

# **Economic Impacts: OPA131**

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UPDATE

## Executive Summary

- According to Planning Report PD2025-10, by 2051 Erin will need 580 rural lots, but will have only 460 lots available - a shortfall of 120 rural lots.
- OPA 131 is tied to Growth Plan-based forecasts (2016/2021; 2051), which are lower than the more recent Ministry of Finance Fall 2024 projections and therefore understate long-term growth for Wellington County and Erin.
- Following the MOF 2024 forecast (approx. 9% higher County population by 2051) the shortfall in Erin moves into the 160-180 rural lot range.
- Applying three CVA scenarios for new rural dwellings (Low = \$1.0M, Mid = \$1.35M, High = \$1.80M), the gross Town inflows from 120 rural lots over 2026-2050 are approximately:
  - NPV(2025\$):** from about **\$11.8M** (Low CVA) to about **\$18.5M** (High CVA), with a central Mid-CVA case of about **\$14.8M**.
  - Nominal:** from approximately **\$25.5M** to **\$40.7M**.
- These figures represent gross inflows (Erin town property tax, development charges, building/septic permits). They do not deduct incremental operating or capital costs. Simple sensitivity tests using reasonable per-household service costs still produce positive net NPVs in all CVA cases.

## Executive Summary - Cont.

- 120 rural homes represents roughly \$66.0M of construction investment for Erin, about \$39.8M in GDP and approximately 616 job-years of employment. More lots (150-200) would push these figures higher.
- If buyers who are unable to purchase a rural lot in Erin mostly relocate within Wellington (for example to Puslinch or other County municipalities), much of the construction GDP remains in-County. However, if a portion of buyers instead purchase in Halton or Peel, Wellington faces a real risk of construction GDP and employment leaking to neighbouring municipalities.

# Base Assumptions

Parameter	Value / Unit	Notes
Time line	2026–2050; even phasing	25 years; 4.8 lots/year (120-lot case)
Inflation (CPI)	Permits & tax: 2% CPI (assumption); DCs: annual index = Non-Residential Building Construction Price Index (NRBCPI)	Taxes & permit fees in nominal \$; DC base shown is 2025 (\$33,221 rural single/semi).
Discount rate (nominal)	5% per year	≈3% real + 2% inflation; NPV to 2025
Municipal tax rate (Town share)	<b>0.00869471 (Town = 0.00716471 General + 0.00153000 Infrastructure) of CVA</b>	Town portion only; excludes County & Education
Assessed value ( <b>mid</b> )	<b>\$1.35 million / dwelling</b> \$0.99 million (low) 1.80 million (high) *see next slide	Scenario input (CVA). Town uses \$600k for an average assessed home; new rural builds assess higher -
Development Charge (rural SF)	\$33,221 per unit	Town DC pamphlet (2025)
Building permit (min)	\$3,580 per dwelling	Fees & Charges By-law (2025)
Septic permit	\$825 per system	Fees & Charges By-law (2025)
Dwelling size	<b>2,200 sq. ft.</b>	Conservative. MPAC (2020–2024) median new single detached: Erin 2500-3100 ft <sup>2</sup> ; Puslinch 2,700–3,200 ft <sup>2</sup> .
Hard costs	\$250/ sq. ft (mid); \$210–\$285 range	Altus Group 2024 Canadian Construction Cost Guide - GTA, wood-framed single-family residential (range table).
GDP per \$ of investment	0.603	Taken from Statistics Canada Housing Economic Account (HEA) 2024; GDP- to-investment ratio for residential.
Employment multiplier	9.336 job-years / \$1M	Statistics Canada Input-Output multipliers (Table 36-10-0595-01, Ontario; Residential building construction; Type II jobs).

# Base Assumptions - Notes

## 1. Revenue

This is the Town of Erin municipal share only (property tax, development charges, building/septic permits); County and Education portions are excluded.

## 2. Current Value Assessment (CVA) for new rural homes

CVA is set by the Municipal Property Assessment Corporation (MPAC).

MPAC estimates for new homes are determined by what the completed dwelling would have sold for on January 1 2016, using comparable sales and factors such as location, lot size, age and construction quality. Because the base year remains 2016, current CVA for new homes is generally below current sale price.

## 3. CVA assumptions

Assuming average sale price for a new rural detached home: approximately \$1.8 million.

