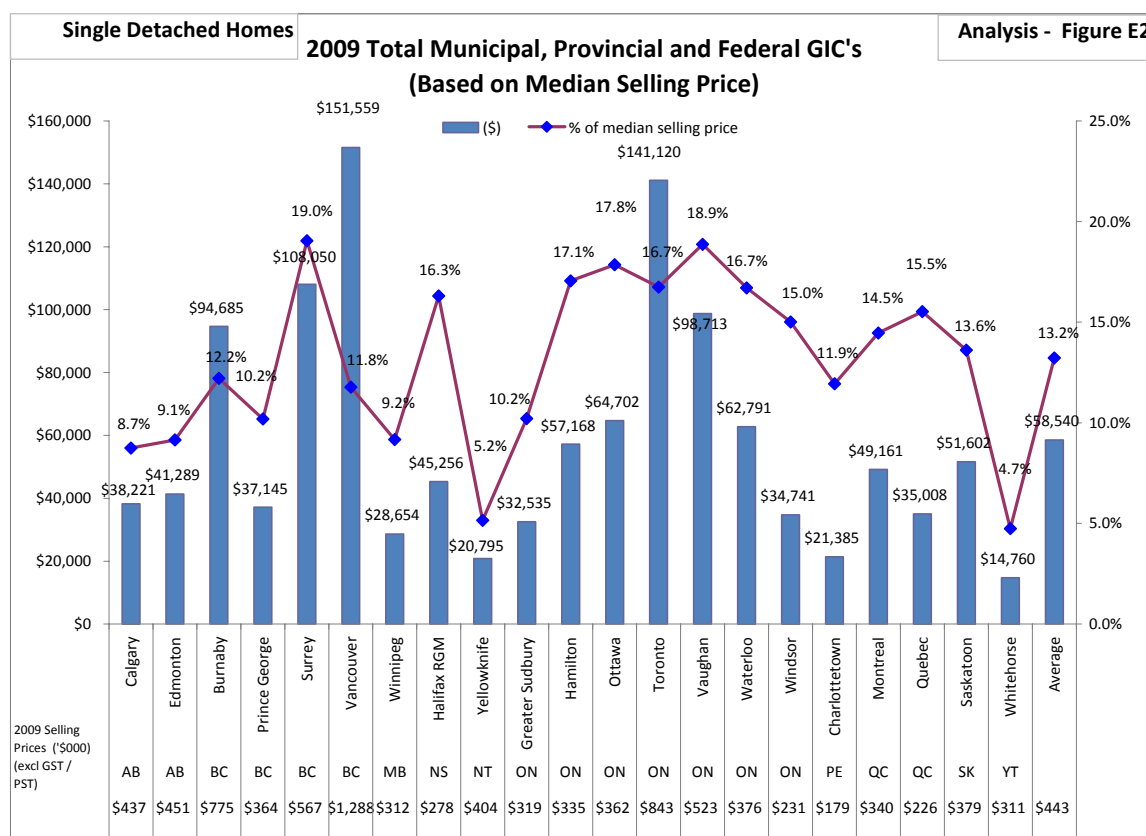
GICs FOR MEDIAN PRICED SINGLE DETACHED DWELLING UNITS

Three BC municipalities and two Ontario municipalities had the highest absolute GICs for median priced single detached dwelling units :

- Vancouver at \$151,559 (11.8% of selling price at \$1,288,137);
- Toronto at \$141,120 (16.8% of selling price at \$842,743);
- Surrey at \$108,050 (19% of selling price at \$567,207);
- Vaughan at \$98,713 (18.9% of selling price at \$523,295); and
- Burnaby at \$94,685 (12.2% of selling price \$775,481).

The aforementioned centres ranked highest in the modest category as well. These municipalities also had the highest selling prices in the median category for single detached dwelling units.

- The (simple) average total GICs across the 21 centres was \$58,540 in 2009.
- Southern Ontario municipalities GICs amounted to about 15 – 19% of the selling price of a home. Surrey at 19%, representing the highest percentage in the study, was much higher than other BC municipalities of Prince George, Vancouver, and Burnaby at 10.2%, 11.8% and 12.2% respectively.
- Yellowknife and Whitehouse had the lowest GICs and as a percentage of the selling price.

Figure E2 - 2009 Total Estimated Municipal, Provincial and Federal GICs for Dwellings with Median Selling Price

- While overall the GICs for median priced dwelling units exceeded total GICs for modest units, mainly due to PST and GST, the study found that the municipal GICs imposed on modest and median units in the same municipality were roughly the same.

GICs TRENDS 2006 – 2009 FOR MEDIAN SINGLE DETACHED DWELLING UNIT

Over the 2006 to 2009 timeframe, the GIC trends for the 'median' single detached dwelling unit, among the municipalities studied, were as follows:

- On a comparative basis, allowing for indexing of the 2006 values, the overall average GIC for a median priced single detached dwelling unit rose from \$47,622 in 2006 (indexed⁴ to 2009)⁵ to \$58,540 in 2009 – representing a 23% increase.
- Overall, the average median single detached dwelling unit price was \$378,926 in 2006 (indexed to 2009) compared to \$443,000 in 2009 – a 17% increase.
- Thus, GICs increased at a faster rate than housing prices over the 2006 to 2009 timeframe.
- In 2009, on average, GICs represented 13.2% of the price compared to 12.6% in 2006.

⁴ Indexing is discussed in Section 4 of the report.

⁵ The 2006 study calculated a 'weighted' GIC based on housing starts. The current 2009 study does not 'weight' the results. Therefore, in order to report on the 'comparable' or the trend, the 2006 values have not been weighted.

The previous studies all concluded that GICs have a direct effect on the total cost of housing. This 4th study has come to the same conclusion. Given that GICs have a direct effect on the total cost of housing, as such GICs also have an impact on affordability.

EXAMEN PAR LA SCHL DES FRAIS IMPOSÉS PAR LES GOUVERNEMENTS POUR LES NOUVEAUX LOGEMENTS

RÉSUMÉ

La présente étude porte sur les frais imposés par les gouvernements pour les nouveaux logements en 2009 dans 21 centres, partout au Canada. Ces frais comprennent un éventail d'impôts, de droits, de frais et de taxes, qui sont imposés par les administrations municipales, ainsi que les gouvernements provinciaux et fédéral.

Il s'agit de la 4^e d'une série d'études sur la question. Les trois précédentes ont été effectuées en 1996, 2002 et 2006.

- L'étude de 1996, réalisée pour la SCHL et intitulée Les impôts, droits, frais, taxes et coûts de transaction sur les logements neufs, portait sur les frais imposés par les gouvernements pour les maisons individuelles et en rangée dans 26 municipalités et comparait ces frais au prix de vente de chaque type de logement. Elle visait les logements se situant entre les 20^e et 25^e percentiles des prix; on a déterminé que ces logements étaient d'un prix « modique ». En raison de la grande variation dans le logement d'un prix modique « typique », l'étude a défini une maison individuelle standard, afin d'essayer de fournir un élément de comparaison plus cohérent en utilisant la même taille de maison et de terrain dans toutes les municipalités. La maison standard avait une superficie de 1 200 pieds carrés et un terrain de 35 pieds de large. L'analyse de la maison individuelle standard s'est limitée aux frais imposés par les administrations municipales.
- L'étude de 2002, intitulée Impôts, droits, frais et taxes sur les logements neufs 2002, a étendu l'échantillon à 30 municipalités et a porté sur un plus vaste éventail de logements, y compris les logements en copropriété et les appartements locatifs. Elle s'est concentrée sur les logements d'un prix modique se situant entre les 20^e et 25^e percentiles de l'ensemble des prix de vente. Elle ne visait pas la maison « standard » examinée dans l'étude de 1996.
- L'étude de 2006, intitulée Frais imposés par les gouvernements pour les nouveaux logements au Canada, a étendu l'échantillonnage à 32 municipalités et a porté sur les mêmes frais imposés par les gouvernements que celle de 2002. Son échantillon de logements étudiés n'incluait pas les appartements locatifs. L'étude de 2006 a porté sur le logement d'un prix « médian », défini comme se situant au 50^e percentile de l'ensemble des prix de vente par type de logement; elle ne visait pas les logements d'un prix « modique ». En raison de cette différence, les auteurs de l'étude de 2006 ont ajusté les données de 2002 sur les logements et les frais imposés par les gouvernements pour tenir compte des prix de vente « médians », afin d'effectuer une analyse des tendances de la catégorie des maisons individuelles.⁶

Le présent rapport fournit des estimations de divers frais imposés par les gouvernements pour les nouveaux logements – maisons individuelles, maisons jumelées, maisons en rangée et appartements d'un prix « médian » (50^e percentile) et « modique (du 20^e au 25^e percentiles) dans 21 centres.⁷ En outre, il passe en revue les tendances des frais imposés par les gouvernements durant la période de 2006

⁶ On trouvera dans l'étude de 2006, intitulée *Frais imposés par les gouvernements pour les nouveaux logements au Canada*, de plus amples détails sur l'approche utilisée pour ajuster les données de 2002 sur les logements.

⁷ Conformément au mandat de cette étude, lorsque les municipalités n'avaient pas suffisamment de mises en chantier dans une catégorie particulière de logement en 2008, aucun renseignement sur les frais imposés par les gouvernements ne devait être recueilli et aucune analyse ne devait être effectuée pour ce type de logement.

à 2009 en se fondant sur les constatations de l'étude actuelle par rapport à celle de 2006, qui se concentrait sur les maisons individuelles d'un prix « médian ».

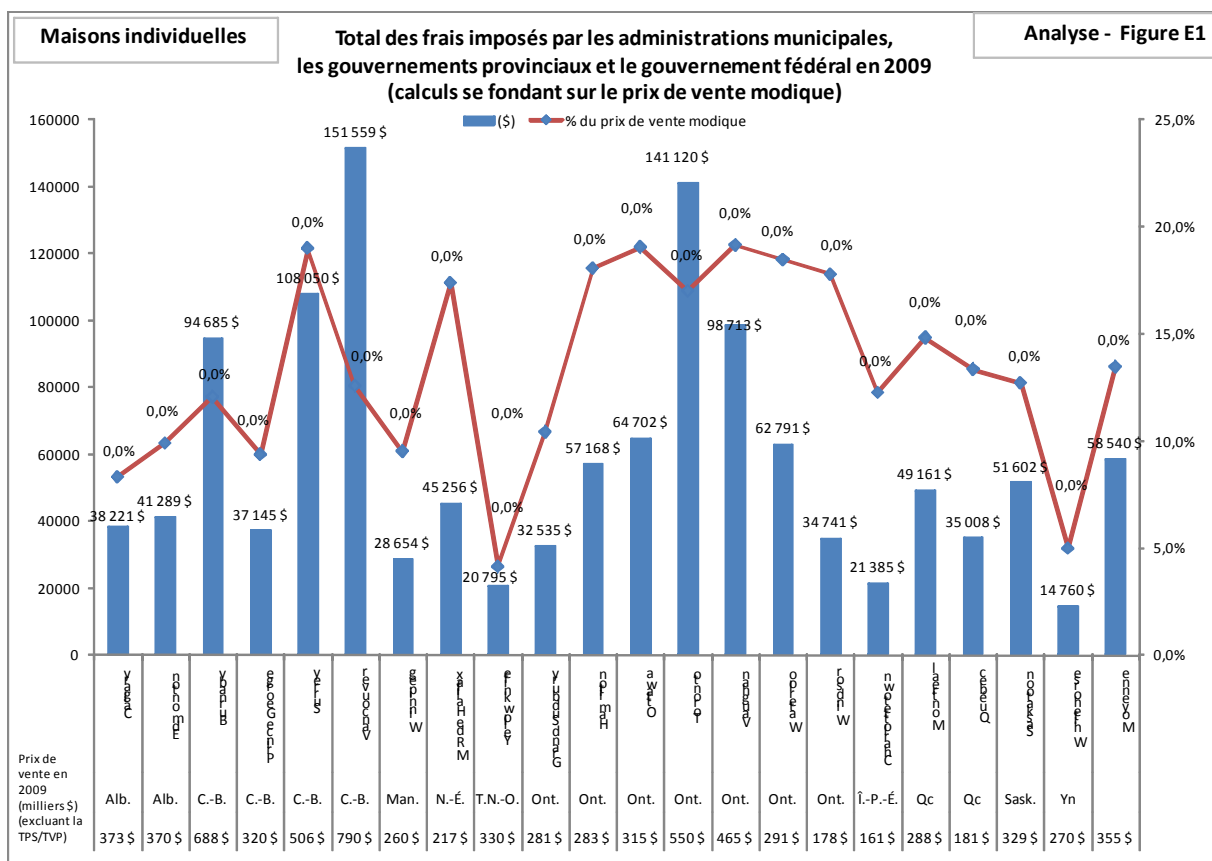
En plus des frais imposés par les gouvernements étudiés dans les rapports de 2002 et 2006, l'étude de 2009 porte également sur les incitations municipales, provinciales et fédérales à la construction d'ensembles résidentiels. En outre, elle porte sur deux frais d'infrastructure supplémentaires au niveau municipal, soit les droits et les contributions relatifs au transport en commun et/ou à l'environnement.

Le rapport comporte quatre sections. La section 1 présente une introduction et le contexte de l'étude, y compris un aperçu de la structure du rapport. La section 2 expose en détail la portée de l'étude et la méthodologie utilisée pour recueillir et analyser les données. La section 3 comprend une description des divers frais imposés par les administrations municipales et les gouvernements provinciaux et fédéral. Les estimations des frais imposés par les gouvernements pour les nouveaux logements en 2009 sont exposées en détail pour les maisons individuelles d'un prix modique et médian. La section 4 présente en détail les tendances des frais absolus et des frais relatifs imposés par les gouvernements pour les maisons individuelles d'un prix médian pour la période de 2006 à 2009.

FRAIS IMPOSÉS PAR LES GOUVERNEMENTS POUR LES MAISONS INDIVIDUELLES D'UN PRIX MODIQUE

Dans l'ensemble, la moyenne des frais imposés par les gouvernements en 2009 dans toutes les municipalités étudiées s'établissait à 47 643 \$ pour une maison individuelle d'un prix modique. Le tableau E1 et la figure E1 présentent les frais estimatifs imposés par les gouvernements dans les 21 centres étudiés en 2009 pour la catégorie de prix « modique ». En termes absolus, Vancouver a le niveau global de frais imposés par les gouvernements le plus élevé (99 124 \$), suivi de Surrey (95 941 \$), Toronto (93 319 \$), Vaughan (88 889 \$) et Burnaby (82 811 \$). Les frais chutent ensuite d'environ 23 000 \$ pour les villes suivantes, soit Ottawa (59 858 \$) et Waterloo (53 958 \$). Les frais les plus faibles imposés par les gouvernements sont à Whitehorse (13 446 \$), à Yellowknife (13 582 \$) et à Charlottetown (19 381 \$). Les classements relatifs et absolus sont présentés au tableau E1.

