



HOUSING MARKET
INFORMATION

HOUSING MARKET INSIGHT CANADA

Government Charges on
Residential Development
in Canada's Largest
Metropolitan Areas

DATE RELEASED: JULY 2022

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“A review of government charges on residential development within and across Canada’s three largest metropolitan areas shows the number and magnitude of these charges vary substantially by municipality. This may signal important differences in processes and approaches. By equipping governments and industry participants with this information, we hope to generate discussions among them around best practices for delivering housing units in a timely and cost-effective manner.”

Summary and Highlights

This study analyzes how government charges impact construction costs within and across Canada’s largest metropolitan areas: Vancouver, Toronto, and Montréal.

The motivation for this analysis is to draw attention to the complex nature of the residential development process. As such, we developed a comparative analysis to describe key differences in the number and magnitude of fees in the hope to shed light on best practices. This represents a step to support our various levels of government and industry leaders committed to tackling challenges related to increasing supply.

This study contributes to our understanding of housing supply and affordability in the following ways:

- We present new data commissioned from Altus Group pertaining to government fees on residential development. Our analysis then compares these fees across major Canadian municipalities.
- Comparing fees across municipalities allows industry stakeholders (policy makers, developers, government staff, etc.) to explore similarities and differences in fees and development processes. Ultimately, this should stimulate discussions around potential best practices.
- With this data, we report quantitatively the dollar value of government fees in the total development cost of a new dwelling unit. Importantly, the degree of additional cost represented by government fees may influence the affordability of new units.
- We also explore the potential implications of government fees on development approval timelines. Initial findings regarding the development process were documented in our 2018 report *Examining escalating house prices in large Canadian metropolitan centres*.¹

Highlights from our analysis include:

- The number and magnitude of government charges on residential development vary substantially by municipality. This signals differences in processes and approaches across centres and presents an opportunity for identification of best practices.
- At the upper end, government charges can represent more than 20% of the cost of building a home in major Canadian cities. Across all dwelling types, charges were lowest in the City of Montréal. Higher government

charges in the City of Toronto and the City of Vancouver were mainly due to higher development charges and density payments.

- A larger number of government charges may lengthen the development approval process and, in turn, lengthen the delivery of new supply to market. Municipalities in the Montréal metropolitan area generally had fewer government charges and shorter development approval timelines than those in Vancouver and Toronto.
- Once a subdivision agreement is registered, the single-detached home tends to be the housing type subject to the lowest government fees. This seems to run contrary to densification efforts being pursued by municipalities, which are necessary to increase housing supply within existing urban areas.

Introduction

Purpose

The provision of new housing supply is a priority for improving housing affordability for everyone in Canada. The various input costs associated with producing new housing determine the number of units produced. While better understanding these costs represents a step in the right direction, it should be noted that tackling the affordability crisis is a complex, multi-faceted issue.

In addition to land and construction costs, some input costs include fees levied by governments. The collection and administration of such fees introduces two main challenges. First, they add a direct cost to the production of housing. Second, government fees may introduce complexity and a level of uncertainty to the development process as construction timelines hinge upon the successful collection of fees.

In this study, we examine the number, complexity, and cost of government fees on six different development scenarios in select municipalities in Canada’s three largest metropolitan areas (Vancouver, Toronto, and Montréal). These large centres

¹ <https://assets.cmhc-schl.gc.ca/sf/project/cmhc/pdfs/content/en/69262.pdf>

have seen the highest housing demand and affordability pressures, especially Toronto and Vancouver where affordability challenges have been longstanding.

Understanding cost variations across municipalities, dwelling types, and tenures may help identify examples of policies that result in housing being supplied at a lower cost. This could be the result of not only lower fees, but also simpler processes that reduce risk and uncertainty in the development process.

It is worth noting that there are many other considerations and processes pertaining to the regulatory aspects of residential development, including regulations such as view cones, height limits, minimum lot frontage, and more. Examining the impact of these measures is not within the scope of this report.

Background: Housing Input Costs

Housing prices reflect the equilibrium of supply and demand. Focusing on the supply side entails examining all input costs involved in developing the housing unit, which can be broadly categorized as follows:

- **Land costs**, which vary widely by location and size, purchase time, zoning, and surrounding amenities;
- **Hard construction costs**, including materials, labour, and equipment;
- **Soft construction costs**, which include fees paid to professionals (architects, engineers, urban planners, lawyers, etc.), project management fees, marketing costs, fees and interest on loans, and contingency costs arising from uncertainty in the development approval timeline;
- **Government charges**, which are usually levied by a municipal government and include fees for development and building permits, zoning and amendments, site-servicing fees, infrastructure and community levies, and taxes; and,
- **Developer profit**, which can be thought of as the residual between the sale price and all of the other cost components. It is typically planned to be between 10-15% on a development pro-forma statement, which is often a condition for securing financing.

Defining government charges on new development

Government charges on new development have a variety of purposes. Some are designed to recover the cost of providing services to the new building (water, sewer, etc.), while others are used to raise revenue for broader amenities or public goods in the community. For the purposes of this work, government charges can be broadly categorized as follows:

- **Taxes**, which can be levied at the municipal, provincial, or federal level and can pertain to transactions to buy or sell a property, as well as simply holding it. Taxes are a tool to raise revenue to provide government services.
- **Warranty fees** provide insurance to the end user against construction defects in materials, labour, and the building envelope and structure. These fees are typically charged on a per unit basis by a new home warranty program administered by an independent entity under provincial laws.
- **Municipal fees**, are charged according to site area or on a per unit or fixed fee basis to review amendments for a given site, site plan approval, development agreements, and other approvals needed from various municipal and regional departments.
- **Development charges**, also known as a Development Cost Levies, are fees that may be assessed at the regional level to contribute to capital costs for infrastructure (e.g., sewage treatment plant expansion) necessary to accommodate growth. They can be assessed according to site area or per unit.
- **Density payments** relate to the amount of density permitted on the site and are designed to raise revenue for community amenities (e.g., swimming pools, parks, etc.). They vary widely by municipality and even neighbourhoods within the municipality, as well as the tenure type of the project (e.g., rental, condominium, etc.). The size of contribution payments can be subject to negotiation, introducing an additional layer of complexity and uncertainty. The amount levied is related to the incremental value of the site pending rezoning (“land lift”) or additional density being permitted on a site (“density for benefit”).

- **Permit fees** cover administrative costs associated with issuing building, development, and occupancy permits, among others. The number of permits required, as well as the time needed to obtain each, can introduce costly uncertainty to the development timeline. The fee amount can be fixed or charged as a per cent of hard construction costs.

In all cases, the above charges can vary by jurisdiction and may not represent an exhaustive list.

It is worth noting that the above charges represent one of the few limited channels for municipalities to raise revenues. Lowering input costs, and specifically government charges, would require broader changes by municipalities in order to maintain the current level of municipal services.

Overview of methodology

In 2019 and 2020, CMHC commissioned Altus Group to provide construction cost data on 6 residential development scenarios (see Figure 1). In order to understand how government fees vary by dollar value and public process,

each scenario was duplicated across 10 municipalities within Canada's largest metropolitan areas of Vancouver, Toronto and Montréal (see Figure 2). These municipalities were selected to provide variation in geography and approach to development within each metropolitan area.

The cost estimates for each scenario were drawn from two sources: Altus Group's previous consulting work on similar projects in each respective municipality and their direct consultations with municipalities. The estimates cover all the components of the cost of creating new housing except land costs and taxes on that land, which are variable and site-specific. Federal Goods and Services Tax (GST) was also not considered. While Altus Group provided cost data on development scenarios, interpretations of this data and all calculations and analyses derived from this data are CMHC's own.

The development scenarios assume a particular planning area within each municipality. Additional specifications, considerations, and limitations of the methodology are discussed in the [Appendix](#).

