



City of Hamilton
AUDIT, FINANCE AND ADMINISTRATION COMMITTEE
AGENDA

Meeting #: 24-004
Date: February 22, 2024
Time: 9:30 a.m.
Location: Council Chambers
Hamilton City Hall
71 Main Street West

Tamara Bates, Legislative Coordinator (905) 546-2424 ext. 4102

1. **CEREMONIAL ACTIVITIES**
2. **APPROVAL OF AGENDA**
(Added Items, if applicable, will be noted with *)
3. **DECLARATIONS OF INTEREST**
4. **APPROVAL OF MINUTES OF PREVIOUS MEETING**
 - 4.1 February 8, 2024
5. **COMMUNICATIONS**
6. **DELEGATION REQUESTS**
7. **DELEGATIONS**
8. **STAFF PRESENTATIONS**
 - 8.1 Accounts Payable Special Investigation (Fraud and Waste Report #65357)
(AUD24001)
9. **CONSENT ITEMS**
 - 9.1 Grants Sub-Committee - Clerk's Report (February 12, 2024)

Members of the public can contact the Clerk's Office to acquire the documents considered at this meeting, in an alternative format.

- 9.2 City Enrichment Fund Community Consultation Update (GRA23003(c)) (City Wide)
(Outstanding Business List Item)

Referred from Grants Sub-Committee, February 12, 2024

10. PUBLIC MEETINGS

- 10.1 2024 Development Charges Background Study and By-law Update - Open House
Feedback (FCS23103(a))

10.1.a Registered Delegations

10.1.a.a Michelle Diplock, West End Home Builders Association

10.1.a.b Veronica Green, Slate Asset Management

10.1.a.c Alan Leela, Vantage Developments

10.1.b Written Submissions

10.1.b.a Brandon Donnelly and Veronica Green, Slate Asset
Management

11. DISCUSSION ITEMS

- 11.1 2023 City Enrichment Fund Update (GRA24001) (City Wide)

Referred from Grants Sub-Committee, February 12, 2024

12. MOTIONS

13. NOTICES OF MOTION

14. GENERAL INFORMATION / OTHER BUSINESS

15. PRIVATE AND CONFIDENTIAL

- 15.1 Auditor General Reporting of Serious Matters to Council (Case #71958)
(AUD24002)

Pursuant to Section 9.3, Sub-sections (a) and (f) of the City's Procedural By-law 21-021, as amended, and Section 239(2), Sub-sections (a) and (f) of the Ontario Municipal Act, 2001, as amended, as the subject matter pertains to the security of the property of the City or a local board and advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

16. ADJOURNMENT



AUDIT, FINANCE AND ADMINISTRATION COMMITTEE MINUTES 24-003

9:30 a.m.

February 8, 2024
Council Chambers
Hamilton City Hall

Present: Councillors T. Hwang (Chair), J. Beattie, B. Clark, M. Spadafora, M. Tadeson, A. Wilson and M. Wilson

Absent with

Regrets: Councillor C. Kroetsch – City Business

THE FOLLOWING ITEMS WERE REFERRED TO COUNCIL FOR CONSIDERATION:

1. **2023 City of Hamilton External Audit Planning Report (FCS24009) (City Wide) (Item 8.1)**

(Spadafora/Clark)

That Report FCS24009, respecting 2023 City of Hamilton External Audit Planning Report, be received.

Result: Motion CARRIED by a vote of 7 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
ABSENT - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

2. **CONSENT ITEMS (Items 9.1-9.5)**

(Spadafora/Tadeson)

That the following Consent Items, be received:

- (a) 2023 Third Quarter Emergency and Non-competitive Procurements Report - FCS23019(b) (City Wide) (Item 9.1)

- (b) 2023 Third Quarter Non-compliance with the Procurement Policy Report – FCS23020(b) (City Wide) (Item 9.2)
- (c) 2023 Third Quarter Request for Tenders and Proposals Report – FCS23021(b) (City Wide) (Item 9.3)
- (d) Water Leak Protection Program Update (FCS21087(b)) (City Wide) (Item 9.4)
- (e) Hamilton Street Railway Pension Plan Valuation at January 1, 2023 (FCS24010) (City Wide) (Item 9.5)

Result: Motion CARRIED by a vote of 7 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
ABSENT - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

3. Single Source Procurement of Gartner Canada Co. Technology Services Data Leaders Module (FCS24013) (City Wide) (Item 10.1)

(Spadafora/A. Wilson)

That the General Manager of Corporate Services or designate be directed to negotiate a single year Single Source Agreement; prepare the necessary documents satisfactory to the City of Hamilton (City) Solicitor; and enter into an Agreement for subscription services for the Data Leader modules from Gartner Canada Co. (Gartner).

Result: Motion CARRIED by a vote of 7 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
ABSENT - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

FOR INFORMATION:

(a) CHANGES TO THE AGENDA (Item 2)

The Committee Clerk advised of the following changes to the agenda:

9. CONSENT ITEMS

- 9.1(a) 2023 Third Quarter Emergency and Non-competitive Procurements Report - FCS23019(b) (City Wide) –
CORRECT REPORT AND APPENDIX A PUBLISHED

(Beattie/Tadeson)

That the agenda for the February 8, 2024 Audit, Finance and Administration Committee meeting, be approved, as amended.

Result: Motion CARRIED by a vote of 6 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
ABSENT - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
ABSENT - Ward 14 Councillor Mike Spadafora

(b) DECLARATIONS OF INTEREST (Item 3)

There were no declarations of interest.

(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 4)

(i) Approval of Minutes of the Previous Meeting (Item 4.1)

(Beattie/M. Wilson)

That the following Minutes, be approved, as presented:

- (1) January 18, 2024 (Item 4.1)
- (2) January 29, 2024 - Education Development Charges Hearing (Item 4.2)

Result: Motion CARRIED by a vote of 7 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
ABSENT - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

(d) DELEGATION REQUESTS (Item 6)

(M. Wilson/Spadafora)

That the Delegation Request from Michelle Diplock, West End Home Builders Association, respecting Development Charges, be approved for a future meeting.

Result: Motion CARRIED by a vote of 7 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
ABSENT - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

(e) DELEGATIONS (Item 7)

(i) Zachary Bobolo, HTowing, respecting Towing contract (approved January 18, 2024) (Item 7.1)

Zachary Bobolo, HTowing, was not in attendance when called upon.

(ii) Adeyinka taiwo-Fasegha, respecting water bill issue (approved January 18, 2024) (Item 7.2)

Adeyinka taiwo-Fasegha, addressed Committee respecting water bill issue with the aid of a handout.

(iii) Staff Supporting Documentation respecting Adeyinka taiwo-Fasegha, respecting water bill issue (Item 7.2(a))

(M. Wilson/Beattie)

(a) That the Delegation from Adeyinka taiwo-Fasegha, respecting water bill issue, be received; and

(b) That the Staff Supporting Documentation respecting Adeyinka taiwo-Fasegha, respecting water bill issue, be received.

Result: Motion CARRIED by a vote of 7 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
ABSENT - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

(f) STAFF PRESENTATIONS (Item 8)

(i) 2023 City of Hamilton External Audit Planning Report (FCS24009) (City Wide) (Item 8.1)

Paul Ciapanna, KPMG, addressed Committee respecting the 2023 City of Hamilton External Audit Planning Report, with the aid of a presentation.

(Spadafora/A. Wilson)

That the presentation from Paul Ciapanna, KPMG, respecting the 2023 City of Hamilton External Audit Planning Report, be received.

Result: Motion CARRIED by a vote of 7 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
ABSENT - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

For further disposition of this matter, refer to Item 1.

(g) DELEGATIONS (Item 7) (Continued)

(iv) Staff Supporting Documentation, respecting Zachary Bobolo, HTowing, respecting Towing contract (Item 7.1(a))

(A. Wilson/Spadafora)

That the Staff Supporting Documentation, respecting Zachary Bobolo, HTowing, respecting Towing contract, be received.

Result: Motion CARRIED by a vote of 7 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
ABSENT - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora

(h) ADJOURNMENT (Item 15)

(Tadeson/Beattie)

That, there being no further business, the Audit, Finance and Administration Committee, be adjourned at 11:03 a.m.

Result: Motion CARRIED by a vote of 7 to 0, as follows:

YES - Ward 1 Councillor Maureen Wilson
ABSENT - Ward 2 Councillor Cameron Kroetsch
YES - CHAIR - Ward 4 Councillor Tammy Hwang
YES - Ward 9 Councillor Brad Clark
YES - Ward 10 Councillor Jeff Beattie
YES - Ward 11 Councillor Mark Tadeson
YES - Ward 13 Councillor Alex Wilson
YES - Ward 14 Councillor Mike Spadafora


Respectfully submitted,

Councillor Tammy Hwang, Chair
Audit, Finance and Administration
Committee

Tamara Bates
Legislative Coordinator
Office of the City Clerk



CITY OF HAMILTON
OFFICE OF THE AUDITOR GENERAL

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	February 22, 2024
SUBJECT/REPORT NO:	Accounts Payable Special Investigation (Fraud and Waste Report #65357) (AUD24001) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Brigitte Minard CPA, CA, CIA, CGAP, CFE (905) 546-2424 Ext. 3107 Delta Consulting Group Canada Ltd.
SUBMITTED BY:	Charles Brown, CPA, CA Auditor General Office of the Auditor General
SIGNATURE:	

RECOMMENDATION

- (a) That the Management Responses as detailed in Appendix “A” to Report AUD24001 be approved; and
- (b) That the General Manager of Finance and Corporate Services be directed to implement the management responses (attached as Appendix “A” to Report AUD24001) and report back to the Audit, Finance and Administration Committee by August 2024 on the nature and status of actions taken in response to the special investigation report.

EXECUTIVE SUMMARY

As a result of a Serious Matter reported to the Audit, Finance, and Administration Committee in May 2023 (Confidential Report AUD23007), the Office of the Auditor General (OAG) engaged investigative and forensic accounting specialists, Delta Consulting Group Canada Ltd. (Delta Consulting), to conduct an investigation on behalf of the Office of the Auditor General.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

**SUBJECT: Accounts Payable Special Investigation (Fraud and Waste Report
#65357) (AUD24001) (City Wide)** **Page 2 of 3**

The special investigation found process weaknesses and an instance where standard operating procedures were not adhered to, and ultimately the City incurred losses of over \$52,000 due to fraudulent activity.

A formal report, attached as Appendix “A” to Report AUD24001, summarizes the control weaknesses uncovered in the above investigation and contains the Office of the Auditor General’s observations, recommendations and management’s responses and planned course of action to those recommendations.

Overall, OAG has made recommendations to improve and controls within the Accounts Payable processes, with a focus on vendor information changes.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: None.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND

This matter was initially reported to the Office of the Auditor General (OAG) in early May 2023.

A police report was filed in early May 2023, thus requiring the OAG to inform Council of the matter. Confidential Report AUD23007 (Auditor General Reporting of Serious Matters to Council (Case #65357) went to the Audit, Finance and Administration Committee in late May 2023.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None.

RELEVANT CONSULTATION

Appendix “A” to Report AUD24001 includes responses from management responsible for overseeing the Accounts Payable process in the Financial Services Division in the Corporate Services Department.

SUBJECT: Accounts Payable Special Investigation (Fraud and Waste Report #65357) (AUD24001) (City Wide) **Page 3 of 3**

The Legal and Risk Management Services Divisions in the Corporate Services Department were consulted during this special investigation.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The purpose of this special investigation was to investigate an alleged fraudulent payment of over \$52,000 processed by the City's Accounts Payable Section in late April 2023. The OAG also requested that Delta Consulting provide the OAG with recommendations based on their investigation findings in order to improve processes.

Due to the fact that the special investigation findings are process focused and are similar in nature to audit recommendations, the OAG has decided to provide a high-level summary of the investigation and share the recommendations and management responses publicly, as an audit report would be shared.

The summary of investigation findings, recommendations and management responses can be found at Appendix "A" to Report AUD24001. The OAG made six recommendations to strengthen controls over vendor information changes.

Management responses were received for all recommendations. Overall management agrees with the six recommendations. We are requesting that Council direct staff to report back on their progress on management response implementation to the Audit, Finance and Administration Committee in August 2024.

ALTERNATIVES FOR CONSIDERATION

Not Applicable

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report AUD24001 – Accounts Payable Special Investigation: Summary, Recommendations, and Management Responses

OUR Vision: To be the best place to raise a child and age successfully.

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OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

Accounts Payable Special Investigation (Fraud and Waste Report #65357)

Investigation Summary,
Recommendations, and
Management Responses



February 22, 2024

Brigitte Minard, Deputy Auditor General
Delta Consulting Group Canada Ltd.

Management Responses Provided by:
Financial Services Division, Corporate Services Department



Hamilton

OFFICE OF THE
AUDITOR GENERAL

Investigation Summary

The City of Hamilton received an email request from a person, posing as a vendor, to change the vendor's banking information for payments (known as Electronic Fund Transfers, or EFTs). After some exchange of emails, and obtaining the required forms and documentation, the vendor's banking information was changed and a payment of over \$52,000 was made to the imposter vendor's new bank account. The legitimate vendor subsequently inquired as to why they had not received payment which led to the discovery of the fraud.

Accounts Payable informed the Office of the Auditor General (OAG) of the incident, and the OAG reported the matter to the Hamilton Police Service. A "Serious Matter" Report was then provided to Council in late May 2023 (AUD23007). The OAG engaged Delta Consulting Group Canada Ltd. (Delta Consulting) to complete an investigation on behalf of the Office of the Auditor General.

The investigation found that the vendor did not have any connections with the fraudulent transactions, and in fact had fallen victim to a "Business Email Compromise" scam.

A business email compromise (BEC) scam is a type of cybercrime where attackers gain access to and/or make use of a company's email system. The main components include:

- **Unauthorized access:** Attackers may obtain access to the target's email system, either by stealing login credentials or using other methods.
- **Impersonation:** Once the attacker is inside, they study communication patterns and identify key people.
- **Social Engineering:** The attacker then uses the information obtained to impersonate trusted individuals in the company and send fraudulent emails that seem legitimate.
- **Deceptive Requests:** The fraudulent email contains a request to do something that is "urgent" (e.g. transfer money) or make changes to banking information.
- **Financial Loss:** The target may not detect the scam and may comply with the request. If changes to banking information were made, payment is sent to the attacker's bank account.

Source: ChatGPT, personal communication, December 18, 2023, search term: "explain business email compromise scam in plain language", edited and summarized by Office of the Auditor General.

The investigation included the use of a Norwich Order which is a court order that compels a third party to produce evidence in its possession – in this case a bank that was in receipt of funds allegedly procured by fraud. This allowed deposit and banking

transaction details to be obtained. The funds were ultimately traced to a bank account in another city, and we determined that the funds were quickly moved out of that account. The Hamilton Police Service were provided with this information for use in their investigation, and the OAG, with the assistance of Delta Consulting, set out to identify how procedures could be improved to prevent future occurrences, and to minimize such risk. This report summarizes our findings and conclusions.

Six recommendations have been made, the observations and corresponding recommendations are included below:

1. Authorized Vendor Personnel for Vendor Information Change

Observation

We were advised by the Accounts Payable staff that anyone from the vendor organization (for example, receptionists) can initiate a vendor information change.

Recommendation 1

That the City's Accounts Payable department keep an updated profile of vendor information, including authorized signatories and vendor contact information. Only the vendor's authorized signatory should be permitted to initiate a vendor information change.

Management Response

Agree.

The current procedure requires new vendors to have their contact information set up in the City's Accounts Payable vendor file. The Accounts Payable department does not currently track vendor authorized signatories. Accounts Payable staff will work with Procurement and Legal Services to seek their input on how to effectively manage vendor authorized signatories.

