

# City of Hamilton

---

## Development Charges Stakeholder Committee

March 1, 2018

# Development Charges

---

## 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, roads, sidewalks, streetlights, etc.)
- ❑ Municipalities are empowered to impose these charges via the Development Charges Act (DCA)

# DCA Overview

---

- ❑ The DCA 1997 provided a major change to the DCA 1989 which resulted in a significant loss of potential revenue to municipalities. The 1997 Act introduced a number of:
  - Service Limitations
  - Service Standard Restrictions
  - Mandatory Reductions
  - Mandatory Exemptions
- ❑ Bill 73, passed in December, 2015, introduced further changes
- ❑ The following provides a summary of the key aspects of the DCA 1997 as amended

# Limitations on Services

---

- Some forms of capital and some services can not be included in the DCA. For example:
  - Headquarters for the General Administration of the Municipality
  - Arts, Culture, Museums and Entertainment Facilities
  - Tourism Facilities
  - Provision of a Hospital
  - Parkland Acquisition
  - Waste Management Services (updated to allow for waste diversion, as per Bill 73)

# Capital Costs

---

- Capital Cost definition has been broadened to include:
  - Acquire land or interest in land
  - Improve land
  - Acquire, lease, construct or improve buildings, facilities and structures (includes furniture and equipment)
  - Equipment and rolling stock
  - Capital component of a lease for the above
  - Circulation materials for Libraries
  - Studies for above including a DC Background Study
  - Interest on money borrowed to pay for the above

# Capital Costs (cont'd)

---

- Certain Capital Costs may not be included:
  - Vehicle & Equipment with avg. life of <7 yrs.
  - Computer Equipment
- DCA also provides for a mandatory 10% reduction of capital cost for all services except:
  - Water, Wastewater and Stormwater Services
  - Roads and related services (i.e. Public Works)
  - Fire
  - Police
  - Transit (updated as per Bill 73)

# Capital Costs

---

- ❑ The planning horizon for future capital needs is limited to 10 years for all services except:
  - Water, Wastewater and Stormwater Services
  - Roads and related services (i.e. Public Works)
  - Fire
  - Police
- ❑ Capital costs must be reduced by grants, subsidies and other contributions.
- ❑ May include authorized costs incurred or proposed to be incurred by others on behalf of a municipality/local board

# Service Standards

---

- ❑ Service Standard measure provides a ceiling on the level of the charge which can be imposed
- ❑ Previously (DCA, 1989), provided that the DC be “no higher than” the highest level attained over the previous 10 year period.
- ❑ DCA, 1997 provides that the “average of the past 10 years” (except transit as per Bill 73)
- ❑ Impacts – generally lowers collection levels and may provide for spiral downwards if municipality does not keep up with construction of services



# Service Standards

---

- The DCA requires a detailed review of service levels and requires consideration of both “quality” and “quantity” measures
- This involves reviewing capital inventories in detail over past 10 years

# Service Standard Example

Service: Fire Facilities  
 Unit Measure: ft<sup>2</sup> of building area

Description	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 Bldg Value (\$/ft <sup>2</sup> )	Value/ft <sup>2</sup> with land, site works, etc.
Station #1 - Weber Street North	13,891	13,891	13,891	13,891	13,891	13,891	13,891	13,891	13,891	13,891	\$220	\$342
Station #2 Headquarters - 470 Colombia Street W	20,277	20,277	20,277	20,277	20,277	20,277	20,277	20,277	20,277	20,277	\$260	\$327
Protective Services Community Development	300	300	300	300	300	300	300	-	-	-	\$260	\$322
Station #3 - Northfield Drive	8,790	8,790	8,790	8,790	8,790	8,790	8,790	8,790	8,790	8,790	\$230	\$325
Station #4 - University Avenue East	-	-	-	-	6,141	6,141	6,141	6,141	6,141	6,141	\$510	\$619
Total	43,258	43,258	43,258	43,258	49,399	49,399	49,399	49,099	49,099	49,099		

