



May 29, 2025

From:
West End Home Builders' Association
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To:
**Hamilton Planning and Economic
Development Department**
City of Hamilton, 71 Main Street West

WE HBA Letter: Review of Development Charges and Developer Incentives

The West End Home Builders' Association ("WE HBA") is the voice of the land development, new housing and professional renovation industries in Hamilton, Burlington, and Grimsby. WE HBA represents 320 member companies made up of all disciplines involved in land development and residential construction. In the Hamilton CMA in 2023, residential construction contributed over \$3.8 billion in investment value and provided nearly 17,000 jobs paying about \$1.2 billion in wages¹. WE HBA notes that these economic indicators are in rapid decline as housing starts continue to drop. As such we appreciate staff reviewing Development Charges ("DCs") and Development Incentives and how this will impact our members ability to deliver housing.

New provincial legislation (Bill 17, the "Protecting Ontario by Building Faster and Smarter Act") modernizes the *Development Charges Act, 1997* to make it easier for municipalities to lower development charge ("DC") rates by removing requirements for a background study to be conducted. This would allow municipalities like the City of Hamilton to quickly respond to economic conditions and reduce their current DC rates, such as cancelling annual DC indexing or providing exemptions for certain types of developments to help boost housing supply. Cities such as Toronto have already taken a proactive approach to pause their planned indexing; Bill 17 will make it easier for Hamilton to do so as well.

By way of Bill 17, the provincial government is demonstrating strong provincial interest for greater standardization, predictability and transparency through changes to the DC methodology and framework. WE HBA is very pleased that the provincial government is adopting WE HBA's and our provincial Ontario Home Builders' Association's ("OHBA") recommendation to defer all non-rental residential DC payments until the building is ready for occupancy, instead of when the first building permit is issued. This proposal would also remove interest charges on all deferred DCs, including for rental, ownership and institutional projects. In WE HBA's letter to Mayor Horwath on March 12th, WE HBA requested an immediate deferral in the payment of DCs from building permit stage to occupancy permit stage. This request was reiterated in WE HBA's Open Letter to the Mayor and Members of Council on April 9th, 2025 in collaboration with the Hamilton Chamber of Commerce, the Cornerstone Association of Realtors, and the Hamilton Halton Construction Association. Given the provincial legislation and intention for regulatory amendments, WE HBA requests that the City of Hamilton move to adopt interest-free deferrals as soon as possible.

WE HBA also recommends that the City of Hamilton review all aspects of the proposed legislative amendments to the *Development Charges Act, 1997* and future regulations to ensure

¹ CHBA Economic Impacts 2023 Fact Sheet, City of Hamilton.



that the City is prepared to rapidly modernize and reform our DC regime and improve equity. WE HBA notes that simply freezing DCs will not work in municipalities such as Hamilton which have raised them to impossible and regressive levels. Major reforms are required if meaningful housing supply is to be built in Hamilton. WE HBA notes the following key legislative amendments:

- Proposed new regulation-making authority that would allow DC eligible services to be combined for DC credit purposes.
- Proposed new regulation-making authority to define what counts as local service infrastructure.
- That the City immediately adopt the new provincial approach for future developments to pay either the current DC rates or the rates that were frozen at the time of Site Plan or Zoning By-law Amendment application –whichever is lower.
- Review implications of the regulation-making authority to set limits and exceptions on what capital costs can be included in municipal development charge calculations which will make DC costs more predictable.
- WE HBA looks forward to a much more accountable and transparent DC framework with clear rules for how to calculate Benefit to Existing (“BTE”). Currently, we believe that new growth is subsidizing existing taxpayers in Hamilton which is inequitable and unfair to young Hamiltonians. The new rules should ensure that municipalities including the City of Hamilton properly account for the benefits of new infrastructure for current residents and businesses and subtract that benefit from the future DC rate. The current system is inconsistent from municipality to municipality and does not properly account for the true BTE while placing an unfair burden on new residents.
- WE HBA is concerned by the rapid increase in DC reserve funds in Hamilton amid a housing crisis. We are pleased that the provincial government is proposing to consult on changes to the regulation so that municipalities must spend or allocate at least 60% of their DC reserve funds annually for all DC services. Growth paying for growth should not mean young families amortizing tens of thousands of dollars in DC payments into 25- or 30-year mortgages only to have much of that money sitting in municipal reserves collecting interest for years.

While WE HBA appreciates the DC By-law Amendment being brought forward aimed at increasing housing supply and reducing costs for both homebuyers and renters including extending the phase out of the Downtown CIPA Partial Exemption, extending the eligibility period for demolition credits, a temporary partial exemption of DCs for 2-bedroom and larger residential apartment units, and an alternative for consideration regarding blanket DC exemptions, the City of Hamilton should take much bolder action to provide broader temporary DC relief.

