FUSION HOMES

John Ballantine
Municipal Finance Policy Branch
College Park 13th floor
777 Bay St
Toronto, ON
M7A 2J3

Date: April 15, 2020

Re: Submission on Proposed Regulations under the *More Homes, More Choice Act*, 2019 (Bill 108):

ERO 019-1406 – Proposed regulatory matters pertaining to community benefits authority under the Planning Act, the Development Charges Act, and the Building Code Act

Dear Mr. Ballantine,

Fusion Homes is pleased to submit this letter to provide context from an industry perspective regarding the proposed Community Benefits Charge. This letter reviews the real-life application of the Community Benefits Charge as it is currently proposed to be calculated in both a high density and low density scenario in the City of Guelph. Fusion Homes believes this will provide context to the proposed Community Benefits Charge calculations and the implications on the cost of building and ultimately the end-cost of a home. Through this analysis we have found that:

- The Community Benefits Charge, as proposed, will add over $37,000 per unit to the cost of a low density home in the City of Guelph.
- The Community Benefits Charge, as proposed, will have a minimal financial impact (less than $1,000) on the cost of a high density unit in the City of Guelph.
- The Community Benefits Charge, as proposed, will have significantly different implications on the cost of a home across differing residential development types. As such, implementation of the Community Benefits Charge should be considered separately between development types.

Fusion Homes is a prominent home builder in the City of Guelph that builds a range of housing types including single-detached and semi-detached homes, townhouses, and condominium units. Fusion Homes has built almost 3,000 residential units since 1999 and has a commitment to customer satisfaction demonstrated with an unprecedented six Tarion Awards of Excellence for a Large Volume Builder (2008, 2010, 2012, 2013, 2014, 2015). Fusion Homes is responding to the regulatory consultation as the proposed Community

Benefits Charge framework will have significant implications for industry members and home buyers.

While Fusion Homes is supportive of the *Housing Supply Action Plan,* we have significant concerns regarding the February 28th environmental registry posting on the proposed Community Benefits Authority under the *Planning Act* and *Development Charges Act*. The proposal may ultimately result in significant increases in fees and charges for new housing in the City of Guelph. This would make new housing in our community much more expensive unless significant changes are made.

Low Density Development

To illustrate the impacts of the proposed Community Benefits Charges, Fusion Homes conducted a financial analysis comparing the actual Development Charges and parkland dedication cash-in-lieu fees paid on a real-life low density development in the City of Guelph against the proposed Community Benefits Charges on the same development (see 'Low Density' sheet). The findings of this analysis are as follows:

- Currently in Guelph, parkland is dedicated at a rate of the higher of 5% of the area of the land being developed, or 1 ha per 300 units. If cash-in-lieu of parkland is required, the valuation is based on the higher of 5% of the land being developed or the value of 1 ha per 500 units. This valuation is "retroactively" calculated the day before draft plan approval and therefore does not consider the increase in value from the completion of servicing infrastructure to permit construction of residential homes. As such, the value of the land is lower compared to the time of building permit issuance which is when valuation is proposed to occur for the Community Benefits Charge. In our modelling, this factor alone leads to an increase of over $36,000 per unit, assuming the full 15% cap is justified in the CBC study (see "Low Density H14-21'.
- Hard Development Charges remain the same across both the current and new system (see 'Low Density H24).
- Since the City of Guelph is a single-tier municipality where developers do not pay soft Development Charges for social housing, the removal of social housing in the soft DC's does not change the amount of soft DC's for Guelph development.
- The removal of the 10% statutory reduction in soft DC's results in higher soft DC's of over $1,600 per unit (see 'Low Density H25).
- In total, for a low density development, the new system would create increases of upwards of $37,600 per unit in development fees and charges (see 'Low Density H28).

Due to the timing of the calculation of the Community Benefits Charge being at the time of building permit issuance rather than the at the time of draft plan approval, this leads to a significant increase in fees which will ultimately be reflected in the cost of the home to the purchaser. The time of the calculation of the Community Benefits Charge should be carefully reconsidered to ensure these negative impacts do not fall on home buyers.