Population	111,244	112,363	113,482	114,601	115,720	117,021	118,322	119,623	120,924	122,226
Per Capita Standard	0.3889	0.3850	0.3812	0.3775	0.4269	0.4221	0.4175	0.4104	0.4060	0.4017

10 Year Average	2007-2016
Quantity Standard	0.4017
Quality Standard	\$354
Service Standard	\$142

DC Amount (before deductions)	15 Year
Forecast Population	27,936
\$ per Capita	\$142
Eligible Amount	\$3,968,029

# Service Standard Example

Service: Fire Facilities  
 Unit Measure: Value of facilities (\$)

Description	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Station #1 - Weber Street North	4,750,722	4,750,722	4,750,722	4,750,722	4,750,722	4,750,722	4,750,722	4,750,722	4,750,722	4,750,722
Station #2 Headquarters - 470 Colon	6,630,579	6,630,579	6,630,579	6,630,579	6,630,579	6,630,579	6,630,579	6,630,579	6,630,579	6,630,579
Protective Services Community Deve	96,600	96,600	96,600	96,600	96,600	96,600	96,600	-	-	-
Station #3 - Northfield Drive	2,856,750	2,856,750	2,856,750	2,856,750	2,856,750	2,856,750	2,856,750	2,856,750	2,856,750	2,856,750
Station #4 - University Avenue East	-	-	-	-	3,801,279	3,801,279	3,801,279	3,801,279	3,801,279	3,801,279
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>14,334,651</b>	<b>14,334,651</b>	<b>14,334,651</b>	<b>14,334,651</b>	<b>18,135,930</b>	<b>18,135,930</b>	<b>18,135,930</b>	<b>18,039,330</b>	<b>18,039,330</b>	<b>18,039,330</b>

Population	111,244	112,363	113,482	114,601	115,720	117,021	118,322	119,623	120,924	122,226
Per Capita Standard	128.86	127.57	126.32	125.08	156.72	154.98	153.28	150.80	149.18	147.59

10 Year Average	2007-2016
Service Standard \$ per Capita	\$142

# Local Service Policy

---

- ❑ Subdivision Agreement Conditions - the Act broadens the coverage of such agreements to include “local services related to a plan of subdivision or within the area to which the plan relates”, rather than simply local services within a plan of subdivision, as under the old Act.
- ❑ This suggests the need for a D.C. Background study to provide a local service policy

# Items to Review and Consider in Local Service Policy

---

- ❑ Collector & Arterial Roads
- ❑ Intersection Improvement and traffic signals
- ❑ Street lights and Sidewalks
- ❑ Bike Routes/Bike Lanes/Bike Paths/Multi-Use Trails/Naturalized Walkways
- ❑ Noise Abatement Measures
- ❑ Land dedications/easements
- ❑ Water, wastewater and stormwater
- ❑ Parkland development (base condition for acceptance of dedicated lands, trails, landscaping, connections, underground services, etc.)

# Other Matters

---

- ❑ Excess Capacity – any excess capacity in the system cannot be recovered in the DC unless council had expressed a clear intention to recover these costs at or before the time the capacity was created
- ❑ Cross Subsidization - the act clarifies that a cost recovery shortfall from one type of development may not be made up through higher charges on other development. However, it also clarifies that the charge for any particular development does not have to be limited to the cost increase attributable to that development

# Other Matters

---

- ❑ An examination, for each service to which the development charge by-law would relate, of the long term capital and operating costs for capital infrastructure required for the service
- ❑ It is mandatory that a D.C. Background Study be prepared and be available to the public (along with a draft D.C. by-law) at least 60 days prior to by-law passage
- ❑ Prescribed Index - use of the Statistics Canada Quarterly, Non-Residential Building Construction Price Index (CANSIM Table 327-0043)

# Exemptions

---

## □ Mandatory Exemptions:

- for industrial building expansions (may expand by 50% with no D.C.)
- May add up to 2 apartments for a single as long as size of home doesn't double
- Add one additional unit in medium & high density buildings
- Upper/Lower Tier Governments and School Boards