Tableau E1 – Total estimatif des frais imposés par les administrations municipales et les gouvernements provinciaux et fédéral pour les logements d'un prix modique en 2009							
Valeur relative des frais imposés par les gouvernements en ordre décroissant				Valeur absolue des frais imposés par les gouvernements en ordre décroissant			
Centre	Total des frais imposés par les gouvernements	% du prix de vente	Prix de vente moyen (en milliers de \$)	Centre	Total des frais imposés par les gouvernements	% du prix de vente	Prix de vente moyen (en milliers de \$)
Vaughan (Ont.)	88 889 \$	19,1 %	465 \$	Vancouver (C.-B.)	99 124 \$	12,5 %	790 \$
Surrey (C.-B.)	95 941 \$	19,0 %	506 \$	Surrey (C.-B.)	95 941 \$	19,0 %	506 \$
Ottawa (Ont.)	59 858 \$	19,0 %	315 \$	Toronto (Ont.)	93 319 \$	17,0 %	550 \$
Waterloo (Ont.)	53 661 \$	18,4 %	291 \$	Vaughan (Ont.)	88 889 \$	19,1 %	465 \$
Hamilton (Ont.)	51 006 \$	18,0 %	283 \$	Burnaby (C.-B.)	82 811 \$	12,0 %	688 \$
Windsor (Ont.)	31 588 \$	17,7 %	178 \$	Ottawa (Ont.)	59 858 \$	19,0 %	315 \$
MR de Halifax (N.-É.)	37 676 \$	17,4 %	217 \$	Waterloo (Ont.)	53 661 \$	18,4 %	291 \$
Toronto (Ont.)	93 319 \$	17,0 %	550 \$	Hamilton (Ont.)	51 006 \$	18,0 %	283 \$
Montréal (Qc)	42 672 \$	14,8 %	288 \$	Montréal (Qc)	42 672 \$	14,8 %	288 \$
Québec (Qc)	24 102 \$	13,3 %	181 \$	Saskatoon (Sask.)	41 780 \$	12,7 %	329 \$
Saskatoon (Sask.)	41 780 \$	12,7 %	329 \$	MR de Halifax (N.-É.)	37 676 \$	17,4 %	217 \$
Vancouver (C.-B.)	99 124 \$	12,5 %	790 \$	Edmonton (Alb.)	36 536 \$	9,9 %	370 \$
Charlottetown (I.-P.-É.)	19 723 \$	12,3 %	161 \$	Windsor (Ont.)	31 588 \$	17,7 %	178 \$
Burnaby (C.-B.)	82 811 \$	12,0 %	688 \$	Calgary (Alb.)	30 969 \$	8,3 %	373 \$
Grand Sudbury (Ont.)	29 210 \$	10,4 %	281 \$	Prince George (C.-B.)	29 939 \$	9,4 %	320 \$
Edmonton (Alb.)	36 536 \$	9,9 %	370 \$	Grand Sudbury (Ont.)	29 210 \$	10,4 %	281 \$
Winnipeg (Man.)	24 667 \$	9,5 %	260 \$	Winnipeg (Man.)	24 667 \$	9,5 %	260 \$
Prince George (C.-B.)	29 939 \$	9,4 %	320 \$	Québec (Qc)	24 102 \$	13,3 %	181 \$
Calgary (Alb.)	30 969 \$	8,3 %	373 \$	Charlottetown (I.-P.-É.)	19 723 \$	12,3 %	161 \$
Whitehorse (Yn)	13 446 \$	5,0 %	270 \$	Yellowknife (T. N.-O.)	13 582 \$	4,1 %	330 \$
Yellowknife (T. N.-O.)	13 582 \$	4,1 %	330 \$	Whitehorse (Yn)	13 446 \$	5,0 %	270 \$

Figure E1 – Total estimatif des frais imposés par les gouvernements pour les maisons individuelles d'un prix de vente modique

Les frais imposés par les gouvernements dépassent 80 000 \$ dans quatre municipalités, soit Surrey, Toronto, Vaughan et Burnaby. Un deuxième ensemble de municipalités a des frais s'établissant entre 40 000 \$ et 60 000 \$, soit Ottawa, Waterloo, Hamilton, Montréal et Saskatoon. Un troisième ensemble de municipalités a des frais s'établissant entre 20 000 \$ et 39 000 \$, soit Halifax, Edmonton, Windsor, Calgary, Prince George, Grand Sudbury, Winnipeg et Québec, alors que les frais totalisent moins de 25 000 \$ à Charlottetown, à Yellowknife et à Whitehorse.

La figure E1 montre également les frais imposés par les gouvernements pour les maisons individuelles d'un prix modique en termes relatifs (c.-à-d. en pourcentage du prix de vente). Dans l'ensemble, ces frais représentent 13,3 % du prix de vente⁸ en 2009. Dans les 21 centres, le pourcentage varie d'un plancher de 4,1 % à Yellowknife à un plafond de 19,1 % à Vaughan. À Vaughan, Ottawa, Surrey, Waterloo, Windsor, Halifax et Toronto, le pourcentage est de 17 % ou plus. À Montréal, Québec, Saskatoon, Burnaby et Sudbury, il se situe entre 10 % et 15 %, alors qu'à Edmonton, Winnipeg, Calgary, Whitehorse et Yellowknife, il est inférieur à 10 %.

L'analyse révèle que les frais absolus (en dollars) et les frais relatifs (pourcentage du prix de vente) ne produisent pas nécessairement le même classement. Par exemple, Vancouver, qui se classe au premier rang en termes absolus pour ce qui est du total des frais imposés par les gouvernements (99 124 \$), arrive en 12^e position en termes relatifs (12,6 %).

⁸ Le prix de vente exclut la TPS.

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

Dans l'ensemble, les frais imposés par les administrations municipales ont constitué la partie la plus importante du total des frais imposés par les gouvernements (42,4 %), suivis des frais du gouvernement fédéral (29,6 %) et des frais des gouvernements provinciaux (28,1 %). La composition des frais imposés par les gouvernements variait également d'une région à l'autre du pays, comme suit :

- Les frais imposés par les administrations municipales représentaient la proportion la plus élevée des frais globaux imposés par les gouvernements dans 10 des 21 centres, notamment à Waterloo (61,2 %), Edmonton (60,5 %), Ottawa (60 %), Hamilton (58,9 %), Saskatoon (56,6 %), Surrey (55,7 %), Calgary (52,3 %), Windsor (54,1 %), Vaughan (54 %) et Toronto (47,1 %).
- La TPS fédérale représentait la proportion la plus élevée des frais imposés par les gouvernements à Yellowknife (77,6 %), Whitehorse (64,3 %), Burnaby (41,5 %) et Vancouver (39,8 %).
- Les frais imposés par les gouvernements provinciaux représentaient la proportion la plus élevée du total des frais imposés par les gouvernements à Montréal (61,9 %), Charlottetown (49,7 %), Halifax (47,5 %), Québec (46,5 %), Winnipeg (42,9 %) et Prince George (40,8 %).

Dans tous les centres visés par l'étude, les frais de demande et de traitement représentaient une faible proportion du total des frais imposés par les gouvernements (641 \$, en moyenne, soit 0,2 % du prix de vente moyen de 355 000 \$), tout comme les primes des programmes de garantie des maisons neuves (756 \$, en moyenne, soit 0,2 % du prix de vente), les autres frais provinciaux (96 \$, en moyenne, soit 1,0 %) et les autres frais municipaux (618 \$, en moyenne, soit 0,2 %).

Dans l'ensemble, en termes absolus, les frais imposés par les gouvernements sont plus élevés pour les maisons individuelles que pour tous les autres types de logements visés dans l'étude (c.-à-d. maisons jumelées, maisons en rangée et appartements). En termes relatifs, de manière générale, les maisons individuelles ont les frais imposés par les gouvernements les plus élevés en pourcentage du prix de vente. Toutefois, dans certains centres, ces frais étaient plus élevés en pourcentage du prix de vente pour les maisons jumelées ou les maisons en rangée que pour les maisons individuelles.

FRAIS IMPOSÉS PAR LES GOUVERNEMENTS POUR LES MAISONS INDIVIDUELLES D'UN PRIX MÉDIAN

Trois municipalités de la C.-B. et deux municipalités de l'Ontario avaient les frais imposés par les gouvernements en termes absolus les plus élevés pour les maisons individuelles d'un prix médian, soit :

- Vancouver – 151 559 \$ (11,8 % du prix de vente de 1 288 137 \$);
- Toronto – 141 120 \$ (16,8 % du prix de vente de 842 743 \$);
- Surrey – 108 050 \$ (19 % du prix de vente de 567 207 \$);
- Vaughan – 98 713 \$ (18,9 % du prix de vente de 523 295 \$);
- Burnaby – 94 685 \$ (12,2 % du prix de vente de 775 481 \$).

Les centres susmentionnés se sont également classés parmi les premiers pour la catégorie des logements d'un prix modique. En outre, la catégorie médiane des maisons individuelles avait le prix de vente le plus élevé dans ces municipalités.

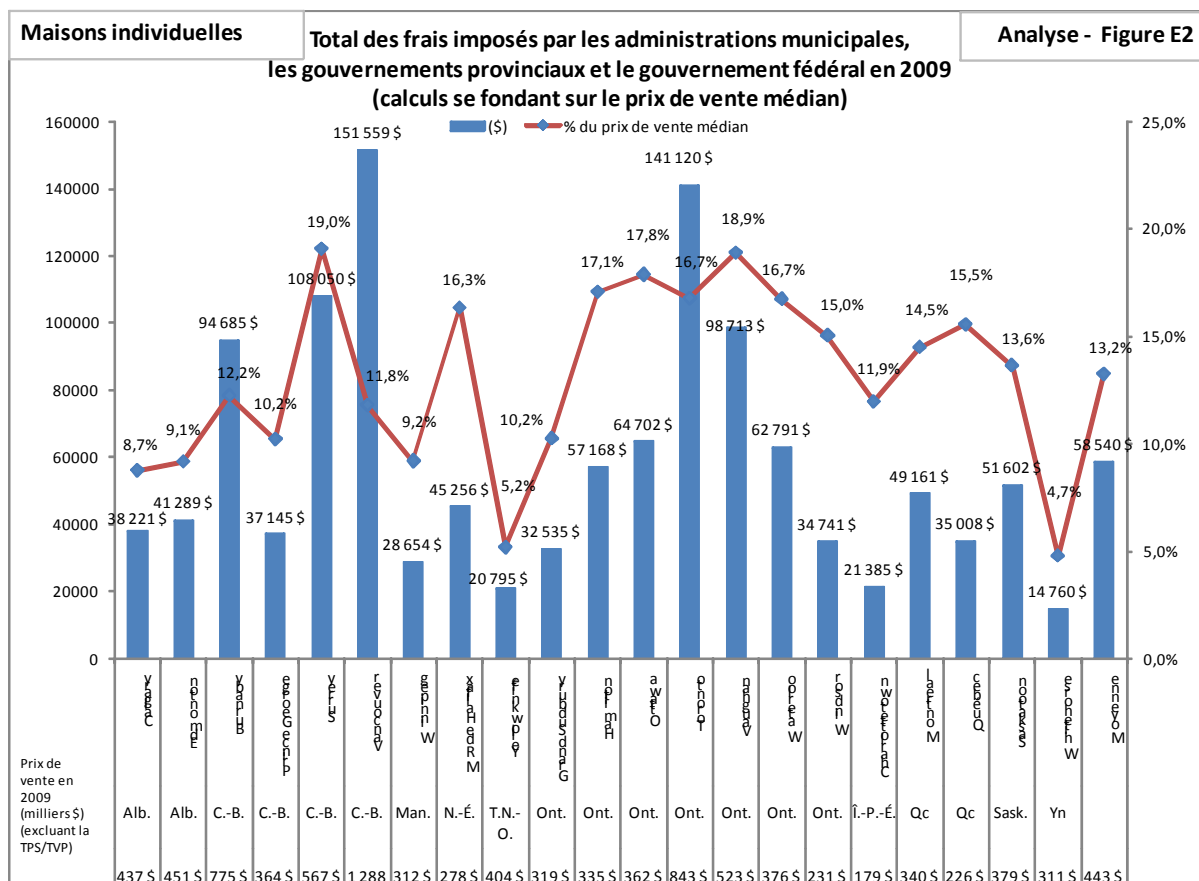
- La moyenne (simple) du total des frais imposés par les gouvernements dans les 21 centres était de 58 540 \$ en 2009.
- Les frais imposés par les gouvernements dans les municipalités du Sud de l'Ontario représentaient entre 15 et 19 % du prix de vente d'un logement. À Surrey, ces frais de 19 %, soit le pourcentage le plus élevé constaté dans l'étude, représentaient un pourcentage bien plus élevé que dans les

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

autres municipalités de la C.-B., soit Prince George, Vancouver et Burnaby, où ils représentaient 10,2 %, 11,8 % et 12,2 %, respectivement.

- Les frais imposés par les gouvernements en termes absolus et en pourcentage du prix de vente étaient les plus faibles à Yellowknife et à Whitehorse.
- Même si, dans l'ensemble, les frais imposés par les gouvernements pour les logements d'un prix médian étaient supérieurs à ceux pour les logements d'un prix modique, et ce, principalement en raison de la TVP et de la TPS, l'étude a constaté que les frais imposés par les administrations municipales pour les logements d'un prix modique et médian étaient pratiquement les mêmes dans la même municipalité.

Figure E2 – Total estimatif des frais imposés par les gouvernements pour les maisons individuelles d'un prix de vente médian



TENDANCES DES FRAIS IMPOSÉS PAR LES GOUVERNEMENTS POUR UNE MAISON INDIVIDUELLE D'UN PRIX MÉDIAN DE 2006 À 2009

Durant la période de 2006 à 2009, les tendances des frais imposés par les gouvernements pour une maison individuelle d'un prix « médian » dans les municipalités étudiées étaient les suivantes :

- De manière comparative, en tenant compte de l'indexation des montants de 2006, la moyenne globale des frais imposés par les gouvernements pour une maison individuelle a grimpé de 47 622 \$ en 2006 (indexé à 2009) à 58 540 \$ en 2009, soit une augmentation de 23 %.

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

- Dans l'ensemble, le prix médian moyen d'une maison individuelle s'établissait à 378 926 \$ en 2006 (indexé à 2009)¹⁰, comparé à 443 000 \$ en 2009, soit une augmentation de 17 %.
- Ainsi, les frais imposés par les gouvernements ont augmenté plus rapidement que le prix des maisons durant la période de 2006 à 2009.
- En 2009, les frais imposés par les gouvernements représentaient en moyenne 13,2 % du prix, comparé à 12,6 % en 2006.