Figure 1: Development scenarios examined in each municipality

Scenario	Dwelling Type	Tenure Type	Number of units	Gross Floor Area (sq ft)
1	Single-detached home	Freehold	1	3,000
2	Row home	Freehold or Condominium	4	7,360
3	Apartment (low-rise)	Rental	50	39,375
4	Apartment (low-rise)	Condominium	50	39,375
5	Apartment (high-rise)	Rental	200	157,500
6	Apartment (high-rise)	Condominium	200	157,500

Source: CMHC and Altus Group

Figure 2: Municipalities for which each development scenario was examined

Province	Metropolitan Area	Municipalities
British Columbia	Vancouver	City of Vancouver, City of North Vancouver, City of Burnaby, Township of Langley
Ontario	Toronto	City of Toronto, City of Mississauga, City of Markham
Québec	Montréal	City of Montréal, City of Brossard, City of Terrebonne

Source: CMHC and Altus Group

Analysis Findings

1. Setting the context: Quantifying the number of government charges, by municipality and dwelling type

This section quantifies the number of government charges in residential development. Paying attention to the number of government charges is important for two reasons.

First, each charge represents an incremental step in the development process and involves civil servants (planners, clerks, lawyers, etc.) and developers. As a result, it is logical to hypothesize that as the number of levies grows, the development approval process tends to lengthen as well. Second, since public processes typically involve a minimum administrative charge, more levies may result in larger overall fees per site. These two hypotheses are discussed throughout this report in the context of the scenarios developed by Altus Group.

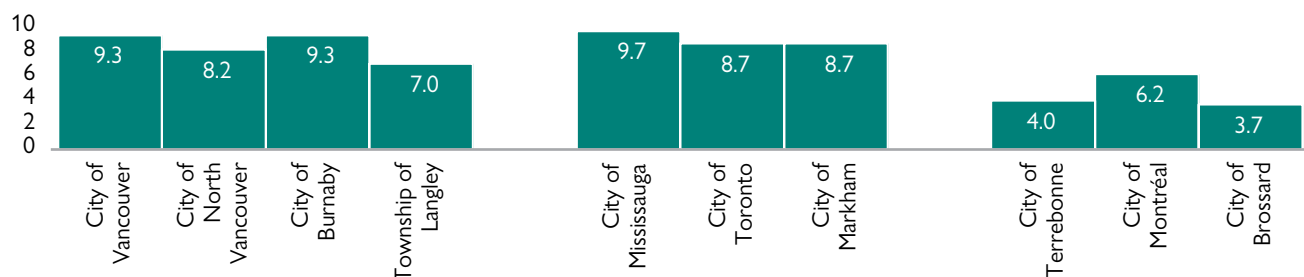
Municipalities surveyed in the Montréal Census Metropolitan Area (CMA) have the fewest government charges, ranging between 4-6 on average (Figure 3). There are fewer municipal fees and development charges² in these centres as compared to those studied in the Vancouver and Toronto CMAs.

The Vancouver and Toronto CMAs averaged 7-9 and 9-10 government charges, respectively. Municipalities studied within these two CMAs levied, on average, more than one fee from most government charge sub-types (sub-types include permit fees, municipal fees, warranty fees, development charges, and density payments).

Among the different dwelling types studied, single-detached houses tend to be the subject of the fewest government charges—ranging between 3-7 (Figure 4). Low- and high-rise condominium apartment complexes, conversely, are the subject of the most charges—ranging between 5-10. The disparity between the number of charges for detached homes and low- and high-rise condominiums comes from fees on density for the latter.

By tenure, density payments are not levied for rental apartment complexes in most Vancouver CMA municipalities. This may be with the intention of incentivizing purpose-built rental apartment construction due to low vacancy rates in some municipalities in recent years. By contrast, density payments are levied on both low- and high-rise rental apartment complexes in the Toronto and Montréal CMA municipalities studied.

Figure 3: Number of government charges levied*, by municipality (all dwelling types averaged)**



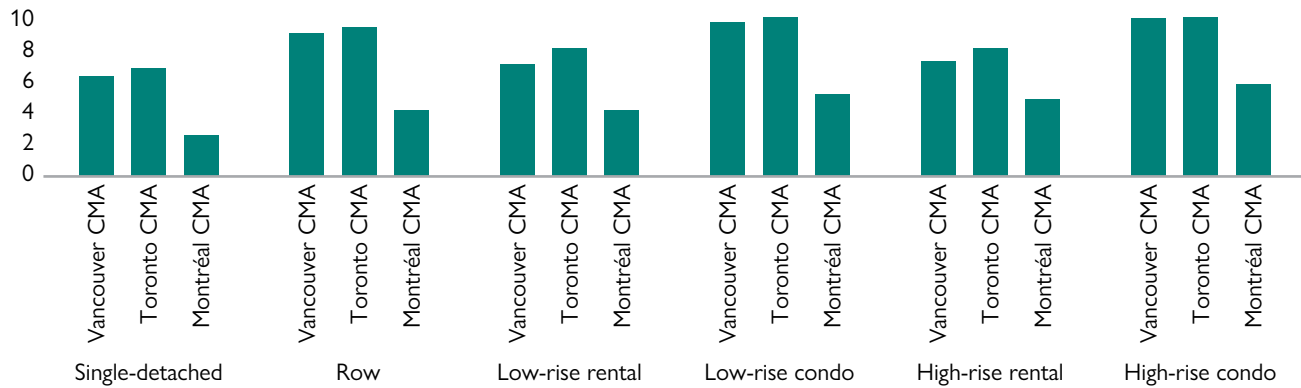
Source: Altus Group, CMHC calculation

* In Montréal, “Affordable & Family Housing” and “Social Housing” fees were counted as separate and distinct charges, however, they both fall under a single regulation.

** See Figure 1 for a listing of dwelling types.

² Some development charges (e.g., for sidewalks, sewer connection, etc.) can be charged to builders by municipalities. In some Canadian municipalities included in this report, development charges are applied on a per unit basis or per floor area, making it simpler to evaluate their impact on construction costs. In other Canadian municipalities, these charges can be applied partly or totally on a cost recovery basis, meaning that they can vary greatly from one project to the other, making it more challenging to evaluate their impact on construction costs. In the latter case, it is possible that those specific charges were excluded for some municipalities surveyed in this report. Excluding those charges lowers the number and impact of government fees on construction costs for these municipalities, though not likely in a way that would meaningfully alter the findings presented throughout this report.

Figure 4: Number of government charges levied, by dwelling type (average across select municipalities* in each Census Metropolitan Area)



Source: Altus Group, CMHC calculations

* See [Figure 2](#) for a listing of municipalities.

2. Outlining the potential implications of government charges on the development approval timeline

A larger number of government charges may result in a lengthier, and potentially more complex, time navigating the municipal development system.

According to estimates of approval timelines³ provided by Altus Group, the presence of more government fees was associated with longer development timelines, a relationship we will explore further in future work. This may be attributable to additional administrative processes adhered to as the number of charges rise.

By municipality, centres in the Montréal CMA have the fewest government charges and, correspondingly, the shortest development approval timelines. Timelines in Vancouver and Toronto CMA centres are comparatively longer.

Single-detached homes, the dwelling type subject to the fewest charges, boast the shortest development approval timeline,⁴ while low- and high-rise rental and condominium apartment complexes take the longest to proceed through approvals. The difference is primarily owing to the general absence of the need for rezoning for the former.

The type of charges being levied may also contribute to the lengthening of the development process. As mentioned previously, density payments—present across all centres studied in all three CMAAs (to varying degrees)—may be subject to negotiation, which may introduce complexity, disagreement, and uncertainty to the development approval process.