## □ Discretionary Exemptions :

- Reduce in part or whole D.C. for types of development or classes of development (e.g. industrial or churches)
- May phase-in over time
- Redevelopment credits to recognize what is being replaced on site (not specific in the Act but provided by case law)



# City of Hamilton's Current Exemptions

---

- ❑ Parking Garage or Structure
- ❑ Agricultural use including farm help houses
- ❑ Place of Worship
- ❑ Covered Sports Field
- ❑ Temporary Building/structure
- ❑ Affordable Housing project that either has been approved to receive funding from the Federal or Provincial Government under an affordable housing program or has been approved by the City or City Housing Hamilton Corporation through an affordable housing program
- ❑ Adaptive reuse of protected heritage properties (within the existing building envelope)
- ❑ First 5,000 sq.ft. of non-industrial expansion

# City of Hamilton's Current Discounts

---

- ❑ All development within the boundaries of the Downtown Hamilton Community Improvement Project Area (CIPA) - currently discounted by 70% (percentage discount has been phased down from 90% exemption to 70% over 5 year term of current by-law)
- ❑ Non-Industrial development other than an expansion – phased charge:
  - 50% discount on the charge on the first 5,000 sq.ft.
  - 25% discount on the charge for development that is 5,001 – 10,000 sq.ft.
  - No discount on the charge for development exceeding 10,000 sq.ft.
- ❑ Brownfield development that has been approved by the City for an ERASE redevelopment grant, equivalent to the cost of environmental remediation
- ❑ University, other post-secondary school offering a degree or diploma recognized by the Province of Ontario or not-for-profit private elementary or secondary school operating in compliance with section 16 of the Education Act – development related to the academic or teaching purposes is exempt from the transit portion of the charge
- ❑ Public Hospitals receive 50% discount
- ❑ University/college student residences receive 50% discount

# City of Hamilton's Current Discounts con't

---

- ❑ Discounted Industrial rate, only charged for wastewater, stormwater and 65% of services related to a highway - new Industrial developments that are less than 10,000 sq.ft. pay 75% of this calculated amount
- ❑ Redevelopment of existing residential for purpose of residential facility 50% discount