In the interim, Accounts Payable staff will contact the individual who signed the electronic fund transfer change form using the vendor information on file. This is the individual who states, "I have the authority to bind the vendor". Staff will verify the individual is a senior level staff person such as an owner, controller, director, etc. Staff will also have them verbally confirm other information (old banking information, last payment details, HST number, etc.).

A more enhanced audit tracking process is being developed that will track all vendor changes. A second reviewer will verify processes were followed and information changed was accurately updated.

Accounts Payable staff are currently scanning the municipal sector to see what processes are currently in place for vendor information changes. Staff are looking to see how they manage authorized signatories and what technology they leverage for their processes.

The City's Information Technology division will review current procedures to look for risk points and/or opportunities where information technology equipment could be leveraged to enhance our internal processes, as well as reviewing best practices in the municipal sector.

Estimated Completion: Q2 2024.

2. Vendor Communications on Information Change

Observation

Accounts Payable staff called the telephone number disclosed on the Electronic Funds Transfer (EFT) Form and sent an email to the requestor's email address for the requestor to call back for confirmation procedures. This information was inconsistent with the vendor profile.

Recommendation 2

That Accounts Payable staff use only contact information on the City's vendor profile or vendor invoices (independent of the completed EFT Form) to communicate and confirm vendor information changes. Additionally, we recommend that Accounts Payable staff avoid replying directly to the email request but rather initiate a new email communication with the vendor using the contact information on file.

Management Response

Agree.

The current procedure requires an independent confirmation of all changes by verbally contacting the vendor using the vendor information on file. Accounts Payable staff were retrained on procedures in quarter 2 of 2023.

Accounts Payable staff will work with Procurement and Legal Services to seek their input on how to effectively manage vendor authorized signatories.

In the interim, Accounts Payable staff will contact the individual who signed the electronic fund transfer change form using the vendor information on file. This is the individual who states, "I have the authority to bind the vendor". Staff will verify the individual is a senior level staff person such as an owner, controller, director, etc. Staff will also have them verbally confirm other information (old banking information, last payment details, HST number, etc.).

Procedures will be updated directing staff to initiate a new email communication with the vendor using the contact information on file when dealing with any vendor information changes. All changes still require a verbal confirmation using the vendor number on file.

Expected Completion: Q2 2024.

3. Confirmation Procedures of Vendor Information Change

Observation

Accounts Payable staff are required to verbally confirm vendor information changes with the vendor. This is an appropriate procedure if conducted properly.

Recommendation 3

That Accounts Payable staff confirm the identity of the requestor before proceeding with any vendor information change – only an authorized signatory should be permitted to initiate vendor information changes. For example, Accounts Payable staff may ask questions to have the vendor's authorized signatory verify vendor profile information on file, such as its old bank account number, prior vendor payment history or prior invoices.

Management Response

Agree.

Accounts Payable staff verify requestor information by verbally contacting vendor using vendor information on file. The current procedure has been updated to require vendors to confirm old bank account information and/or last payment details. An audit report for vendor change is reviewed by the Manager of Accounts Payable daily.

Accounts Payable staff will work with Procurement and Legal Services to seek their input on how to effectively manage vendor authorized signatories.

In the interim, Accounts Payable staff will contact the individual who signed the electronic fund transfer change form using the vendor information on file. This is the individual who states, "I have the authority to bind the vendor". Staff will verify the

individual is a senior level staff person such as an owner, controller, director, etc. Staff will also have them verbally confirm other information (old banking information, last payment details, HST number, etc.).

A more enhanced audit tracking process is being developed that will track all vendor changes. A second reviewer will verify processes were followed and information changed was accurately updated.

Accounts Payable staff are currently scanning the municipal sector to see what processes are currently in place for vendor information changes. Staff are looking to see how they manage authorized signatories and what technology they leverage for their processes.

The City's Information Technology Division will review our current procedures to look for risk points and/or opportunities where information technology equipment could be leveraged to enhance our processes, as well as reviewing best practices in the municipal sector.

Estimated Completion: Q2 2024.

4. Information Required on the EFT Form

Observation

The EFT Form did not require the requestor to provide vendor's old bank account information.

Recommendation 4

That the EFT Form be amended to include the vendor's old bank account information and/or last payment information to deter a scammer from submitting the request without the required information.

Management Response

Agree.

The EFT form has been updated. Vendor is required to provide old banking information and/or last payment details, as well as other additional information.

Completed Q1 2024.

5. Review of Information on the Void Cheque

Observation

The Accounts Payable department requested a copy of a void cheque from the new bank account. However, details of the void cheque were modified by the scammer and the Accounts Payable staff did not independently verify the banking information. For example, the transit branch number was inconsistent with the disclosed branch location.

Recommendation 5

That Accounts Payable staff familiarize themselves with a standard void cheque and independently verify banking information such as transit branch number and address of the branch, and ensure it is consistent with other vendor information in the circumstances (for example, locations of operations etc.).

Management Response

Agree.

Accounts Payable staff are required to verify transit branch number and address of branch using vendor information on file to ensure it is consistent with vendor information. Accounts Payable staff require the vendor to verify old bank account and/or last payment details. Accounts Payable staff verbally verify changes with the vendor using the vendor information on file. Staff were retrained on verifying banking information in quarter 2 of 2023. Staff are continuing to be updated on procedural changes. The Manager of Accounts Payable reviews the audit report for vendor changes daily.

A more enhanced audit tracking process is being developed that will track all vendor changes. A second reviewer will verify processes were followed and information changed was accurately updated.

Estimated Completion: Q2 2024.

6. Training of Accounts Payable Staff

Observation

The Hamilton Police Service advised that business email compromise is a common tool used by scammers to phish or lure fraudulent payments. In this case, the scammer

hacked into the vendor's email account or set up an identical email account address in order to request payments be made to a fraudulent bank account.

Recommendation 6

That all Accounts Payable staff dealing with vendor information change and payments processing receive training on risks related to business email compromise and the need to independently verify vendor information change or requested payments to avoid further losses to the City.

Management Response

Agree.

Accounts Payable procedure has been updated. Upon receipt of an EFT change request, Accounts Payable staff verify old banking information and/or last payment details provided by vendor. The Accounts Payable staff verbally confirm the requested change with the vendor using the vendor information on file. The Manager of Accounts Payable reviews the audit report for vendor changes daily.

Accounts Payable procedural training took place in quarter 2 of 2023. Additional fraud prevention training was also conducted with Accounts Payable staff and was extended to city wide employees. Training session topics included impacts of fraud, fraud detection and fraud prevention. Training took place in quarter 2 of 2023. Staff are continuing to be updated on procedural changes.

Staff will look to develop a training schedule for staff to be retrained on vendor information changes annually or more frequently if procedures change.

Estimated Completion: Q1 2024.

Accounts Payable Special Investigation (Fraud and Waste Report #65357)

February 22, 2024

Brigitte Minard, Deputy Auditor General

Ken Froese, Delta Consulting Canada

Grace Lau, Delta Consulting Canada



- Gained an understanding of the incident, an alleged fraudulent payment of over \$52,000.
- Gained an understanding of operational processes regarding Accounts Payable.
- Procured Delta Consulting Group Canada Ltd. to complete the investigation on our behalf, while providing investigation support and maintaining oversight of the investigation process to ensure quality and value were received.

Investigation Summary and Recommendations

Ken Froese – Senior Managing Director
Grace Lau – Associate Director

Delta Consulting Canada

Delta Consulting - Investigation Summary

- Delta Consulting Background
- Investigation Mandate from OAG: investigate alleged fraudulent payment of over \$52,000
 - Review of documentation, interviews with relevant staff and vendors, obtaining Norwich Order.
 - What happened.
 - Investigation findings and recommendations.
 - What internal control issues may have contributed to the issue.
 - What the current risk environment is for these type of issues.

- Six recommendations made to the Financial Services Division.
 - Management agreed with all recommendations.
- Management is currently working on implementing their management responses.
- OAG is recommending that Council directs Financial Services to report back was a status update in August 2024.



Hamilton

THANK YOU



Hamilton

**CLERK'S REPORT
GRANTS SUB-COMMITTEE**

9:30 a.m.

February 12, 2024

Council Chambers, City Hall

71 Main Street West, Hamilton, Ontario

Present: Councillors C. Kroetsch (Vice Chair), T. Jackson, and M. Tadeson

Absent with

Regrets: Councillors N. Nann (Chair), M. Francis, M. Wilson


Pursuant to Section 5.4(4) of the City of Hamilton's Procedural By-law 21-021, as amended, at 10:00 a.m. the Legislative Coordinator advised those in attendance that quorum would not be achieved within 30 minutes after the time set for the Grants Sub-Committee, therefore, the Legislative Coordinator to the Committee noted the names of those in attendance and the meeting stood adjourned.

Respectfully submitted,

Angela McRae
Legislative Coordinator



INFORMATION REPORT

TO:	Chair and Members Grants Sub-Committee
COMMITTEE DATE:	February 12, 2024
SUBJECT/REPORT NO:	City Enrichment Fund Community Consultation Update (GRA23003(c)) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Andrea Carvalho (905) 546-2424 Ext. 6797
SUBMITTED BY:	Morgan Stahl Director, Government Relations and Community Engagement City Manager's Office
SIGNATURE:	

COUNCIL DIRECTION

At its June 13, 2023 meeting the Grants Sub-Committee approved City Enrichment Fund – Appeal Process Update (GRA23003(a)) (City Wide) (Item 9.1), which included the motion:

- (a) That staff be directed to consult with community organizations in order to develop a further equitable City Enrichment Fund process and report back to the Grants Sub-Committee.

INFORMATION

Since 2015, the City Enrichment Fund (CEF) has annually invested in local charities, non-profit, and grassroots organizations across seven sector areas in the city, Agriculture, Arts, Communities, Culture and Heritage, Community Services, Environment, and Sports and Active Lifestyles. At the September 14, 2023, Grants Sub-Committee meeting, staff presented a twelve-month engagement plan that included preliminary steps to consult community partners and applicants with a focus on best

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**SUBJECT: City Enrichment Fund Community Consultation Update
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practices, funding rationale recommendations, evaluation, and efficiencies to the overall program delivery.

As the needs of the Hamilton community continue to grow and evolve, community

feedback provided through Council delegations, surveys, focus groups, workshops and applicant feedback has informed enhancements to CEF. The CEF program evolution has been driven with the applicant experience and community benefit at the forefront of decision making. Staff have recommended incremental changes to the fund through Grants Sub-Committee to ensure the program is meeting the current needs of the community and the continuously evolving local landscape.

This report provides Grants Sub-Committee with a detailed update on Phase I of the CEF Update and Community Engagement Plan, including recently implemented changes, planned Phase II activities, and an update on the 2024 CEF intake period, which received a 28% application increase or 430 applications across the program in 2023 ahead of the 2024 distribution of funds.

Community Engagement – Phase I

From September 20, 2023, to October 11, 2023, the general public, community partners, and previous CEF applicants were invited to provide feedback on the development of a set of funding principles through an online survey. This was promoted through direct communication with past applicants via e-mail, on the City of Hamilton website, through social media and the Engage Hamilton promotional tool. 126 respondents participated through the Engage Hamilton platform and answered five questions relating to funding allocations, priorities, and overall expectations of the City Enrichment Fund. Responses and comments to these questions set the foundation and informed discussion at the in-person and virtual consultation(s).

Following the survey, approximately 100 community partners attended in-person and virtual sessions on October 23, 2023, to further prioritize and shape the survey results. Government Relations and Community Engagement, Tourism and Culture, and Healthy and Safe Communities staff worked with external community member, Kojo Dampety of 2941 Consulting, to provide arms-length facilitation and a report summarizing attendee feedback with recommendations to inform future direction of the CEF program. This report, and the report key messages, are published on Engage Hamilton and the CEF webpage.

The City Enrichment Fund is guided by the following set of funding principles informed through the Phase I community engagement.

CEF Funding Principles:

Allocate available funding amongst not-for profit organizations, registered charities,

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grassroots organizations, and professional artist projects.
 Allocate some level of funding to all passing applicants.
 Provide funding to programs/projects that present diverse revenue sources and a feasible budget.
 Support the programming and service delivery for both returning and new organizations and programs.

Beginning with the 2024 cycle, CEF staff have implemented the following updates in an effort to deliver an equitable, transparent, and streamlined program.

Update	Impact/Benefit
<p><u>Funding Principles</u> Support funding to all passing applicants, recognizing returning organizations, and providing access to new applicants and programming.</p>	<ul style="list-style-type: none"> • Transparent and informed by community. • Provides funding to more applicants. • Greater overall impact to smaller, new, community organizations and equity serving groups. • Recognizes both returning and new applicants.
<p><u>30% Funding Policy</u> Updated to only apply to requests above \$15,000. (this does not apply to operating streams).</p>	<ul style="list-style-type: none"> • Greater capacity for applicant to deliver programs. • Greater support to applicants that do not have access to other funding sources. • Greater support for equity-deserving organizations. • Improved support to one-time projects and new initiatives. • In 2024, 243 applicants, or 57%, submitted requests less than \$15,000. Their total requests represent 34% of the overall 2024 requests.
<p><u>Financial Review</u> Updated the internal financial review process to apply to applications with requests of \$30,000 or greater only.</p>	<ul style="list-style-type: none"> • Reduced staff time to process the reviews by 73%. • Improved support to one-time projects and new initiatives.
<p><u>Online Grant Portal</u> Piloting separate grant portal program tiles for Agriculture, Digital, Sports and Active Lifestyles areas, with the intent of providing an easier and more simple process</p>	<ul style="list-style-type: none"> • Allowing for a more simplified application process. • Allows for the application language to be more direct and relevant to each program area. • Improved user experience for adjudicators

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Update	Impact/Benefit
for applicants and efficiencies for staff.	and staff.
<u>Translation Services</u> Written translation available for all program material, applications, handbooks, guidelines.	<ul style="list-style-type: none"> Applicants requiring language support services can request the translation of CEF material into 74 different languages.
<u>Applicant Support</u> In addition to public information sessions, CEF Program Managers offered drop-in sessions, providing applicants with one-on-one staff support.	<ul style="list-style-type: none"> CEF staff are accessible to the public, providing direct applicant support. Applicants can bring their specific questions and challenges to staff to increase their grant writing capacity and build success.

Community Engagement – Phase II

Staff have begun working on Phase II of the 2024 CEF Update and Community Engagement Plan, as presented to the Grants Sub-Committee on September 14, 2023, report (GRA23003(b)). Phase II includes a review of past consultation documents, an internal review with staff, and community engagement to solicit feedback on CEF overall, experiences as an applicant, adjudicator, and current barriers in accessing the program.

Phase II community engagement will begin online through the Engage Hamilton page and move to in-person sessions divided by CEF Program Areas and occurring in City-Wide throughout the city. Phase II will gather overall feedback and then apply a collaborative approach with focus groups addressing issues that are most prevalent to applicants and their needs.

Through a relational listening and sharing approach, Phase II community engagement is intended to inform staff with specific areas for enhancements. Applying a continuous improvement method allows staff to identify long-term goals and make meaningful, gradual improvements to several CEF program stages.

The Community Engagement Plan, objectives include:

- Developing a funding framework
- Updated public documents
- Updates to the online grant portal to ensure a more user-friendly experience for applicants
- Recommendations for 2025 CEF program enhancements
- Updates to the Funding Agreement/DocuSign process
- Creating program stretch goals

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Enhancements to the application process – reducing barriers to access
Document Plan – a user-friendly public facing CEF Funding Report

2024 City Enrichment Fund Intake

In response to Council direction to consult with community groups in the development of an equitable funding model, the 2024 CEF intake was shifted to facilitate a November 1 — December 15, 2023, deadline. To accommodate the Phase I engagement, past applicants were communicated with directly and notified of date changes and continued to be in frequent communication with staff.

