

Redevances de développement (RD): Eco-taxation?

Andrew Sancton (asancton@uwo.ca) Le Québec et l'écofiscalité : État de la recherche et partage d'expériences.

« Le Québec et l'écofiscalité : État de la recherche et partage d'expériences »

Montréal, le 1 novembre 2023

Le Québec et l'écofiscalité : État de la recherche et partage d'expériences.

Redevances de développement

- ❑ In English: development charges
- ❑ New development pays for all infrastructure costs associated with new development
- ❑ “Growth should pay for growth”

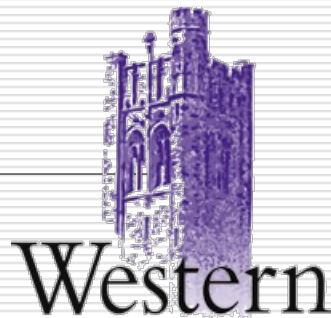
RDs have become a “hot” issue in English Canada

- Globe editorial argues against high RD



Conclusion of editorial

The long trend of piling costs on Canadians who are struggling to buy a home or find a place to rent, all while trying to ease the load shouldered by people who already own a home, has to stop. The costs of growth must be shared. And governments need to work together, rather than pulling in opposite directions



Ontario

- ❑ Has had RD since 1970s
- ❑ Now has some of the highest in North America
- ❑ RD on a new home in Vaughan (suburb north of Toronto) in 2022 was \$135,000.

Québec

- RD – much more recent. What I know mostly comes from Tremblay-Racicot and Prémont
- Mario Polèse (INRS) claims absence of RD is one reason housing is cheaper in Québec than Ontario

Mario Polèse *Options Politiques*

POLICY
OPTIONS
POLITIQUES



Mario Polèse

Mario Polèse est professeur émérite à l'**Institut national de la recherche scientifique**, à Montréal. Il a écrit abondamment sur l'économie urbaine et le développement régional. Ses livres les plus récents sont *The Wealth and Poverty of Cities: Why Nations Matter* (Presse de l'Université Oxford) et *Le miracle québécois* (Boréal).

