CITY OF HAMILTON
RECOMMENDED
2019 DEVELOPMENT CHARGES POLICIES

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INDEX

Note: All estimated costs in this document are dependent on the type, location, timing and pace of development. If development occurs faster than anticipated then the cost of exemptions increases, if development occurs slower than anticipated then the cost of exemptions decreases. The recommendations regarding the appropriate level of budgeted Development Charges (DC) exemption funding will be subject to regular review and update.

INTRODUCTION

The City of Hamilton Development Charge (DC) By-law has historically contained a number of discretionary DC policies with full or partial exemptions. The City has successfully used DC policies (sometimes in conjunction with other policies such as low-cost loan programs and remediation incentives) so that certain types of development can cross the economic threshold and become viable. The foregone DC revenue is funded by existing tax and rate payers through funding allocations in both the Rate and Tax Capital Budgets. This cost is justified through the tangible and intangible benefits the City realizes as a result of increased development activity.

The *DC Act, 1997, as amended* (DC Act) requires mandatory exemptions that all municipalities must provide; one for residential intensification and one for a 50% expansion of existing industrial buildings. A municipality may choose to provide any additional discretionary exemptions but must do so through an express statement in the DC By-law.

The cost of providing the existing portfolio of discretionary DC exemptions exceeds the current capital financing plan allocation. To maintain the existing discretionary DC exemption policy the City is forecasted to need approximately $40 M annually. The City current budgets approximately $15 M annually.

Watson and Associates Economists Ltd. along with N. Barry Lyon Consultants Limited analyzed the City's DC exemption policies in the context of growth, economic and financial considerations and provided recommendations where the City may be able to reduce exemptions and where the City should continue exemptions. One market gap identified through the review is that office development is challenging from a developer's perspective within the City. The consultant makes recommendations to promote economic growth in this sector. While the market analysis revealed a gap related to office development, the same gap does not exist for medical office and, therefore, the incentives recommended for office development are not extended to medical office.

Staff has utilized the exemption review and made recommendations regarding DC exemption policy to be contained in the 2019 DC By-law. Key priorities that are advocated with the staff recommendations are:

- A continued revitalization of Downtown Hamilton;
- Commercial revitalization of all the City's Community Improvement Project Areas (CIPAs) and Business Improvement Areas (BIAs);
- Continued support for the City's industrial sector; and
- Promoting economic growth of the City's office sector by refocusing other non-industrial incentives on encouraging and attracting office development.

RECOMMENDED POLICIES COST SUMMARY

Cost Summary

Details regarding the specific staff recommendation are located within the appropriate “DC EXEMPTION POLICIES” section of this document.

Table 1 summarizes the financial impact of the recommended 2019 DC policies on an annualized basis.

Table 1: Staff Recommended Polices and related annualized costs

Exemption	High Level Recommendation	Annualized Cost
Parking Structure	Remove	$ -
Covered Sports Field	Remove	$ -
Small Industrial Rate	Remove	$ -
Academic – Post secondary / Not-for profit	Remove	$ -
Affordable Housing	Remove	Alternate program
Places of Worship	Maintain	$ 400,000
Public Hospitals	Maintain	$ 5,000
Public Art	Maintain	$ 180,000
Heritage Buildings	Maintain	$ 150,000
Redevelopment for Residential Facility	Maintain	$ 6,000
Industrial Rate	Maintain	$ 2,600,000
Expansion of existing industrial (in excess of Act requirement)	Maintain	$ 1,500,000
Transition Policy	Maintain	$ 1,690,000
Student Residences	Modify	$ 960,000
Agriculture	Modify	$ 360,000
New non-industrial stepped rates	Modify	$ 1,000,000
Expansion of existing non-industrial	Modify	$ 160,000
Downtown Hamilton CIPA	Modify	$ 3,250,000
Laneway Houses	Add	$ 230,000
TOTAL		$ 12,491,000

Funding for exemptions is anticipated to come from both the Rate and Tax Capital Budgets, specifically 40% rates, 60% tax.

Note that there are some policies where staff has recommended phasing an exemption reduction, in these cases the actual cost for the first year will be higher than in year five.

The annualized costs were estimated using current residential development levels, modestly increased non-residential levels, consultant or staff estimates where a new exemption is being proposed, and draft 2019 DC rates as of January 2019. The growth pattern to meet the Province's target was not used because the City is not realizing growth at that pace and would lead to an over estimation of the annual cost. The City will need to re-evaluate the cost of providing DC exemptions annually and adjust as growth patterns change.

Future Budget DC Exemption Funding

The City's budget documents currently identify funding dedicated towards DC exemptions as detailed in Table 2.

Table 2: DC Exemption Funding identifying in 2019 Budget documents

Year	Rate Capital Budget	Tax Capital Budget	Total DC Exemption Funding
2019	$ 9.0 M	$ 6.5 M	$ 15.5 M
2020	$ 8.0 M	$ 6.5 M	$ 14.5 M
2021	$ 8.0 M	$ 6.5 M	$ 14.5 M
2022	$ 8.0 M	$ 6.5 M	$ 14.5 M
2023	$ 8.0 M	$ 6.5 M	$ 14.5 M
2024	$ 8.0 M	$ 6.5 M	$ 14.5 M

Funding for exemptions identified in Table 1 is anticipated to come from both the Rate and Tax Capital Budgets, specifically 40% rates, 60% tax.