The 2024 CEF intake period was shared with the public through the City’s webpage, social media channels, print and online ads, and marketing through the City’s recreation centers and city-wide library branches. To support applicants during the intake period, CEF Program Managers hosted 11 virtual information sessions that saw 89 total attendees. The information sessions provide potential applicants with general CEF information and specific program area details. The sessions were recorded and were publicly accessible through the CEF webpage. Closer to the December 15 deadline, Program Managers also hosted 8 drop-in sessions, with a total of 35 attendees. Drop-in sessions provide applicants with one-on-one staff support where organizations are invited to bring their specific application or budget questions and challenges.

For the second year, applicants were offered translation services of the CEF applications, handbooks, and guidelines. Additional support was provided to applicants unable to access the online portal by converting specific applications into fillable pdf forms that were then attached to their online accounts through one-on-one online support.

This year, the CEF program saw a considerable increase to the number of applications and overall funding request with the highest totals for the program to date. Compared to the 2023 funding year, the program received a 28% increase in applications and a 47% increase in funding requested, 430 and \$13,537,403 respectively.

City Enrichment Fund Intake Totals 2023-2024 Application Totals

Area	2024	2023	% Increase
Total Applications	430	337	28%
Total Grant Requests	\$13,537,403	\$9,190,107	47%

The total number of applications and funding requests by program area is detailed in Appendix “A” to Report GRA23003(c).

APPENDICES AND SCHEDULES ATTACHED

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Appendix "A" to Report GRA23003(c): 2024 City Enrichment Fund Intake Data

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2024 City Enrichment Fund (CEF) Intake Data

The 2024 intake began on November 1 with a December 15, 2023, deadline. The following charts provide information on the total number of applications and total funding request in 2024 and compared to the 2023 totals. Overall, the 2024 intake received the highest number of CEF applications, 430 and \$13,537,403 respectively.

City Enrichment Fund 2023-2024 Application Totals

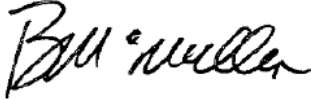
Program and Stream	2024 # of Applications	2023 # of Applications	% Increase/Decrease
Agriculture	16	17	-1%
Arts	103	75	37%
Communities, Culture and Heritage	77	62	24%
Community Services	136	116	17%
Digital	14	5	180%
Environment	14	16	-13%
Sport and Active Lifestyles	70	46	52%
Total Applications	430	337	28%

City Enrichment Fund 2023-2024 Funding Request Totals

Program and Stream	2024 Funding Request	2023 Funding Request	% Increase/Decrease
Agriculture	\$164,542	\$165,944	-1%
Arts	\$5,678,512	\$3,781,404	50%
Communities, Culture and Heritage	\$1,317,467	\$943,727	40%
Community Services	\$5,404,911	\$3,572,681	51%
Digital	\$183,350	\$50,078	266%
Environment	\$249,557	\$301,659	-17%
Sport and Active Lifestyles	\$539,063	\$374,614	44%
Total Grants Request	\$13,537,403	\$9,190,107	47%



INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	February 22, 2024
SUBJECT/REPORT NO:	2024 Development Charges Background Study and By-law Feedback (FCS23103(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Carolyn Paton (905) 546-2424 Ext. 4371 Kirk Weaver (905) 546-2424 Ext. 2878
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

COUNCIL DIRECTION

N/A

INFORMATION

The purpose of Report FCS23103(a) is to provide the Audit, Finance and Administration Committee (AF&A) with an update on the feedback received to date on the 2024 Development Charge Background Study and By-law. The AF&A Committee meeting on February 22, 2024 is the Statutory Public meeting under the *Development Charges Act*. Watson & Associates Economists Ltd. (Watson) are presenting a summary of the City of Hamilton's Development Charge process to date, providing additional options for AF&A's consideration, the rationale for those options and next steps.

It is anticipated that several delegations will be attending the AF&A Committee meeting on February 22, 2024 to provide input on the proposed Development Charges Background Study and By-law during the Statutory Public Meeting. Feedback from this meeting will be addressed in a final report to the AF&A Committee recommending the By-law approval which is planned for April 18, 2024.

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**SUBJECT: 2024 Development Charges Background Study and By-law Feedback
(FCS23103(a)) (City Wide) – Page 2 of 6**

Background

Statutory Public Meeting under the *Development Charges Act*

As required in the *Development Charges Act, 1997, as amended* (DC Act), the City of Hamilton is holding a public meeting to discuss proposed Development Charge rates, as well as Development Charge policies that will be applied throughout the City.

The two areas in the *DC Act* where Council has some discretion is in setting policies are in both DC Exemptions and Local Service Policies.

DC Exemptions

The *Development Charges Act, 1997, as amended*, (DC Act) sets out a number of mandatory DC exemptions and policies. However, under Section 5 (1) 10 of the *DC Act*, Council can enact exemptions on a discretionary basis.

The current City of Hamilton DC By-law (19-142) contains several discretionary DC policies, some with full or partial exemptions. The foregone DC revenue is funded by existing taxpayers and ratepayers through funding allocations in both the Rate and Tax Budgets.

As part of Watson's current engagement, a review of DC Policies was undertaken. It included a review of exemptions to be considered in the 2024 DC Background Study and By-laws, a comprehensive review of market feasibility, best practices in comparator municipalities and historical performance of current exemptions.

Among the recommendations proposed by Watson were the removal of the DC exemption for residential development within the Downtown Hamilton Community Improvement Plan Area (CIPA) and discontinuing a reduced DC rate for industrial developments.

Should Council choose to amend any of these draft policies or exemptions, as a result of public consultation or further information, they may do so prior to adopting the DC By-laws in 2024.

**SUBJECT: 2024 Development Charges Background Study and By-law Feedback
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Bill 23, *More Homes Built Faster Act, 2022*, legislated a statutory rate phase in for all DC By-laws passed on or after January 1, 2022. The mandatory DC rate phase-in means that municipalities must phase-in the calculated DC charge in the following manner:

- 80% of the calculated DC charge in year one of the DC By-law(s),
- 85% in year two,
- 90% in year three,
- 95% in year four, and
- 100% in years five through 10.

It is noted that, as of the time of writing the DC Background Study, the Province announced (on December 13, 2023) potential changes to the phasing-in requirements. It is anticipated that the details of these changes will be forthcoming in early 2024. It is unknown at this time if the Province will implement a full removal of the phase in, a reduction of the phase in, or some other option. The Ontario Legislature is not in session until late February 2024. For the purposes of Report FCS23103(a), it is assumed that the mandatory phase-ins are in place. Should the Province implement any changes, staff will assess and report back to Council.

On June 21, 2023, Council approved Report FCS23064, “Development Charges Exemptions Sustainable Funding Strategy”, that referred an overall DC exemption funding strategy including the financial impacts of Bill 23 for consideration in the 2024 Rate and Tax Supported Budget. The proposed 2024 Tax Budget presented through Report FCS24002 recommended a phased financing strategy to address these impacts.

Local Service Policy

Section 59.1(1) and (2) of the Act “No Additional Levies” prohibits municipalities from imposing additional payments or requiring construction of a service not authorized under the *DC Act*. Municipalities, therefore, implement Local Service Policies (LSP) which propose what will be included in the DC and what will be required by developers as part of their development agreements.

Based on discussions with Watson, engineering sub-consultants and staff, the existing LSP has been subdivided based on the location of development as follows:

- Within the Urban Boundary as set out in the Official Plan Amendment (OPA) 167 as adopted by Council on June 8, 2022, and without the Minister modifications approved on November 4, 2022 (“Council adopted Urban Boundary”) – traditional local service policy requirements (current) remain unchanged;

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- Outside the Council-adopted Urban Boundary the developer be responsible for:
 - All roads, linear water and wastewater infrastructure (external to urban boundary) required to service the development including potential oversizing costs;
 - Certain linear water / wastewater works that are oversized (post-period benefit), within the Urban Boundary to accommodate flows;
 - Development would be required to pay:
 - municipal-wide DCs; and
 - water / wastewater treatment DCs (if they will be serviced with municipal water and wastewater).

At the time of writing Report FCS23103(a), there has been no public feedback received on the proposed Local Service Policy which will form part of the 2024 Development Charges By-laws.

Public Feedback on DC Exemptions

The City held two Development Charge Open Houses for feedback on the draft 2024 DC Background Study and the proposed 2024 DC By-laws. An in-person Open House was held on January 23, 2024 from 7:00 to 9:00 pm and a virtual session was held on January 24, 2024, from 10:00 am to 12:00 pm. Both Open Houses were well attended by members of the development community (with one interested citizen at the in-person open house) representing both residential and non-residential interests. Representatives from Planning and Economic Development Department (Economic Development and Growth Management Divisions) and Corporate Services Department (Financial Planning, Administration and Policy Division) and Watson were in attendance.

The focus of the feedback from the attendees was related to the proposed removal of two existing discretionary DC exemptions being the 40% exemption for residential development within the Downtown Community Improvement Plan Area (CIPA) and the 37% discount for industrial development. Feedback received includes comments and concerns as follows.

Residential Downtown CIPA DC Exemption

- High interest rates which translate to high financing costs are impacting development;
- Increases in construction costs are resulting in higher unit prices;
- Lower demand is resulting in slow housing sales;
- A reduction in exemptions will further negatively impact desire for development in the downtown;

**SUBJECT: 2024 Development Charges Background Study and By-law Feedback
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Industrial Reduced Rate Exemption / Industrial Building Expansion (Detached) DC Exemption

- High interest rates which translate to high financing costs;
- Hamilton's ability to compete in industrial development market as it relates to surrounding municipalities;
- A reduction in exemptions will further negatively impact desire for development;
- Productivity of land needs to be considered.

Other Feedback

Farm Labour Residences have been charged Residential DC Rates in every City of Hamilton DC By-law since amalgamation. As these types of buildings are being encouraged on working farms (Farm Labour Residences Discussion Paper (PED22002(a))), staff has requested Watson to review options related to the DC treatment of Farm Labour Residences to ensure policy alignment. A review on how other municipalities treat these residences in terms of Development Charges is also being undertaken.

As a result of the feedback and additional information received from the development community since the Open Houses, staff has requested Watson to review their initial recommendations and prepare alternative exemption scenarios for consideration including pros and cons. The additional information points to uncertainty in the current residential development market in downtown Hamilton, in part, due to higher interest rates. Given this uncertainty a gradual reduction of DC exemptions may be considered by Council. Watson will also be reviewing DC rates with surrounding municipalities to ensure competitiveness.

Community Improvement Plan (CIP) Grant Program Consideration

Staff is working to determine if providing a grant program through a CIP is a more desirable approach to managing these type of incentives. Should this option be beneficial for both the City and the development community, a report with the appropriate recommendations will be prepared for Council's consideration.

Providing for grants through a CIP Grant Program has many advantages over including exemptions in the DC By-laws such as:

- Provides greater flexibility with respect to establishing parameters for eligible developments;
- Allows the City greater flexibility in responding to market trends;
- Allows Council to review each development and eligibility on a case-by-case basis, if desired;

**SUBJECT: 2024 Development Charges Background Study and By-law Feedback
(FCS23103(a)) (City Wide) – Page 6 of 6**

- Allows Council to establish an upper limit on the dollar amount of exemptions that can be provided in any given year.

The disadvantage of a grant program outside of the DC By-laws would mean additional resourcing requirements to establish, administer and monitor such a program. In addition, a grant program would require funds to be budgeted for the anticipated level of grants annually.

As establishing a CIP Grant Program will take several months, it may be necessary to maintain exemptions desired by Council within the DC By-law until such time as a CIP is adopted by Council.

Next Steps

Feedback from the February 22, 2024, Statutory public meeting, in addition to feedback heard from the development community will be addressed in a final report to the Audit, Finance and Administration Committee recommending By-law approval in April 2024. While Council has the ability to make changes to exemption policies without triggering an addendum to the DC Background Study, should other amendments be required to the DC Background Study and draft By-laws, a DC Background Study addendum will be prepared and made available to the public. If necessary, an additional public meeting may be held.

APPENDICES AND SCHEDULES ATTACHED

N/A

CP/dt



City of Hamilton 2024 Development Charges Background Study & By-laws

Public Meeting
February 22, 2024



Format for Public Meeting

- Opening Remarks
- Public Meeting Purpose
- Study Process and Timelines
- Development Charges Overview
- Presentation of the Proposed Charges and Policies
- Presentations by the Public
- Questions from Council
- Conclude Public Meeting



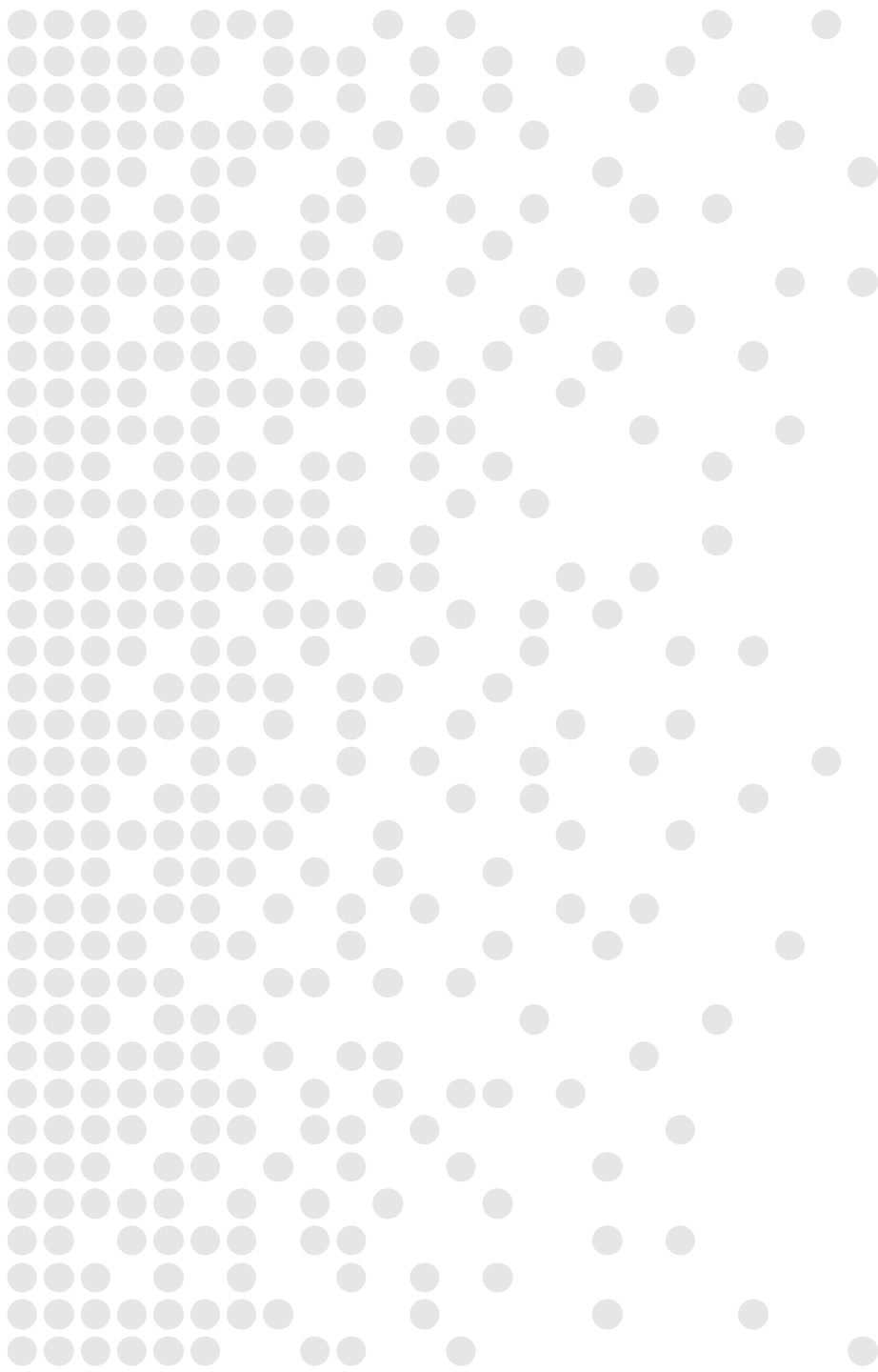
Public Meeting Purpose

- The public meeting is to provide for a review of the D.C. background study and to receive public input on the proposed policies and charges
- The meeting is a mandatory requirement under the Development Charges Act (D.C.A.)
- Prior to Council's consideration of a by-law, a background study must be prepared and available to the public a minimum 60 days prior to the D.C. by-law passage



Study Process and Timelines

- 1** **September 2022 to November 2023**
Data collection, staff review, D.C. calculations and policy work
- 2** **April 13, September 18, and November 9, 2023**
Development Charges Stakeholders Sub-Committee Meeting
- 3** **December 21, 2023**
Release of Background Study and draft by-laws
- 4** **January 23/24, 2024**
Public open house sessions
- 5** **February 22, 2024**
Public Meeting at Audit, Finance & Administration Committee
- 6** **April/May 2024**
Audit, Finance & Administration Committee considers passage of by-laws
- 7** **June 1, 2024**
New D.C. By-laws in Effect
- 8** **June 12, 2024**
Expiry of Existing D.C. By-law (note: existing by-law will be repealed at the time the new by-laws come into effect)



Development Charges Overview

City of Hamilton 2024 Development Charges
Background Study & By-laws



Development Charges (D.C.s)

Purpose:

- To recover the capital costs associated with residential and non-residential growth within a municipality
- The capital costs are in addition to what costs would normally be constructed as part of a subdivision (i.e., internal roads, sewers, watermains, sidewalks, streetlights, etc.)
- Municipalities are empowered to impose these charges via the Development Charges Act (D.C.A.)