CVA scenarios (per dwelling): Low = 55%/ \$1.0M; Mid = 75% /\$1.35M; High = 100%/ \$1.80M.

## 4. Size and cost

2,200 sq. ft. per unit; hard costs are \$250/sq. ft. or \$550,000 per dwelling (soft costs excluded).

Recent new detached homes in Erin and Puslinch are typically in the **2,500–3,100 sq. ft.** range, based on MPAC data. For this analysis, we use **2,200 sq. ft. per rural dwelling** which is a conservative estimate as it is below the size of most new rural single-family homes in the area.

## 5. Economic/fiscal impact

GDP: 0.603 per \$1 of construction; Employment: 9.336 job-years per \$1.0M.

CPI 2%; discount 5% nominal; NPVs in 2025\$; development charges (DC) indexed to NRBCPI.

NB: All revenue figures represent gross inflows. Operating/capital service costs are not deducted. As the new lots are rural, these do not typically require road expansion so road maintenance and clearing/plowing/grading costs are not affected. As well, new routes for waste collection are not necessary meaning the incremental cost of a new rural lot is very low for these services.

# Erin Lots Required

## OPA vs MOF Population Forecasts (low/mid/high)

- County population (excl. Guelph) 2051:
  - OPA 131: 160,000
  - MOF 2024 (allocated to County) = 174,000
  - Difference = 14,000 people (about 9% higher than OPA).
- Erin rural lots - OPA:
  - Need = 580 lots; supply = 460 lots; shortfall = 120 lots.
  - A 2015 Section 10.4.4 cut-off (+142 potential severances) is sufficient to cover this shortfall.
- MOF-adjusted illustrative cases:
  - LOW (about +7.5% population): Need = 624; shortfall = 164 lots.
  - MID (about +9% population): Need = 631; shortfall = 171 lots.
  - HIGH (about +10% population): Need = 638; shortfall = 178 lots.
- Section 10.4.4 options (Erin potential severances):
  - 2015 cut-off → +142 lots
  - 2020 cut-off → +177 lots
  - 2025 cut-off → +195 lots

A 2020 cut-off covers the "MID" scenario; a 2025 cut-off covers the "HIGH" case and provides a modest buffer.

# CVA × Lots – Town Gross Inflows (Nominal & NPV, 2026–2050)

Lots	CVA	CVA per unit (\$)	Nominal Total (\$M)	NPV (\$M, 2025\$)	NPV: Tax / DCs / Permits (\$M)
120	Low	\$990,000	\$25.50	\$11.79	\$8.17 / \$3.25 / \$0.37
120	Mid	\$1,350,000	\$32.25	\$14.76	\$11.14 / \$3.25 / \$0.37
120	High	\$1,800,000	\$40.69	\$18.47	\$14.85 / \$3.25 / \$0.37

If **120** rural lots are removed, Erin forgoes the following inflows (gross).

CVA scenario (Low / Mid / High), 2026–2050:

Low CVA (approx. \$1.00M): \$25.5M nominal; \$11.8M NPV (2025\$).

Mid CVA (approx. \$1.35M): \$32.2M nominal; \$14.8M NPV (2025\$).

High CVA (approx. \$1.80M): \$40.7M nominal; \$18.5M NPV (2025\$).

- These amounts include Town property tax, Town development charges, and building/septic permits; these are gross inflows only.
- A full net fiscal analysis would consider operating and capital costs for roads, winter plowing, etc. though these would likely be minor as rural lot severance doesn't involve the creation of new roads in Erin.

## CVA × Lots – Town Gross Inflows (Nominal & NPV, 2026–2050, cont.)

Lots	CVA	CVA per unit (\$)	Nominal Total (\$M)	NPV (\$M, 2025\$)	NPV: Tax / DCs / Permits (\$M)
150	Low	\$990,000	\$31.88	\$14.73	\$10.21 / \$4.06 / \$0.46
150	Mid	\$1,350,000	\$40.31	\$18.45	\$13.92 / \$4.06 / \$0.46
150	High	\$1,800,000	\$50.86	\$23.09	\$18.57 / \$4.06 / \$0.46
200	Low	\$990,000	\$42.50	\$19.64	\$13.62 / \$5.41 / \$0.62
200	Mid	\$1,350,000	\$53.75	\$24.59	\$18.57 / \$5.41 / \$0.62
200	High	\$1,800,000	\$67.81	\$30.78	\$24.75 / \$5.41 / \$0.62

