May 6, 2010

Mayor Fred Eisenberger and members of the Committee of the Whole City of Hamilton Centre
77 James Street North
Hamilton, ON
L8R 2K3

Re: City of Hamilton 2010 Development Charges

Please accept this letter in objection to the City of Hamilton Report on 2010 Development Charges (the ‘Report’). Losani Homes definitively opposes the recommended full development charge (DC) increase (per Table 3 of the Report) effective July 6, 2010.

Losani Homes unequivocally supports option one on page 14 of the report as recommended by the Hamilton Halton Home Builders Association (HHHBA) identifying a continued freeze of DC through December, for the reasons as outlined below:

Economic Factors
Leaving economists from Canada’s leading banks are unanimous in their message that we are still very much in a recovering market from the devastating global recession and the recovery will be a slow and lengthy one. While there are signs of improvement we are a long way away from market stability. A review of the markets daily displays that lack of stability due to a lack of consumer confidence. In addition to the lack of consumer confidence 2010 presents many challenges to the economy, especially homebuilders as follows:

a) **HST Implementation** – The 2% net difference (between the HST and the HST rebate) has been promoted as being offset by reduced input costs within the construction process, however in fact, this is not the case. The reduction is only 1.4% (based on current input prices) leaving the remaining difference 0.6% (up to $2,400 builder cost on a $400,000 home) to be passed along to the homeowner.

b) **Interest Rate Hikes** – Record low interest rates will not continue. The Bank of Canada has indicated that interest rates will increase in July 2010. Most experts predict several consecutive quarters of interest rate hikes from 0.25% to 0.5% per quarter. This will have a negative impact on consumer mortgages continuing to make home ownership less affordable.

c) **Tighter Mortgage Regulations** – Potential homeowners must now qualify for a 5 year fixed rate mortgage to be approved for financing at lending institutions. This will limit the number of qualified candidates and the pool of potential homeowners.
d) **Commodity/Construction Input Pricing** – 2009 marked a year of record low for commodity prices and construction costs of material and labour. Trades who made price concessions in 2009 to keep new housing affordable will now demand increases therefore driving up the costs of new housing. Commodity prices such as steel and lumber were at record lows in 2009, information indicates that lumber prices alone will increase 50% in 2010 Q3.

These factors in addition to an increase in DC will create a ‘perfect storm’ scenario which will be **fatal** to the local housing market as input costs will increase, HST will cause a price increase, and the pool of qualified purchasers will decrease.

**Housing Statistics**
CMHC first quarter forecast released February 16, 2010 indicates that national annual housing starts will be 171,250 forecasted for 2010 which represents a 23% decrease from 2008 levels and a 17% decrease from average annual pre-recession numbers, of 200,000, as outlined in the report. Fiscal 2011 forecasts starts are 175,150, a 21% decrease from 2008.

Hamilton housing starts projected for 2010 are 1,975 compared to 3,529 in 2008, 3,004 in 2007, and 3,043 in 2006 (CMHC first quarter 2010 forecast).

New housing permits issued in the first four months of 2010 for Hamilton were 424 down 14% from 2008 and 13% from 2007.

Point 3 of the executive summary on page 2 of the Report indicates “reported March sales to be up 38% over the same month last year”. This information proves irrelevant as i) the Realtors Association of Hamilton and Burlington figures include resale homes which is skewing the results and represents a different market and ii) the comparison base is March 2009, a year of historic lows.

Our economy is still in a fragile state and this decision will prove to hamper recovery efforts. As stated, Losani Homes is in strong opposition to the DC strategy proposed by the City of Hamilton. As stated Losani is in support of the Hamilton Halton Homebuilders Associations **Option 1** recommendation as outlined on page 14 of the 2010 Residential Development Charges (SCS10035) report.

Please feel free to contact myself for any further discussion on this matter.

Respectfully,

Fred Losani, CEO  
Losani Homes

Cc: Mr. Roberto Rossini, City of Hamilton

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