

West End Home Builders' Association

1112 Rymal Road East, Hamilton

Serving members in Hamilton, Burlington, and Grimsby

5.17 (a)

May 8, 2024

TO: Mayor and Members of Hamilton City Council

WE HBA Letter: 2024 Hamilton Development Charges

WE HBA would like to thank the Audit, Finance & Administration Committee (AF&A) for attending to our delegation, and for the commitment of Committee to working with the industry to understand the relationship between the Development Charge (DC) rate and our members' ability to deliver housing. WE HBA appreciates the work City staff and Watson & Associates have done to balance the City's challenging fiscal environment with our housing crisis, and we are in full support of the City's proposal to slowly transition out the existing DC Exemptions.

We are requesting that the recommendations passed 7-1 at the Thursday, May 2nd AF&A Committee meeting be approved as it relates to the continuation and phase out of the DC Exemptions. We request Council ensure Hamilton maintains the Downtown CIPA DC Exemptions for 2024 into 2025, as we believe this Exemption is critical to the City reaching its housing targets and therefore attaining both Housing Accelerator Funding and Building Faster Funding. The industry requires stability and predictability in today's difficult economic environment. Maintaining the current Exemptions for 2024/2025 and providing a slow transition out is imperative.

WE HBA appreciates discussions amongst members of Council about moving towards a granting or incentive program. **WE HBA can support such a discussion about bringing forward a more robust incentive program in future, provided the proposal adopted by AF&A to slowly transition out the existing Exemptions is fully approved.**

Over the past 10 years, Hamilton has been doing well to reach our 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 has put in place including pre-zoning land for development, ERASE, streamlining development approvals processes, and especially DC 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.



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

The first quarter of 2024 has been the worst quarter for new home sales that has been seen since the Global Financial Crisis in 2009. And before Council today is a significant increase to DCs. The value of the proposed increase ranges from \$13,367 to \$17,718 per unit on a single detached basis and increases for two-bedroom apartments ranging from \$9,791 to \$12,701. The impact on housing affordability cannot be ignored.

Single Detached Proposed Increase

With Transition under Bill 23	Without Transition and subject to Bill 185
Combined Sewer System <ul style="list-style-type: none"> • + \$0 (year one no increase, \$ 57,195 /SFD) Separated Sewer System <ul style="list-style-type: none"> • +\$782 (1.2% increase, \$ 67,746 /SDF) 	Combined Sewer System <ul style="list-style-type: none"> • +\$ 13,367 (23.0% increase, \$ 71,494 /SFD) Separated Sewer System <ul style="list-style-type: none"> • +\$ 17,718 (26.5% increase, \$ 84,682 /SFD)

Figure 2: Proposed increase for a Single Detached Unit ranging from \$13,367 to \$17,716 per unit to a total Development Charge of between \$71,494 to \$84,682 per unit.

Two Bedroom Proposed Increase

With Transition under Bill 23	Without Transition and subject to Bill 185
Combined Sewer System <ul style="list-style-type: none"> • + \$ 1,024 (3% increase, \$ 35,066 /2 Bedroom Condo) Separated Sewer System <ul style="list-style-type: none"> • +\$ 2,317 (5.9% increase, \$ 41,534 /2 Bedroom Condo) 	Combined Sewer System <ul style="list-style-type: none"> • +\$ 9,791 (28.8% increase, \$ 43,833 /2 Bedroom Condo) Separated Sewer System <ul style="list-style-type: none"> • +\$ 12,701 (32.4% increase, \$ 51,918 /2 Bedroom Condo)

Figure 3: Proposed increase for a Two Bedroom Unit ranging from \$9,791 to \$12,701 per unit to a total Development Charge of between \$43,833 to \$51,918 per unit.

Transitioning in the increased rates is crucial and will remain a core component of WE HBA's provincial advocacy. Through Bill 185, the province is considering removing the existing transition framework that was brought in through Bill 23. Without the transition policies that were in place, builders and developers will encounter an overnight increase to the DC rate of 28% to 32.4%, and not the proposed rates that were consulted on for 2024 through the City's detailed consultation on the Background Study which began in 2022.