# City of Hamilton's Current D.C.s

As at July 6, 2017

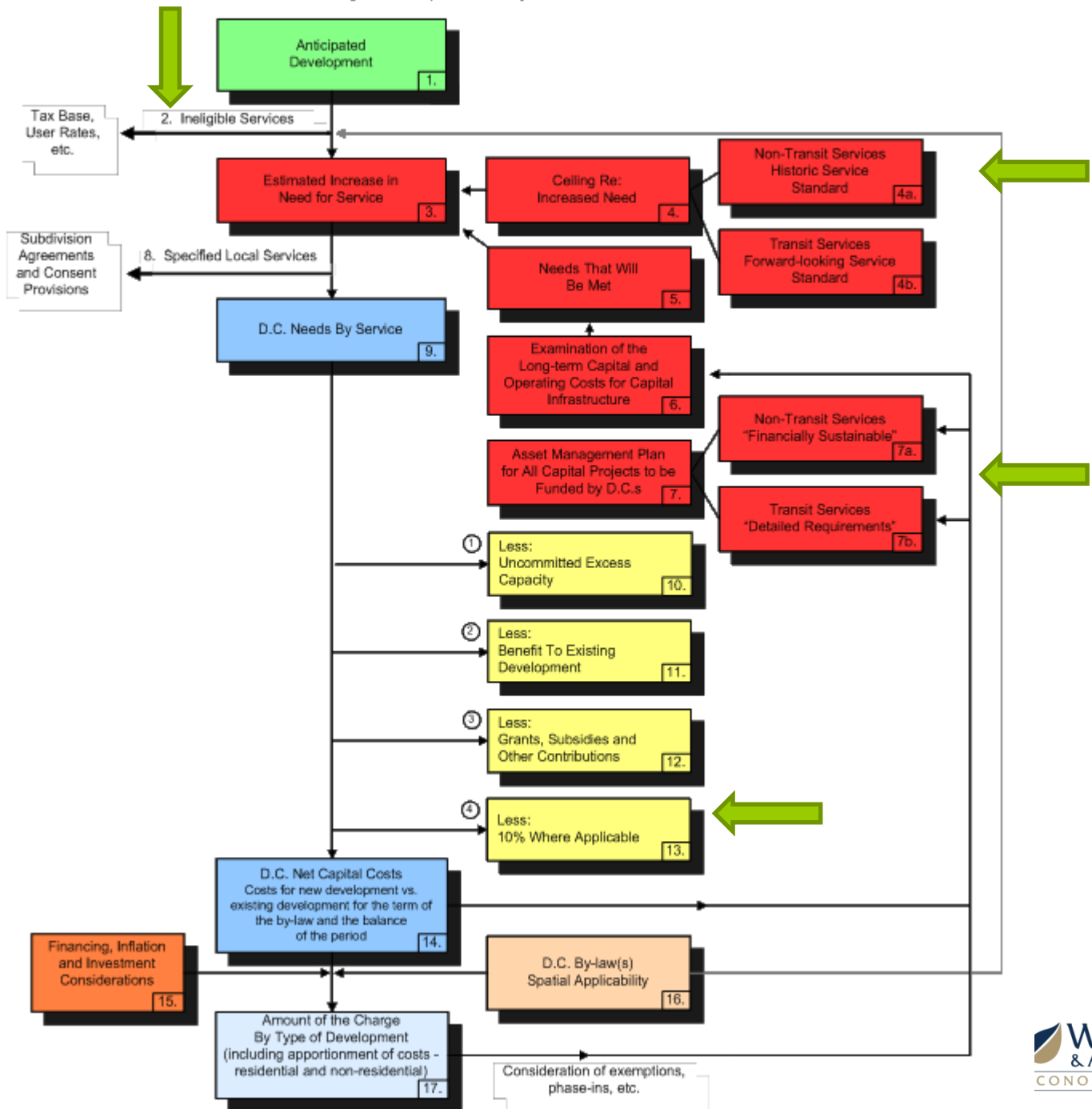
Service	Residential					Non-Residential
	Single & Semi Detached (per Unit)	Multiples (per Unit)	Apartments with 2 Bedrooms + (per Unit)	Apartments Bachelor & 1-Bedroom (per Unit)	Residential Facility Dwelling (per Bedroom)	per sq.ft.
<b>Municipal Wide Charges</b>						
Services Related to a Highway	8,671	6,267	5,294	3,684	2,813	8.83
Public Works	323	234	198	137	105	0.18
Police Services	408	295	249	173	133	0.22
Fire Protection Services	360	260	220	153	117	0.20
Transit Services	528	381	322	224	171	0.33
Outdoor Recreation Services	1,434	1,037	875	609	465	0.11
Indoor Recreation Services	2,203	1,592	1,345	936	715	0.16
Library Services	623	450	380	265	202	0.04
Administration	771	558	471	327	251	0.47
Ambulance Services	38	28	23	16	13	0.02
Long Term Care	250	181	152	106	81	0.04
Health Services	28	20	17	12	8	-
Social & Child Services	30	21	18	13	10	-
Social Housing	565	408	345	240	184	-
Airport Services	253	183	154	107	82	0.16
Parking Services	355	256	217	151	115	0.21
Provincial Offences Act	24	18	15	11	7	0.01
Hamilton Conservation Authority	23	17	14	10	7	0.02
<b>Total Municipal Wide Charges</b>	<b>16,887</b>	<b>12,206</b>	<b>10,309</b>	<b>7,174</b>	<b>5,479</b>	<b>11.00</b>
<b>Urban Area Charges</b>						
Stormwater Drainage and Control Services	6,853	4,953	4,184	2,911	2,224	1.37
Wastewater Facilities	3,967	2,868	2,422	1,685	1,288	2.23
Wastewater Linear Services	4,997	3,611	3,051	2,123	1,621	2.82
Water Services	4,465	3,227	2,726	1,897	1,448	2.52
<b>Total Urban Area Charges</b>	<b>20,282</b>	<b>14,659</b>	<b>12,383</b>	<b>8,616</b>	<b>6,581</b>	<b>8.94</b>
<b>Total Urban Area &amp; Municipal Wide</b>	<b>37,169</b>	<b>26,865</b>	<b>22,692</b>	<b>15,790</b>	<b>12,060</b>	<b>19.94</b>
<b>Other Development Charges</b>						
GO Transit (City-Wide)	244	175	151	101	79	-
Education - HWDSB (Public)	1,039	1,039	1,039	1,039	1,039	0.39
Education - HWCDSB (Catholic)	885	885	885	885	885	0.34
<b>Grand Total (before Special Area Charges)</b>	<b>39,337</b>	<b>28,964</b>	<b>24,767</b>	<b>17,815</b>	<b>14,063</b>	<b>20.67</b>
<b>Special Area Charges</b>						
Binbrook	3,211	2,320	1,961	1,364	1,042	-
Dundas/Waterdown	1,588	1,147	970	674	515	1.09
<b>Grand Total Binbrook</b>	<b>42,548</b>	<b>31,284</b>	<b>26,728</b>	<b>19,179</b>	<b>15,105</b>	<b>20.67</b>
<b>Grand Total Dundas/Waterdown</b>	<b>40,925</b>	<b>30,111</b>	<b>25,737</b>	<b>18,489</b>	<b>14,578</b>	<b>21.76</b>