Furthermore, for single-tier municipalities such as Guelph where social housing is the responsibility of the County of Wellington rather than the local municipality, the removal of that portion of soft Development Charges does not result in lower Development Charges. In fact, with the removal of the 10% statutory reduction in select soft DC's, the cost of soft Development Charges increases and is not offset by the removal of social housing in

Guelph. The increase in soft Development Charges costs, in conjunction with the hard Development Charges and the new Community Benefits Charge will result in a more cost-prohibitive development process and higher home costs for the end-user. We believe this is contrary to the Provincial goal related to affordable housing.

<u>High Density Development</u>

Fusion Homes also conducted a financial analysis on a high density development using the same method on an actual high density condominium development in the City of Guelph (see 'High Density' sheet). The findings of this analysis are as follows:

- For high density development in Guelph, parkland dedication is calculated at the time of building permit just as the community benefits charge is presently bring proposed. Cash-in-lieu of parkland is provided based on a value of 1 ha per 500 units but with a 20% of total land value cap, calculated on the day before a building permit is issued. In our modelling, the parkland dedication amounts to $6,000 per unit. The Community Benefits Charge has a 15% cap. Assuming the full 15% cap is justified in the CBC study, this amount to $4,500 per unit (see 'High Density H15-22).
- Hard Development Charges remain the same in both the old and the new system (see 'High Density H25').
- Due to the removal of the 10% statutory reduction of certain soft Development Charges, the cost of soft DC's increases by $749.20 per unit. Since Guelph is a single-tier municipality that does not bear the responsibility of social housing in its Development Charges, the removal of this item from soft DC's does not affect Guelph's Development Charge total (see 'High Rise H26').
- In total, the current system generates a total of $32,766 in Development Charges and fees, while the proposed Development Charges and Community Benefits systems generate a total of $31,015.20 in Development Charges and fees per unit. The new system will result in $750.80 less in fees per unit (see "High Density H29).

For high density development between the current and the new system, there is not a significant change in terms of charges and fees per unit. This is because the timing of the current valuation of parkland dedication and the proposed timing of the Community Benefits Charge valuation are aligned, on the day before a building permit is issued.

It is important to consider that Guelph has self-imposed the 20% cap on parkland dedication, which has kept this cost at a reasonable level. The approval process for this cap in the City of Guelph's parkland dedication by-law was long and politically challenging. Further, many other municipalities have not imposed this cap and experience exorbitant parkland dedication costs. As such, a 15% cap on Community Benefits across all municipalities provides for a consistent and reliable measure for predicting development costs from a development standpoint.

These two scenarios demonstrate how the Community Benefits Charge will translate into costs on a per-unit basis for both a low density and high density development. While the difference between the current system and the proposed Community Benefits Charge system are minimal for high density development, the impact on the cost of low density development is significant.

To address the inflated development costs for low density with the proposed Community Benefits Charge, we would respectfully recommend that the implementation of the new system be considered separately from high density development. This will ensure that the process of calculating fees will consider nuance between high density and low density development rather than blanketing processes across all development types. As a result, the Development Charges and Community Benefit Charges will be more balanced and equitable across each type of residential development, thereby avoiding negative impact on future home buyers.

Fusion Homes has been supportive of the Provincial government's initiatives to address the City of Guelph's housing supply challenges that are making both home ownership and rental housing unaffordable. However, we are concerned that the regulatory posting as proposed will result in significant increases in government-imposed charges for low density housing. Fusion Homes looks forward to continuing to work with your Ministry and all stakeholders to establish a fair Community Benefits Charge framework.

Please feel free to reach out if you wish to discuss further or have any questions.

Sincerely,

Larry Kotseff
Senior Executive, Land Development

CC: Mike Collins-Williams, OHBA
CC: Mike Schreiner, MPP, City of Guelph
CC: Melissa Jonker, GDHBA
CC: Marie Schroeder, WRHBA

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