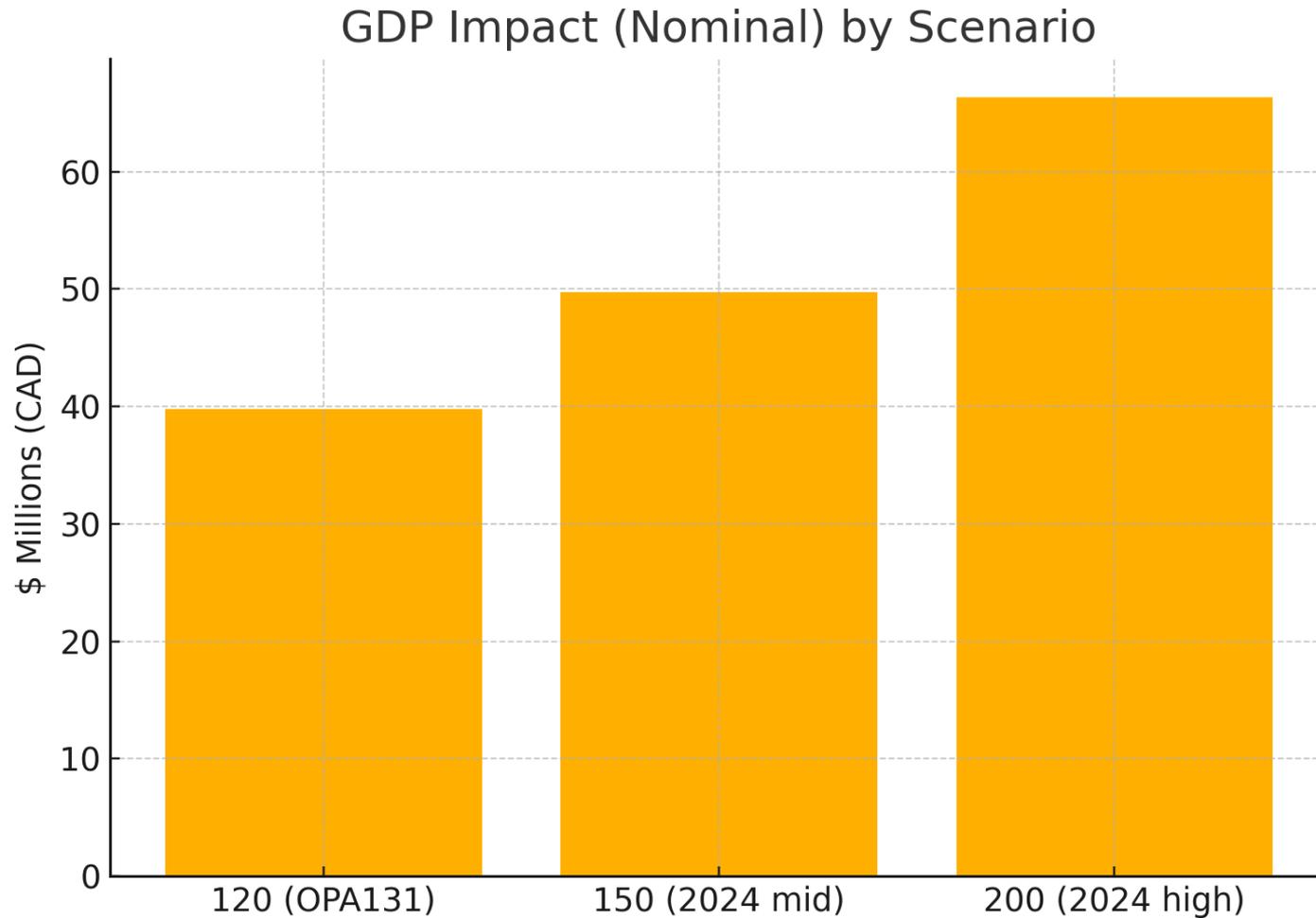
# Understanding Construction Impacts

- 120-200 rural lots in Erin can generate between \$66M-\$110M in construction investment, driving GDP and job-years in the construction sector.
- Economic impacts are calculated using provincial/sectoral multipliers and reflect activity across a broad supply chain (materials suppliers, trades, professional services). These are solely within Erin's boundaries.
- Many construction workers and firms may be based outside Erin but perform work in the town. Conversely, some Erin residents may work for firms that build in other municipalities.
- It is difficult to isolate construction GDP and employment to Erin only versus the wider region. Figures should be interpreted as impacts associated with construction in Erin township and not as a statement that all economic benefits accrue only to Erin residents or businesses.
- Locating rural growth in Erin can support local suppliers and service businesses - e.g., building suppliers, trades, design and architectural work, retail and services used by construction workers and new residents.