D.C. Eligible Services

1. **Water**
2. **Wastewater**
3. **Storm water drainage**
4. **Services related to a highway**
5. Electrical power services.
6. Toronto-York subway extension.
7. **Transit**
8. **Waste diversion**
9. **Policing Services**
10. **Fire protection**
11. **Ambulance**
12. **Library**
13. **Long-term Care**
14. **Parks and Recreation**
15. **Public Health services**
16. **Childcare and early years services**
17. **Provincial Offences Act**
18. Emergency Preparedness
19. Airports (Waterloo Region only)

Blue highlight denotes services included in 2024 D.C.

Note: Public works is included in the D.C. calculation as a class of service



Changes to D.C. Legislation – Overview

- There were a number of changes to the D.C.A. since the passage of the City’s 2019 D.C. By-law which were detailed in the City’s 2021 D.C. Update Study. These changes were provided through:
 - Bill 108: *More Homes, More Choice Act, 2019*
 - Bill 138: *Plan to Build Ontario Together Act, 2019*
 - Bill 197: *COVID-19 Economic Recovery Act, 2020*
 - Bill 213: *Better for People, Smarter for Business Act, 2020*
- Since the completion of the D.C. Update Study in 2021, further legislative changes have been made to the D.C.A. through:
 - Bill 109: *More Homes for Everyone Act, 2022* – provides additional reporting requirements as part of Treasurer’s Statement
 - Bill 23: *More Homes Built Faster Act, 2022* – discussed in further detail in subsequent slides
 - Bill 134: *Affordable Homes and Good Jobs Act, 2023* – provides for changes to the definition for affordable residential units (discussed in subsequent slides)



Bill 23 Overview

- The Province passed Bill 23: *More Homes Built Faster Act, 2022* on November 28, 2022
- This Bill amends a number of pieces of legislation, including the *Development Charges Act (D.C.A.)*, and the *Planning Act*
 - These changes impact development charges (D.C.s), community benefits charges (C.B.C.s), and parkland dedication
- The changes provided through Bill 23 negatively impact the City's ability to collect revenues to fund growth-related capital expenditures



Changes to the D.C.A.

Bill 23

Additional D.C. Exemptions:

Currently in Force:

- **Inclusionary Zoning Units:** Affordable housing units required under inclusionary zoning by-laws
- **Non-Profit Housing:** Non-profit housing units are exempt from D.C. installment. Outstanding installment payments due after this section comes into force will also be exempt from payment of D.C.s.
- **Additional Residential Unit Exemptions:** units in existing rental buildings, 2nd and 3rd units in existing and new singles, semis, and rowhouses

Currently Not in Force (additional details provided on next slide):

- **Affordable Rental Unit**
- **Affordable Owned Unit**
- **Attainable Unit**



Changes to the D.C.A. – Affordable/Attainable Definitions

Bill 23/Bill 134

Definitions for “affordable” under the D.C.A. were updated by Bill 134, which received Royal Assent on December 4, 2023:

Bill 23 Definitions

Affordable Rental Unit: where rent is no more than 80% of the average market rent, as defined by a new Bulletin*

Affordable Owned Unit: where the price of the unit is no more than 80% of the average purchase price, as defined by a new Bulletin*

Bill 134 Definitions

Affordable Rental Unit: rent is less than 30% of the 60th percentile of income for rental households or average market rent set out in a new Bulletin*

Affordable Owned Unit: cost is less than 30% of the 60th percentile of income for households in the municipality or 90% of the average purchase price as defined in a new Bulletin*

Attainable Unit: yet to be defined by legislation

*Bulletin to be published by the Ministry of Municipal Affairs and Housing



Changes to the D.C.A.

Bill 23

D.C. Discounts:

- Rental Housing Discount (based on number of bedrooms – 15%-25%)

D.C. Revenue Reduction:

- Removal of Housing as an Eligible D.C. Service
- Capital Cost Amendments (restrictions to remove studies and possible future removal of land)
- Historical Levels of Service from 10 years to 15 years
- Mandatory Phase-In of D.C. (Maximum charge of 80%, 85%, 90%, 95%, 100% for first 5 Years of the by-law) - These rules apply to a D.C. by-law passed on or after January 1, 2022

D.C. Administration:

- Maximum Interest Rate for Installments and D.C. Freeze (maximum interest rate would be set at the average prime rate plus 1%)
- Requirement to Allocate 60% of the monies in the reserve funds for Water, Wastewater, and Services Related to a Highway
- D.C. by-law expiry extended to 10 years



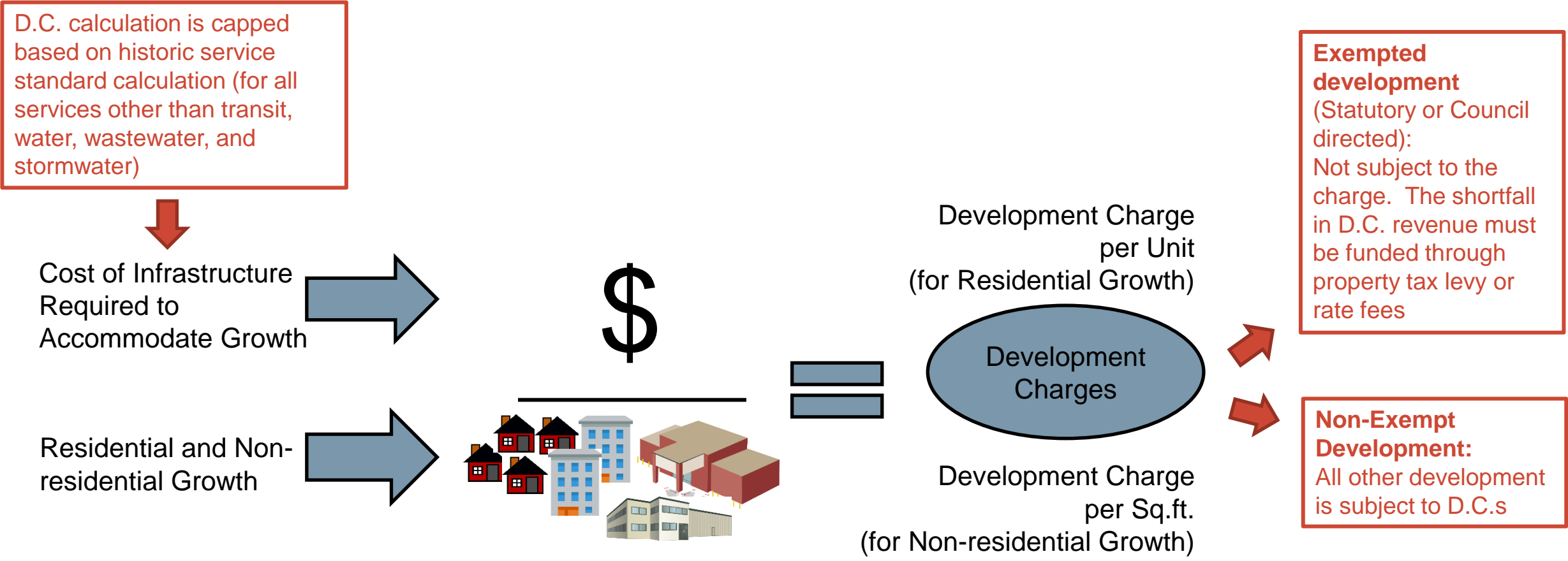
D.C. Methodology

The following provides the overall methodology to calculating the charge:

1. Identify amount, type and location of growth
2. Identify servicing needs to accommodate growth
3. Identify capital costs to provide services to meet the needs
4. Deduct:
 - i. Grants, subsidies and other contributions
 - ii. Benefit to existing development
 - iii. Amounts in excess of 15-year historical service calculation
 - iv. D.C. Reserve funds (where applicable)
5. Net costs then allocated between residential and non-residential benefit
6. Net costs divided by growth to calculate the D.C.

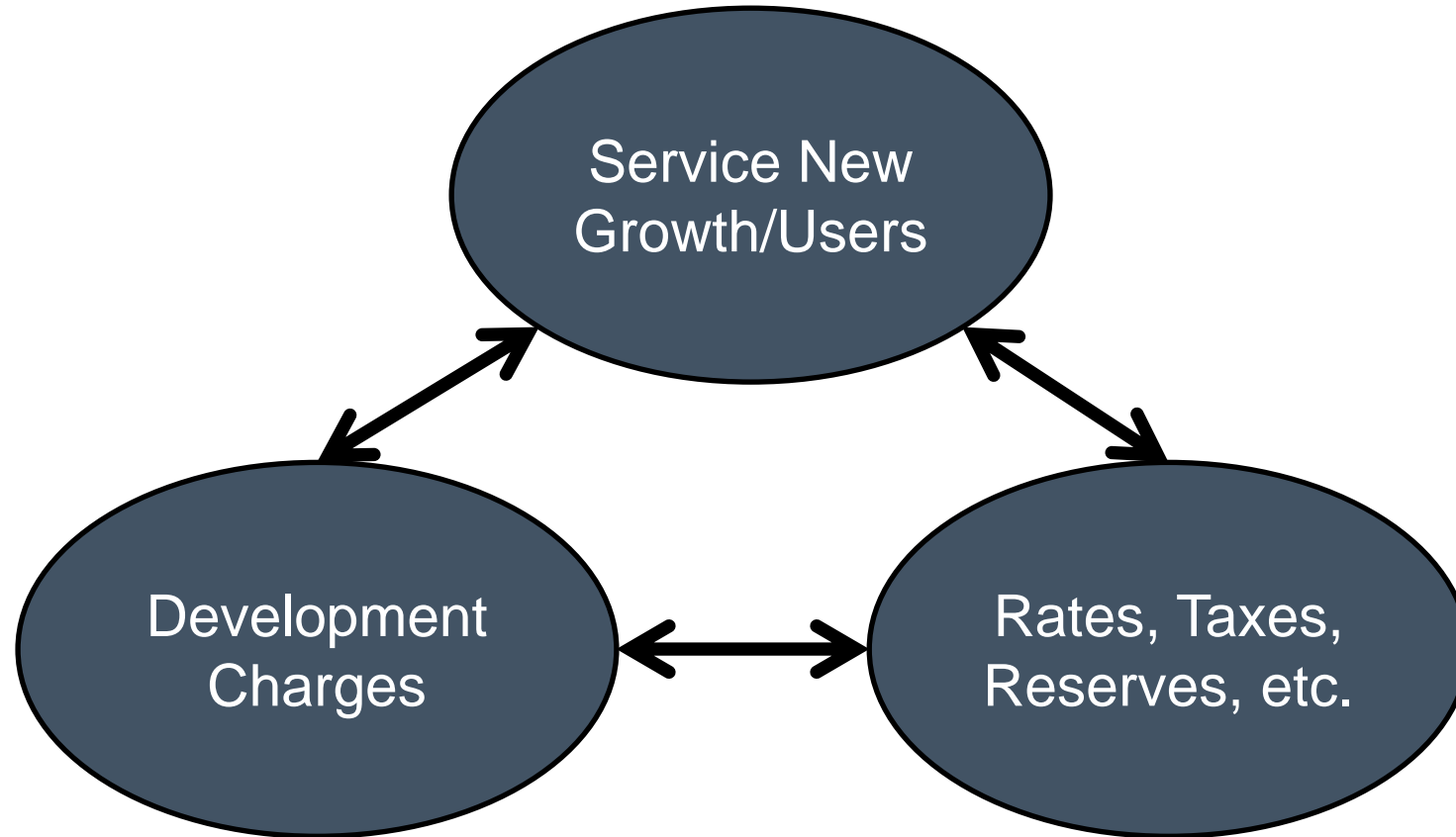


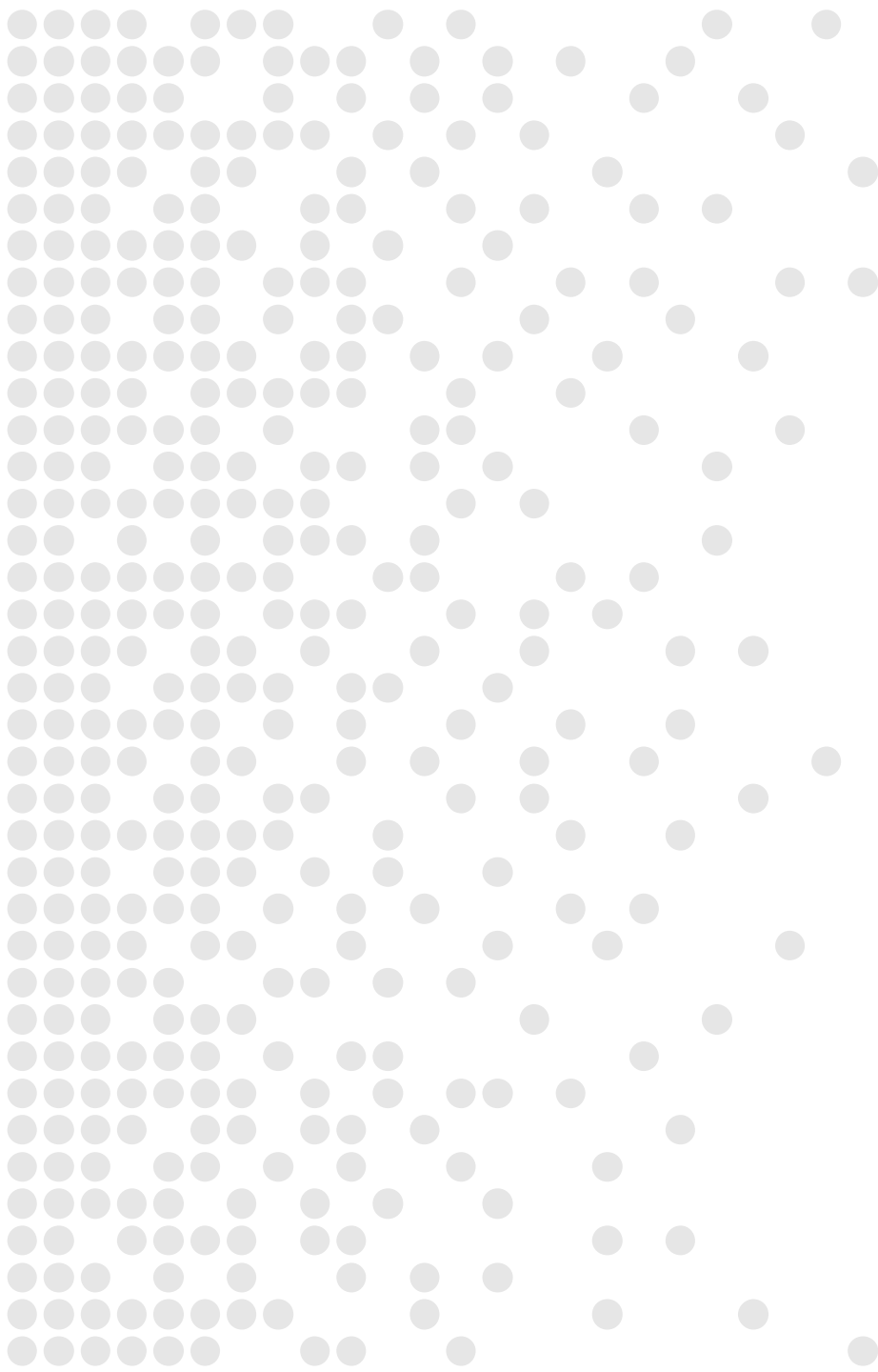
Overview of the D.C. Calculation





Relationship Between Needs to Service Growth vs. Funding





Calculated D.C. Rates

City of Hamilton 2024 Development Charges
Background Study & By-laws



Rate Comparison – Residential (per Single Detached Unit)