Les études précédentes ont toutes conclu que les frais imposés par les gouvernements ont une influence directe sur le coût total des logements. Cette 4^e étude arrive à la même conclusion. Comme les frais imposés par les gouvernements ont une influence directe sur le coût total des logements, à ce titre, ils influent également sur l'abordabilité.

⁹ L'indexation est abordée à la section 4 du rapport.

¹⁰ L'étude de 2006 a calculé les frais imposés par les gouvernements « pondérés » en se fondant sur les mises en chantier. L'étude de 2009 actuelle ne « pondère » pas les résultats. Par conséquent, pour pouvoir présenter un rapport sur les éléments « comparables » ou les tendances, les valeurs de 2006 n'ont pas été pondérées.



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1. INTRODUCTION AND BACKGROUND

IBI Group, a multi-disciplinary consulting firm, has been commissioned by the Canada Mortgage and Housing Corporation (CMHC) to examine 'government-imposed charges' (GICs), including levies, fees, and taxes, and their impact on new housing in Canada.

The objective of this initiative is to provide an update to a series of similar studies previously undertaken by CMHC (in 1996, 2002, and 2006), which have proven to be a useful tool for the Canadian housing industry in understanding the impact of GICs across municipalities and over time. Further, this study reports on trends in GICs since the 2006 study. Earlier studies found that GICs amount to a significant portion of the average price charged for new housing; 13.5% in the 1996 study, 13.6% in the 2002 study and 12.6% in the 2006 study. Each of the previous studies had variations in the methodology and scope; for further details please consult the earlier studies.

Government imposed costs are important to consumers and decision makers in government, industry, non-profit organizations as they affect both the cost and price, and ultimately the affordability of new housing.

The subject study (2009)¹¹ covers 21 centres across Canada and examines GICs applicable to four dwelling unit types: single-detached, semi-detached, row/townhouse, and condominium apartments. In some centres, certain dwelling types were not examined due to insufficient new housing construction activity in 2008. This report presents estimates of the various GICs associated with new dwelling units – for both 'median' (50th percentile) and 'modest' (20th-25th percentile) selling prices. Further, this report examines trends in GICs over the 2006 to 2009 timeframe based on the findings of the current study relative to the 2006 study.

It is important to note that the analysis is a 'snap shot' in time and utilizes GICs in place in 2009.

New to this present round of study is the inclusion of incentives provided by all levels of government for the construction and purchase of new housing. Further, municipal infrastructure charges were expanded to include public transport and/or environmental-related fees/contributions. Details of these changes are found in Section 3 of this report.

A summary of modest and median dwelling unit prices for 2006 and 2009 can be found in Appendix A.

1.1 Structure of the Report

This 2009 study examines 21 centres and generally covers the same GICs as the 2002 and 2006 studies with the addition of incentives and additional municipal infrastructure charges, as noted above.

The report is comprised of 4 sections. Section 1 provides an introduction and background including an overview of the structure of the report. Section 2 details the study scope and methodology used to gather and analyze data. Section 3 includes a description of the various GICs at the municipal, provincial and federal levels. The estimates of the 2009 GICs for new housing in 2009 are detailed for the modest and median single detached dwelling. Section 4 discusses trends relative to the 2006 report for the median single detached dwelling.

¹¹ More detailed information on the methodology is provided in Section 2 of this study.

The report focuses on the reporting and analysis of GICs; all tables, charts, graphs are contained in the appendices to the report. The appendices are as follows:

- Appendix A – Summary of Modest and Median Dwelling Unit Prices, 2006 and 2009
- Appendix B – 2009 GICs Study – Process Flowchart
- Appendix C – Examples of Survey Forms Used
- Appendix D – GICs – Profiles by Municipality
- Appendix E – 2009 GICs – Modest Dwelling Unit Prices
- Appendix F – 2009 GICs – Median Dwelling Unit Prices
- Appendix G – 2009 GICs – Analysis – Modest Dwelling Unit Prices
- Appendix H – 2009 GICs – Analysis – Median Dwelling Unit Prices
- Appendix I – Summary of Incentive Programs
- Appendix J – Estimate of Property Taxes
- Appendix K – Summary of Municipal Infrastructure Charges, Modest and Median House Prices by Centre and Dwelling Type
- Appendix L – 2006 and 2009 GICs Trend Analysis

2. STUDY METHOD

2.1 Summary of Past Studies (1996, 2001, 2006)

CMHC has previously commissioned three other studies in 1996, 2001, and 2006 to examine government imposed charges (GICs) on new housing. While the purpose and structure of these studies are relatively the same, the scope and study method differed somewhat across time.

The earliest study in 1996 looked at 26 municipalities across Canada and focused on single-detached dwelling units and row/townhouses sold at the 20-25th percentile of selling prices. This price point was termed “modest”, in comparison to other dwelling units of the same type sold in 1995. The type of GICs reviewed encompassed both GICs as well as transaction fees which were not imposed directly by government. These included: lawyer/notary fees, mortgage registry and insurance costs. Due to the significant variation found in the ‘typical’ modest home, the study introduced a *standard* single-detached house in an attempt to provide a more consistent basis of comparison by using the same house size of house and lot in all municipalities. The standard house comprised 1,200 sq ft in area and had a 35-foot lot. The analysis for the *standard* single detached house was limited to local municipal charges.

The second study conducted in 2002 expanded to 30 municipalities and added condominium apartments and rental apartments to the dwelling unit categories. However, the study eliminated the “standardized” dwelling unit, which was included in the 1996 study. All of the dwelling units studied sold at the 20-25th percentile of selling prices for all dwelling units within each category. Non-government imposed charges such as transaction fees were also eliminated from this study.

The third study in 2006 further expanded to 32 municipalities but it excluded rental apartments from the dwelling unit categories. It diverged from the previous studies in that “modest” priced units were not examined; instead, it looked at dwelling units priced at the “median” or 50 percentile of the selling prices. Due to this divergence, the authors of the 2006 study undertook additional analysis of the 2002 pricing and GICs data in order to carry out a trends analysis for median priced single-detached dwelling units. The GICs reviewed in 2006 were consistent with those examined in the 2002 study.

2.2 Comparison of Study Scope in the Four GICs Studies

2.2.1 COMPARISON OF DWELLING TYPES

Table 2.1 compares the scope of the four GICs studies in terms of dwelling unit categories and price points.

Table 2.1: Dwelling Type and Pricing Considerations in GIC Studies

Study	Detached	Row House	Condo-Apt	Rental Apt	Semis
1996	Modest <i>Standard</i>	Modest			
2002	Modest <i>Median (50 percentile) calculated in 2006</i>	Modest	Modest	Modest	
2006	Median	Median	Median		
2009	Modest	Modest	Modest		Modest
	Median	Median	Median		Median

(Note: modest = 20-25th percentile; median = 50th percentile)

2.2.2 COMPARISON OF GICS REVIEWED

Table 2.2 summarizes the GICs examined over time and highlights GICs which are new in the 2009 study.

Table 2.2: Government Imposed Charges Examined Over Time: 1996, 2002, 2006 and 2009

Government Imposed Charges	1996	2002	2006	2009
Infrastructure charges	X	X	X	X
<i>New Infrastructure charges</i>				
• <i>Public transport, and/or</i>				X
• <i>Environmental related fees/contributions</i>				
Land dedications	X	X	X	X
Application fees	X	X	X	X
Permit fees	X	X	X	X
Home warranty fees	X	X	X	X
Land transfer taxes	X	X	X	X
Title registration fees	X	X	X	X
Survey fees	X			
Certificate fees	X			
Lawyer/notary fees	X			
Mortgage registry fees	X			
Mortgage insurance costs	X			
Provincial sales taxes	X	X	X	X
GST	X	X	X	X
Property taxes	X	X	X	X
Provincial other		X	X	X
<i>Municipal incentives (new)</i>				X
<i>Provincial incentives (new)</i>				X
<i>Federal incentives (new)</i>				X

2.3 2009 Study Approach and Methodology

Appendix B depicts the 2009 study method in the form of a workplan or process flowchart. The GIC study is divided into four phases:

1. Establish Study Method;
2. Background Research / Contact List / Builder Survey / Discussions with Government Officials;
3. Data Verification / Analysis; and
4. Draft / Final Report

Details of the study method are further explained below.

2.3.1 RESEARCH PURPOSE

IBI Group developed the 2009 study method, which would allow for estimating and updating GICs from the previous studies. The study also examines trends in GICs from 2006 to 2009 and seeks to explain the changes over time. The present study method is predominantly based on the requirements from the CMHC's Request for Proposal (RFP) for this study, which mirrors the 2006 study method. This allows for comparison of GICs and the ability to make trends analysis over time, wherever possible.

2.3.2 SCOPE

The present study covers 21 centres and up to four dwelling types: single detached, semi-detached, row and apartment. Table 2.3 identifies the municipalities included in the study and the associated dwelling types. Where municipalities did not have sufficient housing starts in a particular housing category in 2008, no information on applicable GICs was collected and no analysis of GICs for that dwelling type was undertaken. It should be noted that new housing starts activity included greenfield development as well as infill/redevelopment.

Table 2.3: Centres and Dwelling Types Included

Municipality	Single-Detached	Semi-Detached	Row/Townhouse	Condominium Apartment
Burnaby, BC	#	#	#	#
Prince George, BC	#	Not reviewed	Not reviewed	Not reviewed
Surrey, BC	#	Not reviewed	Not reviewed	Not reviewed
Vancouver, BC	#	#	#	#
Calgary, AB	#	#	#	#
Edmonton, AB	#	#	#	#
Saskatoon, SK	#	#	#	#
Winnipeg, MB	#	Not reviewed	#	#
Greater Sudbury, ON	#	Not reviewed	Not reviewed	Not reviewed
Hamilton, ON	#	Not reviewed	#	Not reviewed
Ottawa, ON	#	#	#	#
Toronto, ON	#	#	#	#
Vaughan, ON	#	Not reviewed	Not reviewed	Not reviewed
Waterloo, ON	#	Not reviewed	#	Not reviewed
Windsor, ON	#	Not reviewed	Not reviewed	Not reviewed
Montreal, QC	#	#	#	#
Quebec City, QC	#	#	#	#
Charlottetown, PE	#	Not reviewed	Not reviewed	Not reviewed
Halifax, NS	#	#	#	#
Whitehorse, YT	#	Not reviewed	Not reviewed	Not reviewed
Yellowknife, NT	#	Not reviewed	Not reviewed	Not reviewed

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2.3.3 GICS EXAMINED

The government imposed charges being examined in this study include a range of levies, fees, charges and taxes that are imposed by all levels of government in relation to development, sale, acquisition and ownership of housing. Government is defined as municipal, regional, provincial, and federal governments, crown corporations, as well as quasi-government or government-mandated organizations. Table 2.4 details the type of GICs examined in the present study.

The GICs are based on 2009 rates. New to this study in comparison with the previous studies are:

- Public transportation and/or environmental related fees/ contributions; and
- Municipal, Provincial and Federal Incentives for new home construction.

Table 2.4: GICs Included in Current Study

GIC	Source	Description
Infrastructure Charges	Municipal/Regional Government, Builders or Developers	<ul style="list-style-type: none"> • Hard (sewer, water, road) • Soft (parks, libraries, police, etc.) • Off-site infrastructure (either through agreements with municipality that require the payment of a share of costs or development charges) • Water & sewer connection fees • Engineering review fees • Public transport and/or environmental related fees/contributions
Land Dedications	Municipal/Regional Government, Builders or Developers	Land dedications and cash in lieu associated with Parkland.
Application Fees	Municipal/Regional Government	Subdivision application fees, condominium application fees, site plan approval, administration fees.
Permit Fees	Municipal/Regional Government	Building permit, plumbing, and mechanical or electrical permit fees. Boiler and elevator inspections fee for large buildings.
Home Warranty Fees	New Home Warranty Providers	New home warranty programs (both required and optional).
Land Transfer Taxes	Provincial & Territorial Government	
Title Registration Fees	Municipal, Provincial & Territorial Government	
Provincial Sales Taxes	Provincial Government	Provincial sales tax, harmonized sales tax on construction materials, on home sale.
GST	Federal Government	GST on house sale.
Property taxes	Municipal/Regional Government	Property taxes, garbage collection surcharges, police surcharges, fire surcharge, education surcharges, etc.
Provincial Other	Provincial Government	Provincial plumbing and electrical inspection fees, provincial engineering review fees, home warranty licensing fees.
Municipal Incentives (new)	Municipal Government	Any form of waiver, rebate, tax incentive, subsidy or payment transferred to the builder or purchaser from the municipal/regional government.
Provincial Incentives (new)	Provincial & Territorial Government	Any form of waiver, rebate, tax incentive, subsidy or payment transferred to the builder or purchaser from the provincial / territorial government.
Federal Incentives (new)	Federal Government	Any form of waiver, rebate, tax incentive, subsidy or payment transferred to the builder or purchaser from the federal government.

2.3.4 GICS AND CHARGES EXCLUDED FROM THE STUDY

Table 2.5 identifies the charges which have been excluded from the scope of the present study. This is done in order to maintain consistency with the previous GICs studies.

Table 2.5: GICs Excluded from Current Study

Charges	Description
Development Process	Length of time for approval process, e.g. zoning, public consultation, community plan, taxes incurred during land development. Assume application is for straight-forward development and land is properly zoned for residential development.
Extraneous Building & Land Requirements	Standards beyond building codes, energy efficient or sustainable development standards, LEED certification, buffers and environmental remediation/assessment.
Other Fees	Deposits, letters of credit, front-ending ¹² of services by developers.
Transaction Fees	Fees to lawyers, notaries or lenders.

Further, because the study focuses on 2009 GICs, some important changes to taxes and fees coming on stream in 2010 were not captured. A key example is the impending harmonization sales tax (HST) for Ontario and British Columbia which will result in services being subject to a provincial sales tax that previously did not apply.

2.3.5 ADDITIONAL CHARGES NOT CAPTURED BY STUDY

The information presented in this section provides examples of additional charges beyond those reported in this study. This is not a comprehensive reporting of additional charges but rather specific charges which IBI Group is aware of through other projects.

2.3.5.1 Greater Toronto Area Municipalities

The following are examples of charges that are payable in some GTA municipalities. The municipalities imposing these charges do not include any of the municipalities under study.

Capital Provision/Voluntary Contribution and Cash Flow Assistance

In the GTA, there are two emerging trends with regard to the funding of growth related infrastructure including: (i) capital provision (also known as voluntary contribution), and (ii) cash flow assistance.

