March 10, 2009

Dear Mayor Eisenberger:

Since 1942, the Hamilton-Halton Home Builders’ Association (HHHBA) has been the proud voice of the local new home construction industry. Currently, we advocate on behalf of nearly 300 member companies representing builders, developers, trades, suppliers and service professionals. We also work on behalf of the consumer in an effort to promote choice and affordability in the local new home market.

As with all other sectors, the local residential construction industry is very concerned with the present state of the economy and the effect it seems to be having on local jobs and businesses. Like you, we were stunned by the news of the temporary shutdown of U.S. Steel and the layoff of nearly 1,500 employees. The losses are a substantial hit to Hamilton’s employment base and we genuinely sympathize with the many individuals and families affected by the unfortunate situation. These people are our customers as well as your constituents.

In 2008, over 2,100 new homes were built in the City of Hamilton. With more than three people-years of work created with the construction of each new home, it’s easy to calculate the direct impact the construction of those homes had on our economy and our employment base. That’s close to 6,500 jobs created last year as a direct result of the new homes built in our city and better than $350 million in wages. The importance of the residential construction industry cannot be overstated.

Mr. Mayor, the impact of additional costs of housing to the consumer can also not be overstated. Simply put, every thousand dollars of policy driven price increases to the cost of new homes in our area result in fewer housing starts, fewer jobs and less annual revenues for all three levels of government. Moreover, the lost potential future tax revenues for the municipality are staggering.

The HHHBA believes that development charges are a legitimate source of revenue for municipalities when used to offset costs directly resulting from new growth. Our association has always recognized this fact and has never objected to the industry paying its fair share. The impending situation, however, cannot reasonably be considered fair with new home buyers shouldering a disproportionate burden of the cost of major infrastructure projects. In short, spiralling development charges have reached unsustainable levels.

Proposed increases to development charges as they pertain to WWTP costs do not suggest that alternatives to the design are being investigated. We want to remind you that in 2006, the budget for the upgrade and expansion was literally half of what it currently is. In a market already terribly affected by dark economic times, we are gravely concerned about the potential increases to the city’s development charges this year.

According to a recent report released by Canada Mortgage and Housing Corporation, relative to the average price of a new home, government imposed charges on the cost of a new home in Hamilton are the fourth highest in the country. This report uses data from 2006 and does not take into consideration any potential increases to development charges. We suspect that should the city push forward with its proposed increases, Hamilton will...
move higher up that list. Knowing that fact, it’s no wonder that Hamilton’s per capita residential growth performance is very weak when compared to other cities across the country.

These stark realities fly in the face of the fact that a full 20 per cent of the city’s population lives at or below the poverty line. Hamiltonians simply cannot afford any more increases to the cost of new homes in the form of taxes, fees or levies – increases which not only put new homes out of reach for consumers but also artificially raise the value of resale homes.

At this very critical time, any proposed increases to permit and planning fees and development charges need to be carefully considered. Our builder members have all asked their trades and suppliers for concessions in order to remain competitive and hold the line on costs. We are a captive market to the municipality and these increases cannot be passed by way of price increases. The Hamilton market, which struggles desperately for a city its size, remains extremely price sensitive. The preliminary proposed increases to development charges alone will effectively eliminate any and all advantages that have found to this point in time. The end result of such increases will have devastating consequences as hundreds, and perhaps thousands, will be required to find work elsewhere.

Mr. Mayor, with so many people struggling to find ways to make ends meet at present, doesn’t it make sense to do everything possible to keep our city growing and keep our citizens working? Toronto Mayor David Miller believes so and he has successfully advocated for a two-year freeze on development charges in the City of Toronto as well as an economy-sensitive phase-in period. We believe so as well and we strongly urge you and your council not only to place an immediate freeze on Hamilton’s development charges but also to consider a roll-back on charges as a way to help stimulate the local economy and to save jobs.

This week CMHC has released preliminary housing start numbers for the month of February which show starts down by over 60 per cent from 2008. It is no coincidence that several of our larger builder members have reported they’ve had to lay off as much as half of their respective staffs. These layoffs don’t take into consideration the trades and suppliers also directly affected by a slowdown. If this trend continues, over 3,000 people working in our industry here in Hamilton will be left jobless.

For the sake of the thousands of jobs created by the residential construction industry and the thousands of people who might like to call Hamilton their new home this year, we hope you’ll show leadership and courage on this very important issue. We need to work together to provide real solutions to our infrastructure requirements – solutions that don’t effectively kill the local new home construction industry.

We await your response and join you in hoping for better days ahead.

Sincerely,

Steve Spicer, HHHBA President

cc. all City of Hamilton Councillors