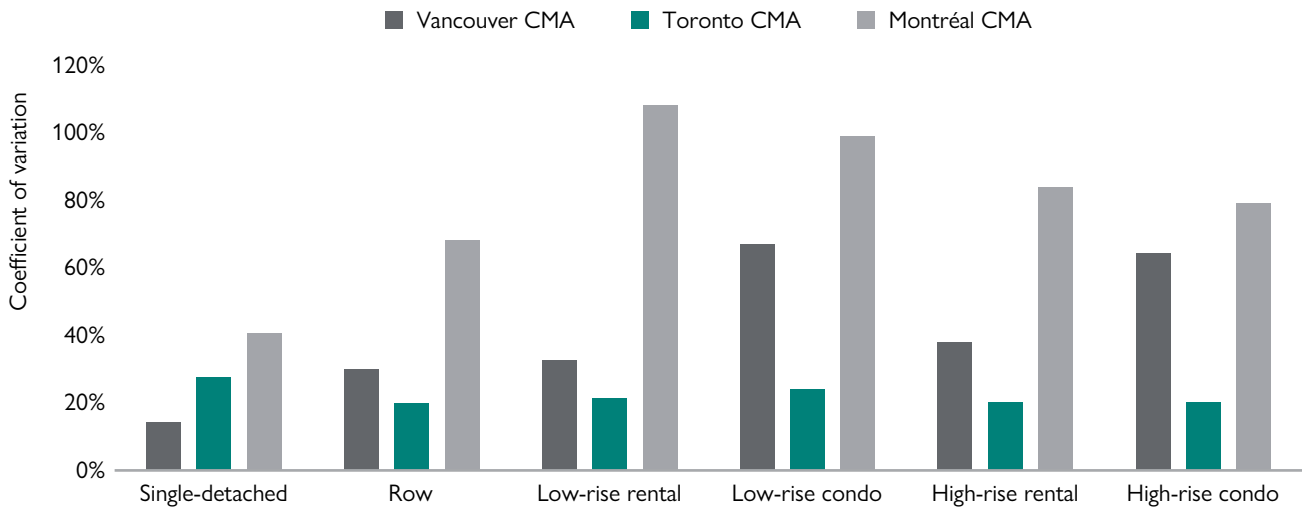
A lengthier development timeline ultimately delays the provision of supply to market. Lengthy approvals also impose additional costs on development (i.e., interest on loans, equipment rentals and labour, unforeseen material cost increases, contingency costs, and opportunity costs). Such costs may get passed on to the end buyer and may limit the number of developers participating in the market to those who can bear them.

Finally, as with the number of government charges, the dollar amount of these charges, as measured by cost per square foot, vary across and within the three metropolitan areas (Figure 5). This may add another layer of complexity to development, particularly as developers must learn the idiosyncrasies of each housing market or rely on consultants to work on their behalf.

³ Includes rezoning, site plan agreement, and permitting (does not include construction time). Also worth noting is that development approval timelines may differ considerably on a project-to-project basis and may not necessarily align with the estimates provided by Altus Group referred to in this work.

⁴ Assumes the development of one (single-detached) unit and *not* the development of an entire subdivision. Also assumes rezoning is not required for said unit.

Figure 5: Variation in the total cost per square foot* of government charges within Census Metropolitan Areas (select municipalities***)**



Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see Appendix Table A1 for total saleable/leaseable area for each dwelling type scenario).

** As per the coefficient of variation (%), which is a measure of the relative variability of a data series calculated by dividing the series' standard deviation by its mean. For the purpose of this figure, a value of 0% would indicate government fees in municipalities within a Census Metropolitan Area are identical, while a value above 0% would indicate that there is relative variability in government fees in municipalities within a Census Metropolitan Area. The higher the value of the coefficient of variation, the greater the degree of relative variability of government fees between municipalities within a Census Metropolitan Area.

*** See Figure 2 for a listing of municipalities.

3. Comparing the dollar amount of government charges in the municipalities of Vancouver, Toronto, and Montréal

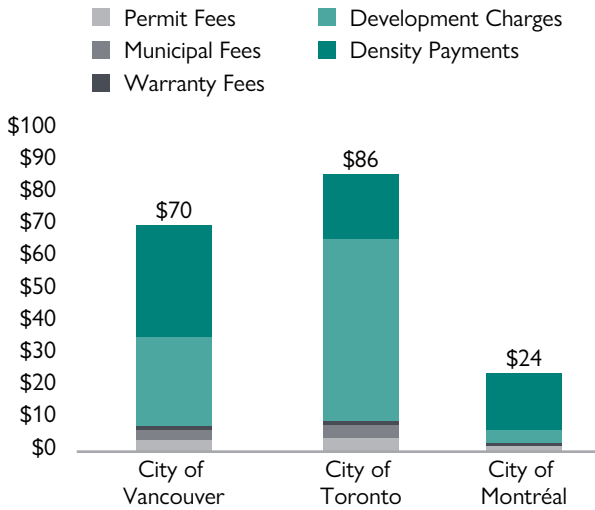
In this section, we turn our attention to a comparative analysis of the dollar amount of government charges across the Cities of Vancouver, Toronto, and Montréal. We later compare these municipalities to other municipalities within the same metropolitan areas (e.g., The City of Toronto is later compared to the City of Markham and the City of Mississauga).

Comparisons are drawn on both a *per square foot* basis and a *per unit* basis. These metrics enable us to draw comparisons across dwelling types of different sizes.

The City of Toronto has the highest average government charge per square foot, while the City of Montréal has the lowest

The average government charge per square foot varies considerably across the three municipalities, both overall and by the different government charge sub-types (Figure 6).

Figure 6: Average government charge per square foot*, by municipality (all dwelling types averaged)**



Source: Altus Group, CMHC calculations

* Of saleable/leaseable area.

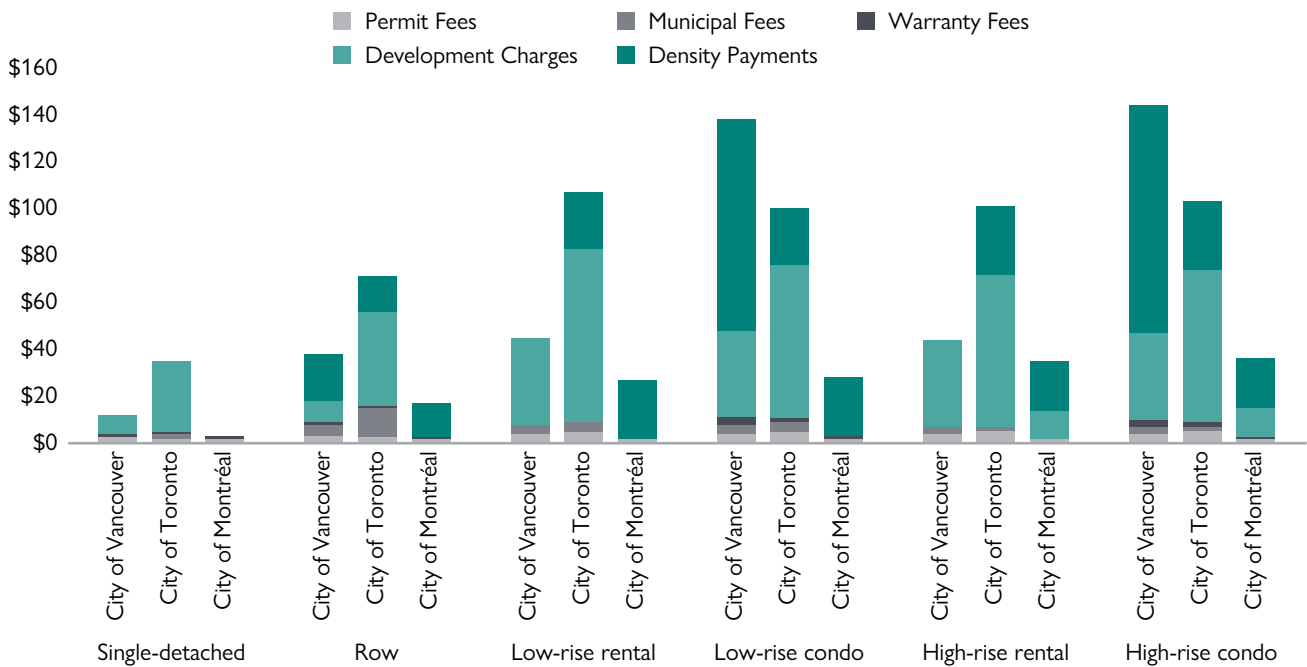
** See [Figure 1](#) for a listing of dwelling types.