# Methodology

---

- The following chart provides the overall methodology to calculating the charge
- Arrow mark where Bill 73 has made changes and is discussed in subsequent slides

The Process of Calculating a Development Charge under the Act that must be followed



# Update on Bill 73:

## New definitions

---

- “Prescribed” – a reference to what may be contained in the Regulation
- “Regulations” – used to specifically refer to regulations made under the DCA.

# Update on Bill 73: Ineligible Services

---

- ❑ **Ineligible Services** – move the definition of Ineligible Services from the D.C.A. to the Regulations – allows for easier adjustments to add or reduce ineligible services.
- ❑ Solid waste was formerly an ineligible service – Section 2.1(5) and (6) identify that only landfill and incineration are ineligible thus allowing for alternative waste disposal methods to be allowed for (e.g. recycle, reuse, composting, etc.)



# Update on Bill 73:

## Area Specific Charges

---

- New section 10(c.1) requires that Municipalities must examine the use of area-rating
- while there are no specific “prescribed” services, this section identifies that the background study must consider this to reflect the different needs for different areas
- note that while the background study must consider the option of area rating, it is not mandatory to pass area specific charge
- Minister maintains right to prescribe services or municipalities which must be area rated

# Update on Bill 73: Waste Diversion

---

- Waste collection, recycling collection and management, and organic waste collection and management now eligible for D.C. funding
- Eligible costs to be treated like “general” services
  - 10-year historical service level restriction
  - Development-related capital costs subject to 10% reduction
- Ineligibility maintained for:
  - landfill sites and services
  - facilities and services for the incineration of waste

# Update on Bill 73: Asset Management

---

- ❑ Background Study must include an asset management plan related to new infrastructure
- ❑ For all services except transit, the background study shall deal with all assets proposed in the study and demonstrate that these assets are financially feasible over their full life cycle
- ❑ For Transit services, a more prescriptive set of requirements has been included in the Regulations
- ❑ Act identifies that further information or the manner in which these are provided may be prescribed however only transit services are prescribed at this time

# Update on Bill 73: Transit

---

- ❑ 10% mandatory deduction from the growth-related costs removed
- ❑ Methodology for determining the planned level of service set out in the regulations
- ❑ Methodology requires ridership forecasts and ridership capacity for all modes of transit over the 10 years, identification of excess capacity which exists at the end of 10 years, identification of whether new ridership is from existing or planned development
- ❑ New forward looking service standard based on ridership - the detailed analysis to be provided by Dillon and will be included as an Appendix to the report
- ❑ Revised Benefit to Existing and Post Period Benefit calculations for facilities and vehicles