Service/Class of Service	Current	Calculated (2023\$)	80% Phase-in (Year 1)	85% Phase-in (Year 2)	90% Phase-in (Year 3)	95% Phase-in (Year 4)	100% Phase-in (Years 5-10)
Municipal Wide Services/Classes:							
Services Related to a Highway	14,608	22,539	18,031	19,158	20,285	21,412	22,539
Public Works	1,092	1,335	1,068	1,135	1,202	1,268	1,335
Transit Services	2,600	1,601	1,281	1,361	1,441	1,521	1,601
Fire Protection Services	626	1,151	921	978	1,036	1,093	1,151
Policing Services	711	1,018	814	865	916	967	1,018
Parks and Recreation*	3,518	11,065	8,852	9,405	9,959	10,512	11,065
Library Services	6,695	2,061	1,649	1,752	1,855	1,958	2,061
Growth Studies**	1,554	-	-	-	-	-	-
Long-term Care Services	549	231	185	196	208	219	231
Child Care and Early Years Programs	246	-	-	-	-	-	-
Provincial Offences Act Services including By-Law Enforcement	21	52	42	44	47	49	52
Public Health Services	55	42	34	36	38	40	42
Ambulance	3	325	260	276	293	309	325
Waste Diversion	201	346	277	294	311	329	346
Total Municipal Wide Services/Classes	33,469	41,766	33,413	35,501	37,589	39,678	41,766
Water and Wastewater Urban Area Charges							
Wastewater Facilities	5,491	7,125	5,700	6,056	6,413	6,769	7,125
Wastewater Linear Services	7,346	10,878	8,702	9,246	9,790	10,334	10,878
Water Services	6,466	7,323	5,858	6,225	6,591	6,957	7,323
Total Water and Wastewater Urban Area Services	19,303	25,326	20,261	21,527	22,793	24,060	25,326
Stormwater Services - Combined Sewer System							
Stormwater Drainage and Control Services	5,355	9,553	7,642	8,120	8,598	9,075	9,553
Stormwater Services - Separate Sewer System							
Stormwater Drainage and Control Services	14,192	23,541	18,833	20,010	21,187	22,364	23,541
Grand Total - City Wide	33,469	41,766	33,413	35,501	37,589	39,678	41,766
Grand Total - Urban Area - Combined Sewer Sytem	58,127	76,645	61,316	65,148	68,981	72,813	76,645
Grand Total - Urban Area - Separate Sewer Sytem	66,964	90,633	72,506	77,038	81,570	86,101	90,633

*Parks & Recreation now combined as one D.C. eligible service

**Growth studies are no longer eligible when a new by-law is passed under Bill 23

Note: Rates will be indexed at by-law implementation to 2024\$



Rate Comparison – Apartments 2-Bedrooms+ (per Unit)

Service/Class of Service	Current	Calculated (2023\$)	80% Phase-in (Year 1)	85% Phase-in (Year 2)	90% Phase-in (Year 3)	95% Phase-in (Year 4)	100% Phase-in (Years 5-10)
Municipal Wide Services/Classes:							
Services Related to a Highway	8,555	13,818	11,054	11,745	12,436	13,127	13,818
Public Works	639	818	654	695	736	777	818
Transit Services	1,524	982	786	835	884	933	982
Fire Protection Services	367	706	565	600	635	671	706
Policing Services	416	624	499	530	562	593	624
Parks and Recreation*	2,059	6,784	5,427	5,766	6,106	6,445	6,784
	3,920						
Library Services	910	1,264	1,011	1,074	1,138	1,201	1,264
Growth Studies**	322	-	-	-	-	-	-
Long-term Care Services	145	142	114	121	128	135	142
Child Care and Early Years Programs	13	-	-	-	-	-	-
Provincial Offences Act Services including By-Law Enforcement	31	32	26	27	29	30	32
Public Health Services	2	26	21	22	23	25	26
Ambulance	119	199	159	169	179	189	199
Waste Diversion	579	212	170	180	191	201	212
Total Municipal Wide Services/Classes	19,601	25,607	20,486	21,766	23,046	24,327	25,607
Water and Wastewater Urban Area Charges							
Wastewater Facilities	3,216	4,368	3,494	3,713	3,931	4,150	4,368
Wastewater Linear Services	4,301	6,669	5,335	5,669	6,002	6,336	6,669
Water Services	3,787	4,490	3,592	3,817	4,041	4,266	4,490
Total Water and Wastewater Urban Area Services	11,304	15,527	12,422	13,198	13,974	14,751	15,527
Stormwater Services - Combined Sewer System							
Stormwater Drainage and Control Services	3,137	5,857	4,686	4,978	5,271	5,564	5,857
Stormwater Services - Separate Sewer System							
Stormwater Drainage and Control Services	8,312	14,432	11,546	12,267	12,989	13,710	14,432
Grand Total - City Wide	19,601	25,607	20,486	21,766	23,046	24,327	25,607
Grand Total - Urban Area - Combined Sewer Sytem	34,042	46,991	37,593	39,942	42,292	44,641	46,991
Grand Total - Urban Area - Separate Sewer Sytem	39,217	55,566	44,453	47,231	50,009	52,788	55,566

*Parks & Recreation now combined as one D.C. eligible service

**Growth studies are no longer eligible when a new by-law is passed under Bill 23

Note: Rates will be indexed at by-law implementation to 2024\$



Rate Comparison – Apartments Bachelor & 1-Bedroom (per Unit)

Service/Class of Service	Current	Calculated (2023\$)	80% Phase-in (Year 1)	85% Phase-in (Year 2)	90% Phase-in (Year 3)	95% Phase-in (Year 4)	100% Phase-in (Years 5-10)
Municipal Wide Services/Classes:							
Services Related to a Highway	5,853	8,561	6,849	7,277	7,705	8,133	8,561
Public Works	437	507	406	431	456	482	507
Transit Services	1,042	608	486	517	547	578	608
Fire Protection Services	251	437	350	371	393	415	437
Policing Services	285	387	310	329	348	368	387
Parks and Recreation*	1,409	4,203	3,362	3,573	3,783	3,993	4,203
Library Services	622	783	626	666	705	744	783
Growth Studies**	220	-	-	-	-	-	-
Long-term Care Services	99	88	70	75	79	84	88
Child Care and Early Years Programs	8	-	-	-	-	-	-
Provincial Offences Act Services including By-Law Enforcement	22	20	16	17	18	19	20
Public Health Services	1	16	13	14	14	15	16
Ambulance	80	123	98	105	111	117	123
Waste Diversion	396	131	105	111	118	124	131
Total Municipal Wide Services/Classes	13,407	15,864	12,691	13,484	14,278	15,071	15,864
Water and Wastewater Urban Area Charges							
Wastewater Facilities	2,200	2,706	2,165	2,300	2,435	2,571	2,706
Wastewater Linear Services	2,943	4,132	3,306	3,512	3,719	3,925	4,132
Water Services	2,592	2,782	2,226	2,365	2,504	2,643	2,782
Total Water and Wastewater Urban Area Services	7,735	9,620	7,696	8,177	8,658	9,139	9,620
Stormwater Services - Combined Sewer System							
Stormwater Drainage and Control Services	2,145	3,629	2,903	3,085	3,266	3,448	3,629
Stormwater Services - Separate Sewer System							
Stormwater Drainage and Control Services	5,685	8,942	7,154	7,601	8,048	8,495	8,942
Grand Total - City Wide	13,407	15,864	12,691	13,484	14,278	15,071	15,864
Grand Total - Urban Area - Combined Sewer Sytem	23,287	29,113	23,290	24,746	26,202	27,657	29,113
Grand Total - Urban Area - Separate Sewer Sytem	26,827	34,426	27,541	29,262	30,983	32,705	34,426

*Parks & Recreation now combined as one D.C. eligible service

**Growth studies are no longer eligible when a new by-law is passed under Bill 23

Note: Rates will be indexed at by-law implementation to 2024\$



Rate Comparison – Non-Residential (per sq.ft)

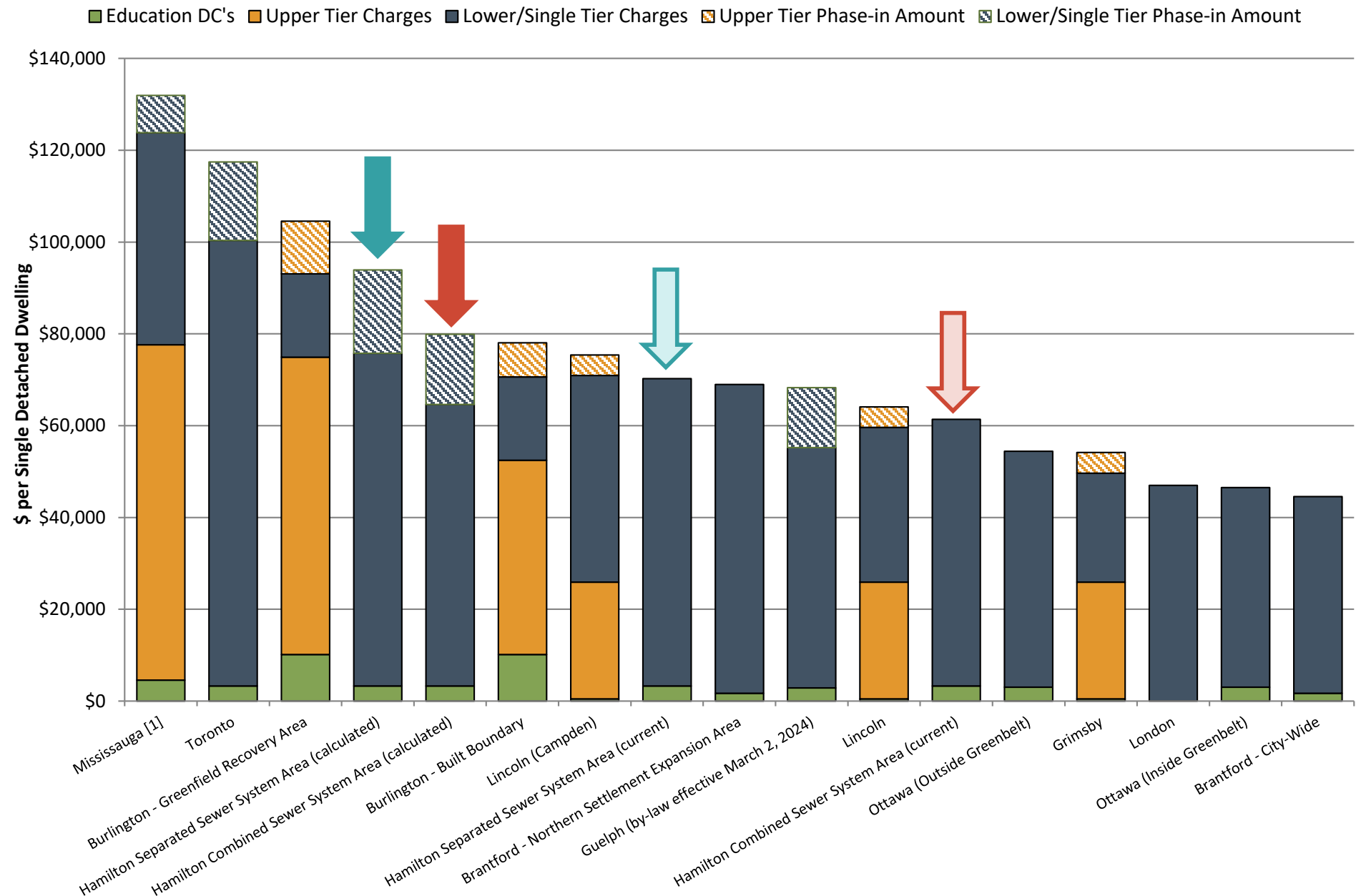
Service/Class of Service	Current	Calculated (2023\$)	80% Phase-in (Year 1)	85% Phase-in (Year 2)	90% Phase-in (Year 3)	95% Phase-in (Year 4)	100% Phase-in (Years 5-10)
Municipal Wide Services/Classes:							
Services Related to a Highway	10.92	16.28	13.02	13.84	14.65	15.47	16.28
Public Works	0.56	0.80	0.64	0.68	0.72	0.76	0.80
Transit Services	1.32	0.96	0.77	0.82	0.86	0.91	0.96
Fire Protection Services	0.31	0.69	0.55	0.59	0.62	0.66	0.69
Policing Services	0.36	0.61	0.49	0.52	0.55	0.58	0.61
Parks and Recreation*	0.16	0.95	0.76	0.81	0.86	0.90	0.95
Library Services	1.36	0.18	0.14	0.15	0.16	0.17	0.18
Growth Studies**	0.28	-	-	-	-	-	-
Long-term Care Services	0.02	0.04	0.03	0.03	0.04	0.04	0.04
Child Care and Early Years Programs	-	-	-	-	-	-	-
Provincial Offences Act Services including By-Law Enforcement	0.02	0.03	0.02	0.03	0.03	0.03	0.03
Public Health Services	-	0.01	0.01	0.01	0.01	0.01	0.01
Ambulance	0.02	0.06	0.05	0.05	0.05	0.06	0.06
Waste Diversion	0.17	0.03	0.02	0.03	0.03	0.03	0.03
Total Municipal Wide Services/Classes	15.80	20.64	16.51	17.54	18.58	19.61	20.64
Water and Wastewater Urban Area Charges							
Wastewater Facilities	2.65	4.53	3.62	3.85	4.08	4.30	4.53
Wastewater Linear Services	3.53	6.91	5.53	5.87	6.22	6.56	6.91
Water Services	3.10	4.65	3.72	3.95	4.19	4.42	4.65
Total Water and Wastewater Urban Area Services	9.28	16.09	12.87	13.68	14.48	15.29	16.09
Stormwater Services - Combined Sewer System							
Stormwater Drainage and Control Services	-	-	-	-	-	-	-
Stormwater Services - Separate Sewer System							
Stormwater Drainage and Control Services	2.93	4.75	3.80	4.04	4.28	4.51	4.75
Grand Total - City Wide	15.80	20.64	16.51	17.54	18.58	19.61	20.64
Grand Total - Urban Area - Combined Sewer Sytem	25.08	36.73	29.38	31.22	33.06	34.89	36.73
Grand Total - Urban Area - Separate Sewer Sytem	28.01	41.48	33.18	35.26	37.33	39.41	41.48