The average government charge per square foot is highest in Toronto (\$86) because of its higher development charges. It is second highest in Vancouver (\$70) owing to density payments, which comprise a particularly large component of government charges there relative to the other two centres.

Montréal has the lowest average government charge per square foot (\$24). This is because the magnitude of most government charge sub-types in Montréal is generally much lower.

The same pattern tends to hold by dwelling type. In other words, across dwelling types, the government charge per square foot is typically highest in Toronto, followed by Vancouver, and then Montréal (Figure 7). This does not hold for low- and high-rise condominiums, where Vancouver has the highest government charge per square foot owing entirely to density payments.

Figure 7: Government charge per square foot* by municipality, by dwelling type



Source: CMHC and Altus Group

* Of saleable/leaseable area (see [Appendix Table A1](#) for total saleable/leaseable area for each dwelling type scenario).

Government charges can account for more than 20% of the construction costs of a dwelling unit in some major Canadian cities

Here, we will be examining how government charges factor into the total construction cost⁵ of a dwelling unit. In other words, what is the portion of construction cost that can be attributed to government charges? And do some charges have a significantly greater weight than others on total costs?

It is important to mention that, in addition to government charges, hard and soft costs, which also vary from city to city,⁶ have an impact on total construction costs. This section, however, only considers the role of government charges.

As shown in Figure 8, the City of Toronto generally has the highest government charges as a portion of total construction costs. If we were to remove government charges, the cost of a dwelling would be 10% to 24% lower, depending on dwelling type. In the case of row homes, government charges represent about a quarter of the construction cost.

Figure 8: Percent reduction of total construction cost per unit when government charges excluded

Municipality	Fees/Structures	Single-Detached	Row Homes	Low-Rise Rental	Low-Rise Condo	High-Rise Rental	High-Rise Condo
City of Vancouver	Total Charges	-3.7%	-9.2%	-8.1%	-20.4%	-7.1%	-19.0%
City of Toronto	Total Charges	-10.4%	-23.5%	-17.2%	-15.8%	-15.0%	-14.9%
City of Montréal	Total Charges	-1.7%	-7.9%	-10.2%	-10.0%	-12.2%	-11.8%
City of Vancouver	Permit fees	-0.9%	-0.8%	-0.7%	-0.6%	-0.6%	-0.6%
City of Toronto	Permit fees	-0.7%	-1.0%	-0.9%	-0.9%	-0.8%	-0.8%
City of Montréal	Permit fees	-1.2%	-1.0%	-0.8%	-0.8%	-0.8%	-0.8%
City of Vancouver	Municipal fees	0.0%	-1.3%	-0.7%	-0.5%	-0.5%	-0.4%
City of Toronto	Municipal fees	-0.5%	-3.9%	-0.6%	-0.6%	-0.3%	-0.3%
City of Montréal	Municipal fees	-0.2%	-0.1%	0.0%	0.0%	0.0%	0.0%
City of Vancouver	Guarantee fees	-0.2%	-0.2%	0.0%	-0.4%	0.0%	-0.4%
City of Toronto	Guarantee fees	-0.3%	-0.4%	0.0%	-0.4%	0.0%	-0.3%
City of Montréal	Guarantee fees	-0.4%	-0.5%	0.0%	-0.4%	0.0%	-0.4%
City of Vancouver	Development charges	-2.5%	-2.1%	-6.8%	-5.5%	-5.9%	-4.9%
City of Toronto	Development charges	-8.9%	-13.3%	-11.9%	-10.2%	-9.6%	-9.3%
City of Montréal	Development charges	0.0%	0.0%	0.0%	0.0%	-4.2%	-4.0%
City of Vancouver	Density payments	0.0%	-4.8%	0.0%	-13.5%	0.0%	-12.8%
City of Toronto	Density payments	0.0%	-5.0%	-3.8%	-3.7%	-4.3%	-4.2%
City of Montréal	Density payments	0.0%	-6.3%	-9.4%	-8.8%	-7.2%	-6.7%

Source: Altus Group, CMHC calculations

Due to rounding, the percent reduction in total charges for a given dwelling type may not correspond exactly with the sum of the percent reduction from the different fees.

⁵ The total cost includes hard costs, soft costs, and government charges. Land costs and profits are excluded.

⁶ Using our development scenarios as an example, the hard and soft costs of building a single-detached home are about \$350,000 higher in Toronto and Vancouver than in Montréal, whereas, for a large rental or condominium building, the difference is about \$40 million.

In Vancouver, various charges account for 7% to 20% of the cost of building a home (except for single-detached homes). Condominiums are the housing type for which charges increase total construction costs the most (20%).

In Montréal, government charges generally account for the smallest portion of construction costs across all housing types. The charges are lowest for single-detached homes (representing less than 2% of total construction costs).

While government charges for single-detached homes are higher in Vancouver and Toronto, they are much lower than for denser housing types such as row homes and condominiums. In a context in which many municipalities have implemented policies to increase density, it may seem surprising that the least dense housing type is also the one whose total cost is least affected by government charges.

Nevertheless, for both single-detached homes and other dwelling types, the higher charges in Toronto and Vancouver are mainly due to higher development charges and density payments than those in Montréal.

In the case of rental buildings, government charges are slightly higher in Montréal than in Vancouver. In Montréal, density payments⁷ for rental buildings include park fees and fees ensuing from the new *By-law for a Diverse Metropolis*⁸, while, in Vancouver, rental projects are exempt from density

payments. For other fees, such as permit fees, municipal fees and warranty fees, the difference between the three cities is marginal (Figure 8).

Overall, the structure of government charges in Montréal therefore inflates housing construction costs the least.

4. Comparing the dollar amount of government charges within the Census Metropolitan Areas of Vancouver, Toronto, and Montréal

In this section, we compare government fees between select municipalities within the CMAs of Vancouver, Toronto, and Montréal. We analyze these fees on both a per unit and a per square foot basis.

On a per unit basis, government charges are higher in Vancouver than in other B.C. municipalities

Figure 9 reports results on the impact of government charges in select municipalities within the Vancouver CMA. Across most structures, the City of Vancouver reports the highest government charges.

Figure 9: Percent reduction of total construction cost per unit when government charges excluded, select municipalities within the Vancouver Census Metropolitan Area

Structures	City of Vancouver	City of North Vancouver	Township of Langley	City of Burnaby
Single-detached	-3.7%	-2.7%	-3.8%	-2.9%
Row homes	-9.2%	-7.2%	-5.2%	-9.8%
Low-rise rental	-8.1%	-3.7%	-6.2%	-4.5%
Low-rise condo	-20.4%	-7.6%	-6.3%	-7.0%
High-rise rental	-7.1%	-2.9%	-5.4%	-3.4%
High-rise condo	-19.0%	-9.2%	-5.5%	-5.7%

Source: Altus Group, CMHC calculations

Note: For certain development scenarios appearing in this table, calculations were based on synthetic data (see [Appendix Table A2](#) for a list of scenarios based on synthetic data). This was due to the absence of certain structure types in certain municipalities.

⁷ The new *By-law for a Diverse Metropolis* came into effect in April 2021, which was after CMHC received data on housing cost scenarios from the Altus Group. Public information available on the by-law, at the time the data was collected, was used to estimate the impact to the cost of construction.

⁸ It should be noted that the purpose of this report is to assess the impact of government charges on total construction costs. The impact of including affordable or social housing on rent affordability offered to tenants through the *By-law for a Diverse Metropolis* is beyond the scope of this analysis and could result in other societal benefits.

This is generally due to density payments that are often higher than elsewhere in the Vancouver CMA. This is also true for development charges. Density payments and development charges in the City of Vancouver comprise most of the additional cost related to government fees for both low- and high-rise condominium developments.