# Update on Bill 73: No Additional Levies

---

- ❑ New section 59.1(1) and (2) of the Act - prohibits municipalities from imposing additional payments or requiring construction of a service not authorized under the D.C.A.
- ❑ Subsection (2) does allow for exceptions if a class of service or development, or an Act is prescribed – no provision is made in the Regulations at this time
- ❑ Does not affect a charge imposed prior to January 1, 2016
- ❑ Minister may at any time investigate a municipality for compliance - note that the powers provided to the Minister to investigate are extensive

# Update on Bill 73: Public Process Extended

---

- Council shall ensure that the D.C. Background study is made available to the public 60 days prior to the passing of the D.C. by-law
- Report must be available on the website for 60 prior to passage and be available as long as the by-law is in effect

# Update on Bill 73:

## Annual Report of the Treasurer

---

- Annual report must include opening/closing balances, all transaction in the fund, statements identifying all assets funded by D.C.'s and how the portions not funded by D.C.'s were funded
- Include a statement as to the municipality's compliance in not imposing, directly or indirectly, a charge related to a development or a requirement to construct a service related to development, except as permitted by this Act
- Submit the report to the MMAH only when requested by the Minister

# Impact of Bill 73 on the City

---

- ❑ Need to consider Area Rating as part of the Background Study (but not mandatory to impose)
- ❑ This D.C. Study will include the additional analysis required for transit services
- ❑ Waste Diversion D.C.'s may now be collected
- ❑ Consider impact of “no additional levies” in development process and on Local Service Policy
- ❑ Update annual reporting requirements to conform to the new required format
- ❑ Ensure the background study is available at least 60 days prior to by-law passage
- ❑ Asset Management Plan required to demonstrate growth related capital is financially sustainable over it's lifespan



# Draft Study Timelines

Description	2018												2019						
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J
<b>Development Charge Study</b>																			
Consultation to provide DC Overview, Changes in Legislation, DC Schedule, Area Rating Options, etc. to: <ul style="list-style-type: none"> <li>- SLT (February 15, 2018)</li> <li>- Stakeholders (March 1, 2018)</li> <li>- Council via AF&amp;A (March 26, 2018)</li> </ul>																			
Draft Growth Forecast																			
Services (excluding Water, Wastewater, Stormwater & Transportation) <ul style="list-style-type: none"> <li>- Historic Service Standard Information</li> <li>- Capital Infrastructure Requirements</li> <li>- Review Meetings to confirm all data with staff</li> </ul>																			
Services - Water, Wastewater, Stormwater, Transportation & Transit: Staff & Consultants to update list of capital infrastructure requirements																			
Capital Costs for W/WW, SWM, TMP & Transit to be confirmed																			
Local Servicing Policy Update																			
By-law Policy Review/Update																			
Draft Background Study (Internal Review)																			
60 Day Public Review of DC Background Study																			
2019 DC By-law Passage																			
Expiry of 2014 DC By-law (July 6, 2019)																			
DC Stakeholder Sub-Committee Consultation																			

# Growth Forecast

---

- D.C. Study will continue with the 2031a Provincial Targets
- Will be adjusted to reflect latest 2016 Census data
- 2031a Provincial Target Population to be used to calculate Water, Wastewater, Stormwater, Services Related to a Highway, Public Works, Police and Fire Services
- All other services will use a 10 Year growth forecast 2019-2028

# Area Specific vs. City Wide D.C.s

---

Legislated requirements as per Bill 73:

- ❑ Requires that Municipalities must examine the use of area-rating but is not mandatory to impose
- ❑ while there are no specific “prescribed” services, this section identifies that the background study must consider this to reflect the different needs for different areas
- ❑ Minister maintains right to prescribe services or municipalities which must be area rated

# Area Specific vs. City-Wide D.C.s

---

## General Perspectives:

- City-wide:
  - Charges collected for a service can be spent anywhere throughout the city (or service area) without restriction.
  - A wider collection area results in a larger pool of D.C. revenue that can be used to fund growth-related projects sooner or to minimize the need for debt.
  - Fewer appeals to the D.C. by-law from non-residential developers occur, given their preference for the city-wide approach to funding growth-related infrastructure.
  - Collecting funds in one area and spending in another area may provide a perceived inequity as a result of the geographic separation.

