



**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
*Financial Planning, Administration and Policy Division*

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	March 26, 2018
<b>SUBJECT/REPORT NO:</b>	Area-Specific Development Charges - 2019 Development Charges Background Study (FCS18034) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Lindsay Gillies (905) 546-2424 Ext. 2790
<b>SUBMITTED BY:</b>	Brian McMullen Director of Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATIONS**

- (a) That for the 2019 Development Charges Background Study staff be directed to calculate area-specific charges for Stormwater between the combined sewer system and separated sewer system and that a City-wide charge be maintained for reference throughout the process;
- (b) That the Special Area Charge for Dundas / Waterdown (wastewater capacity) contained in the Development Charges Background Study since amalgamation continue to be applied on an area-specific basis;
- (c) That for the 2019 Development Charges Background Study area-specific Development Charges for the following services have been considered, as required by Section 10 (2) (c.1) of the *Development Charges Act, 1997*, and that staff be directed to calculate the charges on a City-wide basis:
  - (i) Water (urban)
  - (ii) Wastewater Facilities (urban)
  - (iii) Wastewater Linear (urban)
  - (iv) Services Related to a Highway

- (v) Public Works Facilities, Fleet and Equipment
  - (vi) Police Services
  - (vii) Fire Services
  - (viii) Outdoor Recreation (Parkland Development)
  - (ix) Indoor Recreation (Recreation Facilities)
  - (x) Library Services
  - (xi) Administrative Studies
  - (xii) Ambulance Services
  - (xiii) Long Term Care
  - (xiv) Health Services
  - (xv) Social and Child Services
  - (xvi) Social Housing
  - (xvii) Airport Services
  - (xviii) Parking Services
  - (xix) Provincial Offences Act Space
  - (xx) Waste Diversion
  - (xxi) Transit;
- (d) That the 2019 Development Charges Background Study be prepared with the 2031 growth forecasts and that staff be directed to request approval to initiate a new Development Charges Background Study once the Infrastructure Masterplans using the 2041 growth figures are substantially complete which is expected to be in advance of the typical five-year Development Charges By-law period.

## **EXECUTIVE SUMMARY**

The *Development Charges Act, 1997 (DC Act)* was updated through the *Smart Growth for Our Communities Act, 2015 (Bill 73)* which received Royal Assent on December 3, 2015. The resulting changes to the *DC Act* came into effect as of January 1, 2016.

One of the changes under the updated *DC Act* relates to the requirement for Council to consider the use of area-specific charges under the new Section 10 (2) (c.1) when completing a Development Charge (DC) Background Study.

Staff, with the support of the DC consultants, have reviewed various alternatives for area-specific DCs and, with the support of the DC Stakeholders Sub-Committee, are recommending that only Stormwater services be considered for an area-specific DC calculation. Staff recommends that Stormwater DCs be calculated on the basis of the combined sewer system versus the separated sewer system. Appendix “A” to Report FCS18034 is a summary paper of the requirements and rationale for City-wide versus area-specific DCs.

The existing DC By-law 14-153 will expire on July 5, 2019. The existing DC By-law was prepared using the Province's growth forecasts to 2031. In late December 2017, the Province released the draft land needs assessment methodology that municipalities are required to use for the purposes of demonstrating conformity with the 2041 growth forecasts through the Municipal Comprehensive Review. The 2019 DC Background Study and related By-law will be moving forward with the same 2031 growth forecasts used in the 2014 DC Background Study since the Infrastructure Masterplans cannot be updated with the land budget methodology released in December 2017 with sufficient time to be incorporated into the 2019 DC Background Study.

More information regarding the 2041 Infrastructure Masterplans and related timing of works is regularly reported on through the Corporate Strategic Growth Initiatives (CSGI) updates. Most recently, Report CM16013(b) was presented at the February 21, 2018 General Issues Committee meeting. Once the Infrastructure Masterplans utilizing the 2041 growth figures are substantially complete, staff will seek to initiate a DC Background Study based on the 2041 growth forecasts.