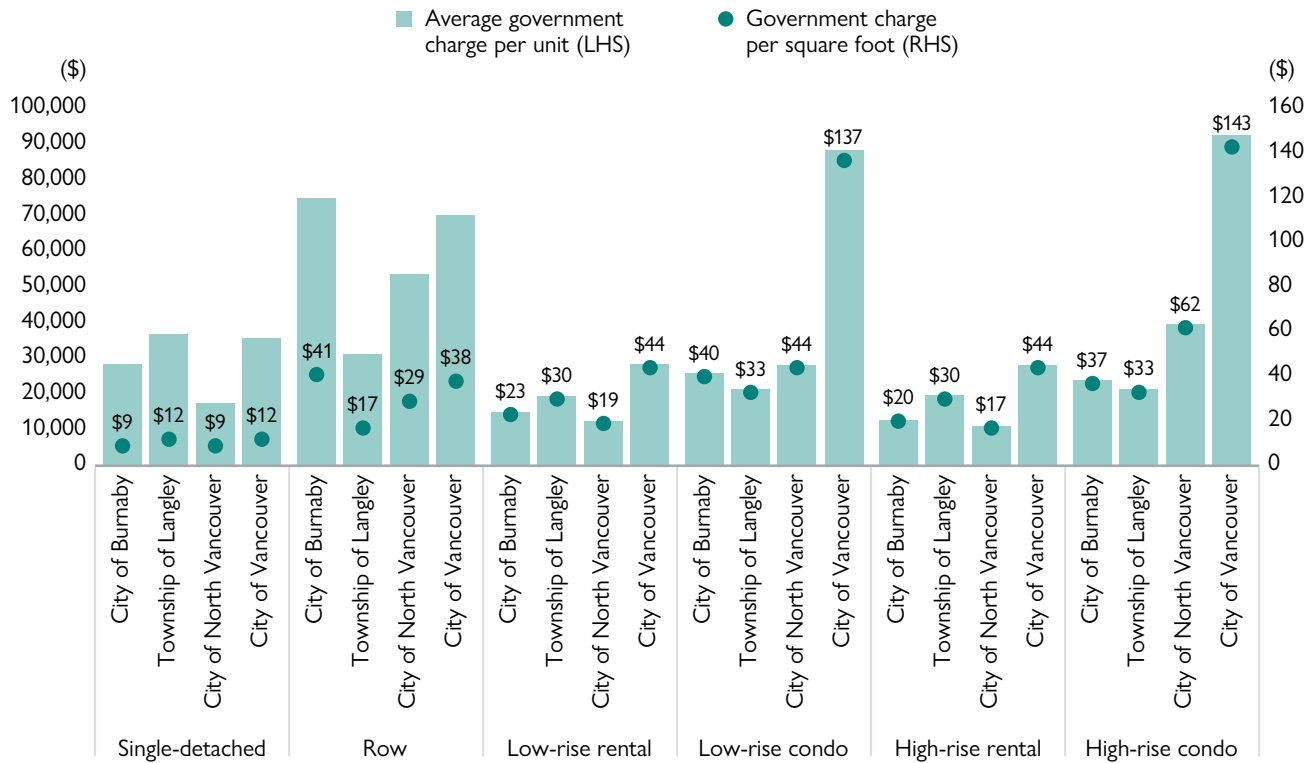
The Township of Langley also has high development charges relative to the cost of construction, but one of the lowest density payments. This allows Langley to be one of the municipalities where total government charges add the least to construction costs.

North Vancouver and Burnaby have relatively similar profiles when it comes to government charges, which, except for row homes in Burnaby, are lower than in Vancouver.

As noted previously, density payments can be subject to negotiation. Negotiation can be lengthy, complex and a source of uncertainty. As a result, differences in charges across municipalities within the Vancouver CMA may be indicative of differences in process and, subsequently, time costs.

Moreover, data for the City of Vancouver in this study is based on the Cambie Corridor which has a fixed dollar per square foot amount sought by the municipality for density payments. Density payment estimates in this study may therefore represent a lower bound compared to those that might be incurred for an ad-hoc development elsewhere in the City of Vancouver.

Figure 10: Government charges per unit (LHS) and government charges per square foot* (RHS) by select municipality and dwelling type within the Vancouver Census Metropolitan Area



Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see [Appendix Table A1](#) for total saleable/leaseable area for each dwelling type scenario).

Note: For certain development scenarios appearing in this table, calculations were based on synthetic data (see [Appendix Table A2](#) for a list of scenarios based on synthetic data). This was due to the absence of certain structure types in certain municipalities.

On a per square foot basis, the previous findings hold (Figure 10). Depending on the dwelling type, the City of Vancouver’s government fees per square foot range between \$12 and \$143, the lowest being for single-detached, and the highest being for high-rise condominium apartments. Density payments and development charges make up the largest share of the government fees per square foot in the latter. At the opposite end, Langley has the lowest government fees per square foot (between \$12 and \$33).

As was the case with the analysis on a per unit basis, fees per square foot in North Vancouver and Burnaby are quite similar, hovering between \$9 and about \$40.

Government charges per unit are higher in Markham than Toronto and Mississauga

Among the three municipalities examined in the Toronto CMA, Markham is the city with the highest charges relative to total construction cost, ranging from one fifth to one third of the cost (Figure 11). Development charges are generally higher there than in the other two municipalities. Municipal fees—essentially for site plan control⁹—also represent a larger share of construction costs than elsewhere.

Figure 11: Percent reduction of total construction cost per unit when government charges excluded, select municipalities within the Toronto Census Metropolitan Area

Structures	City of Toronto	City of Mississauga	City of Markham
Single-detached	-10.4%	-10.9%	-17.2%
Row homes	-23.5%	-25.0%	-34.4%
Low-rise rental	-17.2%	-14.7%	-20.0%
Low-rise condo	-15.8%	-14.5%	-20.6%
High-rise rental	-15.0%	-15.6%	-19.7%
High-rise condo	-14.9%	-15.5%	-18.8%

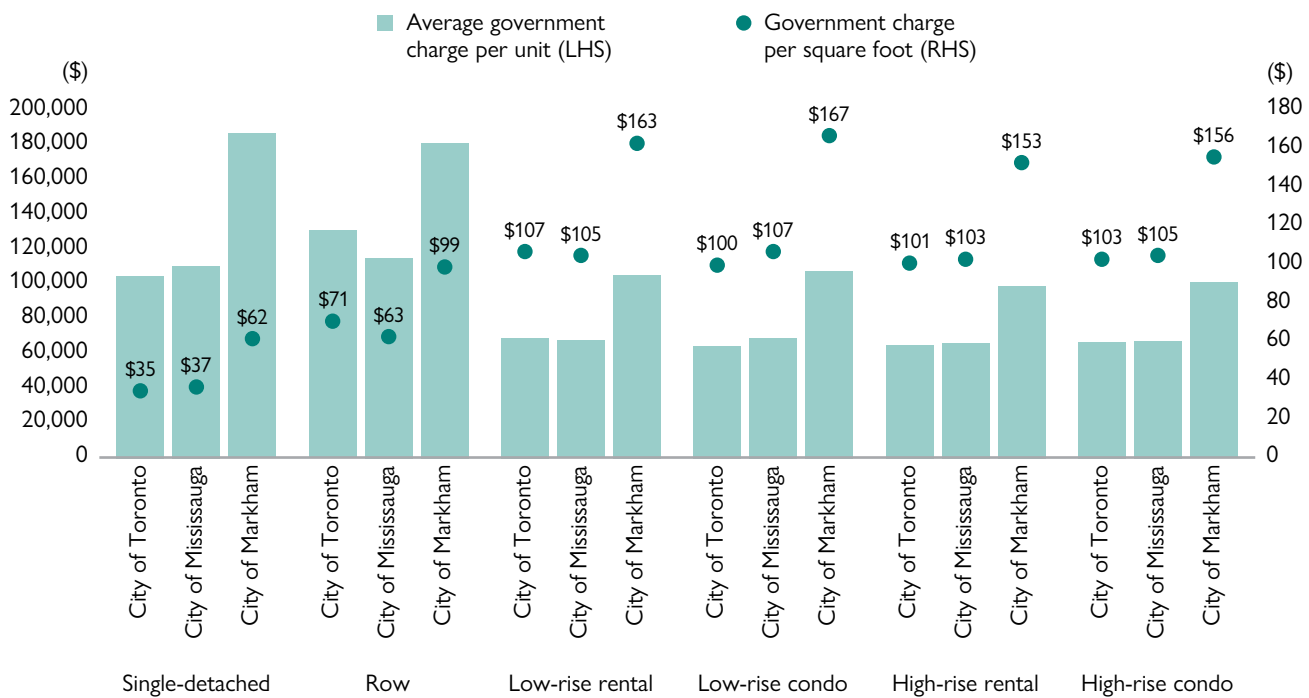
Source: Altus Group, CMHC calculations

⁹ It includes planning review, urban design review, and engineering review.