With respect to capital provision, some municipalities argue that the current *Development Charges Act* (DCA) has reduced their ability to recoup growth-related capital costs. This inability is primarily the result of:

- Ineligible services and capital items including cultural or entertainment facilities, facilities for general municipal administration, computer equipment and rolling stock with an average life of less than seven years and parkland acquisition.
- The mandatory 10% reduction dictated by the DCA for certain services such as parkland development, recreation, libraries and transit.

¹² Front ending refers to the circumstance where a developer pays for/installs infrastructure 'upfront', on the understanding that s/he will be reimbursed by other benefitting landowners/developers or the municipality at some future time. Details are typically outlined in a front ending agreement.

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- The ceiling imposed based on the historic 10 year average service standards; and
- The statutory exemptions related to housing intensification, local government and industrial expansions.

Generally, municipalities in Ontario, particularly those in and around the Greater Toronto Area where there has been rapid growth, have adopted a policy that 'growth pays for growth' rather than having existing taxpayers fund growth related capital (notwithstanding the fact that existing taxpayers may benefit from upgraded or more efficient infrastructure delivered through growth).

Where municipalities have felt burdened by the inability to provide the shortfall in the growth related capital or they want to ensure that they have sufficient financial resources to deliver the infrastructure required to service growth they have used three vehicles to assist them:

- **General Capital Provision:** A per unit payment to the municipality at subdivision agreement registration to help finance infrastructure required but not recovered under the Development Charges legislation. This is intended to lessen the impact on property taxes and assist in keeping debt capacity within policy limits. Where this has been put into practice the charges are on the order of \$1,500 to \$2,000 per unit.
- **Parkland Capital Contribution:** A mechanism has been set up to accommodate an over contribution related to parkland. Where this has been used the contribution is on the order of \$350 per unit.
- **Cash Flow Assistance:** Despite payment of development charges and the capital provision, the municipality has determined that it will not be in a financial position to afford the required infrastructure for the proposed phases of development within the planning horizon. Construction of road works has been a particular area of concern. Without the proposed cash flow assistance, the Town would not have available sources of financing, forcing the Town's debt capacity above policy limits. A cash flow analysis is carried out by the municipality to determine any shortfalls. Through discussions, landowners/builders agree to this "front ending agreement". The quantum is secured at the subdivision agreement stage by letters of credit. The cash flow assistance quantum is also indexed on an annual basis, similar to the DC. The agreement also sets out arrangements for annually reviewing the cash flow model and then updating the security requirements. There is also a mechanism for gradually reducing the security and paying back the landowners. This approach essentially utilizes the landowners/builders as a 'bank' and in theory they will be paid back over time. Where this mechanism has been used the payment is on the order of \$2,500 to \$2,700 per unit.

As well, additional development-related charges are imposed by some upper tier municipalities (regional government) in the Greater Toronto Area; the municipalities utilize the *Municipal Act, 2001* to impose these charges. These municipal contributions are for cashflow payments and non-residential non-recoverable amounts and are required to provide sufficient financing for water, wastewater and transportation infrastructure. These payments are on the order of \$8,000 per unit. Further, these payments are phased such that some is provided through a letter of credit up front with the remaining amounts owing at the earlier of subdivision agreement or building permit.

Transit

In the Toronto area, some municipalities are investigating mechanisms to encourage transit use through new development.

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

The City of Toronto has imposed a transit related provision to new condominium developments with more than 20 units; the charge is to be secured as a condition of condominium approval. Known as the Metropass Program, the requirement is the provision of one adult transit pass per unit for one year; currently an adult transit pass is \$121 monthly. Thus for a 200 unit condominium building the provision of transit passes would result in an additional cost of \$290,400. Toronto City Council adopted this policy in late 2009 and was applied to development applications received commencing April 28, 2010.

In one suburban municipality of the GTA, there exists a similar program review, which would impose additional charges on new development due to planning objectives to increase transit use and reduce auto dependency. The program review examines a range of options including: the provision of transit passes or the provision of shuttle bus service or the coverage of residual operating costs not covered by fare revenue. Any of the aforementioned are intended to be covered by developers/builders at the subdivision agreement stage. These provisions are not in place today but are being given serious consideration.

2.3.5.2 Approaches to the Funding/Delivery of Infrastructure

The research has revealed that there are various approaches to the funding and/or delivery of infrastructure.

Generally, but not universally, a municipality installs the infrastructure and recoups the cost through charges such as development charges. In some instances such charges are municipal wide or alternatively area specific. In other instances a local improvement charge is imposed to recoup costs.

Alternatively, there are circumstances where specific developers fund infrastructure required to service their specific development proposal. In some cases, this funding would represent an initial outlay or 'front ending' and portions of these costs would be paid back through credits or reimbursements from other benefiting land owners. Municipalities without structured development charges or infrastructure charges may rely on these measures more frequently. The approach taken to examine these types of developer costs is consistent to the approach for all GICs; they would be included in the study if it was felt that they were typical, assessed on the basis if they were applicable more than 50% of the time. The nature of these charges is that they tend to be situation specific, and usually one-off arrangements.

The funding of off-site hard service infrastructure in the Province of Quebec is particularly difficult to capture in the "snap-shot" approach that focuses on typical units in typical development. Where off-site improvements are required to support a particular development, the benefiting developer is expected to contribute their share of the costs to the municipality, and the municipality then funds the remaining costs. The municipality then applies an area specific property surtax to the benefiting area to recoup the investment over time. As a result, there is no typical infrastructure charge, as some builders are making an initial outlay, and for others there is no charge to the builder or fee to the home buyer at time of purchase. The charts and tables that show no infrastructure charges in the Province of Quebec should not be read to indicate that there are no costs to the home builder/buyer.

2.3.6 METHODOLOGY AND DATA COLLECTION

The calculation of GICs is based on applying government imposed fees and taxes on the development and construction of new housing. To this end, the GIC rates and the way they are administered must be identified. Further, the housing and land characteristics must be clearly defined in order to apply the GICs for estimating costs. Both primary and secondary data was collected as input to the calculation of GICs. For the purpose of this study primary data refers to information collected from CMHC, builder surveys and municipal sources. Secondary data refers to

information that was not directly sourced, but where a third party has collected data and made it available for review.

The two primary sets of data collected were dwelling characteristics and GIC rates.

2.3.6.1 Dwelling Characteristics Data

The dwelling characteristics to be considered are complex and are summarized in Table 2.6.

Table 2.6: Data Sources

Dwelling Characteristics	Source	Description
Selling Prices (modest and median)	CMHC	Fixed variable based on average of 20-25 th percentile of the selling prices (modest) and 50 th percentile of selling prices (median), for all houses in each dwelling category sold in 2009 for each municipality.
Dwelling Characteristics (Dwelling size, lot frontage, land value, construction costs, material costs)	Builders & Developers; Government Officials	Based on the selling prices as set by CMHC for both modest and median homes, builders/developers are asked in a survey to define the housing characteristics (a copy of the survey instrument is provided in Appendix C. Since land value is tied to parkland dedication, government officials were also asked to estimate land values based on 2009 transactions.
Trades Work (Electrical, plumbing, gas, and mechanical work; boiler and elevator in large buildings)	IBI Group	Assumptions on the installation costs as well as the required capacity, number of fixtures and outlets are based on industry knowledge of our engineers within the firm. This information was augmented by industry sources ¹³ .
Larger subdivision or housing project characteristics (land size, building size)	IBI Group, based on past studies; Builders & Developers	Assumptions on the larger development in which the dwelling units were located (i.e., subdivisions) are based on the same assumptions applied in the previous GICs studies. We surveyed builders/developers to test out whether some of those assumptions are still valid since the 2006 study.

A major undertaking for the collection of dwelling characteristics was the surveying of local builders and developers to determine variables such as dwelling size, lot frontage, land value, construction costs, material costs etc. Local home builder associations were asked to provide builder/ developer contacts based on the most active members within each of the dwelling categories in each municipality. Builders/developers were contacted directly via telephone and/or e-mail to request their participation in the survey. Participants were then sent a copy of the survey. A total of 300 builder/developers across Canada were contacted. Up to six e-mail reminders were sent to builders who had not responded to the information request within the allotted time. Additionally, IBI Group undertook to contact participants via telephone. A total of 104 builders/developers participated in the survey. A copy of the survey instrument is provided in Appendix C.

For the 2009 study, as was the case in 2002 and 2006, sale price data for dwelling types in each municipality were supplied to the project team by CMHC for the purpose of helping survey respondents determine the appropriate dwelling characteristics for each price point under investigation (i.e. modest and/or median). Prices for the modest and median price categories of each dwelling type were determined by selecting prices at the 25th and 50th percentile for all dwellings of that type sold in that centre in 2009. (Note: Source of pricing data - CMHC Market Absorption Survey).

¹³ Including Altus Group - *Construction Cost Guide 2009*; Balboni, Barbara (Ed.). (2006). *Square Foot Costs: 2007*. Kingston, Massachusetts: RS Means Construction Publishers & Consultants; and Mewis, Robert (Ed.). (2010). *Hanscomb Yardsticks for Costing: Cost Data for the Canadian Construction Industry 2010*. Markham Ontario: Reed Construction Data/Canada.

2.3.6.2 GIC Data

The collection of GIC rates comprised the following tasks:

- Most municipal government imposed costs were available through municipal websites. Relevant data were obtained from municipal websites; wherever information was unclear or missing, IBI Group contacted municipal government officials (typically either in the planning or building departments of the municipality) directly for additional information or clarification. Questions about the way fees and taxes are administered were also verified with government officials. Information was provided by officials from planning, finance, building and public works departments.
- Provincial and territorial government officials provided information about land transfer fees and other fees. Typically this information was obtained via provincial websites and confirmed via telephone with provincial officials.
- New home warranty information was generally collected via websites and/or via telephone with home warranty providers.
- Municipal internet sites were utilized to obtain information on property taxes.

Secondary data was used for the validation of the primary data. The sources of secondary data included: academic research journal articles and industry publications, previously noted . Building permit information and listings from the consumer-facing Multiple Listing System (MLS) provided by the Canadian Real Estate Association were also used to collect and verify certain primary data.

Detailed discussion on the assumptions applied to the housing characteristics and the application of GICs is found in the next section.

2.3.7 ASSUMPTIONS

A national study of this nature has the challenge of balancing comparability across the country while maintaining meaningful insights at the local/regional level. Many of the challenges occurred during the data collection and analysis phases.

In order to calculate GICs and ensure comparability of GICs across municipalities, certain assumptions about the land development and housing construction had to be made. In the application of assumptions, some variables were standardized across municipalities and across dwelling types. In some cases, the assumptions were applied only to the particular municipality because of the unique way in which the GICs were administered in that centre. The following table highlights the major assumptions applied in this study.

Table 2.7: Summary of Assumptions

Variables	Assumptions
Stages of Housing Development	<p>GICs are estimated from the development stage of draft approval to occupancy. Consistent with previous studies, this study assumes that the land is designated and zoned properly for the intended residential development and the development application is straightforward without appeals or re-inspections.</p> <p>GICs that are paid during the approval process (i.e., in circumstances where a change to the land use or zoning is required) are not included in the study.</p> <p>These fees would include application and review fees. The size and nature of these fees will vary by jurisdiction and according to the nature of the project.</p> <p>Also excluded would be fees or financial contributions that are paid as a Condition of Zoning Approval. An example would be Section 37 contributions in the Province of Ontario. The City of Toronto looked at 195 projects where Section 37 provision were applied (between 1998 and 2006) and found that the total contribution was \$68 million which equals about \$350,000 per project.</p>
Land Development	The study assumes that there are no GIC fees associated with site preparation. For example, some sites may require the demolition of existing structure, or soil remediation. This is particularly relevant for centres where infill development or brownfield is typical. For simplicity, fees associated with these activities are excluded from the study.
Typical Application	Only fees or charges that applied in a typical development are included. This means that only the charges/fees that are considered "typical" or common to the majority of residential applications are reviewed. Alternatively, it also means fees that are applicable to 50% or more of the general applications.
Land Dedication	Land dedication only relates to parkland dedication, not roads or lanes, buffers, or environmentally sensitive areas - unless the provincial or municipal jurisdiction defines parkland dedication as net of these areas.
Subdivision for Single-detached and Semi-detached dwellings	<p>Assumed 220 front feet per one acre subdivision. <i>(This means that in a typical subdivision, there will be 220 feet of saleable frontage per acre. Given a typical frontage for a house the number of homes per acre can be calculated. For example if homes have a 40 foot frontage, there will be 5.5 homes per acre.)</i></p> <p>Single detached and semi detached dwelling units were assuming to be in a subdivision of 40 units of identical homes. <i>(The number of lots in a subdivision impacts primarily development approval fees.)</i> This is consistent with previous GIC studies.</p>
Row/Townhouse Dwelling Unit	Assumed a row or townhouse development comprised 40 units. This assists in calculating development approval fees. This is consistent with previous GIC studies.
Apartment Dwelling Unit	<p>In order to be consistent with previous GICs studies, the following was assumed:</p> <ul style="list-style-type: none"> For larger municipalities such as Toronto, Vancouver, an apartment is within a building that is 10 storeys high with a total of 100 units. For all other municipalities, the building is assumed to be 4 storeys high with a total of 40 units. The buildings have an equal mix of one and two bedroom units. <p>This is consistent with previous GIC studies.</p>
Garages	Each dwelling unit included either a garage or parking space.
Land Value	<p>Consistent with previous studies, land value in this study is exclusively reflective of parkland dedication. The values vary across municipalities. Information was obtained from survey data and discussions with appraisers/city staff who deal with parkland dedication. In most cases, city staff were asked to define the land dedicated for municipal reserve/parks (serviced/unserved, market value/highest & best use, assumed land use/stage of development). Following this, municipal staff were asked to provide the estimated average land value for calculating parkland dedication.</p> <p>This method for determining the monetary value of parkland dedication differs from the 2006 study where they estimated the value of the subdivided land surrendered, less any development charges & costs associated with servicing the land. The approach used in the current study was focused on determining the cash-in-lieu charge that would apply.</p>
Engineering Cost for internal site servicing (infrastructure)	These costs include: underground storm, sewer, water, hydro, earthworks, curbs, asphalt roadways and sidewalks. The costs are based on input from IBI Group engineers (where present in the various municipalities) and augmented by Altus Group's Construction Cost Guide. Costs vary by region.
Construction Cost (labour and material)	A combination of survey data, the Altus Group's Construction Guide, and conversations with local builders.
Material Cost	In some municipalities, Provincial Sales Tax only applies to material costs. Based on survey data and input from local builders, the material costs comprise 60% of the construction costs. (The residual 40% comprise labour costs.)
Trades Cost (electrical, gas, HVAC, mechanical, and plumbing work; boilers & elevators)	Assumptions on the installation costs as well as the required capacity, number of fixtures and outlets are based on industry knowledge of IBI Group engineers. It is assumed that the larger centres such as Toronto and Vancouver would have higher material costs.

