



June 15, 2020

City of Hamilton
71 Main Street West
Hamilton ON L8P 4Y5

West End Home Builders' Association | Submission to Audit, Finance and Administration Committee | Response to Information Report FCS20041 – Development Charges Annual Indexing – Effective July 6, 2020 – Consent Item 5.1 (b): Council I, May 20, 2020

Attn: Mayor Eisenberger and Members of Council

On May 20, 2020, City Council received an Information Report regarding the Development Charges (DC) annual index increase scheduled for July 6, 2020. In accordance with the City's DC By-laws, DC rates are adjusted annually by the percentage change during the preceding year, for the purposes of aligning DC revenues with construction costs. This helps ensure the sustainability of the DC reserves for the funding of the City's growth-related capital requirements.

The planned percentage change will be a rate increase of 3.92%. Depending on the housing unit types, this could result in increases between \$550 to over \$1700 in development charges (in combined sewer system areas), for the time period spanning July 6, 2020 to July 5, 2021:

Residential DCs (\$ per Unit)	City DCs (07/06/19 to 07/05/20)	City DCs (07/06/20 to 07/05/21)	\$ Increase per Unit
Singles/Semis	\$43,489	\$45,195	\$1706
Townhouse/Other Multiple	\$31,128	\$32,348	\$1220
Apartment (2+ Bedrooms)	\$25,467	\$26,466	\$999
Apartment (1 Bedroom)	\$17,422	\$18,105	\$683
Residential Facility (\$ per bed)	\$14,047	\$14,597	\$550

Under the current Provincial state of emergency, legislation has been enacted that allows for expiring development charge by-laws to remain in force until the day the by-law is repealed, or 6 months after the termination of the state of emergency. This provision by the Government does not apply to the City of Hamilton by-law. As a result, City staff have indicated that the DC index increase scheduled for July 6 will proceed as planned.

WE HBA recognizes the difficult financial position that municipalities have been put in resulting from the current state of emergency, and the impact this has had on City budgets. WE HBA also acknowledges that a transition policy is in place within the DC by-law, which is meant to help developers (whom pass these costs onto consumers) in the midst of the building process transition from one DC rate to the next, without significant cost increases imposed between permit application and permit issuance if the index increase happens during this time. WE HBA agrees with the purpose of the index increase and the transition policy, in principle. However, while the principle of the policy makes sense under normal circumstances,

unfortunately, as we are all fully aware, the unexpected has happened, and accommodations must be made to account for these impacts.

The transition policy effectively captures any unanticipated rate increases occurring during the building permit process. The issue that builders, developers and consultants are faced with at this time, as a result of COVID-19, is that significant delays are taking place in the processing of planning applications which consequently prevents the ability to then submit for building permits in a timely fashion. Many projects will now be subject to the July 6, 2020 index increase for which they simply did not budget for. Therefore, while we acknowledge that the transition policy attempts to avoid some unforeseen delays or unanticipated rate increases, it does not effectively capture the significant delays being caused by the ongoing State of Emergency.

As stated, we do recognize the challenging position that municipalities are faced with during the pandemic, and the impacts that these challenges are having on City budgets. However, because of COVID-19, the development industry has been significantly impacted, and many developers are facing liquidity issues and in some cases may not be financially capable of handling the increased costs that the DC index increase will place on their projects in the current economic environment. The WE HBA has two options as recommendations for addressing the index increase:

1. To effectively address the delays in processing and decision-making on planning and development applications through COVID-19, which have impacted building permits being applied for in time to avoid the index increase, we request that the Transition Policy be amended and widened to capture not only the date of building permit application, but also the date of development application for site plans, zoning by-law amendments, Official Plan amendments, and draft plans of subdivision/condominium. This option would allow developers with a project in the planning stages to still maintain their currently planned project budgets with the in-effect DC rates at the time of application, while also allowing the municipality to move forward with revenue-generating measures and implement a DC index increase.
2. Alternatively, another recommendation to be considered that would assist the development industry in moving forward with their projects in accordance with their planned budgets had planning processes proceeded as usual, we request a one (1) year deferral of the index increase, which would then come into effect July 6, 2021. We recognize that this option would delay the increase of the DC rates until a later date, however it may prove less burden administratively in comparison with Option 1.

The City of Hamilton and the West End Home Builders' Association have had an ongoing and positive relationship and we appreciate the opportunities provided to us to provide feedback and comment on items that impact the home building industry in Hamilton. We trust that our recommendations above on this matter will be given sufficient consideration and thought as to the best way to proceed forward. Please feel free to contact us with any questions. Thank you for the opportunity to provide input and comment on this matter.



Sincerely,



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