Not only will this impact builders and developers, but it will also significantly impact new home buyers who will likely be unable to close on the homes they have purchased. The Planning Act authorizes the sale of homes upon the issuance of Draft Plan Approval by the municipality. In practice, homes are generally sold following the receipt of first engineering comments after the 'Draft Plan Approval' date. There are several subdivisions in Hamilton that were Draft Approved after the effective date of Bill 23, and subsequently sold based on the provincial transition policies and the ongoing municipal consultation. Standard form of purchase agreements provide that all DCs and levies are included in the purchase price, and any increases after that agreement date are to be paid by the buyer on closing.

Many sale agreements have been completed during the time frame when the Bill 23 transition policies were in effect. The applicable DCs in Hamilton for new homes sold and to be constructed are 80% of the base rate to be approved by Council. The difference will be an adjustment to the purchase price of every new home sold in Hamilton. There are many Hamilton families that will be immediately impacted by this. Both the price of the home and the buyer's mortgage

commitment had been fixed in accordance with the applicable taxes in place at the time of the purchase contract. Buyers are currently awaiting construction of their homes, and in many cases have 'maxed out' their available funds. Put bluntly, the decision to eliminate phasing of the DC By-law's effect at this time will either force many families out of their homes or result in significant hardship to the Hamiltonians who purchased pre-construction homes.

Finally, WE HBA wishes to draw Council's attention to the impact of taxes on new home construction (through DCs) as compared with impacts to the rate of inflation, property tax increases, and home prices.

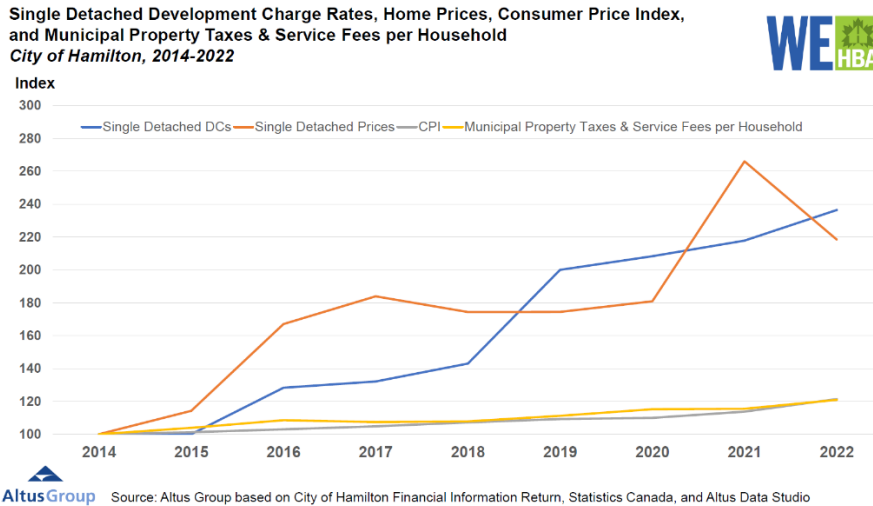


Figure 4: Chart identifying how Development Charges and housing prices significantly outpace the Consumer Price Index and Property Tax Increases for single detached homes in Hamilton, Ontario.

Over the past 10 years, property tax increases (yellow line) in Hamilton have charted right alongside inflation and the Consumer Price Index (CPI) (grey line). However, DCs or municipal taxes on building a new home track beyond inflation and the CPI.. We have record levels of population growth - and to solve it, governments have been adding taxes upon taxes to build new homes under the assumption "the market can bear it". For a long time, the market was bearing it. But the market is new home buyers, young families, and newcomers, and the situation has become untenable. Even as single detached prices came down (orange line) - municipal DCs (about 10% of the cost of a new home) continued to go up. The chart below demonstrates the DC on building new townhomes continues to drive up the cost of housing.