*Parks & Recreation now combined as one D.C. eligible service

**Growth studies are no longer eligible when a new by-law is passed under Bill 23

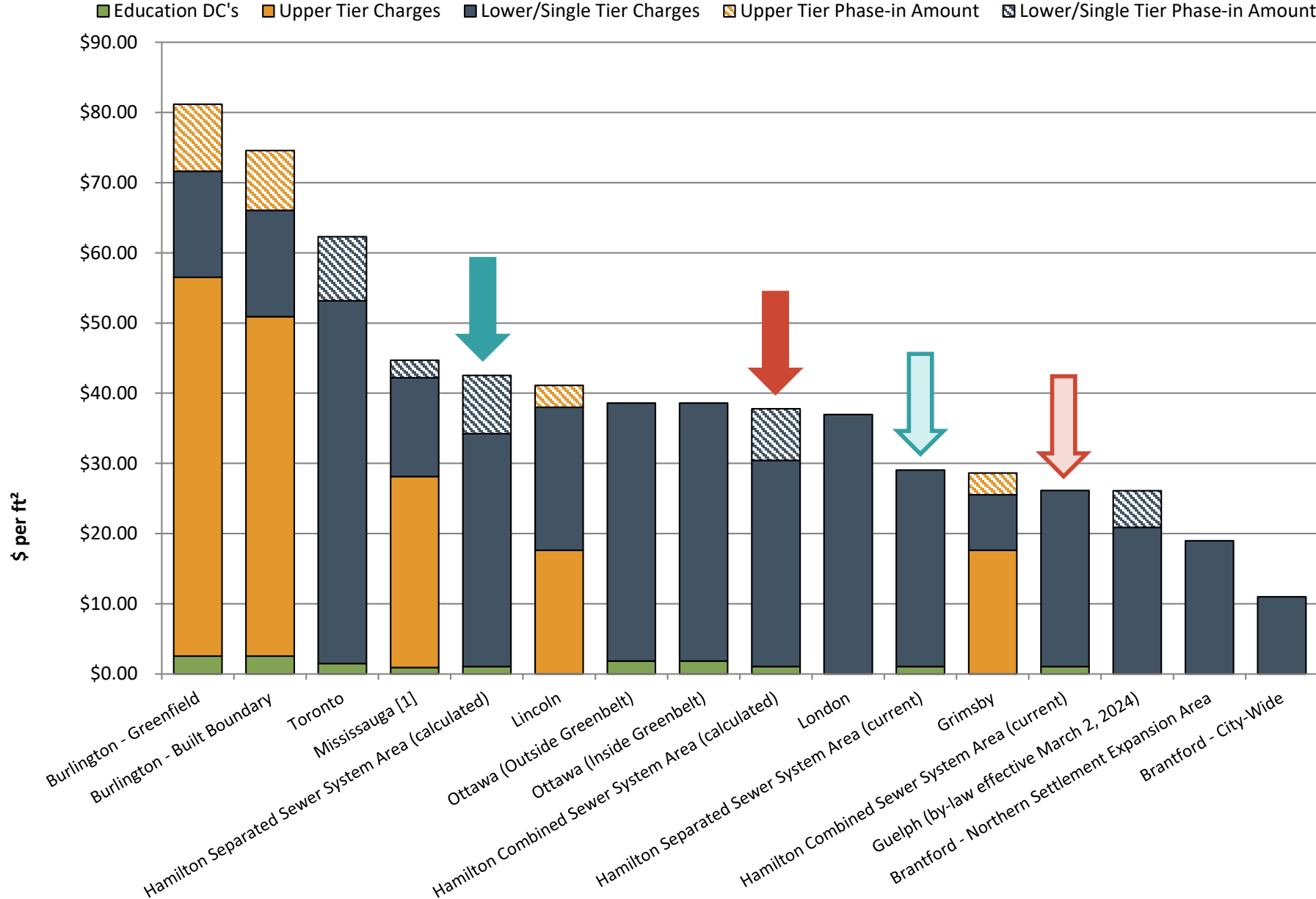
Note: Rates will be indexed at by-law implementation to 2024\$

Survey of Comparator Municipalities – Single/Semi Detached



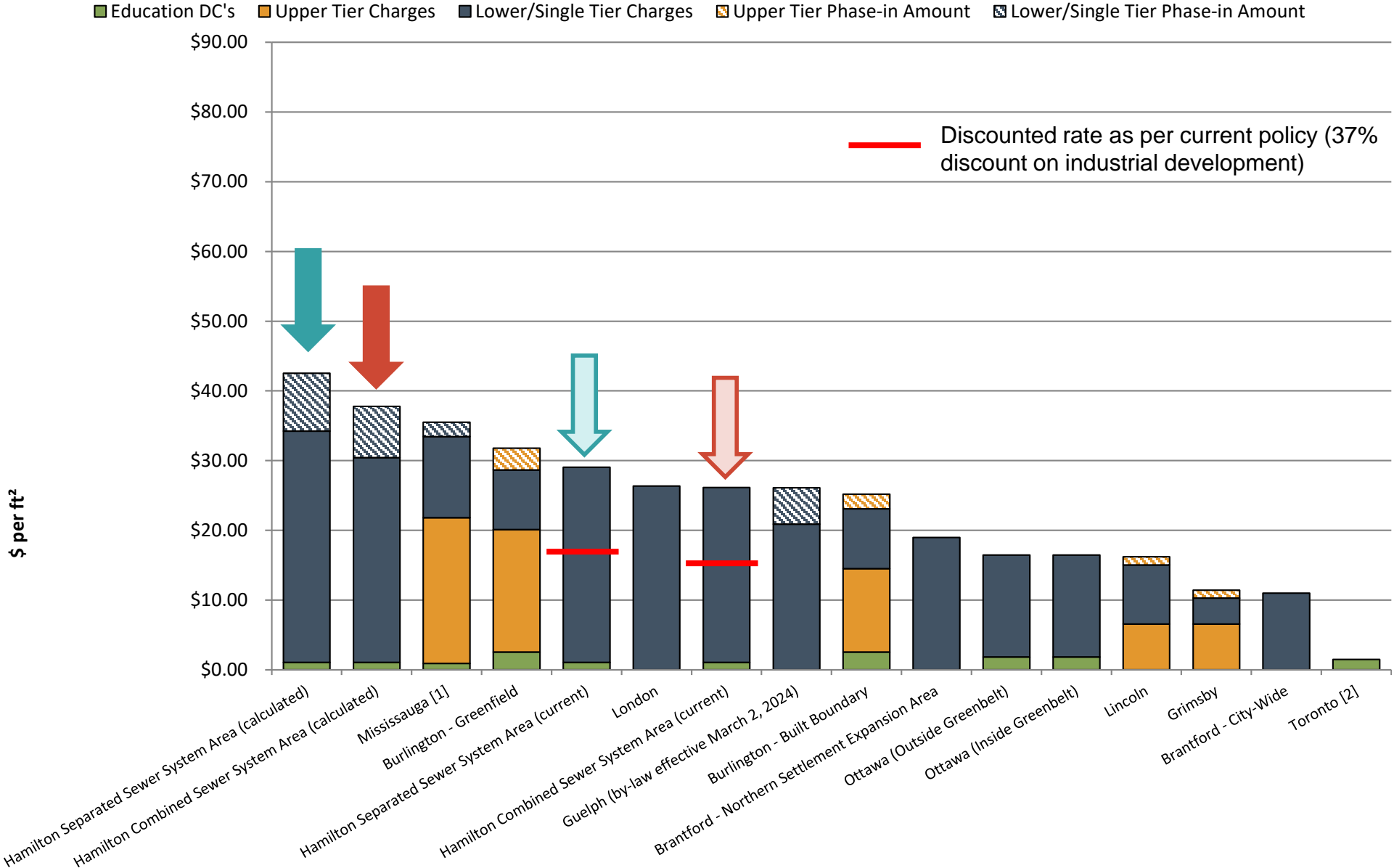
[1] Includes stormwater charge based on area – assuming 12 homes per acre

Survey of Comparator Municipalities – Non-Industrial (per sq.ft.)

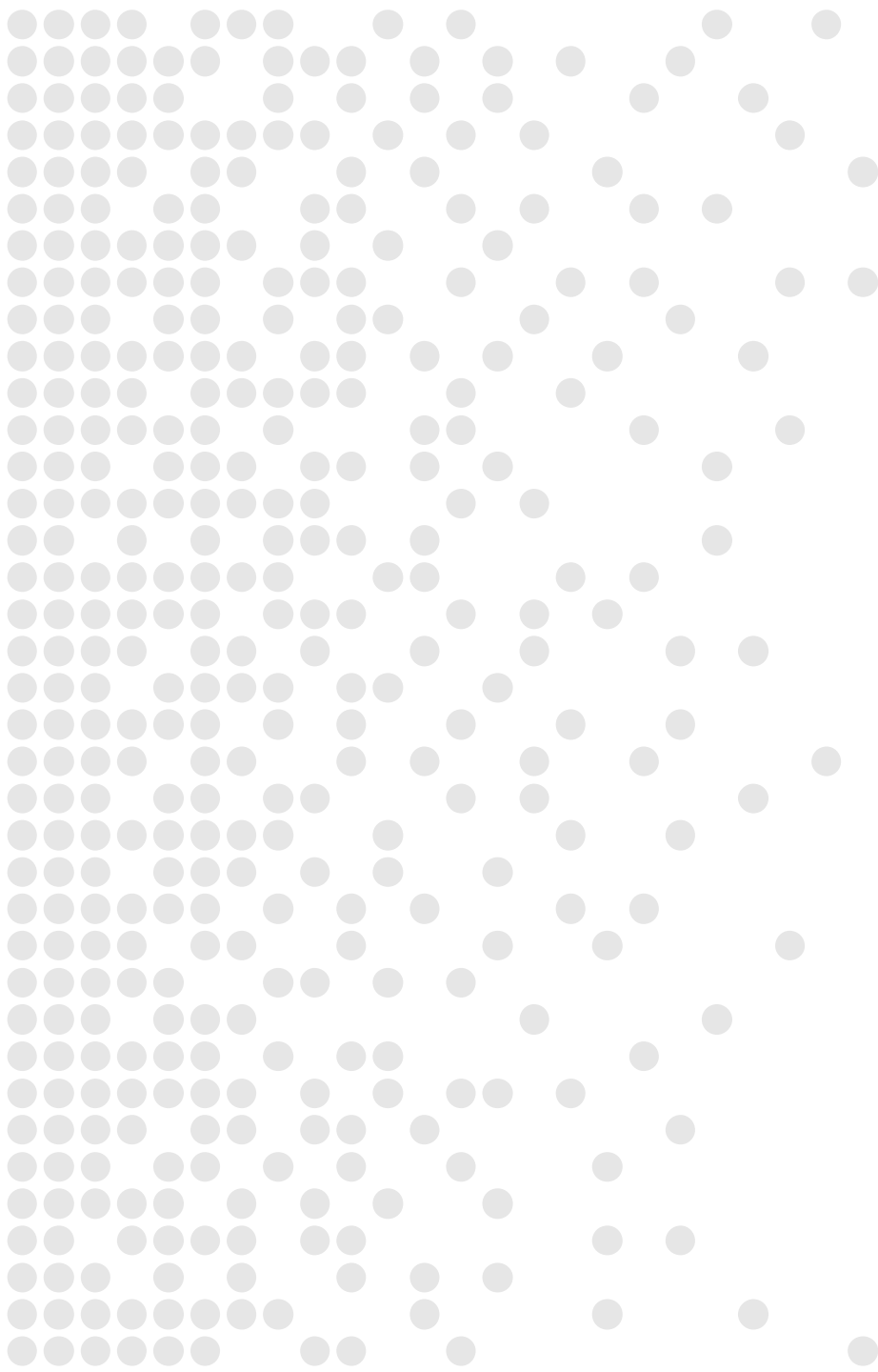


[1] Includes stormwater charge based on area – assuming 1/3 lot coverage

Survey of Comparator Municipalities – Industrial (per sq.ft.)



[1] Includes stormwater charge based on area – assuming 1/3 lot coverage
 [2] Industrial development is exempt in Toronto



D.C. Policies

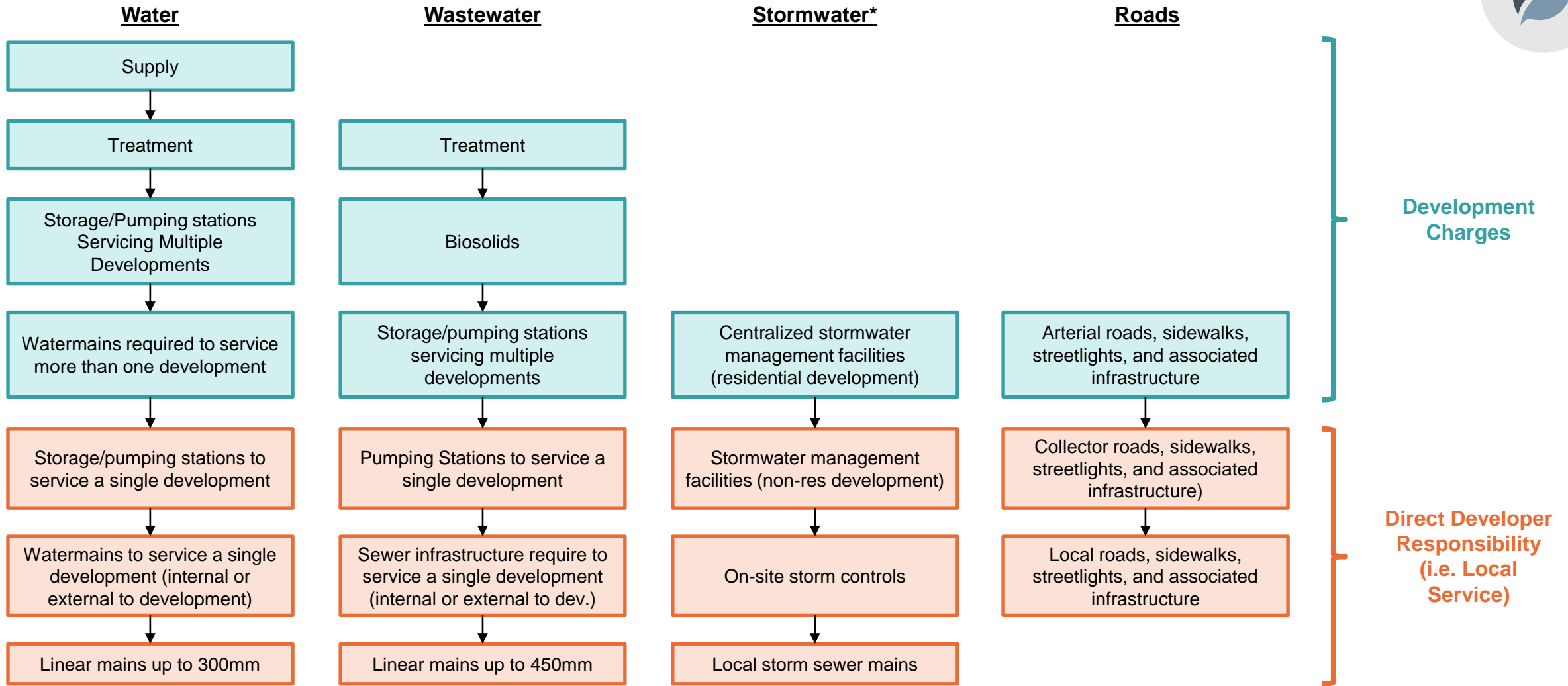
City of Hamilton 2024 Development Charges Background Study & By-laws



Local Service Policy

- Section 59.1(1) and (2) of the Act “No Additional Levies” - prohibits municipalities from imposing additional payments or requiring construction of a service not authorized under the D.C.A. therefore, the Local Service Policy identifies:
 - What will be included in the D.C.; and
 - What will be required by developers as part of their development agreements
- As part of the D.C. background study, the City’s current Local Service Policy has been updated and is included as Appendix E
- Items considered in the Local Service Policy include:
 - Roads & related infrastructure (e.g. traffic signals, streetlights, noise abatement measures, intersection improvements, etc.)
 - Active Transportation (e.g. sidewalks, bike lanes/multi-use trails, etc.)
 - Water & Wastewater
 - Stormwater
 - Parkland development & Natural Heritage Systems.