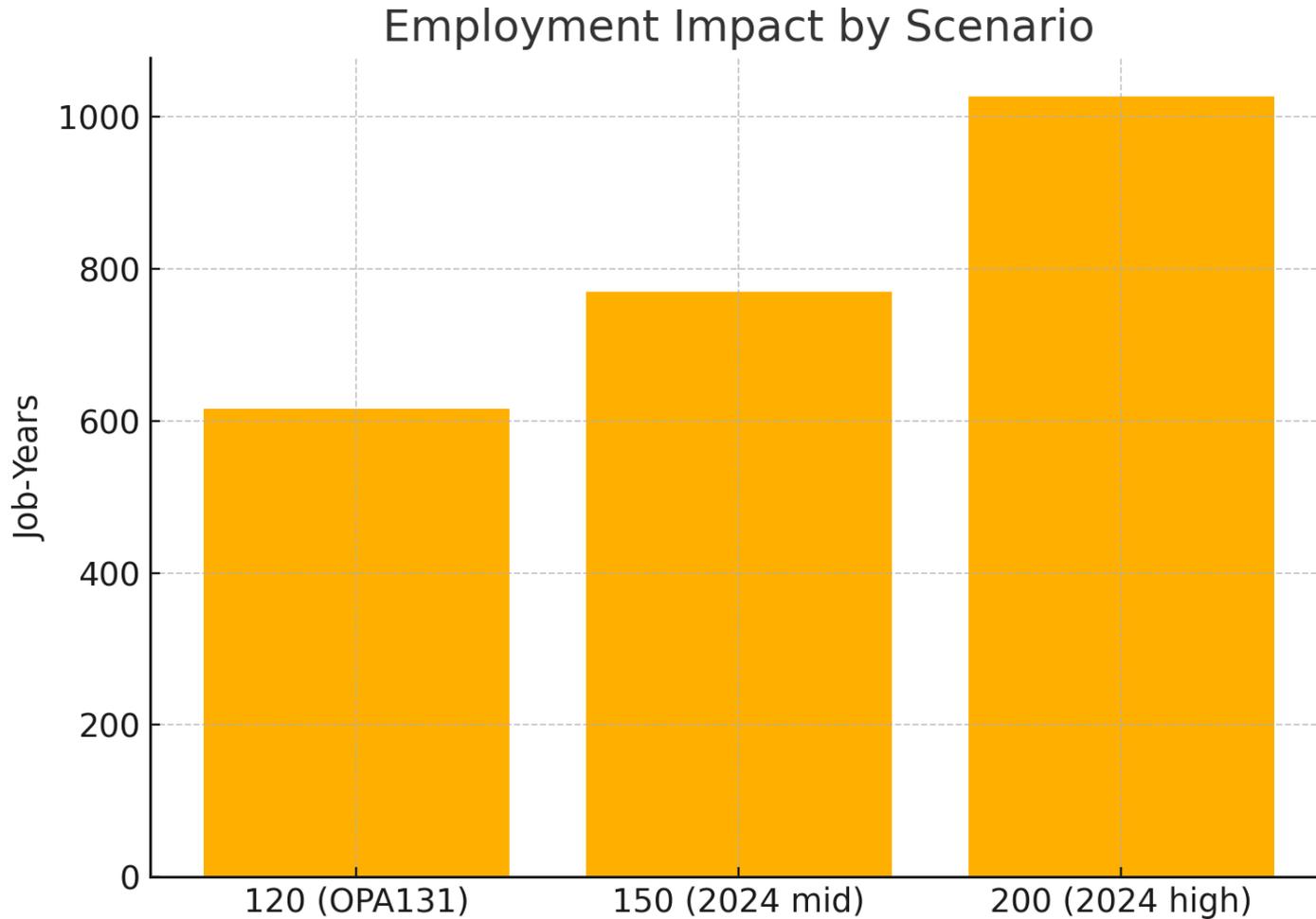
# Construction Economic Impacts by Lot Program