2.3.8 RELIABILITY AND VALIDITY

While every effort was made to ensure data reliability and validity, it is not possible to guarantee the accuracy of the estimated GICs primarily due to the fact that a range of assumptions are made as outlined above. For accurate application and rates of GICs in any given location, readers should contact government officials directly.

Similarly, even though great effort was undertaken to collect survey data from local builders and developers to define the housing characteristics, the resulting responses were not statistically significant. Based on 192 returned surveys¹⁴ and 106 different typologies (dwelling type & prices), or approximately 2 surveys per dwelling typology. Reasons for the low response rate include:

1. It was not always possible to obtain cooperation from local home builders/developers to participate/engage in the survey. This is likely attributed to the sensitivity of some of the information requested.
2. It was often difficult to match the builder/developer to the housing product sold at the selling price as determined by CMHC, even with the assistance of the local home builders association. This may have contributed to the low response rate.
3. The builders/developers may not have had representation in the housing market during the prescribed timeframe and/or in the identified centre.

Additionally, upon reviewing the data collected from builders/developers and applying the various GICs, anomalies were identified which required further investigation in order to understand the outcome. For example, in the case of municipal GICs some survey results revealed larger lot frontages and house sizes for modest priced single detached dwellings compared to median priced single detached dwellings in the same municipality. While this outcome is entirely possible¹⁵, it was counter-intuitive to our expectations. Alternatively, the outcome may arise because of inaccurate survey responses.

Where information was not obtainable from the local builders/developers, municipal government officials were contacted, as well as other sources, such as local/regional census offices and local real estate companies to obtain dwelling characteristics.

As mentioned in the previous section on data collection, secondary data sources were used to verify primary data. These sources include: academic research journal articles and industry publications (previously noted). IBI Group also took advantage of its national network of planners/analysts to better understand the local context of the housing industry and to clarify how GICs are used to finance growth. The local home builder associations were also helpful for data verification and additional data.

While most GICs posted on municipal websites are straight-forward, sometimes interpretation is required in determining the way charges or fees are administered. In these circumstances, IBI Group contacted local municipal staff for assistance. It is possible that different staff may have different interpretations of the administration of the GICs based on his/her experience.

¹⁴ As indicated earlier in this report, some 300 builders/developers were contacted and 104 participated in the survey. Of the 104 builders/developers who participated in the survey some provided responses for more than one dwelling type and/or more than one centre.

¹⁵ For example, in a given municipality it would be possible that the builder/developers surveyed had built housing in considerably different locations thus resulting in different housing characteristics. As illustration, a modest priced house might be located in a typical 'suburban' area whereas the median priced house might be located on an infill site in a more 'urban' or 'downtown' area.

2.3.9 LIMITATIONS

The study is limited in its scope in that it only includes the typical GICs related to the development phases from “draft approved” application to “occupancy”. This assumes that the land is appropriately zoned for the intended residential development and that site preparation is not required. These assumptions eliminate a significant portion of the cost borne by builders/developers in development permit fees, land taxes, as well as public consultation and other fees. Further, other government imposed charges outside the scope of the study, i.e., ‘voluntary’¹⁶ contribution in Ontario, also contribute to the overall costs of new housing, but these are not captured in this study, as noted. This is consistent with the previous studies.

Acknowledging that the GICs included in this study do not cover the full spectrum of GICs indicates that the study is not comprehensive in its inputs and the resultant analysis. Regardless, it provides an order of magnitude for GICs to allow for comparisons across the country which is helpful to policy and decision-makers at all levels of government and in the private sector.

Nation-wide research of this nature has its benefits and drawbacks. The ability to make comparisons in GICs across Canada is a valuable exercise. However, the process of standardizing the research method and the calculation of GICs in order to make national comparisons inherently risks losing the local/regional flavours of the GICs. The local context of city planning and housing markets are vital to the analysis of local GICs, but the study could not probe deeper due to the limits of its scope and budget.

As an example, Provincial Sales Tax, a key component of Provincial GICs is highly variable due to (1) the different rates applied, and (2) the application of the rate. In terms of rates, PST varies from a low of 0%¹⁷ to a high of 10.5% in PEI. In terms of the application, PST is either applied to the cost of building material or the sale price of the home or the sale price of the home plus GST. Thus, when examined in greater detail, the PST in the context of this study is complex and not really ‘comparable’.

While comparability of GICs between centres reveals both similarities and differences, the outcome is a complex one.

The GICs themselves are also very different: municipal GICs generally tend to reflect cost recovery for services provided whereas provincial and federal GICs tend to be ‘taxes’ levied against housing without a specific purpose or application other than to contribute generally to the functioning of higher levels of government.

2.3.10 DATA ANALYSIS

Data analysis was performed for the 2009 GICs to compare the relationship between GICs and the selling price of homes for municipalities across the Country. The study examined the GICs by the major categories: infrastructure charges, development and processing fees, building permit fees, provincial and federal taxes, home warranty fees and registry or transfer taxes. The GICs were further grouped by municipal, provincial, and federal charges.

For trends analysis, GIC changes from 2006 to 2009 were examined. The GICs were examined by absolute dollars and by percentage change. The proportion of change by the selling price was also examined, as well as the weighted average GICs between the two studies. An attempt to maintain consistency in the assumptions and methods was made, in order to make comparisons across the two periods.

¹⁶ While such charges are called ‘voluntary’ they are in fact imposed. If a builder/developer chooses not to pay such ‘voluntary’ charges, development will not proceed.

¹⁷ In Alberta and the Territories, there is no PST.

3. ANALYSIS

3.1 Description of GICs

The GIC profile of the 21 municipalities included in this study are summarized in Appendix D. The summary of 2009 GICs for all housing types in the modest price range are found in Appendix E; 2009 GICs for the median price range are found in Appendix F. The analysis of the 2009 GIC estimates for modest priced homes is found in Appendix G with Appendix H providing the analysis for the median price range.

3.1.1 INFRASTRUCTURE CHARGE

Infrastructure-related GICs are assessed against developers or builders for the cost of the infrastructure that are required for their development. However, the nomenclature of the GICs varies between municipalities, as does the method by which they are assessed.

It should be noted that usually development or infrastructure charges are for services outside a subdivision. Infrastructure requirements internal to a subdivision are typically the responsibility of the developer. Consistent with previous reports, internal infrastructure charges were not included in the study, irrespective of who is paying for the services.

The bulk of this GIC is made up of Development Charges or other forms of one time levies that are used to help finance growth-related capital costs relating to new development. Sometimes they are applicable to redevelopment where expanded capacity is required for the new growth. Infrastructure includes hard services such as water and sewer systems, and arterial roads. Some jurisdictions include soft services as part of the infrastructure charge: police and fire protection, libraries, parks and recreational facilities and other. Typically, the municipality will construct the infrastructure and then recover the costs through development charges or a similar mechanism.

Sometimes the fees are assessed on a unit basis, while in other cases they are assessed on an area basis.

Some municipalities have charges that are levied consistently across the municipality, while other impose all or a portion of these charges on an area specific basis. The idea of an area-specific charge is that all units built within a certain area pay for the infrastructure services associated with that area. Usually area specific charges relate to hard infrastructure.

In the Province of Quebec, in some instances developers are responsible for funding their share of off-site infrastructure required for their development. For example, where there is a need to extend a sanitary sewer to a new area, a developer would be required to cost-share. If it is estimated that the homes to be built by the developer constitute 30% of the capacity, the developer will pay 30% of the cost of the sanitary sewer. Any remaining costs are generally paid by the municipality, which establishes an area specific property surtax to recapture the investment over time (similar to an improvement tax). Because these 'infrastructure charges' are established on a case by case basis, there is no typical charge and no significant infrastructure charge is recorded in our analysis for Quebec City or Montreal.

3.1.2 LAND DEDICATIONS

As part of the development process, developers are required to dedicate land (typically 5 – 10%) for the purpose of public parkland. In some cases, land is not provided and the dedication is made in the form of a cash contribution. For the purpose of this study, the land dedication figures are exclusively tied to parkland dedication.

3.1.3 DEVELOPMENT APPLICATION PROCESSING FEES

Fees are collected by municipalities and other approval authorities for reviewing and approving development applications. As was the practice in the three previous studies, these charges are based on fees required to review applications assuming land use and zoning permissions are already in place. In some jurisdictions it is worthwhile noting that there are initiatives to have planning processing fees that achieve full cost recovery. Thus, going forward these fees are likely to increase.

3.1.4 HOME WARRANTY

Three provinces have mandatory Home Warranty requirements: Ontario, Quebec and British Columbia. Ontario and Quebec have single providers, while homebuilders in British Columbia have the option to purchase from a number of providers.

In the other provinces the purchase of a New Home Warranty is optional. The Atlantic Provinces have a single insurer known as the Atlantic New Home Warranty. In Alberta, Manitoba and Saskatchewan, firms are able to purchase their insurance from a number of providers. The practice in the three previous studies was to include fees for each jurisdiction even if participation in a program was voluntary or optional. This approach was continued in this survey. In the Northwest Territories and Yukon, there are no New Home Warranty plans available and so no fee has been assigned for this category.

The warranty providers generally offer rate cards that outline the fee charges by house type. In other jurisdictions warranty providers provide quotes to builders based on a number of factors, with the reputation of the builder being a critical factor. This is especially true of condominium units where the per-unit fee charged to a builder may differ by thousands of dollars.

3.1.5 LAND TRANSFER TAX

Land transfer taxes are payable in a number of the Provinces. Most provinces have a fee that steps up based on the selling price of the house, with increasing rates being charged for amounts beyond certain thresholds. These Provinces include BC (1 - 2%), Manitoba (0- 2%), Ontario (0.5% to 2%), and Quebec (0.5% to 1.5%)

In Halifax there is a 1.5% Land Transfer Tax that is collected by the Province, but paid to the municipality.

The City of Toronto recently (Feb 1, 2008) implemented a Municipal Land Transfer Tax. This tax is imposed on any home sale be it new or resale. The rate ranges between 0.5% and 2.0% of the purchase price of the home. This represents a doubling of the existing land transfer tax as it matches the amount collected by the Province.

3.1.6 TITLE REGISTRATION FEE

In all of the Provinces and the Northwest Territories there is a Title Registration that is payable to the Province or a Provincial agency. In many municipalities there is a flat fee, while others charge a fixed fee plus an additional fee related to the house selling price.

3.1.7 PROVINCIAL SALES TAX

The application of Sales Taxes varies by municipality. In a number of Provinces, sales taxes are paid on the material used in new home construction. The tax rates in these municipalities from highest to lowest are PEI – 10%, Ontario – 8%, Manitoba and BC – 7%, and Saskatchewan 5%.

In Quebec, there is a 7.5% sales tax (QST) that applies to the selling price of the home. The tax is payable on the selling price including GST. For homes under \$200,000 a rebate applies and the effective tax rate is 4.8%. Above \$225,000 there is no rebate and the full 7.5% sales tax is applicable¹⁸. Builders pay QST on materials used for construction, but these are accounted for as input credits, with the builder subtracting this amount from the QST paid by the purchaser, with the difference being remitted to the Province.

Nova Scotia (as well as two provinces not part of this year's study – Newfoundland and Labrador and New Brunswick) have harmonized their taxes with the GST, and the amounts are payable on the selling price of a new home. The provincial portion of the HST in Halifax is 8%; similar to Quebec, the HST paid on building materials is credited against the HST applicable on the selling price.

The Territories and Alberta do not impose PST.

3.1.8 OTHER PROVINCIAL FEES

In some municipalities, inspection and review fees related to electrical and plumbing are paid to provincial agencies.

In Ontario, the Ministry of Environment charges a fee for reviewing municipal infrastructure related to water supply or sewage systems and then issues a Certificate of Approval¹⁹.

3.1.9 GOODS AND SERVICES TAX

The goods and services tax (GST) applies to the supply of most goods and services in Canada. The GST is payable on all new dwellings. The rate of GST applicable for 2009 was 5%, which represents a reduction from the 6% that was payable in the previous 2006 Study.

The effective GST rate is impacted by rebates that are available on homes priced below \$450,000. For homes below \$350,000 a 36% rebate applies, resulting in a lower effective GST rate of 3.2%. As home prices approach \$450,000 the rebate decreases to zero.

Nova Scotia, New Brunswick, and Newfoundland and Labrador harmonized their provincial sales tax (PST) with the GST to create the harmonized sales tax (HST). The HST applies to the same base of taxable goods and services as the GST. GST/HST is charged on the selling price of new homes. Halifax is the only municipality in the 2009 survey that is subject to the HST. The Federal portion of the HST is shown as the GST in the summary tables.

GST that is paid by builders on construction for a new home is counted as an input credit at the end of the process.

3.1.10 MUNICIPAL INCENTIVES

During the research phase, the respective municipalities were examined to identify Incentive Programs that should be considered in understanding GICs. Across the municipalities included in the study there was a wide range of programs that provide some sort of incentive related to housing. A summary of municipal incentives are provided in Appendix I.

¹⁸ The amount of the rebate is progressively reduced where the purchase price is more than \$200,000 and less than \$225,000 for QST purposes. Given that the median and modest prices in Quebec were either well below or above these benchmarks, the specifics of the rebate were not identified for the aforementioned house price range.

¹⁹ In some cases in Ontario, a municipality may undertake this work based on a fee schedule from the Province. Thus, in some instances this charge may appear to be a municipal fee rather than a provincial fee.

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Many of the programs related to affordability, with the majority of these focused on Rental Housing. Others provided for reductions in certain fees and charges for building certain forms of housing (for example rental housing) in certain locations (for example brownfield sites or downtown). Other programs provided incentives to restore heritage properties for housing, or to building new housing with enhanced environmental standards. In some cases these programs are available to all that meet the criteria, in others the incentives would be available on a case by case basis.

All of these programs can be described as targeted incentive programs in that they have been developed to encourage housing of a certain form, in a certain location, or with certain attributes. For the purposes of this study it is not appropriate to include these incentives as a credit against the municipal GICs as they do not in each case meet the test of being available for a Typical home.

Other incentives are difficult to quantify monetarily. These might include fast-tracked application process or reduced development standards for certain project types. Some municipalities have programs that direct surplus lands to affordable or non-profit housing projects. Even if these programs were generally available, it would be difficult to include them in our analysis.

The non-inclusion of these charges is in no way intended to diminish the value or significance of these incentives. These incentives are designed to encourage housing projects that are seen as having specific benefits to the local community.

It is also important to recognize that municipalities may be providing more generalized incentives through the GICs they administer. For example, during 2009 when the economic downturn was having a significant impact on housing some municipalities in south central Ontario adopted reduced development charges as incentive to the building industry. The review of development charge bylaws in Ontario are to occur, at a minimum, every 5 years. The 5 year cycle generally occurred in the 2008/2009 timeframe. During the most recent review, some municipalities reduced development charges to encourage continued home building. In setting rates, municipalities may be taking into consideration the creation of incentives for certain housing forms.

