



# INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	May 7, 2018
<b>SUBJECT/REPORT NO:</b>	Development Charges Annual Indexing - Effective July 6, 2018 (FCS18051) (City wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Alicia Li (905) 546-2424 Ext. 1434
<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

## Council Direction:

N/A

## Information:

### Development Charges Annual Indexing

In accordance with the City's Development Charge (DC) By-laws, DC rates are adjusted annually by the percentage change during the preceding year, as recorded in the Statistics Canada's Construction Cost Index (non-residential building) (CANSIM table 327-0043 - Toronto) as prescribed by the Province's *Development Charges Act*. This adjustment is required to align DC revenues with construction costs and helps ensure the sustainability of the DC reserves for the funding of the City's growth related capital requirements.

There are two DC By-laws administered by the City of Hamilton. Firstly, By-law 14-153 respecting the collection of DCs for growth related City services and secondly, By-law 11-174 respecting the collection of DCs to pay for the City's contribution towards Metrolinx growth capital. Both By-laws are consistent with respect to the indexation timing of the rates.

Table 1 illustrates that the percentage change in the 2017 index was 3.09%. The effective date of the indexing is July 6, 2018.

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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.*

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Table 1  
Stats Canada Non-Residential Building Construction Price Index

Year	Index	Percentage Change
2016	161.6	
2017	166.6	3.09%

Source: Statistics Canada – CANSIM table 327-0043 (Toronto)

A summary of the current and indexed rates are illustrated in Tables 2 and 3.

Note that each individual service category is indexed which may result in the overall increase being slightly more / less than applying the 3.09% index rate to the overall total. Tables 2 and 3 show the impact on the overall City DC after each individual service category had been indexed.

Table 2 illustrates the Residential City DC rates.

Residential DCs (\$ per unit unless otherwise stated)	Table 2	
	City DCs July 6, 2017 to July 5, 2018 (\$)	City DCs July 6, 2018 to to July 5, 2019 (\$)
Singles / Semi's	37,169	38,318
Townhouse / Other Multiple	26,865	27,695
Apartment (2+ bdrms)	22,692	23,396
Apartment (1 bdrm)	15,790	16,277
Residential Facility (\$ per bed)	12,060	12,431

Note: Does not include Special Area Charges which are not subject to annual indexing

Table 3 illustrates the Non-Residential City DC rates.

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Table 3

Non-Residential DCs (\$ per square foot)		City DCs July 6, 2017 to July 5, 2018 (\$)	City DCs July 6, 2018 to to July 5, 2019 (\$)
Industrial		12.16	12.53
Non-Industrial (i.e. Commercial, Institutional)	1 <sup>st</sup> 5,000 sq. ft.	9.97	10.27
	2 <sup>nd</sup> 5,000 sq. ft.	14.96	15.41
	10,000+ sq. ft.	19.94	20.54

DC By-law 14-153 provides that the rate in effect for new small industrial developments (defined as less than 10,000 square feet) is 75% of the full industrial rate. For the period covering July 6, 2018 through July 5, 2019 the charge is \$9.41 per square foot (\$12.53 x 75%). The small industrial development rate is not a stepped rate, meaning that new industrial developments over 10,000 square feet do not receive the reduced rate for any portion of the development.

Table 4 illustrates the index impact on Metrolinx (GO Transit) DC Rates. Metrolinx DCs are only collected from residential development.

Note that the indexed rate may be slightly different than applying the 3.09% to the existing rate. This difference is due to the fact that when the index calculation is prepared, the original Metrolinx DC (\$215 per single / semi) and all previous index factors are considered.

Table 4

Residential DCs (\$ per unit unless otherwise stated)	GO Transit DCs July 6, 2017 to July 5, 2018 (\$)	GO Transit DCs July 6, 2018 to to July 5, 2019 (\$)
Singles / Semi's	244	252
Townhouse / Other Multiple	175	180
Apartment (2+ bdrms)	151	156
Apartment (1 bdrm)	101	104
Residential Facility (\$ per bed)	79	82

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Appendix “A” to Report FCS18051 is the Development Charge Pamphlet which will be posted on the City website and made available to the public. The Pamphlet provides a summary schedule of the current rates and provisions contained within the DC By-laws. Special area charges and educational DCs are also outlined, where applicable.

**Transition Policy**

DCs are payable upon building permit issuance and the rates payable are based on the rates in effect on the date of permit issuance. However, to offset the financial impacts to developments already in progress and nearing permit issuance, a transition policy was included as part of DC By-law 14-153. The transition policy allows for the DC rates in effect on the date of building permit application, to be paid, provided that **all** of the following criteria are met:

- The permit application must be a complete application as per requirements outlined by the Building Services Division;
- The permit must be issued within six months of the effective date of a rate increase; and
- The permit must not be revoked after the date of a rate increase.

**Other DC Updates Effective on July 6, 2018**

The DC Community Improvement Project Area (CIPA) exemption is decreasing from 75% to 70% on July 6, 2018. A detailed Information Report (FCS15022) was presented to the Audit, Finance and Administration Committee at its meeting of April 13, 2015. The transition policy above does not apply to the reduction in the DC CIPA exemption.

**Appendices and Schedules Attached**

Appendix “A” – Development Charges Information – Pamphlet - Summary of By-Laws 14-153 and 11-174 (as amended) - Rates Effective July 6, 2018 – July 5, 2019

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