Lots	Construction Investment (\$M)	GDP impact (\$M)	Employment (job-years)
120	\$66.00	\$39.80	616
150	\$82.50	\$49.75	770
200	\$110.00	\$66.33	1027

# GDP Impact (Nominal) by Scenario



# Employment Impact by Scenario



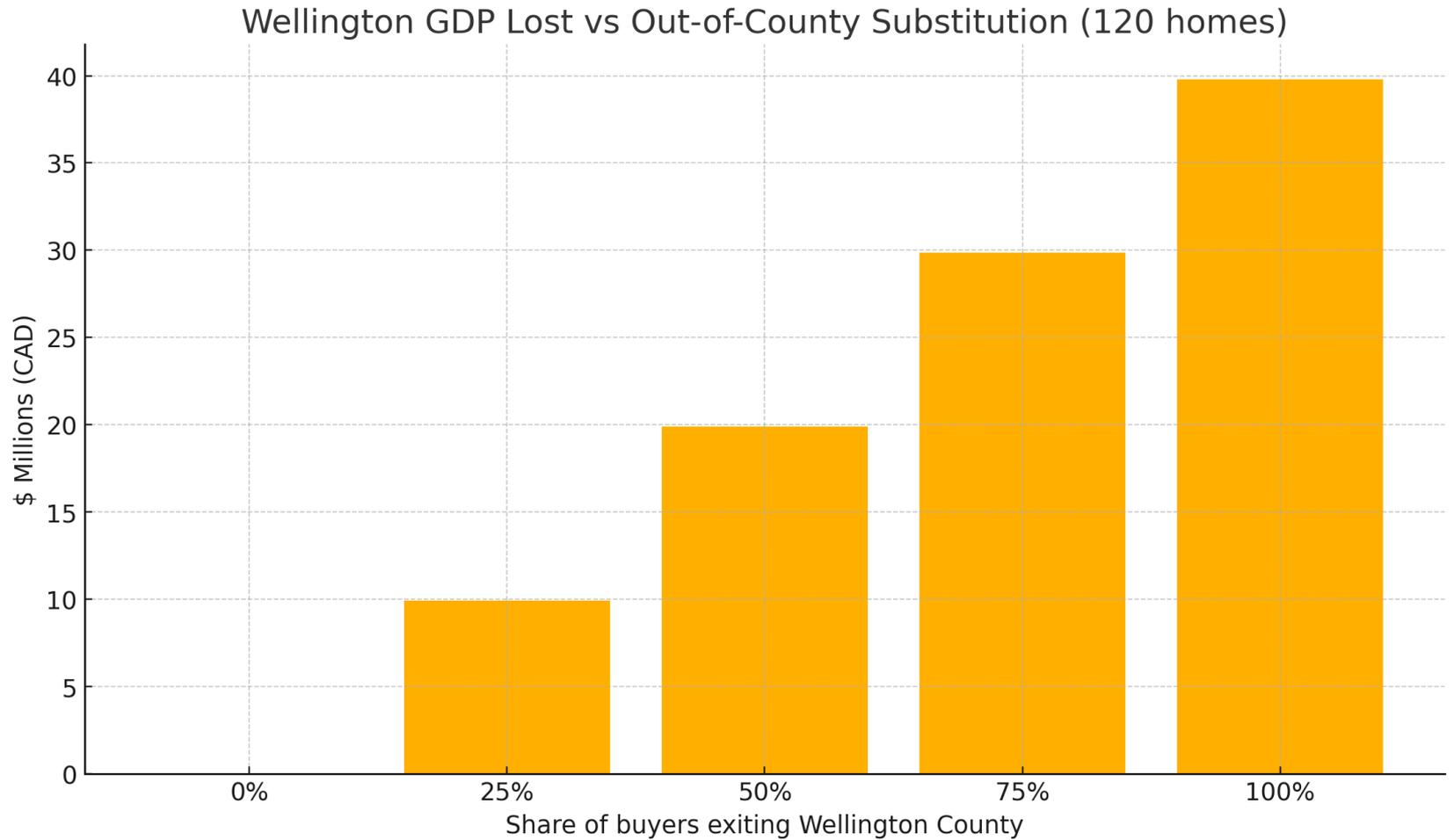
Job-year: One full-time job for one year (e.g., 616 job-years = 616 people for 1 year, or 308 people for 2 years).