Toronto and Mississauga have a similar profile but the scale of each type of charge is different in each of the two cities. In Mississauga, development charges, are higher than in Toronto while in Toronto, cash-in-lieu-of-parkland density payments are higher than in Mississauga.

A per square foot comparison reports similar findings. In Toronto, government fees can represent, depending on the dwelling type, between \$35 and \$107 per square foot (Figure 12). Results for Mississauga are similar (between \$37 and \$107). On the other hand, fees in Markham hover between \$62 and \$167. The higher upper bound in Markham is once again mainly attributable to the presence of higher development charges.

Figure 12: Government charges per unit (LHS) and government charges per square foot* (RHS) by select municipality and dwelling type within the Toronto Census Metropolitan Area



Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see Appendix Table A1 for total saleable/leaseable area for each dwelling type scenario).

Government charges per unit are higher in Montréal than others Québec municipalities

In the Montréal CMA, the cities of Terrebonne, Brossard and Montréal were compared. Of the three cities, Montréal is the one where government charges relative to the cost of construction are the most significant (Figure 13).

One explanation relates to density payments. Park fees are closely linked to land values and land values are higher in Montréal. The charges from the *By-law for a Diverse Metropolis*, applicable only in Montréal, further widen the gap. Lastly, permit fees are also slightly higher in Montréal. The combination of these factors pushes up the relative cost of charges in Montréal.

Figure 13: Percent reduction of total construction cost per unit when government charges excluded, select municipalities within the Montréal Census Metropolitan Area

Structures	City of Montréal	City of Brossard	City of Terrebonne
Single-detached	-1.7%	-0.7%	-1.0%
Row homes	-7.9%	-2.7%	-2.1%
Low-rise rental	-10.2%	-1.2%	-1.1%
Low-rise condo	-10.0%	-1.6%	-1.5%
High-rise rental	-12.2%	-5.8%	-0.6%
High-rise condo	-11.8%	-6.1%	-1.1%

Source: Altus Group, CMHC calculations

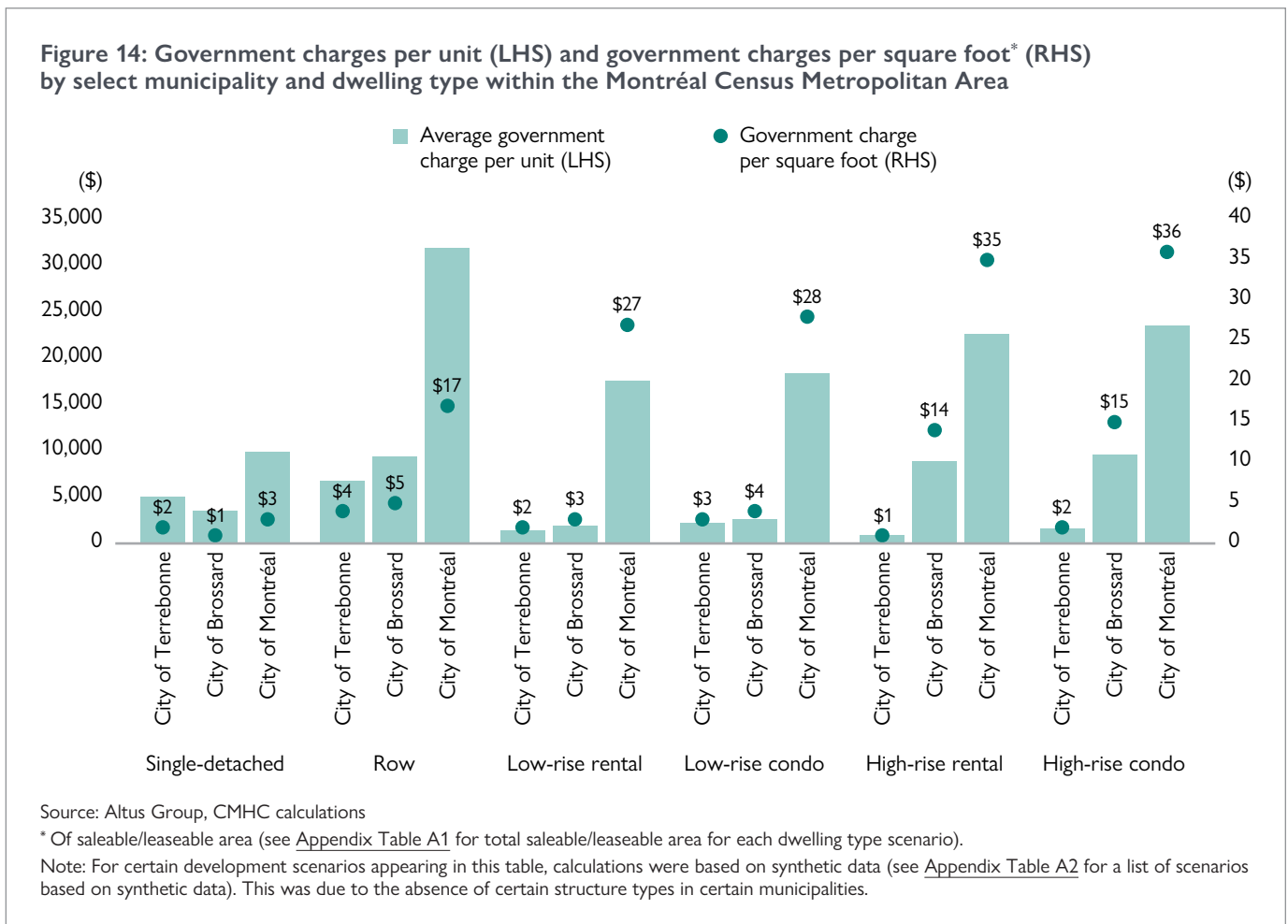
Note: For certain development scenarios appearing in this table, calculations were based on synthetic data (see [Appendix Table A2](#) for a list of scenarios based on synthetic data). This was due to the absence of certain structure types in certain municipalities.

In the case of Brossard, large rental and condominium buildings also have relatively high government charges, given the levies collected for the development of the Réseau express métropolitain (REM) public transport system. This charge also applies to Montréal for this dwelling type.

Terrebonne is therefore the municipality where construction costs are the least influenced by the different types of charges; they represent only 1% to 2% of total construction costs, regardless of the dwelling type. This result is attributable to lower land prices (lower park fees) and the absence of a special levy such as that for the REM.

The above results are also evident when looking at government fees on a per square foot basis (Figure 14). Terrebonne has the lowest government fees per square foot, hovering between \$1 and \$4 depending on the dwelling type. They range between \$1 and \$15 in Brossard. The upper range is only for high-rise structures, as REM fees are applied for this development scenario.

Finally, in Montréal, government fees per square foot range between \$17 and \$36 (only single-detached homes fall outside this range, at \$3). The inclusion of the *By-law for a Diverse Metropolis* adds to the park and REM fees also present in Montréal.