Current City of Hamilton Local Service Policy Schematic



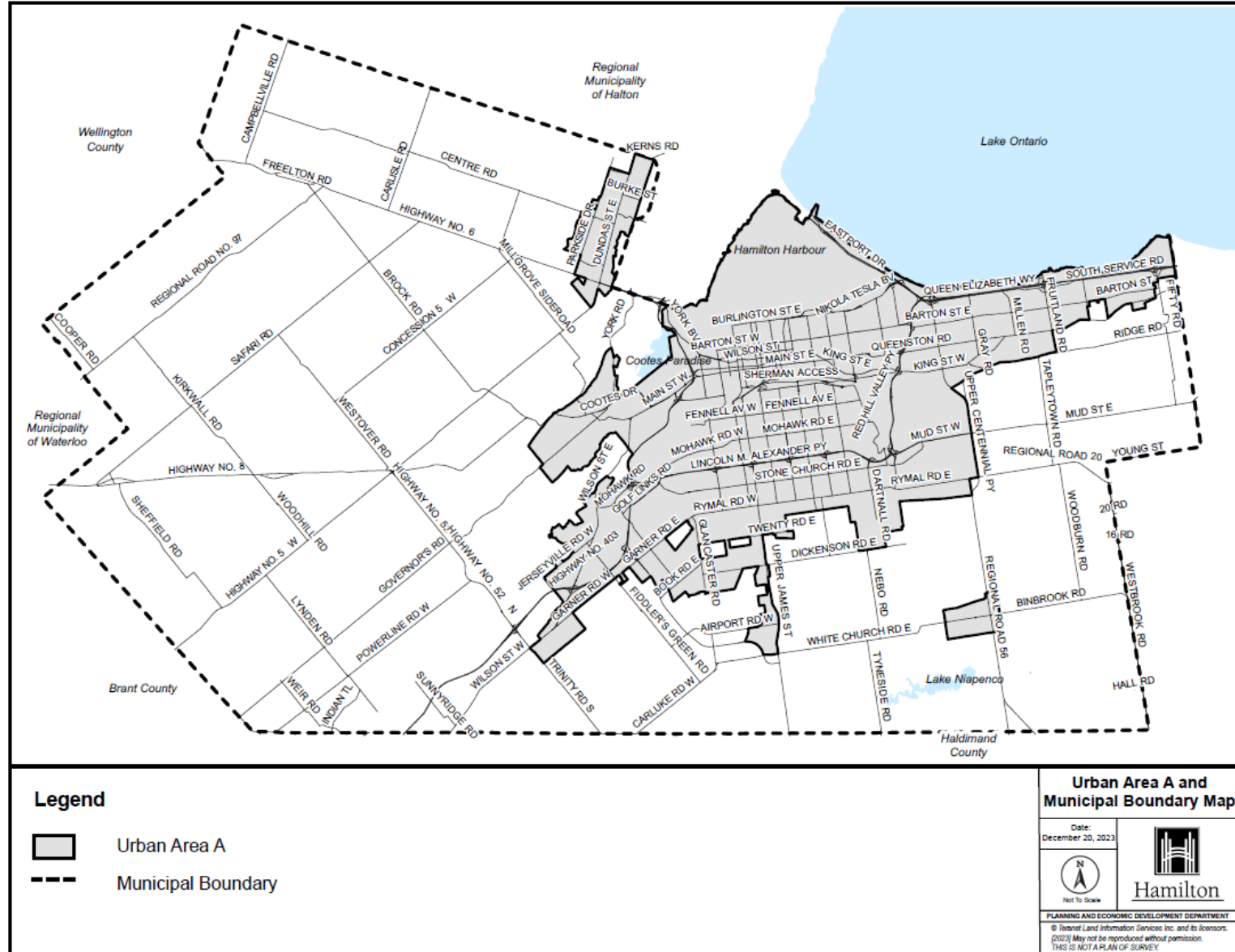
Note: Stormwater infrastructure in the combined sewer system area is 100% developer responsibility



Local Service Policy (LSP) Overview

The existing LSP has been subdivided based on location of development as follows:

- Within “Urban Area A” (lands within the Urban Area as identified in the map and are not subject to any expansion resulting from an amendment to the urban boundary in the Urban Hamilton Official Plan)
- Traditional local service policy requirements will apply as per the Local Service Policy



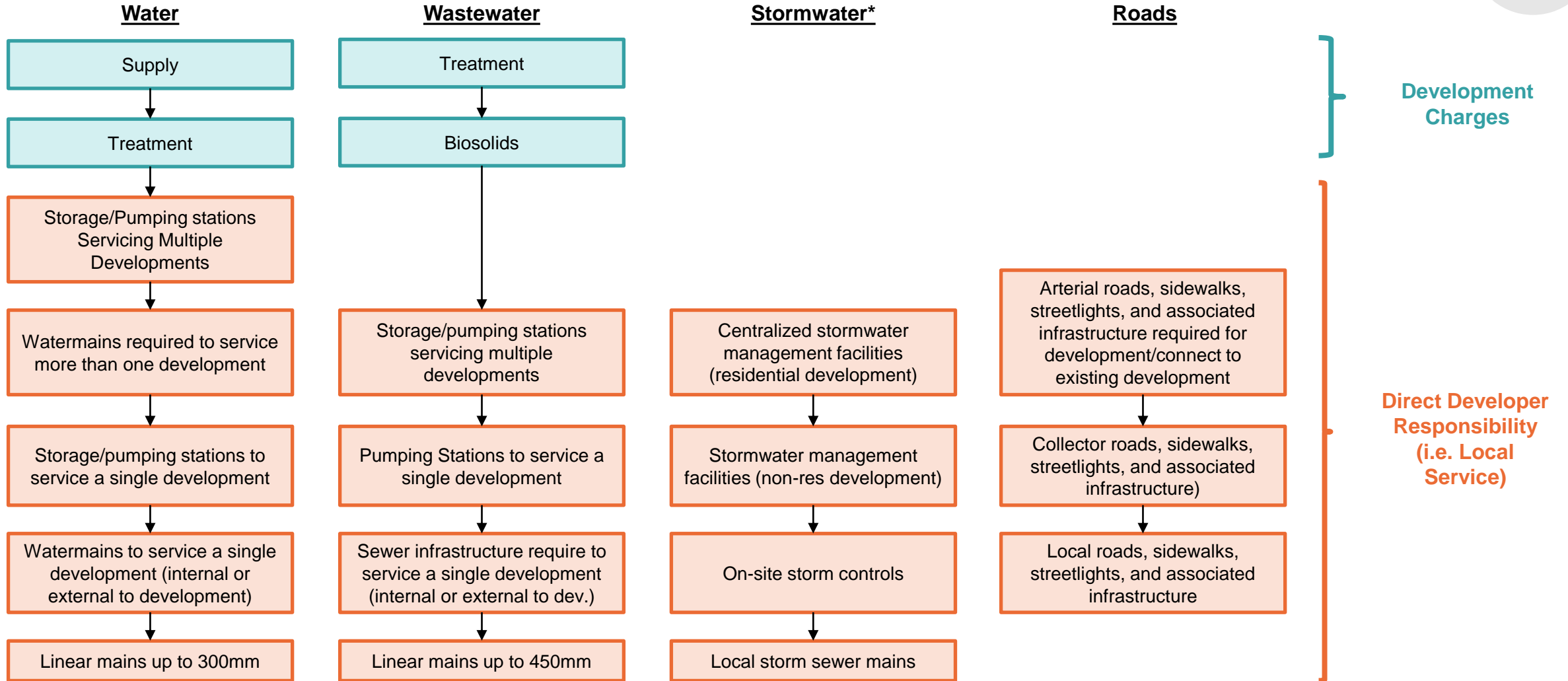


Local Service Policy (LSP) Overview - Continued

Within “Urban Area B” (any lands added to the Urban Area as a result of any amendment to the Urban Hamilton Official Plan expanding the Urban area beyond Urban Area A) – developer would be responsible for:

- All costs required to service the development and/or to connect the development area with existing infrastructure, including without limitation all water, wastewater, stormwater, transit, transportation works (in accordance with the Complete Street definition), any utility relocation/conversion costs, and land acquisition costs to meet City standards will be a developer responsibility, unless otherwise provided herein.
- In conjunction with the above bullet, the scope to service the development and/or connect the development area would be identified within approval authority accepted studies to support development areas.
- For projects occurring within Urban Area A, with an oversizing component, that are required to service development within Urban Area B, the oversizing component is a direct developer responsibility.
- Downstream and/or upstream water and wastewater infrastructure located within Urban Area A required to support development within Urban Area B would be a direct developer responsibility.
- Section E.3 (parkland development) of the local service policy applies

Proposed LSP Schematic Within Urban Area B



Note: Stormwater infrastructure in the combined sewer system area is 100% developer responsibility

Note 1: oversizing of works identified within Urban Area A to be direct developer responsibility

Note 2: Downstream and/or upstream water and wastewater infrastructure located within Urban Area A required to support development within Urban Area B would be a direct developer responsibility.



Mandatory D.C. Exemptions/Discounts

Amended as per Bill 23

- Upper/Lower Tier Governments and School Boards;
- Industrial building expansions (may expand by 50% with no D.C.);
- Development of lands intended for use by a university that receives operating funds from the Government (as per Bill 213);
- May add up to 2 apartments in an existing or new detached, semi-detached, or rowhouse (including in an ancillary structure);
- Add one additional unit or 1% of existing units in an existing rental residential building;
- Affordable and attainable units (to be in force at a later date);
- Affordable inclusionary zoning units;
- Non-profit housing;
- Discount for Rental units based on bedroom size; and
- Phase-in of D.C.s.



Discretionary Exemptions – Initial Recommendations

Discretionary D.C. Exemption	Current Policy	Recommendation	Recommended Policy
Downtown CIPA	Downtown Community Improvement Project Area (CIPA) - 40% D.C. discount except for office development 70%	Modify	<ul style="list-style-type: none"> Remove D.C. exemption of 40% for residential development Maintain 40% CIPA exemption for all non-residential development (standalone and mixed-use) and 70% CIPA exemption for standalone major office developments (Class A) greater than 20,000 sq.ft. gross floor area
Industrial Reduced Rate	City-wide 37% discount of the current industrial D.C. rate -applicable for industrial developments	Modify	<ul style="list-style-type: none"> Remove reduced rate exemption (37% reduction) for industrial development Maintain discount for Production and Artist Studios
Industrial Building Expansion (Detached)	No D.C.s on new industrial buildings on the same lot as an existing building(s), up to 50% of the combined gross floor area of the existing building	Remove	<ul style="list-style-type: none"> Remove industrial expansion (detached) D.C. exemption for all City-wide industrial developments
Downtown Public Art	In Downtown CIPA, 10% of D.C.s can be repurposed to contribute to the Public Art Reserve	Remove	<ul style="list-style-type: none"> Remove D.C. exemption. Similar benefit through new C.B.C.



Discretionary Exemptions – Initial Recommendations

Discretionary D.C. Exemption	Current Policy	Recommendation
Heritage Building	City-wide 100% D.C. exemption for adaptive reuse of a Protected Heritage Property	Keep with no change
Redevelopment for Residential Facility	City-wide 50% D.C. exemption provided for redevelopment of an existing residential development for the purpose of creating residential facilities within existing building envelope	Keep with no change
Stepped Non-Industrial Rates	<p>The rates for non-industrial developments within a CIPA or BIA and for office development (excluding medical clinics) is to be phased as follows:</p> <ul style="list-style-type: none"> • 1st 5,000 square feet: 50% of charge • 2nd 5,000 square feet: 75% of charge • 10,000+ square feet: 100% of charge 	Keep with no change
Non-Industrial Expansion	The initial 5,000 square feet of gross floor area of an office development expansion (medical clinics excluded) are D.C. exempt	Keep with no change
Agricultural Use	100% D.C. exemption for bona fide farming/agriculture uses.	Keep with no change
Place of Worship	100% D.C. exemption (must be exempted from property taxes)	Keep with no change
Transition Policy	Honour the previous DC rates if the permit is issued within 6 months of the rate increase	Keep with no change



Discretionary Exemptions Review

- Subsequent to the initial exemption recommendations, in-person and virtual public open houses were undertaken.
- Feedback was received from the development community related to the industrial and downtown CIPA exemptions.
- The proforma/market feasibility analyses were reviewed to determine if any adjustments to the recommendations should be provided. Revised recommendations are as follows:
 - Industrial Reduced Rate: revised recommendation is to maintain the 37% discount for manufacturing facilities only, and this is to be provided through a CIP as a grant equivalent to the D.C.
 - Industrial Expansion Exemption (Detached Buildings): revised recommendation is to provide the exemption for manufacturing facilities only, and this is to be provided through a CIP as a grant equivalent to the D.C.
 - Residential CIPA DC Exemption: a change in recommendation given updated proforma analysis



Development Charges – Residential and Non-Residential

Existing and Proposed under Various Scenarios

Development Type	Current DC Rates	Proposed DC Rates ^[1]		
		With Residential CIPA Discount (40%)	With Residential CIPA Discount (40%)	With Residential CIPA Discount (20%)
Residential ^[2]	With Residential CIPA Discount (40%)	With Residential CIPA Discount (40%)	With Residential CIPA Discount (20%)	No Residential CIPA Discount
1 Bedroom Condominium Downtown (per Unit)	\$ 13,972	\$ 13,974	\$ 18,632	\$ 23,290
1 Bedroom Purpose Built Rental Downtown (per Unit) ^[3]	\$ 11,876	\$ 11,878	\$ 15,837	\$ 19,797
Non-Residential ^[4]	With Industrial Reduced Rate 37% Discount	Proposed with 37% Discount	Proposed with 20% Discount	Proposed with No Discount
Industrial Development (New Build) (per sq.ft.)	\$ 16.70	\$ 20.90	\$ 26.54	\$ 33.18

[1] All proposed DC rate calculations reflect the mandatory phase-in of 80% for Year 1.

[2] Located in Combined Sewer System.

[3] The proposed DC rate calculation for the purpose-built rental includes a 15% mandatory discount for 1-bedroom units.

[4] Located in Separate Sewer System



Development Parameters

Development Type Condominium - 23 Storey with Ground Floor Commercial

Building G.F.A.	245,419	sq.ft.
Residential G.L.A.	287	units
Commercial Space	4,845	sq.ft.