# Area Specific vs. City-Wide D.C.s

---

## General Perspectives:

### □ Area Specific:

- Defining D.C. collection by individual areas ensures investment of those funds is in the areas where development is occurring.
- Infrastructure that is to be funded from D.C.s may be delayed in areas where growth is not occurring.
- Higher charge in one area vs. another may impact competitiveness where housing sales prices are similar for competing areas.
- Area-specific D.C.s may encourage more development in built-up areas through increased densities and infill as D.C. rates may be lower in these areas.
- Area-specific D.C.s increase the administrative requirements for the City related to accounting and reporting purposes (e.g. WW - one pooled service vs. various separate service areas).
- Area-specific D.C.s can also increase the complexity where there are differing charges based on the services applicable and/or service areas that a development is located.
- Area-specific D.C.s would require additional debenture financing as funds are isolated to individual areas thus removing the ability to pool or access other D.C. contributions.

# Area Specific vs. City-Wide D.C.s

---

- **Non-Water/Wastewater/Stormwater Services**
  - Services require a 10-year service standard to be calculated to establish an upper ceiling on the amount which can be collected from development. In the case of area specific charges, the average service standard is multiplied by the growth within the area to establish the area specific ceiling which significantly reduces the total revenue recoverable.
  - Area specific charges potentially cause equity issues transitioning from City-wide to area specific.
  - Many services provided are not restricted to one specific area and are often used by all residents (e.g. roads, parks, recreation, library, police).

# Area Specific vs. City-Wide D.C.s

---

- Water/Wastewater/Stormwater Services
  - Area Specific charges would differ between services and systems.
  - Moving to Area Specific may require transition agreements.
  - For area specific debt financing, slow growth may mean that there is not adequate revenue to pay the annual debt charges.
  - Increase number of reserve funds are required and result in loss of flexibility to the use of the funds and increased administration.
  - Increases complexity for administration of by-law
  - Depending on the range of rates, area specifics may create economic development constraints in some areas.

# Area Specific vs. City-Wide D.C.s

---

- Generally with fewer area-specific charges the city is better able to:
  - Fund its infrastructure priorities from a larger pool of D.C. revenue.
  - Maintain flexibility and respond quicker to infrastructure needs, (e.g. advance growth-related infrastructure as a catalyst for economic development opportunities).
  - Be more strategic in its provision of services.
  - Ensure new growth users of a service, pay their share:
    - Monies collected for services in relation to D.C.s cannot be used for another purpose therefore, care must be taken in the definition of D.C. collection areas. If areas are too finely established it may remove users of the new service from the requirement to pay the relevant D.C.s (i.e. those located outside of the defined area).



# Area Specific in other Municipalities

---

- There are a number of municipalities that impose area specific D.C.s however for the most part they are related to more localized works for water, wastewater, storm & roads.
- Generally, treatment, storage and major transmission facilities are included in municipal wide charges.
- Recently, there are a number of municipalities who have moved from area specific D.C.s to Municipal-wide D.C.s and/or reduced the number of area specific D.C.s by expanding the benefitting service areas.

# Local Service Policy

---

- Current Policy will need to be updated
- As the policy will differ for the area specific charges, each area will have to be clearly defined

# DC Stakeholder Direction Required

---

Direction on Area Rating to undertake for consideration during the 2019 DC Process:

- Area Rating – For Services other than Water, Wastewater & Stormwater Services
- Area Rating – Water and Wastewater Services
- Area Rating – Stormwater Services

# Questions

---