3.1.11 PROVINCIAL INCENTIVES

Overall, there are relatively more incentives for newly built homes at the Provincial level than any other level. Generally, the Provincial incentives tend to be tied to energy efficiency. The following is a brief overview of key incentives that were identified; additional information is provided in Appendix I.

- Alberta provides the *Government of Alberta New Home Rebate* which is available to all Albertans who take possession of a new EnerGuide-labeled detached or semi-detached home. The rebate of up to \$10,000 takes effect on or after January 1, 2009.
- Saskatchewan provides rebates to new homes through the *Energy Efficiency Rebate for New Homes*; homes built after April 1, 2007 are eligible. The program is delivered by SaskEnergy on behalf of the Provincial Ministry of the Environment. Eligibility requirements focus on a newly constructed energy efficient home that is either (1) Energy Star qualified, (2) R-2000 certified, or (3) has an EnerGuide for New Homes rating of 80 or more. Rebates range from a low of \$100 to a high of \$3,500; in some cases rebates may be combined.
- Manitoba delivers the *Manitoba R-2000 Program* for all new R-2000 homes built in Manitoba. The incentive is a voucher redeemable to up to \$1000 towards the purchase of an EnergyStar front-loading washer or a \$600 credit applied on the homeowner's electrical bill.

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- In Ontario there are no incentives provided for newly built homes. Incentives that exist in Ontario relate to a refund of the portion of the land transfer tax for new home buyers (where the home may be a new build or a resale).
- The Province of Quebec provides for a rebate of a portion of the Provincial Sales Taxes associated with a new home purchase. The top rebate is equal to approximately 36% of the PST, and is reduced for homes with higher selling prices. Because this incentive is potentially applicable to all new home purchases, it was included in this study of GICs.
- *New Brunswick* offers 2 programs through Efficiency New Brunswick. The *New Homes Program* applies to first owners of new detached, semi-detached or row houses and requires that an energy evaluation be arranged within 6 months of occupancy. The potential grant ranges from \$1,000 to \$3,000. The *New Multi Unit Residential Buildings Program* is directed to developers of new apartment buildings and requires an energy evaluation before construction commences. Potential incentives are applied to units and range from \$250 to \$2,000 per unit. Incentives can be combined in some cases.
- Nova Scotia offers the *Energuide for New Houses* for new Energuide homes registered after April 9, 2009. The potential rebate ranges from \$250 to \$350. A *First Time Home Buyers HST Rebate* is also available to first time home buyers.

3.1.12 FEDERAL INCENTIVES

The Federal Government offers a number of programs which offer significant incentives for individuals buying new housing. The following provides a brief overview of the programs offered; additional information is provided in Appendix I.

- The *GST/HST New Housing Rebate* is delivered by the Canada Revenue Agency. The rebate reduces the GST and the federal part of the HST from 5% to approximately 3.5% for homes valued at \$350,000 or less. Rebates are reduced for homes in the \$350,000 to \$450,000 range; homes above \$450,000 are not eligible for rebates. *Of note, the analysis contained in this report incorporates the GST rebate.*
- The remaining programs are directed towards first time home buyers regardless of whether the home is new or a resale. Some information is provided in Appendix I.

3.1.13 CAPITALIZATION OF PROPERTY TAXES

Previous versions of this study had undertaken a review of property taxes associated with the different housing types in different jurisdictions. As had been noted previously, property taxes are not directly related to new housing as they are paid by all home owners.

In order to understand the impact of property taxes the selling price of homes provided by CMHC were adjusted to generate estimates of the assessed value on which property taxes would be paid in 2009. This adjustment was necessary as in many jurisdictions property taxes are paid on the basis of an assessed value that relates to an earlier period (generally 1 to 4 years). The process of creating an estimated assessed value should be recognized as a rough approximation and not necessarily reflective of how an individual property would be assessed.

While some municipalities have standardized property taxes, many have different rates that impact different parts of the municipality. Our effort has been to establish an estimate of the property taxes that would be paid on the typical home in 2009. Appendix J provides the estimated 2009 assessed

values and property taxes for modest priced homes by unit type (single detached, semi-detached, row and condominium apt).

In the Province of Quebec, municipalities do not impose set infrastructure charges on new homes. Where the cost of infrastructure was not paid by a builder upfront, the cost of new infrastructure is generally paid through property tax surcharges/surtaxes applied to areas receiving the benefit of the new infrastructure. Intuitively this suggested that property taxes may be higher in Quebec, particularly when comparing the property taxes in jurisdictions which imposed infrastructure charges. The review of property taxes was undertaken based on a review of typical property taxes; thus surcharges/surtaxes associated with specific areas are not captured.

An examination of the property taxes²⁰ on modest single detached dwellings reveals the following:

- The lowest municipal property taxes on modest housing are in Calgary at \$1,864. Calgary imposes municipal infrastructure charges.
- The highest municipal property taxes are in Sudbury at \$5,333. Sudbury also imposes infrastructure charges.
- The next highest property taxes are in Vaughan at \$4,689. Vaughan imposes infrastructure charges.
- The municipalities with no set municipal infrastructure charges include Montreal, Quebec and Charlottetown which have property taxes of \$2,855, \$2,320, and \$2,834 respectively.

While the quantum of property taxes is important, the more relevant parameters are the assessed value and the property tax rate (or mill rate). Relatively speaking the assessed values in the analysis are lowest in Charlottetown, Quebec and Windsor (all below \$200,000). The highest property tax mill rates are Winnipeg (2.760), Saskatoon (2.116), Windsor (1.845), Charlottetown (1.67) and Hamilton (1.588).

Property taxes are imposed by municipalities as a means of generating revenue. This is a municipality's largest revenue source. As such property taxes are utilized to cover a range of costs including operating and capital costs.

Given that a substantial portion of the property tax revenue is used to cover operating costs, the capitalization of property taxes, in our view, is not to be considered along with the other GICs examined in this study. Further, the determination of property tax rates and the practices of municipalities vary substantially across the 21 centres included in the study.

Given that property taxation is a complex issue, in our view there is little relevant value in calculating the capitalization of property taxes in the context of GICs on new housing.

3.2 Estimated GICs in 2009 – Modest Single detached Dwelling Unit

This section presents the estimated GICs for 2009 for modestly priced single detached dwelling units. Some key observations are noted below. Appendix E provides the detailed summary charts identifying the various GICs for the 21 centres; highest absolute and relative GICs by component are highlighted in the tables in yellow. Appendix G provides the analytical charts. Explanations or background discussion is provided to assist in the review of the material.

²⁰ Refer to Appendix J for details related to the assumptions regarding assessed value and mill rate

3.2.1 MUNICIPAL GICS

3.2.1.1 Infrastructure Charges (Appendix G: Analysis Figure 1)

- The highest charges are found in Surrey at \$38,060, representing 7.5% of the selling price of \$505,762, and Vaughan at \$35,371 at 7.6% of the selling price of \$465,133. Both relate to new urban areas with considerable infrastructure requirements for single detached housing.
- Certain Ontario municipalities, including Hamilton, Waterloo, and Ottawa had infrastructure charges of: \$22,604, \$25,437 and \$26,808 respectively. These cities also have the highest charges expressed as a percentage of selling price at 8.0%, 8.7% and 8.5% respectively of \$282,881, \$291,111 and \$314,816. These infrastructure charges are in the form of Development Charges and Education Development Charges.
- Saskatoon has an infrastructure charge, which is based on an Offsite Services charge and other charges which are calculated on a front metre basis. This results in a charge of \$21,246 or 6.4% of the selling price of \$329,399.
- While Surrey's charge of \$38,060 per unit is high, the other centres from BC had lower charges at \$16,149 (2.0% of \$789,714) in Vancouver, \$4,724 (1.5% of \$319,952) in Prince George and \$3,990 (0.6% of \$688,058) in Burnaby. Clearly the infrastructure charges vary substantially within BC both in terms of quantum and % of selling price.
- Within Alberta, Calgary's infrastructure charge was \$11,356 (3.0% of \$372,814) and Edmonton's was at \$17,296 (4.7% of \$369,825).
- Six municipalities had infrastructure charges between \$2,000 and \$5,000, while four municipalities had no or almost no GICs in this category. Two of these were Montreal and Quebec City which have no set infrastructure charges, as previously noted.

There is potential for significant variability in the infrastructure charges within a centre. As an example, in Calgary there are acreage assessments which are akin to area specific charges. The storm sewer levy varies depending on the watershed area and ranges from a low of \$224 per acre to a high of \$46,183 per acre. Areas with low charges may relate to areas where storm sewer infrastructure already exists and only minor improvements are required. Areas with high charges are likely parts of the City where significant new investment in sewers or storm ponds, also referred to as storm retention or detention ponds, are required.

Of note, no specific public transport and/or environmental fees/contributions were discovered during the research to address the two additions to infrastructure charges included in this study. In the Ontario context, public transport (transit) can be included as part of a development charge and in Calgary it is a component of the acreage assessment. Environmental fees/contribution were not identified within the framework of development charges or acreage assessments. In Ontario, it is believed that such charges may be imposed by Conservation Authorities²¹ in instances where there are sensitive environmental issues/concerns which may be impacted by new development.

²¹ Conservation Authorities are local, community based environmental agencies. They represent a grouping of municipalities on a watershed basis and work in partnership with others to manage their respective watersheds. The Conservation Authorities Act (Ontario) provides the means by which the province and municipalities of Ontario could join together to form a Conservation Authority within a specific area – the watershed – to undertake programs of natural resource management.

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

3.2.1.2 Land Dedication (Appendix G - Analysis Figure 2)

Land dedication charges relate to Parkland dedication that must be paid to the municipality in each of the jurisdictions. Some municipalities have set percentages based on Provincial law such as 5% of the property being developed in Ontario and B.C. and 10% in Alberta and Quebec. Rules related to the circumstance where cash is given in lieu of land also vary between municipalities, where some based the calculation on raw land while others based their calculation on serviced land. Further, some municipalities base the calculation on gross land area and other use net land area.

- The high park land dedication charge in Toronto at \$15,620 (representing 2.8% of a modest priced single detached unit of \$549,785) is associated with the high land values in the municipality. Cash in lieu calculations are based on what it would cost to acquire land.
- Surrey's high land dedication charge of \$12,444 (2.5% of \$505,762) is also the result of high property values in the municipality.
- Vaughan's charge of \$9,000 (1.9% of 465,133) is also tied to the high property values in the Greater Toronto Area; these values are lower in Waterloo (\$4,800 or 1.6% of \$291,111) and Hamilton (\$5,000 or 1.8% of \$282,881).
- Vancouver has no parkland dedication charge for single detached homes. The other BC centres of Burnaby and Prince George impose parkland dedication charges of \$6,521 (0.9% of \$688,058) and \$920 (0.3% of \$319,952) respectively.
- Other municipalities have lower charges as the cash-in-lieu value is based on raw (i.e., unserviced) land values.

3.2.1.3 Development Application and Processing Fees (Appendix G -Analysis Figure 3)

This category is an estimate of fees associated with obtaining planning approvals for a new home. These fees are calculated on the same assumptions that were used in the previous study: all zoning and land use designations are in place, and the development is occurring by way of a 40 lot subdivision. The impact of these assumptions will vary by municipality.

- Vancouver had the highest estimated Development Application and Processing Fees at approximately \$2,365 (0.3% of \$789,714) followed by Ottawa at \$2,204 (0.7% of \$314,816).
- Vaughan, Calgary and Waterloo had fees above the average of \$641 for development application and processing fees with charges of \$1,815 (0.4% of \$465,133), \$1,429 (0.4% of \$372,814), and \$1,220 (0.4% of \$291,111) respectively.
- Toronto had estimated fees around \$1,000 (0.4% of \$549,785). Edmonton's charge is at \$718 (0.4% of \$369,825).
- Many municipalities with low fees have little development by means of subdivision

3.2.1.4 Building Permit Fees (Appendix G - Analysis Figure 4)

Building permit fees are generally calculated on the basis of building area, although they may be assessed on construction value (British Columbia) or a fixed fee per unit.

- Burnaby and Vancouver had high estimated building fees as the construction value on which the rates are calculated are high given the value of the houses that were built

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

are more than \$600,000. Building fees are \$6,091 (0.9% of \$688,058) and \$4,180 (0.5% of \$789,714) for Burnaby and Vancouver respectively.

- A large number of municipalities fell within +/- 20% of the average estimated fee of \$2,082.
- Toronto's slightly higher than average fee of \$3,110 (0.6% of \$549,785) relates to a slightly larger home.
- Edmonton's charge of \$2,721 (0.7% of \$369,825) is a combination fee that includes services that are not part of some other fees.
- Building permit fees in Quebec and Charlottetown are low at \$300 (0.2% of \$180,837) and \$240 (0.1% of 161,221) respectively.

3.2.1.5 Other Municipal Charges (Appendix G - Analysis Figure 5)

This is a new component that did not appear in the previous studies. Halifax and Toronto both have Land Transfer taxes which have rates set by the Municipality and for which the revenue is transferred to the municipality.

- The Halifax Deed Transfer tax of 1.5% of the house price was included in the 2006 study, but was listed (with appropriate notation) in the Provincial Charges tables. The present study considers it a municipal GIC.
- The City of Toronto's Municipal Land Transfer Tax was implemented Feb 1, 2008 and is a new charge imposed on any home sale (new or resale). The rate ranges from 0.5% to 2.0% of the house price. It represents a doubling of the land transfer tax since the 2006 study, as it matches the amount collected by the Province.

3.2.1.6 Total Municipal GICs (Appendix G - Analysis Figure 6)

The total municipal GICs include: Infrastructure Charges, Land Dedication, Development Application and Processing Fees and Building Permit Fees.

- The lowest charges are found in Yellowknife at \$2,544 (0.8% of \$329,504) and the highest charges are found in Surrey at \$53,451 (10.6% of \$505,762). The average total municipal GIC across the 21 centres is \$20,235 (representing, on average, 5.7% of \$355,000).
- High infrastructure charges were the cause of the high municipal charges in Vaughan (\$47,998 or 10.3% of \$465,133).
- Toronto's new Land Transfer Tax pushes it into the third highest Municipal GIC at \$43,959 (8.0% of \$549,785).
- The other Ontario municipalities including Ottawa (\$35,924 or 11.4% of \$314,816), Waterloo (\$33,114 or 11.3% of \$291,111), Hamilton (\$30,447 or 10.6% of \$282,881) followed; high infrastructure charges are attributed as being the main reason for high municipal GICs in these centres.
- Low estimated charges are found in Charlottetown at \$4,765 (3.0% of \$161,221), and Whitehorse at \$4,713 (1.7% of \$270,090) and as noted earlier Yellowknife at \$2,544 (or 0.8% of \$329,504).