Conclusion and Next Steps

In this study, we reported new data on government fees on housing development by dwelling type and tenure type for different municipalities in Canada’s three largest urban centres: Vancouver, Toronto, and Montréal.

We found that:

- The number and magnitude of government charges on residential development vary substantially by municipality.
- The number, complexity, and uncertainty of government charges, particularly when they are subject to negotiation, may lengthen the development approval process and, in turn, the amount of time needed to bring new supply to market.
- The structure of fees sometimes contradicts objectives regarding density and environmental sustainability, for example by allowing lower density forms of housing (particularly single-detached homes) to be built with significantly lower fees.

By comparing fees on development across cities, we hope to create discussions among governments and industry participants to identify best practices for delivering housing units in a timely and cost-effective manner for the end user.

Our findings suggest the following opportunities for housing policy discussion:

- **Increasing certainty around the number, timing, and magnitude of government fees** could improve housing affordability by decreasing other development costs, such as those for construction (e.g., labour, equipment) and financing.

- **Further aligning government fees on development with other housing policy goals.** We identified examples where municipalities had lower fees for rental apartment development, which aligned well with what those governments wanted to promote. These efforts could be reinforced by making fees higher for less dense development, such as single-detached homes, or ensuring that denser housing forms that could be built on the same lot carried lower fees.
- **Eliminating density payments payable upon spot rezoning.** These payments can be subject to negotiation, which introduces complexity and uncertainty. The amount levied is often linked to the change in the value of the site pending rezoning or additional density being permitted on a site.
- **Eliminating some steps of the development process, such as spot rezoning,** would decrease the time and cost of delivering new housing. For example, in areas with an Official Community Plan, sites could be pre-zoned to permit the density and typologies consistent with the plan.
- **Exploring alternate tools for municipalities to raise revenue** to fund municipal services and capital projects. Where infrastructure is largely funded through means other than development charges, government fees on residential development tend to be comparatively lower. This may result in new housing being delivered at a lower cost.

The findings in this report represent an important step in understanding how government charges affect the cost of delivering new housing. Our understanding of this topic, as well as the above policy ideas, could be enhanced through further research by:

- Assessing how government charges have evolved over time and how this might have influenced housing affordability;
- Examining government charges in other municipalities, particularly those in smaller centres who may face less severe housing affordability pressures;
- Examining how municipalities use the finance tools at their disposal to investigate how to optimize revenues;
- Constructing a dataset on the time required to complete each regulatory step in the development process in municipalities across Canada to identify ways housing can be delivered more quickly, and hence at lower cost.

Additional Resources

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Appendix

Details of the methodology and development scenarios

The development scenarios examined were held constant across all municipalities to understand the variation in government fees on development across Canada (Table A1). Note that the general assumptions, unit breakdowns, and floor areas may therefore not be representative of what might be constructed in each municipality based on current local market and development conditions.

For the development scenarios identified, Altus Group provided cost estimates for the government fees that would apply in each municipality. This information was drawn from its database of residential projects based on its consulting experience. Where information was lacking, Altus Group consulted directly with municipalities to obtain representative hypothetical figures (Table A2). Additional assumptions for each municipality, such as the planning area or proximity to transit, are provided in Table A3.

Table A1: Structure details and assumptions for development scenarios (all municipalities)

	Single-detached home	Row home	Low-rise apt. (condo or rental)	High-rise apt. (condo or rental)
Number of storeys	2	3	6	24
Number of units	1	4	50	200
Average unit size (sq ft)	3,000	1,840	650	650
Total saleable/leaseable area (sq ft)	3,000	7,360	32,288	129,150
Gross floor area (sq ft)	3,000	7,360	39,375	157,500

Source: CMHC and Altus Group

Table A2: Development scenarios based on synthetic data (indicated by an X)

Dwelling type / Municipality	Single-detached	Row home	Low-rise condo	Low-rise rental	High-rise condo	High-rise rental
Vancouver	X					
North Vancouver	X					
Burnaby	X					
Langley					X	X
Toronto						
Mississauga						
Markham						
Montréal						
Brossard					X	X
Terrebonne					X	X

Source: CMHC and Altus Group

Table A3: Planning area and assumptions for municipalities

Municipality	Dwelling type	Planning area and assumptions
Vancouver	All	Cambie Corridor area. Density payment (CAC) amounts were as prescribed for this planning area and are not necessarily representative of amounts that might need to be negotiated for spot rezonings elsewhere in the City.
North Vancouver	All	Lonsdale regional city centre area. Density payment (CAC) amounts per the City of North Vancouver's 2018 Density Bonus and Community Benefits Policy.
Burnaby	All	Brentwood area. Density payments (CACs) are typically negotiated, so amounts considered were taken from comparable projects.
Langley	All	Density payments (CACs) as prescribed by the Township of Langley. Note that high-rise scenarios are synthetic per Table A2.
Toronto	Single-detached	Midtown area.
	Row home	Scarborough area.
	Low-rise apt. (rental or condo)	Junction area. Density payments are based on a 5-year average for comparable projects.
	High-rise apt. (rental or condo)	Yorkdale / Lawrence Heights area. Density payments are based on a 5-year average for comparable projects.
Mississauga	All	Density payments, where applicable, are based on a 5-year average for comparable projects.
Markham	All	Density payments, where applicable, are based on a 5-year average for comparable projects.
Montréal*	Single-detached	Park fees, REM fees, and Social and Affordable housing contributions excluded.
	Row home	Park fees included. REM fees and Social and Affordable housing contributions excluded.
	Low-rise apt. (rental or condo)	REM fees excluded. Park fees and Social and Affordable housing contributions included.
	High-rise apt. (rental or condo)	Park fees, REM fees, and Social and Affordable housing contributions included.
	All	Midtown Montréal area.
Brossard*	Single-detached	Park and REM fees excluded.
	Row home	Park fees included. REM fees excluded.
	Low-rise apt. (rental or condo)	Park fees included. REM fees excluded.
	High-rise apt. (rental or condo)	Park fees and REM fees included.
Terrebonne	All	Park fees included for all dwelling types except single-detached homes.

Source: CMHC and Altus Group

* For Montréal and Brossard, high-rise developments (rental and condo) were assumed to be located within 1 km of future Réseau Express Métropolitain (REM) transit stations.

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Alternative text and data for figures

Figure 3: Number of government charges levied*, by municipality
(all dwelling types averaged**)

Municipality	Number of government charges levied*
City of Vancouver	9.3
City of North Vancouver	8.2
City of Burnaby	9.3
Township of Langley	7.0
City of Mississauga	9.7
City of Toronto	8.7
City of Markham	8.7
City of Terrebonne	4.0
City of Montréal	6.2
City of Brossard	3.7

Source: Altus Group, CMHC calculations

* In Montréal, “Affordable & Family Housing” and “Social Housing” fees were counted as separate and distinct charges, however, they both fall under a single regulation.

** See [Figure 1](#) for a listing of dwelling types.

Figure 4: Number of government charges levied, by dwelling type
(average across select municipalities* in each Census Metropolitan Area)

Dwelling Type	Census Metropolitan Area (CMA)	Number of government charges levied (average across select municipalities)
Single-detached	Vancouver CMA	6.5
	Toronto CMA	7.0
	Montréal CMA	2.7
Row	Vancouver CMA	9.3
	Toronto CMA	9.7
	Montréal CMA	4.3
Low-rise rental	Vancouver CMA	7.3
	Toronto CMA	8.3
	Montréal CMA	4.3
Low-rise condo	Vancouver CMA	10.0
	Toronto CMA	10.3
	Montréal CMA	5.3

Dwelling Type	Census Metropolitan Area (CMA)	Number of government charges levied (average across select municipalities)
High-rise rental	Vancouver CMA	7.5
	Toronto CMA	8.3
	Montréal CMA	5.0
High-rise condo	Vancouver CMA	10.3
	Toronto CMA	10.3
	Montréal CMA	6.0

Source: Altus Group, CMHC calculations

* See [Figure 2](#) for a listing of municipalities.