Current Rates

	Full DC	Payable	Difference
Residential \$	8,788,040	\$ 5,272,824	\$ 3,515,216
Commercial \$	126,600	\$ 75,960	\$ 50,640

DC Exemptions/Discounts

Residential CIPA (40%) and Non-Residential CIPA (40%)	\$ 3,565,856
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Proposed Rates

	Full DC	Payable	Difference
Residential \$	11,502,471	\$ 5,521,186	\$ 5,981,285
Commercial \$	177,957	\$ 85,419	\$ 92,538

DC Exemptions/Discounts

Mandatory Phase-In of 80% for Year 1	\$ 2,336,086
Residential CIPA (40%) and Non-Industrial CIPA (40%)	\$ 3,737,737
\$	6,073,822

Proposed Rates

	Full DC	Payable	Difference
Residential \$	11,502,471	\$ 7,361,581	\$ 4,140,890
Commercial \$	177,957	\$ 85,419	\$ 92,538

DC Exemptions/Discounts

Mandatory Phase-In of 80% for Year 1	\$ 2,336,086
Residential CIPA (20%) and Non-Industrial CIPA (40%)	\$ 1,897,342
\$	4,233,427



Development Parameters



Development Type Purpose-Built Rental - 28 Storey with Ground Floor Commercial

Building G.F.A.	405,422	sq.ft.
Residential G.L.A.	322	units
Commercial Space	5,340	sq.ft.

Current Rates

	Full DC	Payable	Difference
Residential \$	7,950,124	\$ 4,011,670	\$ 3,938,454
Commercial \$	214,663	\$ 128,798	\$ 85,865

DC Exemptions/Discounts

Mandatory Discount for Rental Units	\$ 1,264,007
Residential CIPA (40%) and Non-Residential CIPA (40%)	\$ 2,760,312
\$	4,024,319

Proposed Rates

	Full DC	Payable	Difference
Residential \$	10,125,262	\$ 4,131,107	\$ 5,994,155
Commercial \$	301,744	\$ 144,837	\$ 156,907

DC Exemptions/Discounts

Mandatory Phase-In of 80% for Year 1	\$ 2,085,401
Mandatory Discount for Rental Units	\$ 1,215,031
Residential CIPA (40%) and Non-Industrial CIPA (40%)	\$ 2,850,629
\$	6,151,062

Proposed Rates

	Full DC	Payable	Difference
Residential \$	10,125,262	\$ 5,508,143	\$ 4,617,119
Commercial \$	301,744	\$ 144,837	\$ 156,907

DC Exemptions/Discounts

Mandatory Phase-In of 80% for Year 1	\$ 2,085,401
Mandatory Discount for Rental Units	\$ 1,215,031
Residential CIPA (20%) and Non-Industrial CIPA (40%)	\$ 1,473,594
\$	4,774,026





Discretionary Exemptions – Recommendations

Discretionary D.C. Exemption	Current Policy	Recommendation	Recommended Policy
Downtown CIPA	Downtown Community Improvement Project Area (CIPA) - 40% D.C. discount except for office development 70%	Modify	<ul style="list-style-type: none"> • Reduce D.C. exemption of 40% for residential development to 20%. Thereafter, reduce exemption amount by 5% every year until phased out entirely in five years. • Maintain 40% CIPA exemption for all non-residential development (standalone and mixed-use) and 70% CIPA exemption for standalone major office developments (Class A) greater than 20,000 sq.ft. gross floor area
Industrial Reduced Rate	City-wide 37% discount of the current industrial D.C. rate - applicable for industrial developments	Modify	<ul style="list-style-type: none"> • Reduced rate exemption (37% reduction) to apply only to industrial developments with primary economic activity identified as manufacturing (Employment NAICS code 31-33) as well as for Production and Artist Studios
Industrial Building Expansion (Detached)	No D.C.s on new industrial buildings on the same lot as an existing building(s), up to 50% of the combined gross floor area of the existing building	Modify	<ul style="list-style-type: none"> • Modify industrial expansion (detached) D.C. exemption so that applies only to industrial businesses with primary economic activity identified as manufacturing (Employment NAICS code 31-33).



Farm Help Houses

Consideration for D.C. Exemption

- Definition: Farm Help Houses or Farm Labour Residences are rural temporary accommodations for farm labourers necessary to support agricultural production. Located on same lot or farm site as the primary farm dwelling.
- Some comparator municipalities such as Lincoln, Brant County, London and Woodstock exempt Farm Help Houses along with other bona fide farm buildings.
- Recommendation: Farm Help Houses to be 100% D.C. exempt (same as for non-residential buildings) if they are for bona fide farming/agriculture uses.



Next Steps



September 2022 to November 2023

Data collection, staff review, D.C. calculations and policy work



April 13, September 18, and November 9, 2023

Development Charges Stakeholders Sub-Committee Meeting



December 21, 2023

Release of Background Study and draft by-laws



January 23/24, 2024

Public open house sessions



February 22, 2024

Public Meeting at Audit, Finance & Administration Committee



April/May 2024

Audit, Finance & Administration Committee considers passage of by-laws



June 1, 2024

New D.C. By-laws in Effect



June 12, 2024

Expiry of Existing D.C. By-law (note: existing by-law will be repealed at the time the new by-laws come into effect)



Questions?

Bates, Tamara

Subject: FW: Webform submission from: Request to Speak to a Committee of Council

Submitted on Wed, 01/24/2024 - 12:51

Submitted by: Anonymous

Submitted values are:

Committee Requested

Committee
Audit, Finance & Administration Committee

Will you be delegating in-person or virtually?
In-person

Will you be delegating via a pre-recorded video?
No

Requestor Information

Requestor Information
Michelle Diplock
West End Home Builders' Association
1112 Rymal Road E
Hamilton, Ontario. L8W 3N7
michelle@westendhba.ca

Preferred Pronoun
she/her

Reason(s) for delegation request
To speak to Committee with regard to the City of Hamilton's Development Charges.

Will you be requesting funds from the City?
No

Will you be submitting a formal presentation?
Yes

Bates, Tamara

Subject: FW: Webform submission from: Request to Speak to a Committee of Council

Submitted on Mon, 02/12/2024 - 11:53

Submitted by: Anonymous

Submitted values are:

Committee Requested

Committee
Audit, Finance & Administration Committee

Will you be delegating in-person or virtually?
Virtually

Will you be delegating via a pre-recorded video?
No

Requestor Information

Requestor Information
Veronica Green
Slate Asset Management
121 King Street West
Suite 200
Toronto, On. M5A0B1

Preferred Pronoun
she/her

Reason(s) for delegation request
Slate is a builder and developer in Hamilton, ON; we are directly impacted by the DC Changes. I will be speaking to the DC Background Study and By-Law.

Will you be requesting funds from the City?
No

Will you be submitting a formal presentation?
No

Bates, Tamara

Subject: FW: Webform submission from: Request to Speak to a Committee of Council

Submitted on Wed, 02/14/2024 - 10:43

Submitted by: Anonymous

Submitted values are:

Committee Requested

Committee
Audit, Finance & Administration Committee

Will you be delegating in-person or virtually?
Virtually

Will you be delegating via a pre-recorded video?
No

Requestor Information

Requestor Information
Alan Leela
Vantage Developments

Toronto, Ontario.

Preferred Pronoun
he/him

Reason(s) for delegation request
CIPA Development Charge Exemptions

Will you be requesting funds from the City?
No

Will you be submitting a formal presentation?
No

Dear Chair and Members of the Audit, Finance, and Administration Committee,

We are writing to you on behalf of **Corktown L.P.** to express our concern with the proposed removal of the 40% Development Charge Exemption within the Downtown Community Improvement Area. Our company has invested in downtown Hamilton, and we are actively selling over 700 residential units that will deliver before 2028. New housing supply of all types helps the City of Hamilton deliver on its ambitious housing and intensification targets and increase the City's tax productivity of land. In 2023, redevelopment delivered an increased assessment value of 1.9% to the City's overall budget. Importantly, this revenue is generated by the City for the lifespan of the new building.

While we understand the pressures on the residential tax levy, we wish to emphasize that contrary to the previous 5 years, **the residential intensification market is not strong**. Construction costs have escalated, borrowing costs have escalated and the high-density intensification market's probability of success and feasibility for the return needed to build has significantly decreased.

Our company wishes to continue to invest in building housing for Hamiltonians. We urge the City to reconsider removal of this important city building incentive as it will have significant long term negative impacts for Hamilton's future.

We have serious concerns that this will result in our projects being delayed or cancelled in the short term. Although the market may return in the mid-to-long term, it is imperative to maintain a competitive DC rate to keep developments moving through the pipeline. Projects that are not able to begin or proceed today will never materialize in 2-3 years. This will create a gap in the market and significantly impact housing supply during over that time period. We are concerned that in the absence of this program Hamilton will miss their Housing Accelerator Fund unit commitments and miss out on needed funding from the federal government.

Thank you,

Brandon Donnelly

Managing Director




Veronica Green

Vice President





CITY OF HAMILTON
CITY MANAGER'S OFFICE
Government Relations & Community Engagement

TO:	Chair and Members Grants Sub-Committee
COMMITTEE DATE:	February 12, 2024
SUBJECT/REPORT NO:	2023 City Enrichment Fund Update (GRA24001) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Monique Garwood (905) 546-2424 Ext. 3991
SUBMITTED BY:	Morgan Stahl Director, Government Relations and Community Engagement City Manager's Office
SIGNATURE:	

RECOMMENDATION

That the overall 2023 City Enrichment Fund surplus (Appendix "A" attached to Report GRA24001), in the amount of \$134,710 be transferred to the City Enrichment Fund Reserve # 112230.

EXECUTIVE SUMMARY

The total approved budget for the 2023 City Enrichment Fund (CEF) was \$6,575,410. During the year, additional amounts of \$687,492 and \$75,000 were approved from the CEF Reserve # 112230 to fund appeals and the digital program, bringing the total amount available to fund applicants to \$7,337,902. At the end of 2023, the City Enrichment Fund has an unspent balance of \$134,710. The unspent balance is composed of funds returned from 2022 grant recipients as well as uncollected grants (as outlined in Appendix "B" attached to Report GRA24001).

The CEF Reserve # 112230 had an opening balance of \$1,537,050. During the year, Council approved transfers of \$1,292,621, resulting in a closing reserve balance of \$244,429. Of the \$244,429, \$75,000 is earmarked for the approved Digital Equity Program to be utilized in 2024 for the remaining pilot year. Following these entries, the uncommitted reserve balance will be \$169,429.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

**SUBJECT: 2023 City Enrichment Fund Update
(GRA24001) (City Wide) - Page 2 of 3**

Alternatives for Consideration – See Page 3

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The overall surplus in the City Enrichment Fund is \$134,710. If transferred to the City Enrichment Fund Reserve, the balance in this reserve as of Dec 31, 2023 will be \$379,139. Of this balance, \$75,000 is earmarked for the approved Digital Program to be utilized in 2024, resulting in a remaining reserve balance of \$304,139.

Staffing: There are no staffing implications of Report (GRA24001).

Legal: There are no legal implications of Report (GRA24001).

HISTORICAL BACKGROUND

Prior to the final year-end closing entries, staff prepare a final draft of the City Enrichment Fund actual costs, in order to provide Council a review of any unclaimed or unallocated grant funds. This report outlines all the grants paid, returned, due or allocated for the year ending December 31, 2023. This is consistent with the practice of previous years and is common practice for staff overseeing the City Enrichment Fund.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Not applicable

RELEVANT CONSULTATION

Not applicable

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The unallocated balance for the City Enrichment Fund is \$134,710.

The summary of funding is below:

2023 Approved Funding (excluding appeals)	\$6,650,418
Grants Issued per Program Area:	
Agriculture	\$ 115,452
Arts	\$3,005,412

**SUBJECT: 2023 City Enrichment Fund Update
(GRA24001) (City Wide) - Page 3 of 3**

Communities, Culture and Heritage (CCH)	\$ 419,148
Community Services	\$2,452,455
Environment	\$ 213,479
Sport and Active Lifestyles	\$ 246,282
Digital	\$ 33,809
Administration Costs	<u>\$ 29,671</u>
Total Payments	\$6,515,708
Balance/Surplus	<u>\$ 134,710</u>

ALTERNATIVES FOR CONSIDERATION

As an alternative for consideration, the Committee could choose not to transfer the surplus to the City Enrichment Fund Reserve # 112230. The surplus would then form part of the City's overall surplus/deficit for 2023.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement and Participation

Hamilton has an open, transparent, and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

Culture and Diversity

Hamilton is a thriving, vibrant place for arts, culture, and heritage where diversity and inclusivity are embraced and celebrated.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to GRA24001 – 2023 City Enrichment Fund Summary

Appendix "B" to GRA24001 – 2023 City Enrichment Fund Unallocated and Returned Funds

2023 City Enrichment Fund Summary

Category	Total Applications Received	2023 Approved Budget	2023 Total Approved Funding	2023 Total Payment	Variance (Approved Funding vs Payment)
Agriculture	17	\$ 154,924	\$ 121,863	\$ 115,452	\$ 6,411
Arts	75	\$ 2,994,020	\$ 3,007,662	\$ 3,005,412	\$ 2,250
Communities, Culture and Heritage (CCH)	62	\$ 613,492	\$ 476,852	\$ 419,148	\$ 57,704
Community Services	116	\$ 2,338,944	\$ 2,452,455	\$ 2,452,455	\$ -
Environment	16	\$ 158,198	\$ 213,479	\$ 213,479	\$ -
Sport and Active Lifestyles	46	\$ 265,832	\$ 253,107	\$ 246,282	\$ 6,825
Digital *	5	\$ 75,000	\$ 75,000	\$ 33,809	\$ 41,191
Appeals *	76	\$ 687,492	\$ 687,492	\$ 687,492	
Total Traditional Grant Program Areas	413	\$ 7,287,902	\$ 7,287,910	\$ 7,173,529	\$ 114,381
CEF Administration		\$ 50,000	\$ 50,000	\$ 29,671	\$ 20,329
Total City Enrichment Fund	413	\$ 7,337,902	\$ 7,337,910	\$ 7,203,200	\$ 134,710

*Funded from CEF Reserve

2023 City Enrichment Fund Unallocated and Returned Funds

REF #	Organization	Program Name	2023 Approved	2023 Payment	Variance
ART-D8	DOD Productions (Anne Rosenberg)	Play - The Coat Check Girl	2,250	-	2,250
CCH-C1	Erland Lee (Museum) Home (Federated Women's Institute of Ontario)	Internal Enrichment Project	810	-	810
CCH-A24	Downtown Dundas BIA	Community, Culture, Heritage Large Events	21,072	-	21,072
CCH-B2	Authors in the Park	Authors in the Park	731	-	731
CCH-B8	Erland Lee (Museum) Home (Federated Women's Institute of Ontario)	The Victorian Market and Fair	549		549
SAL-B3	Hamilton Olympic Club	Hamilton Olympic Club - Sport Awareness Program	5,625	4,575	1,050
DIG	<i>Unspent funds based on approved applications</i>		75,000	33,809	41,191
Total 2023 Uncollected Grants			\$ 106,037	\$ 38,384	\$ 67,653
Funds Returned				Amount	
AGR	Hamilton Sustainable Victory Gardens Inc.	2022 Grant funds returned		5,495	
AGR	Hamilton-Wentworth 4-H Association	2022 Grant funds returned		16	
Funds Returned				Amount	

AGR	Southwentworth Plowmen's Association	2022 Grant funds returned		732	
AGR	Wentworth District Women's Institute	2022 Grant funds returned		167	
CCH	INDIA CANADA SOCIETY	2022 Grant funds returned		1,051	
CCH	Dundas Cactus Parade Inc.	2022 Grant funds returned		837	
CCH	Hamilton Folk Arts Heritage Council	2022 Grant funds returned		26,646	
CCH	South Asian Heritage Association of Hamilton & Region	2022 Grant funds returned		4,564	
CCH	Flamborough Santa Claus Parade	2022 Grant funds returned		1,444	
SAL	Hamilton Aquatic Club	2022 Grant funds returned		5,775	
Total Returned Grants			-	\$ 46,728	\$ 46,728
Total CEF Administration Costs			\$ 50,000	\$ 29,671	\$ 20,329
Total Remaining Funds					\$134,710