## How substitution drives GDP loss for Wellington (120 homes)

- Scenario A - All perspective Erin-oriented buyers remain in Wellington County:
  - Buyers substitute into Puslinch or other Wellington municipalities.
  - Result: Little or no loss of County-wide construction GDP; impact is primarily distributional (Erin vs other municipalities).
- Scenario B - 50% of perspective Erin-oriented buyers choose homes outside Wellington (e.g., Halton/Peel):
  - Roughly half of the construction associated with these 120 dwellings occurs out-of-County.
  - Illustrative loss to Wellington: \$19.9M in GDP and 308 job-years.
- Scenario C - 100% of perspective Erin-oriented buyers choose homes outside Wellington:
  - All of the construction activity for this 120-home program is realized in neighbouring municipalities.
  - Illustrative loss: \$39.8M in GDP and 616 job-years.

Note: These scenarios are stress tests, not predictions. Actual outcomes would likely be a mix of in-County substitution and out-of-County moves.

# Wellington GDP Lost vs Out-of-County Substitution



# ARUs: Not a Substitute for Titled Lots

## **1) ARU are not a substitute for creating new titled rural lots.**

Families who want to buy their own rural property still need an adequate supply of lots in Erin (min. 120 rural lot deficit)

## **2) Mortgage and financing**

Adding an ARU usually means borrowing more money for construction. This often happens through a HELOC (if available), or a construction loan. Lenders will look at the new loan-to-value ratio and debt-service ratios.

## **3) Impact on CVA and property taxes (MPAC)**

When an ARU is built and permitted, MPAC is notified and reassesses the property based on the increased living area, quality, and income potential. The Current Value Assessment typically increases and annual property taxes go up. From a fiscal point of view, ARUs contribute to assessment growth and raise the tax base, though they do not create new titled lots for new families to purchase.

## **4) Two smaller homes vs one large home – which has higher CVA?**

All else equal, a lot with two legal dwellings that together total (for example) 4,000 ft<sup>2</sup> will usually have a higher CVA than a lot with a single 4,000 ft<sup>2</sup> home. ARU bring potentially higher taxes, and the additional unit will make the property more expensive to sell and potentially less marketable.

## **5) Planning and policy implication**

ARUs are a valuable tool for adding density and tax base on existing parcels, and for supporting some multi-generational living. However, they are not a substitute for new titled lots that will bring new families and economic activity to Erin.

# Recommendations for Council

- 1) Increase Erin's rural lots by at least 120, preferably in the 150-200 lot range.

Changing Section 10.4.4 cut-off year for severance applications from March 2005 to 2015 to 2025 will unlock 142-195 potential lots. This doesn't mean all eligible lots will become housing as changing the cut off year does not alter the rigorous review all applications must pass in order to gain permission to sever a lot.

- 2) Use Ministry of Finance (2024) projections to forecast future housing demand in Erin.

Planning Report PD2025-10 confirms a 120 rural lot shortfall to the year 2051. Meanwhile Ministry of Finance (2024) forecasts suggest the shortfall could be in the 160–180 rural lot range.

- 3) Monitor and update forecasts regularly.

Revisit rural allocations and year cut-off policies at least every 3-5 years consistent with updated population projections and local land need assessments.

# Method Appendix

## MOF - County allocation & lot conversion

### Step 1 - MOF 2024 forecast

Ministry of Finance (2024) projects Wellington County (including the City of Guelph) will reach 400,166 people by 2051; it further assumes that 43% of the population is in Wellington County and 57% in Guelph. 43% of 400,166 equates to a County-only population of approximately 174,000 by 2051.

### Step 2 - OPA 131

OPA 131 uses a County-only population of 160,000 by 2051.  
The MOF figure of 174,000 is approx.  
14,000 higher, an increase of around 9%.

### Step 4 - Apply forecast growth to Erin's rural lot requirements

Planning Report PD2025-10 defines Erin's rural need as 580 lots, + 9% yields a revised requirement of approximately 631 lots.  
Given existing rural supply of 460 lots, the shortfall rises from 120 to roughly 171 lots.

### Step 5 - Link to Section 10.4.4 severance scenarios

The "lots-by-year" analysis provided by Erin Township indicates that moving the Section 10.4.4 cut-off date could release approximately +142 (2015), +177 (2020) or +195 (2025) potential lot severances in Erin.

#### Notes:

Figures are rounded.

Household formation trends (declining persons per household) can amplify lot needs relative to population changes