WE HBA strongly recommends the City immediately cut DCs by 50% for all residential projects for a two-year period. Furthermore, DCs should be waived in their entirety for Downtown for two years. Reduced DCs will significantly contribute to the economic viability of both current and future housing projects and keep applications moving through the pipeline. Importantly, they will also help minimize the costs borne by individuals and families seeking to purchase or rent new residential units. Other GTHA municipalities have taken bolder action to reduce DCs across the board and reduce the burden of taxation on new housing. Higher levels of



government are concurrently taking action, including the federal government's announcement to introduce a new GST rebate for first-time home buyers (named the "FTHB GST Rebate"), which will remove the GST on new homes at or under \$1 million and lower it on homes between \$1 million and \$1.5 million for all first-time home buyers, effective May 27, 2025. All three levels of government must be in alignment to reduce the burden of taxes on new housing in the face of an existential threat to the industry.

Municipal Leadership in Neighbouring Jurisdictions

Over the past several months, municipalities across Ontario have increasingly acknowledged the substantial impact that DCs and other fees have on the feasibility and final cost of housing delivery. Vaughan Mayor Steven Del Duca brought forward a Member resolution in September 2024 to "find solutions to this housing crisis, position the City to address affordability challenges, and to make life easier, particularly for young families," and direct[ed] staff to report back on those solutions. Staff reported back to "recommend that [an update to the population and employment forecasts and a complete refresh of the DC study and capital program] be undertaken, and a fulsome City-Wide DC Study and By-law update be completed. As an interim measure, until a new DC background study and by-law are approved and enacted, Council can direct staff to revise the DC rates on all residential development applications, through section 27 agreements, to the date in effect on September 21, 2018, which are the first published rates under the 2018 DC by-law". This was implemented by the City in January of this year. According to the City of Vaughan's calculation, residential DCs had risen 66% since 2018; the reset reduced low-rise residential DC rates from \$94,466 to \$50,193. Vaughan Mayor Steven Del Duca publicly stated that , *"Development Charges have become an unfair tax burden on homebuyers... We have a housing affordability crisis and it is time for us to get real about the solutions needed to solve it."* WE HBA supports Mayor Del Duca's assessment.

In September 2024, Mississauga Mayor Carolyn Parrish launched the Mayor's Housing Taskforce to create a report with recommendations to improve housing supply and address affordability. The report, received in January, recommended DC reform. A week after receiving the report, Mississauga Council approved a motion (attached) to immediately:

- Reduce all residential DCs payable by 50% (developments with foundation building permits)
- Reduce 3-bed and purpose built-rental DCs payable by 100% (developments with foundation building permits)
- Defer collection of residential DCs until first occupancy permit is issued, instead of building permit
- Repeal the City's Community Benefits Charge By-law
- Request the Region match incentives and implement a new purpose-built rental housing tax subclass to reduce property tax by 35%

Mayor Carolyn Parrish recently stated, *"There was a 95 per cent drop in new high-rise sales in the region last year. It is clear we can no longer afford to wait. We must do what we can right now to help get shovels in the ground - our residents deserve nothing less."*



In April, members of Toronto City Council voted in favour of freezing DCs at their current rates, effective May 1st. This came a week before DCs were set to rise by 4% and offers reprieve for new housing development in the city. As outlined in a motion that went to Council on April 23rd and 24th, the City's Chief Financial Officer is authorized, as of May 1st, to use Section 27 agreements on all new housing developments to suspend DC increases until a "comprehensive review" has been completed and a new by-law adopted.

The City of Hamilton must do more to recognize the impact of skyrocketing DCs on the ability of the industry to deliver housing. Cities are forgoing revenue by failing to account for price elasticity; higher taxes translate to lowered development levels. Municipal DCs treat the amount of DCs as a constant, regardless of the DC level. Excessive DCs lead to fewer homes and less revenue than projected in DC background studies. DCs result in new homebuyer financing municipal infrastructure through their mortgages and paying taxes on top of taxes (GST, PST, land transfer tax on DCs).

Again – to reiterate - WE HBA strongly recommends the City immediately cut development charges (DCs) by 50% for all residential projects for a two year period and that Development Charges should be waived in their entirety for Downtown for two years. We look forward to continued dialogue as the new housing industry works with the City to collaborate on solutions to address the housing supply crisis. Thank you for the opportunity to provide feedback in advance of the June 12th Public Meeting.

Sincerely,

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