***Alternatives for Consideration – See Page 7***

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial:     Area-Specific DCs

When considering whether or not to calculate a DC on an area-specific basis, there is no overall difference to the City's DC collections. Rather, the capital cost of planned growth projects is split amongst the growth that will benefit from the capital works rather than on a City-wide basis.

Staff is recommending that the Stormwater services be applied on an area-specific basis between the combined sewer system and the separated sewer system.

Using the projects included in the 2014 DC Background Study and an area-specific methodology for Stormwater between the combined versus separated systems compared to the City-wide methodology yielded the results in Table 1.

**Table 1  
Impact of Area-Specific DC for Stormwater Services  
Using the 2014 DC Background Study Projects,  
Growth Forecasts and Costing**

	Single Family Dwelling	Non-Residential (per square foot)
City Wide	\$34,983	\$18.77
Combined Sewer System	\$29,171 Decrease of \$5,812	\$17.90 Decrease of \$0.87
Separated Sewer System	\$35,903 <b>Increase of \$ 920</b>	\$18.96 <b>Increase of \$0.19</b>

While the impact on the 2019 DC Background Study cannot be quantified at this time, the magnitude is anticipated to be similar due to the fact that the same 2031 Infrastructure Masterplans are the basis of the input into the Study.

In general, proceeding with an area-specific DC may result in an increased reliance on debt due to the inability to pool funds. Stormwater projects have historically been budgeted to be funded through DC debt so this is not anticipated to result in a significant impact.

#### DC Background Study

Planning to initiate a new DC Background Study in advance of the typical five-year period will result in the costs for the new DC Background Study being included in the 2019 DC Background Study. The new study will be eligible to be 90% funded from DCs.

Staffing: Area-Specific DCs

An area-specific approach for Stormwater service will increase the amount of DC reserves monitored and increase administrative complexity as well as the complexity in departments accessing funds. The increase in staff time required is not, in itself, significant enough to require an increase in FTEs.

#### DC Background Study

Any staffing implications will be identified with the request to initiate a new study.

Legal: None.

## **HISTORICAL BACKGROUND**

The *Development Charges Act, 1997 (DC Act)* was updated through the *Smart Growth for Our Communities Act, 2015 (Bill 73)* which received Royal Assent on December 3, 2015. One of the changes under the updated *DC Act* relates to the requirement for Council to consider the use of area-specific By-laws under the new Section 10 (2) (c.1) when completing a Development Charge (DC) Background Study

Council approved the initiation of a new DC Background Study and related By-law through the approval of Report FCS17086 “2019 Development Charges Background Study” at the October 23, 2017 Audit, Finance and Administration Committee meeting.

Staff, with the support of the DC consultants, reviewed alternatives for area-specific DCs as follows:

1. Maintain a City-wide approach;
2. Area-Specific DCs for Water, Wastewater and Stormwater;
3. Area-Specific DCs for Stormwater.

Based on a review of these alternatives, staff recommends that Stormwater DCs be calculated on the basis of the combined sewer system versus the separated sewer system and that a City-wide calculation be maintained for comparison throughout the 2019 DC Background Study.

On June 4, 2014, the DC Stakeholders Sub-Committee, through General Issues Committee Report 14-012 directed staff to undertake an engineering analysis on the six downtowns. Based on this direction, one of the area-specific options staff attempted to explore was an area-specific DC for the downtowns. However, due to the fact that the Infrastructure Masterplans do not contain the required level of detail, amongst other challenges, it was determined that such a calculation is not feasible. This conclusion does not impact the engineering analysis of the downtowns that is underway to review the adequacy of infrastructure for likely growth scenarios.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

This Report meets the new requirements under Section 10 (2) (c.1) of the *DC Act* which requires that Council consider the use of area-specific DCs.

## **RELEVANT CONSULTATION**

Growth Management, Planning and Economic Development  
Economic Development, Planning and Economic Development  
Planning, Planning and Economic Development  
Hamilton Water, Public Works  
Watson and Associates Economists Ltd.  
GM BluePlan Engineering  
Senior Leadership Team Working Group: Growth and Economic Development  
DC Stakeholders Sub-committee

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

Appendix “A” to Report FCS18034 is a summary paper prepared by Watson and Associates Economists Ltd. regarding the requirements and rationale for City-wide versus area-specific DCs.

