

February 12, 2021

Mayor Fred Eisenberger
Hamilton City Hall
71 Main Street West
Hamilton, ON L8P 4Y5

Your Worship Mayor Fred Eisenberger:

RE: Report of the Mayors Task Force on Economic Recovery

The West End Home Builders' Association (WE HBA) is the voice of the land development, new housing and professional renovation industries in Hamilton and Halton Region. The WE HBA represents nearly 300 member companies made up of all disciplines involved in land development and residential construction, including: builders, developers, professional renovators, trade contractors, consultants, and suppliers. The residential construction industry employed over 27,300 people, paying \$1.7 billion in wages, and contributed over \$3.0 billion in investment value within the Hamilton Census Metropolitan Area in 2019.

Our industry is constantly facing challenges that affect our ability to build the necessary supply of new housing to meet growing demand for a variety of housing options in Hamilton. Today, during a global pandemic, this has become even more challenging with housing of all types and tenures becoming more expensive, and making home ownership unattainable. The WE HBA strongly believes that a healthy housing system only exists when all levels of government work together to ensure the right mix of housing choices and supply that provide all residents' shelter needs through their full life cycle.

Within this context, the WE HBA is writing to you regarding the Report of the *Mayor's Task Force on Economic Recovery* and the Mayor's letter to Premier Ford and Minister Clark on December 21, 2020. Our members recognize that the City of Hamilton continues to take a cautious, and careful approach as different sectors re-open and lockdowns continue across the province with direction from Public Health Ontario. The WE HBA recognizes that we are not in a business-as-usual situation as the city is in the midst of the second wave of COVID-19. The WE HBA appreciates that we have all learned lessons from the first wave, and that critical City of Hamilton departments including the building department and planning department are continuing to operate and service our members through difficult circumstances. As we look forward to post pandemic recovery, the WE HBA very much appreciates being invited to have a direct role on the *Mayor's Task Force on Economic Recovery*, where the WE HBA 1st Vice President Terri Johns worked collaboratively to provide our recommendations within a multi-sector approach to guide Hamilton's recovery during, and, in the aftermath of the pandemic.



Mayor Eisenberger, the WE HBA would like to take an opportunity that thank you for your leadership through the pandemic and for striking a multi-sector task force not only to guide Hamilton's post pandemic recovery, but to set the parameters for a sustainable recovery and to build back better. While the WE HBA is broadly supportive of the Mayor's Task Force initiative and recommendations, we are writing to specifically address and provide additional context for three recommendations that directly impact the residential construction industry and WE HBA membership in Hamilton.

Modern Surety Bonds:

Subdivision agreements require a developer to provide a form of financial security for the necessary infrastructure work needed to realize the project. The need for financial security by the municipality is a responsible practice supported by the industry. The form of financial security however continues to be a growing challenge. As a financial security tool, letters of credit (LOC) as currently used in the City of Hamilton, directly reduce the financial capacity of the developer, immediately curtailing development investment opportunities in the City of Hamilton. Every dollar tied up in a letter of credit to the City is a dollar unavailable for immediate job-creating construction.

To improve investment liquidity in the City of Hamilton, and in turn, create a competitive advantage over neighbouring municipalities, the WE HBA is supportive of the *Mayor's Task Force Report* and the motion brought before the General Issues Committee on December 9th that Finance and Legal staff be directed to report back to the Audit, Finance and Administration Committee on the potential use of surety bonds as financial security for development projects to secure municipal agreements.

Modern Surety Bonds (MSB) can be designed to provide the City with the financial security needed to move infrastructure forward, including timely compensation if required, while permitting the financing capacity of the developer to fund additional projects. MSB are proven to provide the same benefits and security as a LOC. Municipalities get all the features of a LOC while enjoying the added benefit of professional underwriting, carried out by licensed bonding companies, ensuring that the developer is qualified to fulfill its obligations under the municipal agreement. There are current examples, like the City of Pickering, where it has permitted MSB to provide the municipality with protections while supporting more development investment in their community.

MSB are a safe and reliable form of financial security which are professionally supported through the Surety Association of Canada and regulated by the Office of the Superintendent of Financial Institutions. MSB gives the municipality the protection they need, without undercutting the financing capacity of the developer to bring additional projects and housing supply forward at the same time. For municipalities, MSB act as liquid financial instruments that can provide the funds immediately on demand without the requirement for the municipality to prove default, essentially, functioning just like a LOC. The City's acceptance of MSB would provides a clear signal to the development industry that Hamilton is open for business with modern and innovative financial opportunities. The WE HBA firmly believes that this policy change would continue to provide the City of Hamilton with the financial security needed and would have no impact on municipal revenues or expenditures, while creating millions of dollars for additional future development serving to increase not only job creation but also the City's housing supply.



Building Permit Reserve Fund – Affordable Housing

The WE HBA recognizes that through COVID-19 we are in an economic, health and housing crisis, and we recognize that unique circumstances warrant unique solutions. On December 9th at the General Issues Committee, Councillor Jason Farr tabled a motion to stimulate local development noting that the City of Hamilton currently maintains a *Building Permit Revenue Stabilization Reserve* of approximately \$22 million, and that if the province were to allow it, “the City could use a small portion of the funds to offset the cost of waiving Building Permit Fees for affordable housing.”

