

**CITY OF HAMILTON**

**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning & Policy Division**

<b>TO:</b> Chair and Members Audit, Finance and Administration Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> July 10, 2013	
<b>SUBJECT/REPORT NO:</b> Inclusion of Hospital Growth Infrastructure under the <i>Development Charges Act</i> (FCS13044) (City Wide) (Outstanding Business List Item)	
<b>SUBMITTED BY:</b> Mike Zegarac Acting General Manager Finance & Corporate Services	<b>PREPARED BY:</b> Joe Spiler 905-546-2424 Ext 4519 Adam Smith 905-546-2424 Ext 1434
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the resolution from the Township of Adjala-Tosorontio, attached as Appendix "A" to Report FCS13044, regarding the inclusion of hospital growth related costs under the *Development Charges Act*, be supported;
- (b) That the Minister of Municipal Affairs and Housing be requested to consider including the following services in the *Development Charges Act*.
  - (i) Parkland Acquisition;
  - (ii) City Halls/Administrative Buildings;
  - (iii) Tourism, Arts/Cultural Facilities, Museums;
  - (iv) Solid Waste Services;
  - (v) Computer Equipment;
  - (vi) Vehicles and Equipment with an average life of 6 years or less;
 and,

- (vii) Future Transit Service levels;
- (c) That copies of Report FCS13044, respecting the Inclusion of Hospital Growth Infrastructure under the *Development Charges Act*, be forwarded to the Honourable Charles Sousa, Minister of Finance, and the Honourable Linda Jeffrey Minister of Municipal Affairs and Housing, the Association of Municipalities of Ontario, and local Members of Provincial Parliament;
- (d) That the item respecting Correspondence from the Township of Adjala-Tosorontio be considered complete and removed from the Audit, Finance & Administration Committee's Outstanding Business List.

## EXECUTIVE SUMMARY

On March 27, 2013 Council referred to staff correspondence from the Corporation of the Township of Adjala-Tosorontio regarding the inclusion of hospital growth infrastructure under the *Development Charges (DC) Act*. Staff are generally supportive of this resolution, though some concerns do exist.

Adjala-Tosorontio's request was generated as a result of the Province requiring a local contribution towards the costs of expansions and operational funding in smaller community hospitals. As most of the expansions are required to meet the needs of an increasing population, Adjala-Tosorontio believes these costs should be shared with growth. Staff are supportive of the concept of growth paying for growth.

The City of Hamilton's contributions to Hospital development in the City to date have been limited to providing partial DC exemptions and 10-year no-interest DC payment deferral agreements, rather than providing cash contributions to new hospital developments and expansions.

Given the nature of the request to add to the eligible services under the *DC Act* and the upcoming DC Background Study, staff have provided a listing of other services that have a growth related infrastructure component but are not currently eligible DC services. Inclusion of all or any of these services would provide additional funding sources for the City's capital program.

Council, as well as many other Ontario municipalities (in excess of 65), have made it clear that the inequities in the Heads & Beds payments-in-lieu of property taxes need to be reviewed and resolved. The amount paid to the City is \$75 per full time student (Colleges & Universities) or per bed (hospitals and correctional facilities). The \$75 rate was set in 1987 and has not been updated since. Based on Report FCS10015, if updated by CPI each year since 1987, the rate would now be approximately \$125.

Alternatively, if the Heads & Beds rate was updated to reflect the current value assessment (CVA) and prevailing tax rates, the rates would increase to an even higher level.

***Alternatives for Consideration – See Page 5***

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

**Financial:** For recommendation (a), if the Province ultimately allowed Hospital Services to become an eligible service this would provide a funding source for municipal contributions towards hospital growth infrastructure without impacting the tax levy.

For recommendation (b), if the Province allowed anything on this list to become an eligible service under the *DC Act*, the City would then be able to collect DC's for the service and use that funding to pay for growth related infrastructure costs that are currently paid from the tax levy.

**Staffing:** Not Applicable.

**Legal:** If any services were added to the *DC Act* by the Province, the City would need to complete a DC Background Study, have a public meeting, and enact a By-law before the City could collect any DC's for that service.