Summarizing from this paper and information that Watson and Associates presented at the March 1, 2018 DC Stakeholders Sub-committee, one can conclude that a good candidate for area-specific charges is a service that has a strong connection between capital works and those who benefit from the capital works (restricted use), a clear service boundary, a different level of service between the boundaries and an ability to support the infrastructure costs / debt charges without pooling of funds.

The majority of services do not meet the criteria of restricted use (libraries, recreation centres, roads, etc.). Therefore, staff do not recommend considering the use of area-specific DCs for these services.

Staff recommends area-specific charges for Stormwater costs because the use is restricted, there are defined boundaries with different levels of service (combined system versus separated system) and because when the projects as included in the 2014 DC Background Study were analyzed, there was a sizable difference in the calculated DC. As illustrated in Table 1, by applying the Stormwater projects on an area-specific basis, a single-family dwelling on the combined sewer system would pay \$6,732 (19%) less than a single-family dwelling on the separated sewer system. While the impact on the calculated 2019 DC is unknown at this time, it is anticipated to be a similar magnitude since the same 2031 growth forecasts are being used.

Water and wastewater were considered for an area-specific calculation between the built boundary and greenfield but were determined not to be ideal due to the interconnectedness of the City’s networks. Alternative 2 addresses this analysis in more detail.

Since amalgamation, the DC By-laws have included two area-specific charges, the Dundas / Waterdown Special Area Charge and the Binbrook Special Area Charge. Staff recommends maintaining the Dundas / Waterdown Special Area Charge with the 2019 DC Background Study and By-law. The Binbrook Special Area Charge is forecasted to be fully recovered prior to the 2019 By-law and therefore, no recommendation has been included.

Staff is recommending that a new DC Background Study be requested to be initiated once the 2041 Infrastructure Masterplans are substantially complete so that the capital costs related to the updated growth forecasts can be incorporated into the DC on a timely basis rather than waiting the typical five-year period.

### **ALTERNATIVES FOR CONSIDERATION**

Alternative 1: City-Wide Approach

Financial: There would be no overall difference in the forecasted DC collections. Rather, the same DC would apply to all development across the City.

Staff: None.

Legal: None.

Pros: A City-wide approach is easier to administer and understand than an area-specific approach.

Cons: A City-wide approach does not represent the service level difference in city provided stormwater projects between the combined sewer system and the separated sewer system.

Alternative 2: Apply staff Recommendations (a), (b), (c) – (iv) through (xxi) and (d). Apply area-specific charges for Water and Wastewater on the basis of built boundary versus greenfield.

Financial: There would be no overall difference in the forecasted DC collections. Rather, some capital costs would be allocated on an area-specific basis for water and wastewater than on a City-wide basis.

The difference in the DC collected per single-family dwelling would be nominal compared to a City-wide approach.

Staff: There would be added pressure on the collection and funding sides of the DC process due to an increase in the number of reserves and the amount of different scenarios possible bases on the increased number of borders. The increase in analysis could be split between Building Division staff and Finance Division staff if workloads permit or a dedicated position could be added to specifically support DC calculations and project funding.

Legal: None.

Pros: May result in further adopting a methodology where those who benefit from the capital works pay for the capital works.

Cons: Increased complexity and administration of the DC By-law where the resulting difference in DC levied is anticipated to be nominal.

Due to the interconnectedness of the City's Water and Wastewater systems, there is not a clear service level difference between built boundary and greenfield and the benefit of specific projects may be split between the built boundary and greenfield.

The impact of the Province's intensification mandate increasing from 40% to 60% is not known at this time and may eliminate any financial difference between the built boundary and greenfield.

## **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

### **Community Engagement & 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.*

### **Built Environment and Infrastructure**

*Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.*

### **Our People and Performance**

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

## **APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" – City of Hamilton – City-wide vs. Area-Specific Development Charges, Watson and Associates Economists Ltd.

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*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.*