

From: Michelle Diplock <michelle@westendhba.ca>
Sent: Tuesday, February 27, 2024 11:58 AM
To: clerk@hamilton.ca
Cc: Mike Collins-Williams <mikecw@westendhba.ca>; Anthony Salemi <Anthony@westendhba.ca>
Subject: WE HBA Letter - Hamilton Development Charges

Good morning,

Please see attached a letter with reference to Item 5.4 Correspondence respecting 2024 Development Charges Background Study and By-law Feedback (FCS23103(a)) (City Wide) for Council's consideration tomorrow.

Thank you,

Michelle
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West End Home Builders' Association

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Serving members in Hamilton, Burlington, and Grimsby

5.4 (j)

February 27, 2024

TO: Mayor and Members of Council

WE HBA Letter: 2024 Hamilton Development Charges

WE HBA would like to thank the Audit, Finance & Administration Committee for attending to our delegation, and for the commitment of Committee to working with the industry to understand the relationship between the DC rate and our members' ability to deliver housing.

Over the past 10 years, Hamilton has been doing well to reach its growth targets. Both 2021 and 2023 saw large numbers of housing starts and permits issued. This has been in large part due to a coordinated set of development incentives the City had put in place including pre-zoning land for development, ERASE, streamlining development approvals processes, and especially Development Charge Exemptions.

However, WE HBA would like to draw Council's attention to how the leading indicators show that the City should not rely on the past to predict our future. 2023 was the worst year for new home sales in Hamilton in the last decade, with sales falling from 2738 in 2020 to 939 in 2023, as shown below. Downtown Hamilton was identified by Zonda Urban as the neighbourhood with the highest unsold inventory for condo units for any submarket in the entire GTA as of the end of last year. This has repercussions for any other developers bringing additional sites to the market, given significant unsold inventory.

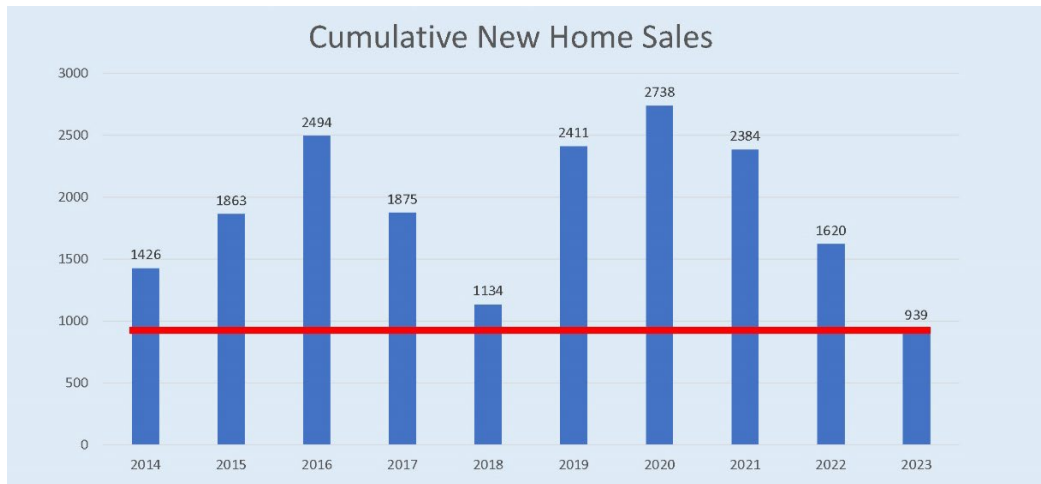


Figure 1: Cumulative New Home Sales in Hamilton, 2014-2023

WE HBA takes issue with the idea that the Hamilton intensification outlook is strong. We cannot rely on the past to predict our future. These incentive programs were brought in with good long-term intentions. Through a discounted DC rate, it helps level the playing field between greenfield development and intensification projects. For a development to be viable and for financial institutions to consider taking on risk associated with development to finance it, all developers need to demonstrate a strong margin on their escalating costs.

High-rise projects must pre-sell about 70% of a building to obtain construction financing. These sales are taking 12-24 months with risks increasing due to Hamilton now having the highest level of unsold inventory in the entire GTA. The gap seen in terms of sales will translate to a gap in completions in 2025 & 2026 with a risk of project cancellation. These years are vital as they are closest to the final payment from the federal government's Housing Accelerator Fund. If the City cannot make those housing start targets, the City will lose out on a more than \$20 million dollar payout.

In addition to meeting Hamilton's housing needs through intensification, these programs serve the financial interests of the City. The upfront DC Exemptions incentivize development in areas that need re-investment such as underutilized vacant lots. For example, before being developed, a vacant site or parking lot might generate \$20,000 a year in annual property tax value. After being developed, that same site with a 30-storey tower can generate \$2.6 million a year in annual property tax revenue. These numbers have a huge impact across the City. In 2022, new construction and the subsequent increased tax productivity of land added 1.6% in assessment growth, or \$15.7 million to the City's overall budget. This translates to yearly net benefit from the new buildings that had been constructed. That number increased in 2023, with new development providing an increased assessment rate of 1.9%.

The proposed removal of these programs is forcing many builders to put site acquisitions on hold and reconsider current proposals. Projects and sites that are not purchased now will ultimately not be built, significantly compromising the City's Housing Accelerator Fund commitments to the federal government and may result in the last payment not being achieved. The industry is very concerned the timing for the proposed removal of the incentive programs is—as one participant in the ongoing public engagement sessions said, “the worst time in history to be implementing such a change”. The removal of these incentive programs will have significant adverse impacts on Hamilton's Downtown intensification market for years to come. WE HBA is not opposed to the program being transitioned out, but it must be done slowly, not all at once – and not while we are just getting started addressing Hamilton's housing crisis. There are ways to better weather this recessionary storm. WE HBA requests Council to:

- Direct staff to work with the industry to maintain the programs for the time being and phase out incentives slowly over time.
- Maintain the 40% Exemption in the Downtown for 2024 and thereafter reduce it by 5% annually until phased out completely.

Predictability and stability provide the industry with the confidence to move forward with projects and deliver the housing Hamiltonians need – across the Housing Continuum. WE HBA looks forward to continued partnership and collaboration with the City.

Sincerely,



Michelle Diplock, RPP, MCIP, MPI
Manager of Planning and Government Relations West
End Home Builders' Association



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