The WE HBA’s fundamental position on the *Building Permit Revenue Stabilization Reserve* is that if there are significant surplus fund in the reserve, then our members have overpaid for services and future fees should be adjusted accordingly. Therefore, while the WE HBA would not typically support the use of funds collected from the industry that are required to be used according to provincial legislation for a very specific purpose, the WE HBA recognizes we are in a unique situation and will support the Mayor’s December 21st request to the province. We would like to take this opportunity to provide our criteria to this initiative. As noted in the Task Force Report, the intent for the action was that it be limited in nature and that there would be further consultation with WE HBA. To ensure that this does not create a precedent, we offer these considerations:

- Temporary flexibility within the context of COVID-19 recovery to get shovels in the ground as stimulus should be limited to a 2-year period as articulated in the *Mayor’s Task Force Report*;
- The quantum of annual contributions for the 2-year period should as the Councillor’s motion stated, be a “small portion of the funds” to ensure the reserve continues to serve the purpose for which it was collected. Given that approximately \$22 million is currently in reserve, the WE HBA recommends that the principle amount collected for a specific purpose (stabilizing the building department in the event of a revenue drop) should be protected; however, the interest generated from the fund could serve as the amount of flexible funding to be dedicated to waiving building permit fees for affordable housing projects;
- Going forward, the WE HBA recommends a review of the *Building Permit Reserve Fund* to determine if the \$22 million in accumulated funds is appropriate and if reductions in permit fees for all application types should be supported to encourage broader investment across all property classes. Permit fees are intended to serve a specific purpose for cost recovery, therefore going forward a review is warranted to ensure fees are set appropriately, maintain competitiveness and support of positive investment climate for new housing supply.



It should be made clear to the City of Hamilton, that under the *Building Code Act*, permit application fees can be set at an amount that covers the cost to operate the building department and the fees are not permitted to exceed the anticipated reasonable costs of the municipality to enforce the *Building Code Act*. Building permit fees can also include a component designated for a reserve fund. The reserve fund is intended to ensure that, even if building activity in a municipality goes down, building department services can continue to be provided for a time without affecting the municipality's finances or staffing. Money in the reserve fund can only be used for costs of delivering services related to the administration and enforcement of the *Building Code Act*. The reserve fund is, therefore, not accessible for council to use to fund other municipal activities or subsidize. However, as previously stated, the WE HBA recognizes the extraordinary circumstances the pandemic has brought upon our city and we are pleased to offer the Mayor support to access the reserve with the previously articulated conditions.

Cash-in-Lieu of Parking Policy

The City of Hamilton requires developers to provide a minimum number of parking spaces per residential unit built – a significant cost that gets passed onto homebuyers (or renters). Providing parking spaces is a significant cost to development, especially for mid-rise and high-rise developments. In denser areas, creating an above ground parking structure costs about \$30,000 per space, whereas underground parking costs even more, at up to \$60,000 per space depending on the water table and soil conditions.

Demand for parking is shifting as a result of societal changes and other factors. Requiring minimum parking standards makes no sense for developments near transit, or in a society that utilizes “car sharing” apps, or for a city seeking to reduce GHG emissions. The *Mayor's Task Force Report* notes a short-term opportunity for, “cash-in-lieu of parking requirements – to create temporary City policy for 2-3 years that allows for a development in certain areas to have reduced parking requirements in exchange for cash-in-lieu of parking.” The *Mayor's Task Force Report* further recommends taking action for, “staff and council to explore changes to parking requirements through the task force as an opportunity for economic recovery and stimulus.” On December 9th a motion by Councillor Jason Farr was passed that, “planning staff be directed to report back to Planning Committee with options to modify the City's existing cash-in-lieu of parking policy to provide for a temporary reduced cash-in-lieu of parking fee within the Downtown Secondary Plan area for a temporary period”.

The WE HBA strongly supports this initiative and believes that there are further opportunities going forward to explore reductions to parking minimums and/or cash-in-lieu policies to improve housing affordability, encourage the construction of transit-oriented communities, to more efficiently use valuable land for uses other than surface parking, to reduce GHG emissions in the City of Hamilton and to reflect declining automobile ownership. It should be noted that the City of Edmonton recently eliminated minimum parking requirements, multiple American cities have reduced or eliminated parking requirements and the City of Toronto tabled a report on January 5, 2021 to its Planning and Housing Committee to review and consider reductions of their minimum parking requirements.



Ensure Hamilton Continues to Accelerate Approvals

The WE HBA notes that through COVID-19 the planning department has been proactive in moving to completely digital submissions, using WebEX for formal consultations and virtual public meetings. These steps undertaken during challenging circumstances are to be commended. The WE HBA wants to ensure that the City will take action on the remaining recommendations of the Mayor Task Force report. Specifically, focusing on the backlog of applications, improvements to processes for faster approvals and opportunities to implement further efficiencies going forward. It is our position that these changes are essential to support development industry in Hamilton which contributes not only to job creation but also home ownership opportunities for Hamiltonians.

Summary:

The WE HBA appreciates the opportunity for engagement and looks forward to future discussions and consultation on the implementation of these priority economic recovery initiatives. The WE HBA looks forward to working with the City of Hamilton to improve the public policy framework to deliver new housing supply in complete communities. We are all in this together and our membership is pleased to work collaboratively with the City of Hamilton, other stakeholders and the broader community. We understand that several of the policy proposals may differ from what our association or from what the City would typically support; but recognize the opportunity for innovative solutions in an effort to work together under extraordinary circumstances in a collaborative fashion.

A collaborative approach between the construction sector and government is essential to keeping job sites safe and healthy, delivering needed housing supply, spurring economic growth, and creating good jobs in our city. We look forward to working with the City of Hamilton to implement the recommendations of the Mayor's Task Force on Economic Recovery.

Sincerely,

Michael Collins-Williams, MCIP, RPP
Chief Executive Officer
West End Home Builders' Association

c. Jason Thorne – City of Hamilton - GM Planning & Economic Development