**HISTORICAL BACKGROUND** (Chronology of events)

Development Charges

In 1997, the Province replaced the previous *DC Act* (1989) with a new, updated *DC Act* which made a number of changes to the way DC's are calculated, including reduction of eligible services, mandatory 10% deduction for most services, mandatory background studies, and the industrial expansion exemption. While Hospitals have never been an eligible service, a number of previously eligible services were made ineligible, including: headquarters for general administration of the City, cultural, entertainment and tourism facilities, and waste management services.

The City has not been required to provide cash contribution towards new hospitals or hospital redevelopments and expansions in the past, however starting with its 2004 DC By-law, the City has provided exemptions to hospitals, reducing the amount of DC's payable by 50%. Furthermore, the City has allowed the remaining DC's payable by hospitals to be deferred and paid over a period of ten (10) years with no interest.

Payments in Lieu of Property Taxes

In 1970, the Province introduced a fee of \$25 per full time College or University student in funding to be paid by the Province to the host municipality. In 1973 that fee was increased to \$50 per full time student to address increased costs. The fee was again increased in 1987 to \$75 per full time student, and expanded to cover Hospitals and correctional facilities (based on the number of beds). Since 1987, there have been no further increases to the Heads & Beds fees paid by the Province.

The City, and many other Ontario Municipalities have made a point of requesting that the Province review the payments in lieu issue, and at a minimum, update the \$75 to reflect the increase in CPI since 1987 and introduce a mechanism to index the fee going forward. The Province, however, to this point has not been receptive to an increase in the payments in lieu of property taxes paid to municipalities.

Based on previous reports (FCS10015) increasing the fees to reflect the CPI increases since 1987 would provide approximately \$1.7 million in additional funding to the City. Increasing the fee to reflect the CVA and prevailing residential property taxes would result in an additional \$10.5 million of annual funding for the City. Using the CVA and the commercial and industrial property tax rates would result in additional funding of \$23.5 million and \$41.1 million annually, respectively.

**POLICY IMPLICATIONS/LEGISLATED REQUIREMENTS**

Not Applicable.

**RELEVANT CONSULTATION**

Not Applicable.

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

Eligible DC Act Services

Adding eligible services to the DC Act would provide the City with additional capital funding sources for the growth related costs of those services. This would be beneficial to the existing tax base and assist in having the costs associated with new development be paid by growth rather than the existing taxpayers.

**ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

The alternative would be for the Council of the City of Hamilton to not support the resolution from the Township of Adjala-Tosorontio regarding the inclusion of Hospital growth related costs in the *Development Charges Act*.

**Financial Implications:**

If the City chose to not support the resolution from Adjala-Tosorontio, but hospital services were subsequently added to the *DC Act* as an eligible service anyway, the City would need to decide whether or not to pursue collecting the charges given that the City did not support adding Hospitals as an eligible service. However, choosing not to support the resolution doesn't preclude the City from collecting DC's for hospital services if it becomes an eligible service under the *DC Act*.

**Staffing Implications:**

Not Applicable.

**Legal Implications:**

Not Applicable.

**ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN:**

**Strategic Priority #1**

A Prosperous & Healthy Community

*WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

**Strategic Objective**

- 1.2 Continue to prioritize capital infrastructure projects to support managed growth and optimize community benefit.
- 1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

**Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

**Strategic Objective**

3.1 Engage in a range of inter-governmental relations (IGR) work that will advance partnerships and projects that benefit the City of Hamilton.

**APPENDICES / SCHEDULES**

Appendix "A" – Correspondence from the Township of Adjala-Tosorontio



## THE CORPORATION OF THE TOWNSHIP OF ADJALA – TOSORONTO

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Telephone: (705) 434-5055 Fax: (705) 434-5051

Office of the Clerk

### RESOLUTION

Moved by: Councillor Little  
Seconded by: Councillor Pinto

WHEREAS the *Development Charges Act 1997* currently does not provide for the collection of development charges for the expansion and improvements to hospitals; and

WHEREAS smaller community hospitals must depend on the limited resources of existing residents for at least part of the costs for expansion and operational funding; and

WHEREAS these hospitals must expand their services to meet the needs of the increasing population; and

WHEREAS the costs for hospital expansions should be shared with this growth;

NOW THEREFORE BE IT RESOLVED THAT the Honourable Minister of Municipal Affairs be requested to establish a committee to work with the LHIN's and hospital boards to establish parameters and procedures to include hospitals under the *Development Charges Act*; and

THAT a copy of this resolution be forwarded to municipalities for support through AMO.

**Motion Carried**

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