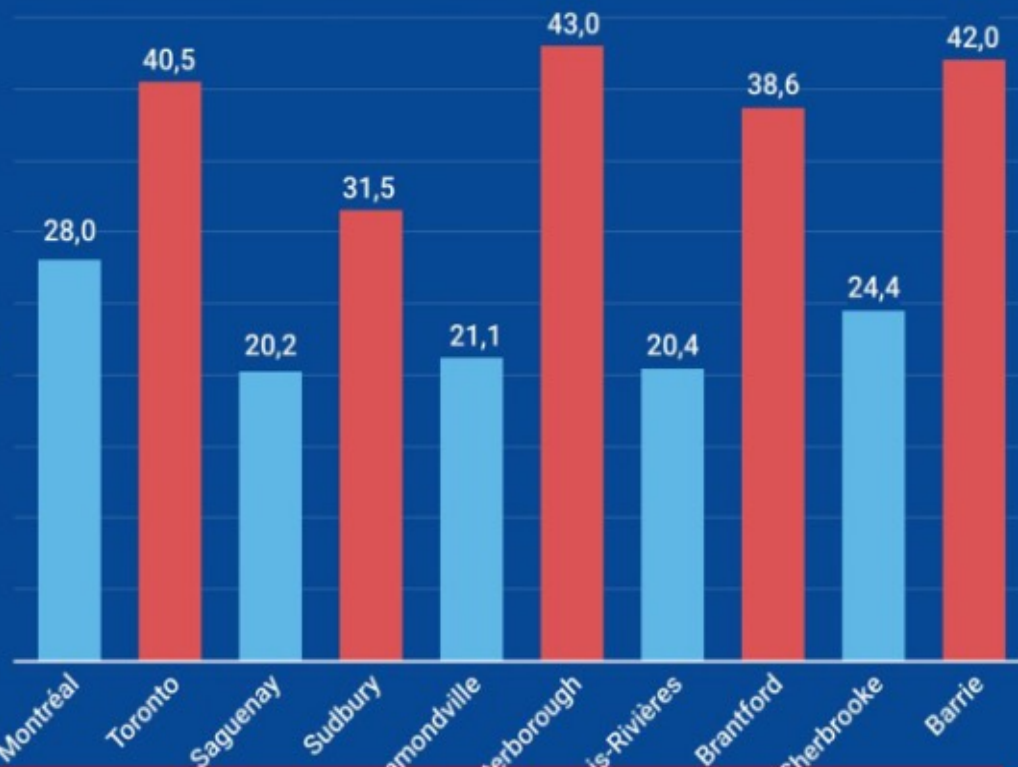


Western

L'avantage québécois

Pourcentage des ménages locataires consacrant 30 % ou plus de leur revenu au logement, 2021

Villes jumelées, Québec et Ontario



POLITIQUES SOCIALES

Pourquoi se loger coûte-t-il moins cher au Québec qu'en Ontario?

Pour bien comprendre l'impact des redevances (ou, plutôt, l'impact de leur absence), retournons au Québec, où les services urbains sont surtout financés par l'impôt foncier et les taxes provinciales. Le résultat est un marché plus ouvert, qui facilite l'entrée de petits promoteurs et, par le même mécanisme, la construction de « plex de deux ou trois étages, moins coûteux et typiques des villes québécoises. Les préférences de style de vie y sont sans doute aussi pour quelque chose. Toujours est-il, le marché du logement au Québec a historiquement été moins restrictif que celui de l'Ontario....

My research is about the origins and historic justifications of RD

<https://ojs.library.queensu.ca/index.php/cpp/article/view/15668>

- Original idea of RD was to enable development when local taxpayers resisted
 - Developers told taxpayers they would not have to pay for costs of growth
 - This mainly occurred in small residential suburban municipalities in US that did not need or want growth
- RD: tool *for* development, not against

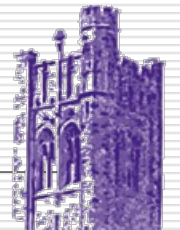


Regularization

- After much litigation and legislation, RD in North American jurisdictions began to follow a standard process
- Ontario was in the forefront, certainly in terms of allowing for the rising of the levels of RD

My findings and argument

- ❑ RD usually paid for by the final and renters of new housing units
- ❑ RD drive up the cost of all housing, even existing units (as Polèse argues)
- ❑ Existing owners benefit; they do not even pay when new infrastructure is required in their own neighborhoods



Eco-taxation

- ❑ Environmentalists generally support RD because they “put a price on urban sprawl”
- ❑ This is true, BUT, if rates are standardized throughout a municipality, they also put a price on intensification!

The (obvious!) answer

- Different RD rates for different areas and different types of development
 - e.g., rate per housing unit for a new downtown affordable rental apartment building should be lower than that for a new large single-family house on previously undeveloped land
- Ontario has allowed municipalities to move in this direction

My position

- I certainly favour differential rates for RD
- Problem: rates for new single-family homes will remain high
 - In Ontario, middle-class families expect to own a single-family home. Can people afford to pay \$100,000 in RD?

The heart of the issue

- Even if academics and environmentalists make the case for high RD rates for single-family homes, will voters and politicians accept it?
- Support seems to be eroding in Ontario and British Columbia as housing affordability becomes so important (see Globe editorial)



Conclusion (1)

- RD with differential rates are certainly a potentially valuable form of eco-taxation
 - But I still favour *all* property-owners (especially people like me who has lived most of my life in a single-family house in an established neighbourhood) paying for the costs of new growth

Conclusion (2)

- ❑ Zoning and provincial land-use rules (*Loi sur la protection du territoire et des activités agricoles*) can still be used to prevent urban sprawl
- ❑ RD with differential rates can be a useful form of eco-taxation, but we must be aware of potential problems
- ❑ Ontario is not a good model to follow