



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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	July 11, 2018
SUBJECT/REPORT NO:	City of Hamilton Development Charges By-law 14-153 - Industrial Development Expansion Policy Amendment (FCS18053(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Joe Spiler (905) 546-2424 Ext. 4519
SUBMITTED BY:	Mike Zegarac General Manager Finance and Corporate Services
SIGNATURE:	

RECOMMENDATIONS

- (a) That no further Public Meeting is required with respect to the By-law attached hereto as Appendix "A";
- (b) That the By-law, attached hereto as Appendix "A" to Report FCS18053(a), prepared in a form satisfactory to the City Solicitor, be passed and enacted.

EXECUTIVE SUMMARY

On May 9, 2018, Council received and made public, Report FCS18053 which served as a Background Study under the *Development Charges Act, 1997, as amended*, (DC Act) through the approval of Item 6.5, Audit Finance and Administration Committee Report 18-006.

Report FCS18053 proposed an amendment to the existing definitions and policy in the City's Development Charges (DC) By-law 14-153. The proposed amendments would permit existing industrial developments to utilize the 50% expansion exemption on an unrestricted basis compared to the one-time restriction currently written into the By-law.

The DC Act requires that a background study be made public a minimum of 60 days before Council can enact the By-law. Report FCS18053(a) provides the direction to enact the By-law. The amendments to the current DC By-law, through the approval of Recommendation (b), will be effective July 16, 2018.

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.

Compared to the draft By-law attached to Report FCS18053, Appendix “A” to Report FCS18053(a) contains additional wording to provide clarity around attached and unattached industrial development expansions and that the 50% expansion exemption is limited to additional buildings on parcels as they exist at July 16, 2018.

Alternatives for Consideration – See Pages 4-5

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The financial implications of the proposed changes will be dependent on the amount of industrial expansion that occurs. Any funds that are not collected through the DC By-law will need to be offset either directly or indirectly from another source (effectively, the property tax levy or water, wastewater and storm rates).

Through Report FCS18053, staff was directed to add estimates to the 2019 Tax and Rate Budgets. Staff will add the amount of any exemptions experienced in 2018 as a result of the policy change, as well as a provision to cover 2019 permit estimates into the 2019 Tax and Rate Budgets.

A review of the industrial permit activity over the past two years indicates that the annual impact of the drafted policy change would have been approximately \$500K annually. Considering the relevant split between tax supported and rate supported DCs estimated at \$235K and \$265K, respectively, this increase would translate into a 0.03% tax levy increase (\$1 per average residential property valued at \$337,100) and a 0.13% water, wastewater and storm rate increase. The actual impact will vary depending on the amount of industrial activity and the success of the incentive in increasing the volume of industrial expansion activity.

Staffing: None.

Legal: The proposed By-law has been reviewed by Legal Services. Once approved, the By-law is subject to a 40-day appeal period. Any appeals to the By-laws will require further involvement from Legal Services staff.

HISTORICAL BACKGROUND

DC By-law 14-153 came into effect on July 6, 2014. As per the DC Act, DC By-laws can be in effect for a maximum period of five years before a new background study and By-law are required to be enacted. However, municipalities may elect to enact a new By-law or amend their By-laws before the five-year period expires.

**SUBJECT: City of Hamilton Development Charges By-law 14-153 Background Study
Re: Industrial Development Expansion Policy Amendment (FCS18053(a))
(City Wide) (Outstanding Business List Item) – Page 3 of 5**

By motion on March 28, 2018, Council directed staff to review the policy as it relates to industrial development expansions and competitiveness with surrounding municipalities.

Report FCS18053 was approved by Council as the Background Study for a DC By-law amendment at its May 9, 2018 meeting.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The DC Act requires a background study prior to passing a DC By-law. The current DC By-law came into force on July 6, 2014. A new DC By-law will be required to come into force on or before July 6, 2019. The work to undertake a complete City-wide DC background study and by-law utilizing the Province's original 2031 growth forecasts and exiting Infrastructure Master Plans has been initiated through Reports FCS17086 and FCS18034. There is no change or edit recommended to this process that would be impacted by a DC By-law amendment.

Report FCS18053 was approved by Council as the Background Study for a DC By-law amendment at its May 9, 2018 meeting. The background study is required to be public for a minimum of 60 days before Council may pass the amendments. There must also be at least one public meeting prior to passing the amendments. The July 11, 2018 Audit, Finance and Administration Committee meeting has been designated and publicly communicated as the public meeting date.

**Table 1
Schedule of Dates for the DC By-law Amendment Process**

Background Study and proposed by-law amendment available to public	May 7, 2018
Public Meeting ad placed in newspaper(s)	June 7, 2018 – The Community News June 8, 2018 – The Spectator At least 20 days prior to the public meeting
Public Meeting	July 11, 2018
Council considers passage of by-law	AF&A – July 11, 2018 Council – July 13, 2018 No less than 60 days after the background study is made available to the public
Newspaper and written notice given of by-law passage	By 20 days after passage
Last day for by-law appeal	40 days after passage
City makes available pamphlet (where by-law not appealed)	By 60 days after passage

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RELEVANT CONSULTATION

Legal Services Division, Corporate Services Department

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

The rationale for the amendment was detailed in Report FCS18053. As a high level summary, the rationale is the fact that Hamilton has a high industrial tax rate compared to surrounding municipalities, municipalities west of Hamilton tend to have more lenient interpretations of the 50% expansion exemptions and that the economic benefits of industrial development and alignment with the City's Strategic Plan, offset the cost of providing the exemption.

This Report recommends enacting the changes through enactment of the By-law attached as Appendix "A" to Report FCS18053(a).

ALTERNATIVES FOR CONSIDERATION

Alternative 1: Refer Industrial Development Expansion Policy Amendment to the 2019 DC By-law Process

Alternatively, Council could not take any action at this time. Under this alternative, staff would provide the background information contained within Report FCS18053 for use in the third party, independent review of all DC exemptions being undertaken and any resulting change to the industrial policy would be determined at a later date.

- Financial: The current industrial DC policies would be applied and DCs charged and collected according to those policies.
- Staffing: None
- Legal: None
- Pros: Industrial DCs for expansion would be levied according to current policies.
- Cons: Developers may make a decision to expand outside the City or delay expansion plans based on the DC levy.

Alternative 2: Revise Draft Industrial Development Expansion Policy DC By-law Amendment to Account for Previously Exempted Space

Under this alternative, an amendment to the DC By-law would still be sought similar to the drafted amendment attached as Appendix “A” to Report FCS18053(a) with the available 50% industrial expansion exemption being calculated based on total buildings on site but with the added limitation that the available exemption be reduced by any previous exemptions the development has received.

Financial: Compared to the drafted DC By-law amendment, attached as Appendix “A” to Report FCS18053(a), this alternative would result in a higher amount of DCs being collected on industrial expansions.

Staffing: None

Legal: The same legal process applies to this recommendation as it does to the current recommendation.

Pros: More DC funds collected from industrial expansions.

Cons: May not provide the level of incentive needed to encourage industrial developments to expand in Hamilton versus outside the City.

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 – By-law No. 18-XXX, Being a By-law to amend By-law 14-153 - “City of Hamilton Development Charges By-law, 2014” To Revise Definitions and Policy Regarding Industrial Development Expansions

JS/dt