Paying for Growth: Development Charges at the Crossroads of Housing Affordability and Fiscal Pressures in Mid-Sized Canadian Cities

By Evan Ferguson

University of Manitoba

Background

Development charges ("DCs") have become a topic of considerable debate in recent years as their application in parts of Canada has skyrocketed. Centred on the principle that 'growth pays for growth', DCs provide cities with a financial instrument to recover the costs of infrastructure and servicing from new development.

Much criticized for contributing to the rapid rise in housing costs, DCs have become a hot topic in discourses on housing and municipal finance, raising questions regarding how cities should pay for growth.

This research seeks to understand why DCs have garnered such a powerful interest from municipalities – specifically, in the mid-sized Canadian cities of Ottawa, Winnipeg and Edmonton, where housing and infrastructure costs have put increasing strain on housing affordability and municipalities' ability to provide services.

Case Studies

An analysis of the legislation that governs development charges and similar fees, a comparative overview of each city's 2025 municipal budget and year-over-year changes to the cost of housing were conducted to establish the policy and fiscal context for each municipality.

Semi-Structured Interviews

Interviews were conducted with an elected official or municipal employee from each city. They were asked a series of questions about the use of development charges and other municipal finance tools, questions about the state of municipal infrastructure, as well as questions pertaining to housing affordability.

Case Study Findings

While development charges are used in Ottawa, both Winnipeg and Edmonton must finance capital spending with other revenues.
Property taxes are struggling to keep up with growing capital and operating budget needs.
Capital budget spending has been insufficient for infrastructure maintenance, while spending for new infrastructure projects remains a priority in Ottawa and Edmonton. Winnipeg has a dramatically lower level of capital spending.

Interview Findings

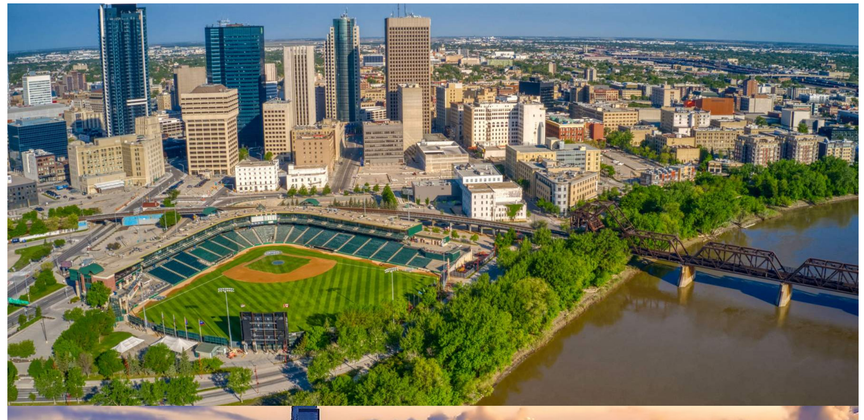
Winnipeg's failed impact fee and Edmonton's offsite levies have operated like development charges. Neither has provided significant revenue for new infrastructure.
All three municipal budgets are experiencing revenue shortfalls and ongoing infrastructure deficits, in part due to historically low rates of property taxation. Housing Affordability concerns indicate a need for new construction, but the associated costs of growth compound ongoing budget concerns.

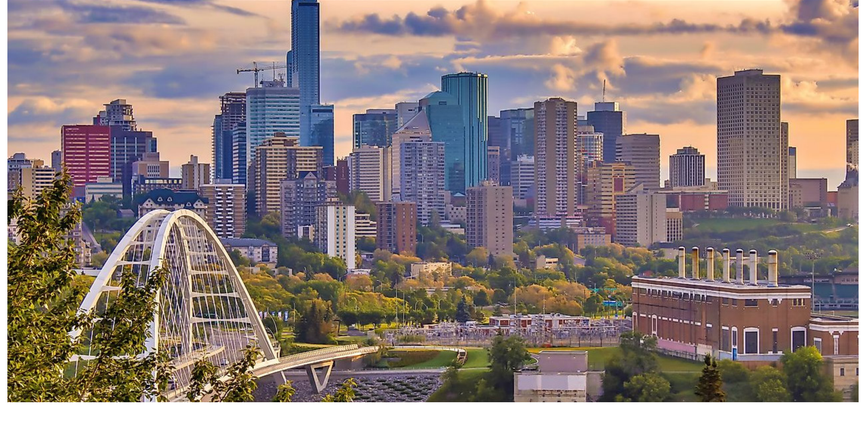
Research Questions

1. Why have some mid-sized Canadian cities turned to development charges as a funding tool?

2. How are municipalities funding growth?

3. In what ways do development charges affect housing affordability?





Conclusions

Development charges can be a solution to the problem of capital costs associated with the construction of new infrastructure required to service new homes. Capital budgets in Ottawa, Winnipeg and Edmonton are struggling to account for necessary infrastructure maintenance, and are not adequately financed to meet the needs of the aggressive expansion of infrastructure services over the past half century.
While development charges can establish reliable sources of funding for the provision of necessary infrastructure, the problem of growth patterns as seen in the subject cities belies significant concern regarding financial sustainability. Canadian cities are handed limited opportunities for collecting revenue - though tools like development charges encourage the continued sprawl which increases the portfolio of assets a city must maintain.
Development charges are premised on the idea that 'growth pays for growth': while charges and levies help make this the case for the capital costs of laying the infrastructure, the true cost burden is felt only later.
The question of affordability pertains to both the cost of individual housing and the growth patterns of our cities: this analysis demonstrates that beyond the costs identified in fee schedules issued by cities like Ottawa, they provide encouragement for the continuation of unsustainable infrastructure development patterns that cause medium and long term funding deficits.

It is necessary to begin looking at new funding relationships between levels of government while shifting towards more sustainable development patterns.