

Date: May 11, 2024

Subject: Request for Extension to Draft Condo Approval for 167/173 St Catharines Street

To: Staff and Council – Township of West Lincoln

I am writing to formally request an extension to the draft plan of condominium approval for our development project located at 167/173 St Catharines Street in Smithville, Ontario. We have made substantial progress internally since the last extension was granted.

Internally, our team has diligently deliberated on navigating the intricacies of the development agreement and the conditions stipulated within the draft plan of condominium submission. This concerted effort aims to facilitate a seamless transition from the developmental phase to the implementation of deep servicing infrastructure, thereby ensuring the successful launch and subsequent build-out of the infill townhouse project. Our planners and engineers are actively engaged in orchestrating this critical phase, recognizing the paramount importance of addressing the requisite infrastructure prerequisites for a project of this nature.

Our unwavering commitment extends to meticulously addressing the conditions outlined in the draft condominium plan, underscoring our dedication to establishing a viable and sustainable project at the designated property. We are acutely cognizant of the pressing need for increased housing supply (i.e. missing middle) in Smithville and remain resolute in our endeavor to contribute.

Furthermore, we are cognizant of the financial considerations inherent in this undertaking, encompassing aspects such as security, development charges, permit fees, and the anticipated influx of new property tax revenues. These facets underscore our comprehensive approach towards ensuring the fiscal viability and long-term sustainability of the project, which benefit the local community.

Our appeal for a one-year extension is motivated by a series of significant developments that have transpired after our initial application submission. These factors necessitate a prudent reassessment of the project timeline to ensure its successful realization.

Economic Uncertainty

"Rising interest rates to tame inflation and labor shortages hindered the country's ability to create much-needed housing supply." (<https://shorturl.at/pzHUW>)

In the above statement attributed to Michel Tremblay, acting president, and chief executive officer for CMHC, the impacts of economic fluctuations are eloquently articulated.

For builders and developers, the trajectory of economic conditions profoundly influences strategic decisions. As elucidated in the discourse, an adverse economic climate can impede project viability, thereby restraining tangible progress despite the best intentions. Particularly noteworthy is the recent surge in interest rates by the Bank of Canada, a development that has engendered pervasive economic uncertainty among all stakeholders, including developers, builders, suppliers, buyers, and labourers.

Builders traditionally exercise prudence, awaiting favorable market conditions and an amelioration of economic indicators before embarking on housing projects. However, the prevailing circumstances, as expounded, do not favor either buyers or builders, thus impeding the commencement of significant residential endeavors in locales such as Smithville. The anticipation of improved economic conditions is the harbinger of renewed construction activity.

Cost Escalation

“This lack of predictability or control over costs can reduce the number of housing starts or the speed with which new housing units come onto the market,” the CMHC noted. (<https://shorturl.at/nwL58>)

The discourse amplifies the concerns articulated by the CMHC regarding the lack of predictability and control over costs, highlighting their deleterious impact on housing starts and market dynamics. Notably, empirical evidence cited from CMHC underscores a substantial escalation of construction costs by 30% over the past two years, specifically pertaining to the hard costs of construction. (<https://shorturl.at/lpqwU>) This precipitous rise renders projects financially unfeasible, stifling incentives for builders to initiate new housing initiatives. The confluence of heightened construction expenses and a marked decline in home values in regions such as the Niagara area exacerbates the stagnation in construction endeavors across Ontario. CREA data shows Niagara region average home values have dropped by 23.5% since Q1 2022 is a primary reason why builders have stalled on projects throughout Ontario.

Moreover, the impending increase in soft costs, exemplified by the proposed doubling of development charges by the Township of West Lincoln, exacerbates the financial burdens associated with housing construction. Such municipal interventions augur a further escalation in housing costs, underscoring the imperative for cost stabilization and favorable financing terms to reignite housing starts.

Draft **Development** Charges Comparison – Residential

Service	Current	Calculated
Municipal Wide Services:		
Services Related to a Highway	6,836	18,824
Fire Protection Services	461	2,256
Parks and Recreation Services	5,434	6,558
Library Services	977	1,223
Growth Studies	401	-
Total Municipal Wide Services	14,109	28,861
Urban Services:		
Stormwater Services	85	22
Wastewater Services	530	5,325
Water Services	1,293	267
Total Urban Services	1,908	5,614
Grand Total - Urban Area	16,017	34,475

Market Conditions

“The interest rates are high and demand is getting lower, so they’re not building,” said Welland Mayor Frank Campion. (<https://shorturl.at/fDM39>)

The Niagara Association of Realtors has documented a total of 6 comparable townhouse sales in 2024 in Smithville. There is not enough demand (due to high interest rates) to go to market for this infill development site today without massive risks to the builder, and home buyer.