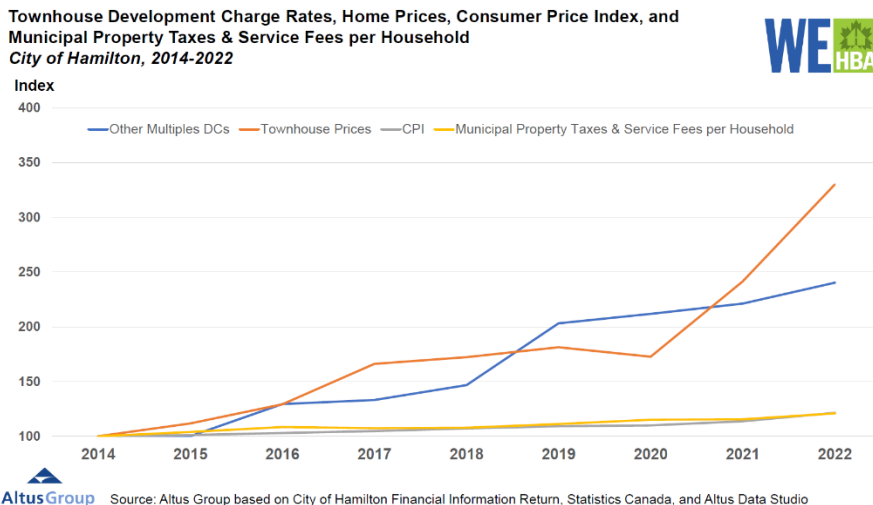


Figure 5: Chart identifying how Development Charges and housing prices significantly outpace the Consumer Price Index and Property Tax Increases for townhomes in Hamilton, Ontario.

And finally - apartments. Hamilton Council has committed to 80% of all new homes for new Hamiltonians being apartment units. This should mean lowering the costs, taxes and fees to build them. Unfortunately, within the last decade the opposite has been true. In fact, the rate of DC increases to new apartments in Hamilton out paces the increase of new apartment prices by a significant amount.

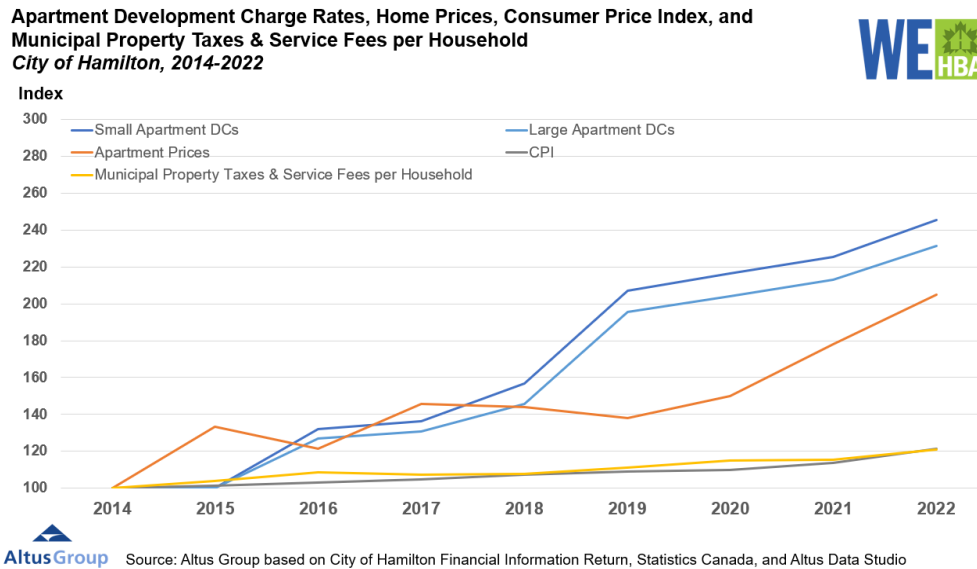


Figure 6: Chart identifying how Development Charges and housing prices significantly outpace the Consumer Price Index and Property Tax Increases for Apartments in Hamilton, Ontario.

At the May 2nd AF&A Committee, Councillor Clark asked “Who pays for growth?”, and the answer is, we all do. But when we focus on the mantra “Growth pays for growth”, we all pay for growth in lost opportunities for our children, newcomers and workforce as we keep municipal property taxes low and load on costs to the construction of new housing in a housing crisis through DCs.

This is not equitable. WE HBA appreciates the time and efforts put forward by City staff, Members of Council and Watson & Associates to bring forward a balanced approach to phasing out DC Exemptions. Should there be direction to implement a more robust granting program in addition to maintaining the DC Exemptions WE HBA would appreciate being involved in the process.

Sincerely,

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