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

- Moderate estimated charges are found in Halifax, Sudbury and Prince George.
- Vancouver and Edmonton had total municipal GICs above the \$20,235 average at \$22,856 (2.9% of \$789,714) and \$22,099 (6.0% of \$369,825) respectively. High infrastructure charges are the reason.
- Comparatively Calgary and Burnaby were \$16,207 (4.3% of \$372,814) and \$16,648 (2.4% of \$688,058) respectively.

3.2.2 PROVINCIAL AND FEDERAL CHARGES

3.2.2.1 New Home Warranty Program Fees (Appendix G - Analysis Figure 7)

As indicated earlier, home warranties are required in Ontario, British Columbia and Quebec. In other Provinces where home warranties are optional, fees have been included to create a level playing field in comparing GICs across the country. In comparing the fees between jurisdictions, it should be noted that coverage provided by the Home Warranties vary between programs.

- Home warranty fees are assessed by the provider (Tarion) in Ontario on the basis of a tiered schedule according to home price. Toronto followed by Vaughan have the highest home values and therefore have high home warranty charges of \$1,130 (0.2% of \$549,785) and \$1,040 (0.2% of \$465,133) respectively. By comparison, home warranty fees in Waterloo are \$723 (0.2% of \$291,111).
- In Quebec, home warranties are mandatory and are provided by the Association Provinciale des Constructeurs d'Habitations du Québec (APCHQ). They have a standard fee of \$1,000 per home. Builders who have had previous claims may have to pay an additional premium.
- The average home warranty fee across the 21 municipalities included in the 2009 study was \$756 (0.4% of \$355,000).
- Warranty fees were obtained from insurance providers in British Columbia to provide the mandatory coverage, this is shown as consistent across municipalities, but the actual amount will vary depending on the profile and experience of the builder. Fees are on the order of \$1,000.
- The lowest warranties rates are found in Halifax (\$373 or 0.2% of \$217,074) and Charlottetown (\$347 or 0.2% of \$161,221) where warranties are provided by the Atlantic Home Warranty Corporation.
- Home warranties are not available in Whitehorse or Yellowknife.

3.2.2.2 Registry Fees / Land Transfer Taxes (Appendix G - Analysis Figure 8)

- Vancouver (\$13,868 or 1.8% of \$789,714) followed by Burnaby (\$11,835 or 1.7% of \$688,058) had the highest Registry and Land Transfer Tax, which is largely a function of the high selling prices.
- Toronto (\$9,792; 1.8% of \$549,785), Surrey (\$8,189; 1.6% of \$789,714) and Vaughan (\$6,830; 1.5% of \$465,133) also have higher than average (\$3,797; 0.9% of \$355,000) GICs in this category due to the selling prices in these municipalities.
- Alberta and the Territories do not have significant fees in this category.

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

3.2.2.3 Other Provincial Charges (Appendix G - Analysis Figure 9)

These charges are generally review fees charged at the Provincial Level. They are not a significant component of overall GICs. Across the 21 centres the average was \$96 and ranged from a low of \$0 (Calgary, Edmonton, Yellowknife, Saskatoon and Whitehorse) to a high of \$283 (Charlottetown).

3.2.2.4 Provincial Sales Taxes (Appendix G - Analysis Figure 10)

Both the application of provincial sales tax and the PST rate on new housing varies across the country, as shown in Figure 3.1. In Halifax, the PST is payable on the sale price of the dwelling exclusive of GST. In Quebec, the PST is payable on the dwelling price including GST. Alberta and the Territories have no provincial sales tax. In other Provinces, PST was payable on the construction materials used to build the home. While the practice or approach to the application of PST varies, it is nonetheless important to report on this GIC as in some cases it comprises a significant quantum.

- Montreal had the highest estimated amount of provincial sales tax at \$22,325 (7.7% of \$288,432) as the tax (rate of 7.5%) is payable on the selling price of the home including GST i.e.: $((\text{price} + [\text{price} \times .05]) \times .075)$.
- Vancouver, with high construction material costs, ranked 2nd with \$22,050 (2.8% of \$789,714) Burnaby followed at \$18,900 (2.7% of 688,058).
- Halifax, with sales tax on the full selling price had the next highest sales tax at \$17,366 (8.0% of \$217,074).
- Overall the average PST charge was \$8,700.
- Other centres above the average included Toronto (\$10,764; 2.0% of \$549,785), Ottawa (\$9,600; 3.0% of \$314,816), and Vaughan (\$9,581; 2.1% of \$465,133).

Figure 3.1: Provincial/Territorial Sales Tax – Basis, Rate, Results by Province or Territory

Province	Municipality	<u>Single Family Modest Home Net Sale price</u> (Excludes GST / PST)	<u>Single Residence GFA</u>	<u>Base used to calculate tax</u> (Home Sale price / Cost of Material)	<u>Base amount</u> (Home Sale price / Cost of Material)	<u>%</u>	<u>Tax amount</u>	<u>% of the modest home price</u>
AB	Calgary	\$372,814	2,200	No Provincial Sales Tax				
AB	Edmonton	\$369,825	1,800	No Provincial Sales Tax				
BC	Burnaby	\$688,058	2,600	Cost of Building Material	\$330,002	7.0%	\$23,100.17	3%
BC	Prince George	\$319,952	3,000	Cost of Building Material	\$144,000	7.0%	\$10,080.00	3%
BC	Surrey	\$505,762	1,800	Cost of Building Material	\$175,500	7.0%	\$12,285.00	2%
BC	Vancouver	\$789,714	3,100	Cost of Building Material	\$520,800	7.0%	\$36,456.00	5%
MB	Winnipeg	\$259,575	2,000	Cost of material (\$) + Electrical and Mechanical Contract price	\$108,000	7.0%	\$7,560.00	3%
NS	Halifax RGM	\$217,074	2,400	Home Sale Price	\$277,605		\$0.00	0%
NT	Yellowknife	\$329,504	2,500	No Provincial Sales Tax				
ON	Greater Sudbury	\$280,818	2,000	Cost of Building Material	\$105,000	8.0%	\$8,400.00	3%
ON	Hamilton	\$282,881	2,400	Cost of Building Material	\$136,800	8.0%	\$10,944.00	4%
ON	Ottawa	\$314,816	2,000	Cost of Building Material	\$135,000	8.0%	\$10,800.00	3%
ON	Toronto	\$549,785	3,600	Cost of Building Material	\$144,202	8.0%	\$11,536.13	2%
ON	Vaughan	\$465,133	2,800	Cost of Building Material	\$149,856	8.0%	\$11,988.48	3%
ON	Waterloo	\$291,111	2,200	Cost of Building Material	\$127,406	8.0%	\$10,192.51	4%
ON	Windsor	\$177,956	1,300	Cost of Building Material	\$93,600	8.0%	\$7,488.00	4%
PE	Charlottetown	\$161,221	1,500	Cost of Building Material	\$76,500	10.5%	\$8,032.50	5%
QC	Montreal	\$288,432	1,400	Home Sale Price + GST	\$350,714	7.5%	\$26,303.55	9%
QC	Quebec	\$180,837	1,300	Home Sale Price + GST	\$232,724	7.5%	\$17,454.31	10%
SK	Saskatoon	\$329,399	1,800	Cost of Building Material	\$121,500	5.0%	\$6,075.00	2%
YT	Whitehorse	\$270,090	2,600	No Provincial Sales Tax				
Average		\$354,512	2,205		\$189,953	7.6%	\$12,864	3.8%

GFA = Gross Floor Area

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

3.2.2.5 Goods and Services Tax (GST) (Appendix G - Analysis Figure 11)

- Vancouver (\$39,486; 5.0% of \$789,714) and Burnaby (\$34,403; 5.0% of \$688,058) had the highest estimated amount of GST. These municipalities, and Surrey (\$17,203; 5.0% of \$505,762), Toronto (\$21,871; 5.0% of \$549,785) and Vaughan (\$17,635; 5.0% of \$465,133) had selling prices above \$450,000, and are not eligible for any GST Credits beyond this amount.
- Municipalities with home selling prices below \$350,000 are eligible for the highest level of GST credits amplifying the impact of selling price on this GIC.
- The overall average GST charge across the 21 centres is \$14,079 (3.7% of \$355,000).
- Calgary and Edmonton were just below the average GST at \$13,778 (3.7% of \$372,814) and \$13,440 (3.6% of \$369,825) respectively.

3.2.2.6 Total Provincial GICs (Appendix G - Analysis Figure 12)

- Selling prices, land values and the cost of construction materials have the greatest impact on provincial charges, with Vancouver (\$36,944; 4.7% of \$789,714), and Burnaby (\$31,760; 4.66% of \$688,058) having the highest GICs.
- Montreal (\$26,424; 9.2% of \$288,432) stands out as the highest percentage based on the selling price of the home (including GST). This is due to the fact that the selling price includes GST and the QST rebates do not apply as the house price is over the threshold limit of \$225,000.
- Halifax (\$17,882; 8.2% of \$217,074) stands out with high Provincial GICs expressed as a percentage of selling price, as a result of paying Provincial sales taxes on the full price of the home (compared to building materials only in other centres).

3.2.2.7 Total Provincial and Federal GICs

- Combining Provincial and Federal GICS Vancouver (\$76,340; 9.7% of \$789,714), and Burnaby (\$66,162; 9.6% of \$688,058) having the highest GICs.
- Montreal (\$35,654; 12.4% of \$288,432) and Halifax (\$24,848; 11.4% of \$217,074) stand out with high combined Provincial and Federal GICs for relatively lower priced homes.

3.2.2.8 Total Municipal, Provincial and Federal GICs (Appendix G– Figure 13)

- Three BC municipalities and two Ontario municipality stand out for having estimated GICs above \$80,000:
 - Vancouver at \$99,826 (12.6% of \$789,714);
 - Surrey at \$95,941 (19% of \$505,762);
 - Toronto at \$93,319 (17% of \$549,785);
 - Vaughan at \$88,889 (19.1% of \$465,133); and
 - Burnaby at \$82,811 (12.6% of \$688,058).

These municipalities also have the highest selling prices in the modest category for single detached homes. Taxes and fees that are directly and indirectly linked

to selling price are the key factor, particularly in British Columbia. In Ontario, and Surrey high infrastructure charges set by municipalities are also a major contributing factor.

- The (simple) average GIC across the 21 centres is \$47,664 (13.3% of \$355,000).
- Southern Ontario municipalities GICs are calculated to be about 17 – 19% of the selling price of a home. The absolute value of the GICs varies according to the selling price for these municipalities.
- Surrey at 19%, representing the 2nd highest percentage in the study (tied with Ottawa), is much higher than other BC municipalities of Prince George, Burnaby and Vancouver at 9.4%, 12% and 12.6% respectively.
- Yellowknife and Whitehouse have the lowest GICs and as a percentage of the selling price.

3.3 Estimated GICs in 2009 – Median Priced Single Detached Dwelling Units

This section presents the estimated GICs for 2009 for the median priced single detached dwelling. Some key observations are noted below. Appendix F provides the detailed summary charts identifying the various GICs for the 21 centres highest absolute and relative GICs by component are highlighted in the tables in yellow. Appendix H provides the analytical charts. Explanations or background discussion is provided to assist in the review of the material.

3.3.1 MUNICIPAL GICS

3.3.1.1 Infrastructure Charges (Appendix H - Analysis Figure 14)

- Similar to the modest results, Surrey at \$40,764 (7.2% of \$567,207) and Vaughan \$35,528 (6.8% of \$523,295) had the highest absolute infrastructure charges in 2009. Infrastructure charges are generally not linked directly with selling price. With median housing prices being higher, the percentage of selling prices is moderately less in these two municipalities.
- The highest relative infrastructure charge is in Ottawa at 7.4% of the housing price of \$362,489 (where the municipal infrastructure charge is \$26,808).
- Across the 21 centres included in the 2009 study, the average percentage of selling prices for a median home is 2.9%, while the average for a modest home is 3.5%.
- The infrastructure charge in Saskatchewan is higher in the modest home because the charge is based on the frontage of the home.

3.3.1.2 Land Dedication (Appendix H – Analysis Figure 15)

- Cash-in-lieu payments are based on a percentage of the value of the land. The median priced dwelling units, with generally larger lots, would have higher land values and therefore higher land dedication values.
- Toronto had the highest estimated Land Dedication GIC at \$24,545 (2.9% of \$842,743).
- Land dedication as a percentage of selling prices, on average was marginally less for median (1.2%) vs. modest dwelling units (1.4%).

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

3.3.1.3 Development Application and Processing Fees (Appendix H– Analysis Figure 16)

- Vancouver had the highest application fees at \$2,365 (0.2% of \$1,288,137), while Ottawa had the second highest fees (\$2,204; 0.6% of \$362,489) in absolute terms and the highest as a percentage of selling price (0.6%).
- The estimates of Development Application and Processing Fees remained similar between the two price point categories (\$4,418 for modest and \$4,903 for median).
- On average, these fees, as a percentage of the selling price, were lower for median homes (0.1%) than for modest homes (0.2%).

3.3.1.4 Total Building Permit Fees (Appendix H – Analysis Figure 17)

- Burnaby had the highest building permit fees (\$7,105) in absolute terms and as a percentage of selling price (0.9% of \$775,481).
- The average Building Permit Fees in absolute terms were higher for a Median Home (\$2,483 for median versus \$2,082 for modest), but lower as a percentage of selling price (0.5% for median, 0.6% for modest). Building Permit fees are typically based on the Gross Floor Area, or value of construction, both which would be expected to be higher in a more expensive home.

3.3.1.5 Other Municipal Charges (Appendix H – Analysis Figure 18)

- For both municipalities with local land transfer taxes (Halifax & Toronto) the absolute rates were higher for Median than for Modest homes, as the tax is based on Selling Price.

3.3.1.6 Total Municipal GICs (Appendix H – Analysis Figure 19)

- Toronto's Land Transfer Tax put the Municipal GICs for a median (\$65,747, or 7.8% of \$842,743) single detached dwelling above Surrey which was highest for the modest category (\$53,451, or 10.6% of \$505,762).
- On a relative basis, Surrey (\$56,963) and Ottawa (\$36,237) reflected the highest at total Municipal GICs in terms of share of selling price at 10%.
- For both modest (11.4%) and median categories (10%), Ottawa had the highest GICs as a percentage of selling price.

3.3.2 PROVINCIAL AND FEDERAL CHARGES

3.3.2.1 New Home Warranty Fees (Appendix H – Analysis Figure 20)

- Toronto had the highest New Home Warranty Fees. In Ontario, fees from the provider are based on the selling price of the home.
- Outside of Ontario the fees were unchanged between modest and median homes, where the rates that were provided by suppliers were based on the unit type rather than selling price.