Figure 5: Variation in the total cost per square foot* of government charges within Census Metropolitan Areas (select municipalities***)**

Census Metropolitan Area (CMA)	Single-detached	Row	Low-rise rental	Low-rise condo	High-rise rental	High-rise condo
Vancouver CMA	14.3%	29.9%	32.8%	67.1%	38.0%	64.4%
Toronto CMA	27.5%	19.9%	21.5%	24.1%	20.2%	20.2%
Montréal CMA	40.8%	68.2%	108.3%	99.1%	84.0%	79.3%

Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see [Appendix Table A1](#) for total saleable/leaseable area for each dwelling type scenario).

** As per the coefficient of variation (%), which is a measure of the relative variability of a data series calculated by dividing the series' standard deviation by its mean. For the purpose of this figure, a value of 0% would indicate government fees in municipalities within a Census Metropolitan Area are identical, while a value above 0% would indicate that there is relative variability in government fees in municipalities within a Census Metropolitan Area. The higher the value of the coefficient of variation, the greater the degree of relative variability of government fees between municipalities within a Census Metropolitan Area.

***See [Figure 2](#) for a listing of municipalities.

Figure 6: Average government charge per square foot*, by municipality (all dwelling types averaged)**

Fees/Structures	City of Montréal	City of Toronto	City of Vancouver
Permit Fees	\$2	\$4	\$4
Municipal Fees	\$0	\$4	\$3
Warranty Fees	\$1	\$1	\$1
Development Charges	\$4	\$57	\$28
Density Payments	\$18	\$20	\$35
Sum total	\$24	\$86	\$70

Source: Altus Group, CMHC calculations

* Of saleable/leaseable area.

** See [Figure 1](#) for a listing of dwelling types.

Figure 7: Government charge per square foot* by municipality, by dwelling type

Dwelling Type	Municipality	Permit Fees	Municipal Fees	Warranty Fees	Development Charges	Density Payments
Single-detached	City of Vancouver	\$3	\$0	\$1	\$8	\$0
	City of Toronto	\$2	\$2	\$1	\$30	\$0
	City of Montréal	\$2	\$0	\$1	\$0	\$0
Row	City of Vancouver	\$3	\$5	\$1	\$9	\$20
	City of Toronto	\$3	\$12	\$1	\$40	\$15
	City of Montréal	\$2	\$0	\$1	\$0	\$14
Low-rise rental	City of Vancouver	\$4	\$4	\$0	\$37	\$0
	City of Toronto	\$5	\$4	\$0	\$74	\$24
	City of Montréal	\$2	\$0	\$0	\$0	\$25
Low-rise condo	City of Vancouver	\$4	\$4	\$3	\$37	\$90
	City of Toronto	\$5	\$4	\$2	\$65	\$24
	City of Montréal	\$2	\$0	\$1	\$0	\$25
High-rise rental	City of Vancouver	\$4	\$3	\$0	\$37	\$0
	City of Toronto	\$5	\$2	\$0	\$65	\$29
	City of Montréal	\$2	\$0	\$0	\$12	\$21
High-rise condo	City of Vancouver	\$4	\$3	\$3	\$37	\$97
	City of Toronto	\$5	\$2	\$2	\$65	\$29
	City of Montréal	\$2	\$0	\$1	\$12	\$21

Source: CMHC and Altus Group

* Of saleable/leaseable area (see [Appendix Table A1](#) for total saleable/leaseable area for each dwelling type scenario).**Figure 10: Government charges per unit (LHS) and government charges per square foot* (RHS) by select municipality and dwelling type within the Vancouver Census Metropolitan Area**

Dwelling type	Municipality	Average government charge per unit (LHS)	Government charge per square foot (RHS)
Single-detached	City of Burnaby	\$28,315	\$9
	Township of Langley	\$36,965	\$12
	City of North Vancouver	\$17,502	\$9
	City of Vancouver	\$35,700	\$12
Row	City of Burnaby	\$74,923	\$41
	Township of Langley	\$31,333	\$17
	City of North Vancouver	\$53,752	\$29
	City of Vancouver	\$70,202	\$38
Low-rise rental	City of Burnaby	\$14,915	\$23
	Township of Langley	\$19,420	\$30
	City of North Vancouver	\$12,319	\$19
	City of Vancouver	\$28,353	\$44

Dwelling type	Municipality	Average government charge per unit (LHS)	Government charge per square foot (RHS)
Low-rise condo	City of Burnaby	\$26,080	\$40
	Township of Langley	\$21,377	\$33
	City of North Vancouver	\$28,294	\$44
	City of Vancouver	\$88,553	\$137
High-rise rental	City of Burnaby	\$12,886	\$20
	Township of Langley	\$19,621	\$30
	City of North Vancouver	\$11,215	\$17
	City of Vancouver	\$28,291	\$44
High-rise condo	City of Burnaby	\$23,853	\$37
	Township of Langley	\$21,579	\$33
	City of North Vancouver	\$39,741	\$62
	City of Vancouver	\$92,656	\$143

Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see Appendix Table A1 for total saleable/leaseable area for each dwelling type scenario).

Note: For certain development scenarios appearing in this table, calculations were based on synthetic data (see Appendix Table A2 for a list of scenarios based on synthetic data). This was due to the absence of certain structure types in certain municipalities.

Figure 12: Government charges per unit (LHS) and government charges per square foot* (RHS) by select municipality and dwelling type within the Toronto Census Metropolitan Area

Dwelling type	Municipality	Average government charge per unit (LHS)	Government charge per square foot (RHS)
Single-detached	City of Toronto	\$104,786	\$35
	City of Mississauga	\$110,485	\$37
	City of Markham	\$186,716	\$62
Row	City of Toronto	\$130,993	\$71
	City of Mississauga	\$115,022	\$63
	City of Markham	\$181,306	\$99
Low-rise rental	City of Toronto	\$69,032	\$107
	City of Mississauga	\$67,690	\$105
	City of Markham	\$105,347	\$163
Low-rise condo	City of Toronto	\$64,624	\$100
	City of Mississauga	\$69,225	\$107
	City of Markham	\$107,760	\$167
High-rise rental	City of Toronto	\$65,185	\$101
	City of Mississauga	\$66,326	\$103
	City of Markham	\$99,096	\$153
High-rise condo	City of Toronto	\$66,816	\$103
	City of Mississauga	\$67,622	\$105
	City of Markham	\$101,007	\$156

Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see Appendix Table A1 for total saleable/leaseable area for each dwelling type scenario).

Figure 14: Government charges per unit (LHS) and government charges per square foot* (RHS) by select municipality and dwelling type within the Montréal Census Metropolitan Area

Dwelling type	Municipality	Average government charge per unit (LHS)	Government charge per square foot (RHS)
Single-detached	City of Terrebonne	\$4,996	\$2
	City of Brossard	\$3,500	\$1
	City of Montréal	\$9,813	\$3
Row	City of Terrebonne	\$6,778	\$4
	City of Brossard	\$9,397	\$5
	City of Montréal	\$31,929	\$17
Low-rise rental	City of Terrebonne	\$1,424	\$2
	City of Brossard	\$1,891	\$3
	City of Montréal	\$17,571	\$27
Low-rise condo	City of Terrebonne	\$2,169	\$3
	City of Brossard	\$2,636	\$4
	City of Montréal	\$18,393	\$28
High-rise rental	City of Terrebonne	\$843	\$1
	City of Brossard	\$8,832	\$14
	City of Montréal	\$22,655	\$35
High-rise condo	City of Terrebonne	\$1,588	\$2
	City of Brossard	\$9,577	\$15
	City of Montréal	\$23,477	\$36

Source: Altus Group, CMHC calculations

* Of saleable/leaseable area (see [Appendix Table A1](#) for total saleable/leaseable area for each dwelling type scenario).

Note: For certain development scenarios appearing in this table, calculations were based on synthetic data (see [Appendix Table A2](#) for a list of scenarios based on synthetic data). This was due to the absence of certain structure types in certain municipalities.