



February 23rd 2018

To: Mayor Eisenberger
To: Members of City Council
To: City Clerk

Cc: Jason Thorne GM, Planning and Economic Development
Paul Johnson GM, Healthy and Safe Communities
Chris Murray City Manager

Re: Recommendation for Provincial "Development Charge Rebate Program"

Dear Mayor Eisenberger and Members of Council;

We represent members of the Apartment Industry in the greater Hamilton area, including property owners, managers and the many people that support the ongoing operation of rental housing.

We applaud the City for showing an interest in applying for the DCRP. Hamilton has an extreme need for new rental housing in order to attract and house the many people that choose to rent. However, we are gravely concerned that the motion (as amended) and carried last week will exclude Hamilton from participating in any new rental construction that would be encouraged by this Provincial initiative.

The Province intended to create an incentive to build new multi-res buildings that would be for non-luxury mid-market rental housing. This was never invented or proposed for Rent Geared to Income (RGI) or the lowest level of affordability. Knowing that new rental stock is extremely expensive to build in the current economic environment, the DC waiver would help reduce upfront costs of construction, which in turn should help projects that are targeted towards the mid-market achieve viability.

The motion passed at Council on February 14th set a ceiling of 150% of existing market rents, despite the Province using a ceiling of 175%. Although well intentioned, the arbitrary price cap at 150% of existing rentals means that rents will not be high enough to pay for construction. The end result: nothing will be built, because it will be a losing proposition.

For Reference:

Greater Hamilton CMA Average Rents (including Burlington)	\$1,020
Burlington Sub-Market Average Rents (alone)	\$1,351
Provincial CMA Average Rents	\$1,140
Toronto CMA Average Rents (alone)	\$1308

(Source: CMHC Rental Market Surveys October 2017) (E. & O.E.)



Why are Hamilton rents lower? Hamilton's first construction boom was in the '20s and '30s, and those small brick walk-ups still provide a large proportion of the buildings surveyed for these rents. Compare to Burlington and Oakville, where much of their stock was built in the '70s and '80s with Federal incentives such as the MURB program. Those units are newer, bigger, and have more amenities and therefore higher rents.

Hamilton suffers from a few acute problems that should be noted: Our Land is relatively expensive, yet our rental rates for existing rental stock is relatively inexpensive. Since it costs the same to construct in Hamilton as it does in Toronto, using Hamilton rents as a basis for new construction limits the viability of any new construction. As a result, Hamilton projects will not be financially viable, but projects in Burlington, Oakville and Toronto (as examples) with higher existing rents will go ahead. So, on Plains Rd. in Aldershot it would be viable. Yet down the road on York Boulevard in Hamilton, the project will not be viable.

Accordingly, we request that Council reconsider its motion and change the to read: "...that the unit rental rates be capped at no more than 175% of the present market rent for the Province of Ontario..." This most closely aligns with the Provincial framework of the program and will at least put Hamilton on a level playing field for this vital new rental program. City staff specifically cautioned against reducing the threshold, fearing there would be "no rental housing built and no uptake of the DC Rebate Program in Hamilton." (Feb 12th Memo from Housing Staff pg. 4)

Please accept our suggestion as practical ways that may help Hamilton start building more desperately needed non-luxury mid-market rental housing. This is one very important part of the affordability spectrum and this program will be a meaningful incentive to making this happen. The increase in tax levy from new developments will be a key driver of municipal revenues. and it's free money from the Province.

Yours truly,

Arun Pathak
HDA A President