3.3.2.2 Registry Fees/ Land Transfer Tax (Appendix H – Analysis Figure 21)

- In absolute terms, Vancouver had the highest GICs in this category at \$23,836 (1.9%). The GIC for a median home was about \$10,000 higher than for a modest home. As percentage of selling price, the difference was only 0.1%. In BC, where Land Transfer Taxes are imposed on a sliding scale (1% on the first \$200,000 and 2% for the remainder of the selling price above \$200,000).

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- On average the GICs for this category were only 0.1% different as a percentage of selling price.

3.3.2.3 Other Provincial Charges (Appendix H – Analysis Figure 22)

- The GICs were identical between Modest and Median homes as they are per unit charges rather than rates based on selling price or area of the home.

3.3.2.4 Provincial Sales Tax (Appendix H – Analysis Figure 23)

- Montreal with Quebec's Provincial Sales Tax (QST) applied on the selling price of the house, inclusive of GST, had the highest GIC in the category at \$26,304 (7.7% of \$339,839).
- For the median home (selling price of \$225,508) in Quebec City, the Provincial Sales Tax amounted to 7.7%, while for the modest home (selling price of \$180,837) it was only 4.7%, showing the impact of the QST rebate for homes less than \$225,000.
- In Provinces where the PST is applied on construction inputs the absolute GICs were higher for the median home reflecting the additional cost of building materials.
- Halifax had the highest PST on a relative basis at 8% of selling price on both a median and modest priced home.

3.3.2.5 Federal Goods and Services Tax (Appendix H – Analysis Figure 24)

- Vancouver with its median home price of more than a \$1 million had the highest GIC in this category (\$64,407 or 5.0% of selling price of \$1,288,137).

3.3.2.6 Total Provincial GICs (Appendix H – Analysis Figure 25)

- Vancouver had the highest total Provincial GICs at \$61,319 (or 4.8% of \$1,288,137).
- The two Quebec municipalities have the highest PST (QST) on the selling price of a home at 9.2%.

3.3.2.7 Total Provincial and Federal GICs

- Vancouver had the highest total for Provincial and Federal GICs at \$125,726 (9.8% of \$1,288,137).
- The two Quebec municipalities have the highest combined totals at 12.4% reflecting the imposition of both PST (QST) and GST on the selling price of a home.

3.3.3 TOTAL MUNICIPAL, PROVINCIAL AND FEDERAL GICS (APPENDIX H – FIGURE 26)

- Three BC municipalities and two Ontario municipality had the highest absolute GICs:
 - Vancouver at \$151,559 (11.8% of \$1,288,137);
 - Toronto at \$141,120 (16.75% of \$842,743);
 - Surrey at \$108,050 (19% of \$567,207);

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- Vaughan at \$98,713 (18.9% of \$523,295); and
- Burnaby at \$94,685 (12.2% of \$775,481).

The aforementioned centres ranked highest in the modest category as well. These municipalities also have the highest selling prices in the median category for single detached dwelling units.

- The (simple) average GIC across the 21 centres is \$58,540 (or 13.2% of the average selling price of \$443,000).
- Southern Ontario municipalities GICs represent 15 – 19% of the selling price of a dwelling unit. The absolute value of the GICs varies according to the selling price for these municipalities.
- Surrey at 19%, representing the highest percentage in the study, is much higher than other BC municipalities of Prince George, Vancouver, and Burnaby at 10.2%, 11.8% and 12.2% respectively.
- Yellowknife and Whitehouse have the lowest GICs and as a percentage of the selling price.

3.3.4 COMPARISON OF GICS FOR MODEST AND MEDIAN PRICED DWELLING UNIT

- For a median priced dwelling unit, Municipal GICs are marginally higher than for a modest priced dwelling unit (\$21,970 vs. \$20,198), but less on a percentage of selling price basis. (5.0% vs. 5.7%) This results from a number of the municipal fees being “per unit” rather than being linked to selling price or unit size.
- Average absolute Provincial GICs are higher for a median priced dwelling unit on both an absolute (\$17,724 for median vs. \$13,366 for modest), and on a percentage of selling price basis (4.2% for median vs. 3.9% for modest). At the Provincial level, selling price plays a larger role in the setting of GICs. In the case of Quebec, QST rebates play a role in reducing the relative Provincial GIC for modest priced dwelling units.
- Similarly, at for Federal GICs both the absolute average GIC and average percentage of selling price are higher for the median (\$18,845 or 3.9%) vs. the modest (\$14,079 or 3.7%) priced dwelling unit. This is due to the fact that the GST is linked directly to the selling price of the unit.
- When all of the levels are combined, absolute GICs are higher for median priced dwelling units compared to modest priced dwelling units (\$58,540 vs. \$47,643), but slightly lower percentage of selling price (13.2% vs. 13.3%).

Appendix K provides a summary of the municipal GICs for both modest and median priced dwelling units across all centres included in this study and by dwelling type. Generally, on an absolute basis, the municipal GICs for median priced dwelling units were roughly the same as those imposed on modest priced dwelling units. However, the summary reveals some anomalies, some of which are explained below:

- In Edmonton, the municipal GICs on a median priced single detached dwelling unit was \$17,709, considerably lower than the \$22,099 imposed on a modest priced single detached dwelling unit. The difference of \$4,390 is attributed to the builder/developer survey results which identified a modest priced single detached dwelling as having a lot

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frontage of 40 ft compared to 30 ft for a median priced single detached dwelling unit; further the modest unit comprised 1900 sq ft compared to 1800 sq ft for a median unit.

- In Saskatoon, the municipal GIC on a median priced semi detached dwelling unit was \$12,860, some \$2,619 below the municipal GIC of \$15,479 estimated for a modest semi. In the case of the median priced semi the builder/developer survey had identified a lot frontage of 20 ft compared to 25 ft for a modest semi.
- In Vancouver, a median priced apartment unit has municipal GICs totalling \$5,867 compared to \$6,653 for a modest priced apartment. From the builder/developer survey a median priced apartment unit comprised 500 sq ft compared to 600 sq ft for a modest priced apartment.

4. GICS TRENDS FROM 2006 TO 2009

Given that the 2006 study dealt with median dwelling unit prices, the trend analysis over the 2006 to 2009 timeframe is also carried out for the median priced single detached dwelling. In order to carry out the trend analysis, the 2006 median dwelling prices as well as the GICs were indexed to 2009. The *New Housing Price Index* [NHPI] from *Capital Expenditure Price Statistics* (Statistics Canada, Catalogue 62-007-x) was utilized. In the case of Whitehorse and Yellowknife the Consumer Price Index (CPI) was used, as the NHPI was not available for these centres. Appendix L includes the figures referenced in this section.

In considering potential indices for application in this analysis, IBI Group is aware that the regulations to the *Development Charges Act (DCA)* in Ontario specifically reference the index source to be used: Capital Expenditures Price Statistics (previously known as Construction Price Statistics). Prior to the enactment of the DCA, municipalities could choose from a broad range of indices. The standardization and routine reporting of the indices found in the Capital Expenditures Price Statistics suggests that it is a reasonable and appropriate source to use in the context of this study.

Within the referenced document there are a number of indices from which a municipality can choose from. Many municipalities currently utilize the Non-Residential Construction Price Index. The NHPI was selected as the basis for indexing because it best represents the changes in housing prices that took place over the period.

4.1.1 HIGH LEVEL OVERVIEW

For absolute and relative trends in GICs, the analysis focuses on the 'median' single detached dwelling unit. At a high level, the following observations can be made:

- On a comparative basis, allowing for indexing of the 2006 values, the overall average GIC rose from \$44,488 in 2006 (indexed to 2009) to \$58,540 in 2009 – representing a 23% increase.
- Overall, the average median dwelling unit price was \$378,926 in 2006 (indexed to 2009) compared to \$443,000 in 2009 – a 17% increase.
- Thus, the increase in GICs increased more than housing prices over the 2006 to 2009 timeframe.
- In 2006, on average²², GICs represented 12.6% of the price compared to 13.2% in 2009.

4.1.2 CHANGES IN MUNICIPAL GICS BETWEEN 2006 AND 2009

Appendix L- Trends Figures 1 and 5 looks at the changes that have occurred in Municipal GICs in absolute and percentage changes respectively. A wide range of factors are at play in looking at the trends. Changes in home prices play a somewhat smaller role in these GICs. Land costs impact the value of land dedications, while construction costs are one of the factors that impact the Infrastructure Costs that are assessed by municipalities.

- Toronto also had a notable change in municipal GICs between 2006 and 2009 of \$32,301. There are two factors at play here. Land values which are used to calculate cash in lieu for land dedications have risen. More significantly, Toronto has also

²² When the term 'average' is used it is meant as the simple average rather than the weighted average.

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introduced its own Land Transfer tax, which for the study represents a new \$9,000 GIC that was not applicable in 2006.

- Surrey also experienced a substantial absolute increase of more than \$21,200. Infrastructure charges were predominantly responsible for the significant increase followed by land dedication charges.
- Vaughan, Ottawa, Waterloo and to a lesser scale Windsor, experienced increases in Infrastructure Charges as a result of an increase in Development Charges payable in these municipalities. This relates in part to the provincial requirement that municipalities update their Development Charge By-laws at a minimum every five years, and increased capital construction costs for the facilities that are paid for through their Development Charges.
- In areas with significant variability in area specific charges (Calgary, Edmonton), or in areas without typical or set infrastructure charges (Montreal and Quebec City) it is difficult to accurately gauge the degree of change that has occurred with between the two periods.
- Vancouver's municipal GICs increased by \$8,830 mainly due to Infrastructure Charges. In 2006, municipal GICs totalled \$17,003, representing 2.3% of the selling price of \$734,033 (*note: 2006 values are indexed*). In 2009, municipal GICs totalled \$25,003, representing 2.0% of the selling price of \$1,288,137. Thus, the incremental increase was substantial in absolute terms but expressed as a % of selling price, the increase was notional.
- Hamilton restructured their Development Charge program, which resulted in a small decrease in Infrastructure Charges, but the impact varies across the municipality.
- Land dedication values are generally tied to assessed property values, and therefore may result in increases. Some municipalities have been more aggressive in their assessment approach requiring values closer to what it would cost them to acquire land. Where there have been decreases they may reflect the difficulty of attributing a theoretical value to land dedication in some jurisdictions where cash-in-lieu payments are rarely paid.
- Development Application and Processing fees appear to have remained relatively stable.

4.1.3 CHANGES IN PROVINCIAL AND FEDERAL GICS BETWEEN 2006 AND 2009

Changes also occurred in the Provincial and Federal GICs in both absolute (Appendix L– Trends Figures 2 and 3) and percentage terms (Appendix L – Trends Figures 6 and 7) respectively. Changes in this category are largely dependent on the selling price of the dwelling unit, and the related cost of materials.

- Vancouver and Burnaby are paying substantially more PST relative to other centres because the reported building material costs have increased. For a median priced single detached dwelling unit in Vancouver the increase in PST is around \$28,640; in Burnaby the increase is about \$14,427.
- In Quebec the relatively large increase in PST of \$11,103 is the result of the typical home crossing the selling price threshold of \$225,000 where the property becomes subject to the full rate of PST. In the earlier study the median dwelling unit price was

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less than the threshold limit and PST rebates were applied, thereby reducing the overall PST paid.

- New Home Warranty fees have stayed relatively constant, but as discussed earlier are variable in markets where the rates paid by a specific builder are not fixed.
- Vancouver's relatively large increase in GST of \$20,365 is the result of the median selling price of a Single Detached dwelling rising by almost \$500,000. This increase also impacts PST (indirectly through the cost of building materials) and registry fees as well.
- Other cities, such as Edmonton, Calgary and Yellowknife, experienced relatively larger increases in dwelling unit prices even with indexing. The result is an increase in the absolute GST in these municipalities despite the reduction of the GST rate from 6% to 5%.
- In other municipalities such as some in Ontario where price increases were more moderate, the impact of the GST rate reduction from 6% to 5% can be seen. Trends Figure 5 shows this decrease as a percentage. Where housing prices are above \$450,000 the full 1% reduction is evident, while a decrease of less than 1% would apply for homes where rebates apply.
- The decrease in Registry Fee /Land Transfer Tax for Halifax is the result in the shifting of the Halifax Deed Tax from Provincial to Municipal section of the report.

4.1.4 CHARGES AS A PERCENTAGE OF MEDIAN SELLING PRICE

Examining GICs as a percentage of selling prices is appropriate in understanding trends. Appendix L - Trend Figures 9–16 reflect GICs as a percentage of Selling Price that excludes GST and PST; this is consistent with earlier studies. Figures 17 through 24 take each GIC as a percentage of Gross Selling Price which includes GST and PST. The findings are not different, but the use of a Gross Selling Price eliminates the artificial separation of the GST and PST from the other GICs.

Looking at Trends Figure 9 (Appendix L) in comparison to Trends Figure 13:

- In 2009, municipal infrastructure charges have increased relative to 2006. Generally infrastructure charges represent a higher proportion of municipal GICs.
- Land dedication fees as a percentage of selling price have also increased in some jurisdictions. This change may be somewhat artificial, particularly in subdivisions where land is generally dedicated rather than a cash payment being required. The amount of land dedication on a percentage basis is consistent between for the two periods.
- For Halifax the Deed Levy Fee has been moved from provincial to municipal changing the charts according by 1.5%.
- There is no clear trend or particularly notable changes within municipalities with the Development Application and Process Fees or Building Permit Fees.

Looking at Appendix L - Trends Figure 10 in comparison to Trends Figure 14 for Provincial GICs:

- PST is generally higher in 2009. This is attributed to increased home prices and cost of building materials resulting in a higher PST expressed as a percentage of selling prices in some jurisdictions.

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- No significant trend is identifiable for Warranty Fee, Registry Fees on a percentage of Selling Price basis.

Examining Appendix L - Trends Figures 11 and 15 for Federal GICs:

- The impact of the reduced GST rate is evident across all municipalities. In municipalities where the selling prices are above \$450,000 the full 1% is easily seen. As GST credits apply below \$450,000 the difference between 2006 and 2009 percentages are reduced.

Appendix L - Trends Figures 12 and 16 compare 2006 and 2009 total GICs by type as a % of median selling price:

- Overall, there is a reduction in the GST component such that it represents a lower percentage. This is consistent with the reduced GST rate over the timeframe.
- All Ontario municipalities had increased shares of municipal GICs with the exception of Hamilton.
- Edmonton had reduced municipal GICs.
- Provincial GICs generally increased with the exception of Halifax.

Trends Figures 20 and 24 in Appendix L provide a comparative analysis of total GICs (broken down by municipal, provincial and federal) as a percentage of the median gross selling price:

- Overall, the analysis demonstrates that the change in total GICs expressed as a percentage of the gross selling price is not substantial between 2006 (12.6%) and 2009 (13.2%).

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