

January 18, 2023

Chair Gary Crawford and Members of the  
City of Toronto Budget Committee  
Toronto City Hall  
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Via Email: [buc@toronto.ca](mailto:buc@toronto.ca)

**Re: Toronto City Recommended 2023 Budget – Construction Hub User Fee Increases**

Councillor Crawford and Budget Committee Members:

On behalf of the Residential Construction Council of Ontario, I appreciate this opportunity to provide comments with respect to the 2023 City of Toronto Recommended Budget and specifically concerning the impacts of proposed Construction Hub User Fees increase of 25%.

We recognize that the pandemic, along with a myriad of other fiscal pressures, has created a generational fiscal challenge for the City of Toronto. Indeed, it is a circumstance that has ignited substantial economic impacts for governments at all levels across the world but also for private sector entities including significantly the residential construction sector in Toronto and across the province.

The challenges facing the residential construction sector do not operate within a vacuum, but constitute ramifications that are enormously significant in the context of our housing affordability and supply crisis that is in itself a generational challenge.

As noted, we understand the perspective of City financial planners who in seeking to sustain, and in some cases expand municipal services, look to secure increased revenues across an expanse of potential revenue sources. However, we reiterate that in the midst of the most severe and enduring housing affordability and supply crisis ever experienced efforts must be made to ensure that unintended consequences do not materialize as a result of a blanket revenue process.

The residential construction sector is having to contend with a virtual tsunami of impacts that threaten to undermine with increasing significance the construction of much needed residential housing across Toronto and beyond. These include increasing supply chain costs and delays, rising interest rates, significantly increased taxes, fees and levies that are unparalleled across North America, inflationary increases in costs, skilled labour shortages, increased land costs, increased labour costs and a host of other pressures.

In terms of interest rates alone, a 1% increase represents a \$5,000 per year increase on a \$500,000 mortgage (\$416/mth). For builders with a \$100 million loan that would result in an additional \$1 million per year or \$83,000 per month in costs of financing.

Frame these realities within stated public policy objectives by all three levels of government to encourage residential construction and it becomes quickly apparent that adding to the costs of constructing residential housing is ill-inspired.

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During the fall municipal election campaign, the Mayor committed to take significant action to support the construction of residential housing in Toronto. This within the context of the provincial government's multi-faceted efforts to rapidly increase residential housing construction. True to his word, the Mayor along with Chair Brad Bradford of the Planning and Housing Committee, has moved quickly to achieve this objective including the creation of a new Development and Growth Division to expedite planning applications and address process issues.

Therefore, it is not difficult to imagine the surprise of the residential construction sector when the 2023 City of Toronto Recommended Budget was released and within it there was a 25% increase in user fees with respect to Construction Hubs in Toronto. In practical terms, this would increase for example the fee to temporarily occupy a portion of street by placing on it machinery or material of any kind from \$148.64 per sq. meter per month to \$185.80 per sq. meter per month. A user fee premium increase of \$37.16 per sq. meter per month.

There is simply no practical way to construct residential buildings in a municipality such as Toronto without using in varying degrees City owned rights of way and other spaces. The Construction Hub initiative was created in 2019 and we, along with other stakeholders, have been supportive, engaged and collaborative as we seek to improve health and safety and to reduce to the lowest level possible impacts on communities associated with residential construction.

Indeed, RESCON has been part of the City's Construction Hub Coordination Industry Outreach Committee since the beginning and applauds the efforts of staff involved as we work together to deliver the most important commodity for people seeking to live in this City, an affordable place to live.

However, in the context of the circumstances noted above, we are very concerned as we note with increasing frequency the cancellation or delaying of residential construction projects by builders as they contend with the reality that projects no longer have the economics present to proceed. Every additional impact, from taxes, fees and levies to a wide array of other pressures noted above, contribute to this decision-making process.

So, you can appreciate the added impact of hearing, in the absence of fulsome consultation, that the City intends to add to these pressures with an increase in user fees for Construction Hubs of 25%.

As noted, I want to be very clear that we recognize as stated the City's financial situation but also implore you to acknowledge that as well as having a municipal priority to address revenue issues, the City has also stated unequivocally that supporting in every way possible residential housing construction is a pre-eminent objective of City public policy.

An increase of 25% in user fees in Construction Hubs is counter-intuitive to this stated objective and will quite frankly impact decision-making equations as builders decide on whether or not to proceed with planned projects at this time.

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In a City that has a housing construction target over the next ten years of 285,000 new homes it is not sound public policy to increase fees of this kind at this rate during the current economic circumstances.

By way of this letter, I am asking that the Budget Committee re-consider this recommendation and delay the implementation of any user fees of this kind affecting the residential construction sector until further consultation and collaboration occurs.

Thank you once again for this opportunity and I trust you will review these recommendations as noted.

Yours truly,



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President  
Residential Construction Council of Ontario



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