In elucidating the prevailing market conditions, the discourse channels insights from Welland Mayor Frank Campion, who underscores the intersection of high interest rates and dwindling demand as pivotal determinants constraining construction activities. This sobering assessment underscores the imperative for builders to recalibrate their strategies in response to evolving market dynamics.

Acknowledging the intrinsic desire of builders to commence construction, the discourse underscores the exigency of aligning macroeconomic variables with market demand to mitigate risks associated with housing ventures. Empirical observations, such as the paucity of comparable townhouse sales in Smithville, corroborate the apprehensions surrounding market saturation and buyer reluctance, further complicating the financing landscape for builders.

Financial Challenges

“60 projects totalling 21,505 units in the GTHA having put their launch plans on hold indefinitely since the market began slowing in 2022” (<https://shorturl.at/hjnxF>)

The discourse transitions seamlessly to elucidate the financial impediments confronting builders, characterized by the arduous task of securing financing amidst an environment of heightened market volatility and consumer reticence. Citing data pertaining to the deferment of launch plans for numerous projects in the Greater Toronto and Hamilton Area (GTHA), the discourse underscores the pervasive nature of financial constraints permeating the construction landscape.

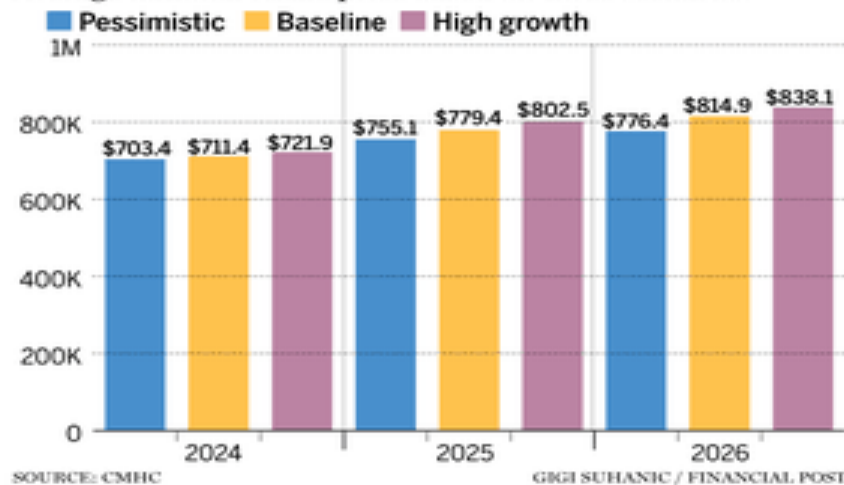
The symbiotic relationship between buyer behavior and financing feasibility is underscored, with dwindling pre-construction condominium sales compounding challenges associated with unlocking traditional financing mechanisms. In the absence of robust buyer engagement, builders are ensnared in a quandary, unable to fulfill requisite pre-sale quotas to trigger financing disbursements, thereby necessitating extensions to project timelines.

Moving Forward

Drawing from insights gleaned from the April 4th, 2024, Housing Market Outlook Report by CMHC (<https://shorturl.at/knSX5>), the discourse charts a trajectory towards economic convalescence. Forecasts of a resurgent market, predicated on lower interest rates, robust economic fundamentals, and population growth, augur a return to consumer confidence and heightened housing demand. The envisaged equilibrium in market dynamics promises a salutary environment conducive to housing starts and sustained economic activity.

CANADIAN HOME PRICES FORECAST TO RISE

Average national resale price based on three scenarios



Considering these considerations, the entreaty for a one-year extension to the Draft Plan of Condominium at 167/173 St Catharines Street in Smithville, Ontario, assumes heightened significance. Embracing economic stability, cost containment, balanced market conditions, and traditional financing modalities, this extension embodies a pragmatic approach towards navigating prevailing uncertainties and fostering a climate conducive to sustainable growth and prosperity.

Sincerely,

A handwritten signature in black ink, appearing to be 'CT', written in a cursive style.

Chris Tsiropoulos
Brantwood Homes Inc.