With the DC rate and development forecast information the time of this report, the exemption funding identified in the Rates Capital Budget will be sufficient to support the policy recommended as well as make progress in funding the shortfall from past DC exemptions.

With the DC rate and development forecast information available at the time of this report, the exemption funding within the Tax Capital Budget is not expected to be sufficient to support the policy recommended and make progress in funding the shortfall from past DC exemptions. Annually, through both the Capital Budget and the annual operating budget surplus allocation staff will make recommendations for funding in order to address the funding gap related to forecasted and historical DC exemptions.

DC EXEMPTION POLICIES

Parking Structures

Current Policy:
Parking garages and structures, including outdoor parking lots located at grade are 100% exempt from City DCs.

DC Exemption Review Recommendation:
Continue to exempt parking structures which are associated with the development of, and serve the needs of, residential, mixed use or non-residential uses; charge DCs for other parking structures (e.g. standalone revenue generating parking facilities) – no requirement to fund other parking exemptions.

Additional Comments:
None.

Staff Recommendation:
Charge DCs for commercial parking.

Estimated Cost:
$0

Alternative:
Continue to exempt all forms of parking.
Estimated cost: $4.0 M over 10 years

Covered Sports Field

Current Policy:
A covered sports field, as defined in the DC By-law, is 100% exempt from City DCs.

DC Exemption Review Recommendation:
No specific recommendation provided.

Additional Comments:
There are no other comparator municipalities that provide a similar exemption.

Staff Recommendation:
Do not exempt covered sports fields.

Estimated Cost:
$0

Alternative:
Continue to provide an exemption to covered sports fields.
Estimated cost: $0.9 M over 10 years

Small Industrial Rate

Current Policy:
For new industrial developments that are less than 10,000 square feet, the industrial rate is set at 75% of the effective non-residential industrial rate.

DC Exemption Review Recommendation:
Not applicable.

Additional Comments:
DC exemptions need to be funded from other sources or infrastructure will not be able to keep up with growth. When deciding what exemptions to provide the City must focus on strategic priorities. A reduced rate for industrial development is already recommended therefore no further reduction is recommended.

Staff Recommendation:
Do not provide a lower rate for small industrial developments.

Estimated Cost:
$0

Alternative:
Continue to discount new industrial developments under 10,000 square feet by levying only 75% of the industrial rate.
Estimated cost: $1.3 M over 10 years

Academic – Post Secondary / Not-for-profit elementary/secondary

Current Policy:
Development of Academic Space by a University, Post-Secondary School offering a Degree or Diploma recognized by the Province of Ontario, or a Not-for-Profit Private Elementary or Secondary School operated in compliance with section 16 of the Education Act, as amended are exempt from City DCs, save and except for the transit component of the City DC.

DC Exemption Review Recommendation:
Remove exemption where permitted.

Additional Comments:
Crown agents are not required to follow local zoning requirements or otherwise follow the building permit process. In 1998, the “College d’arts appilques et de technologie La Cite collegiale” successfully argued that it was not required to pay DCs by virtue of being a Crown agent in a trial against “The Corporation of the City of Ottawa” and “The Regional Municipality of Ottawa-Carleton”

Staff is proposing to remove the exemption for academic uses. In cases where the academic organization can prove that it is a Crown agent, the city will not be able to enforce a DC.

Staff Recommendation:
Remove exemption.
Require documentation from developer to support mandatory exemption as a Crown agent.

Estimated Cost:
$0

Alternative:
Continue to charge only the Transit component of the DC for post-secondary academic space.
Estimated cost: $85.0 M over 10 years

Affordable Housing

Current Policy:
An affordable housing project that has been approved to receive funding through either a Government of Canada, Province of Ontario (including their crown corporations), City of Hamilton, or CityHousing Hamilton Corporation affordable housing program, where funding is not provided for DC liabilities, is 100% exempt from City DCs.

DC Exemption Review Recommendation:
It is recommended that a new affordable housing incentive program be developed that is outside the DC By-law. The program should be targeted and offer development charge grants and possibly other municipal funding incentives (e.g. capital contributions, property tax grant) for clearly defined depths of affordability. The program should align and be stackable with senior level funding where appropriate and provide as much certainty to the development community as possible. Certainty in this situation refers to qualifying requirements and the availability and timing of funds.

Additional Comments:
In order to most effectively aid affordable housing providers and be able to adapt to the changing affordable housing market, staff is recommending that an affordable housing grant program be developed outside the DC By-law.

Some challenges with incentivizing through the DC By-law are that it views any type of upper level funding as being equal ($50K loan vs millions in construction funds), it does not allow the City to assess the merit of a project and it does not allow for changes in criteria to reflect the changing affordable housing market.

Staff is recommending that a program be developed outside of the DC By-law to effectively replace the DC exemption and allow the flexibility of project prioritization and ability to vary incentives with the depth of affordability. It is expected that the timing of payment under such a program can be concurrent with the timing on DCs so that the cash flow of the developing organization is not impacted by this change in the delivery method of an affordable housing incentive.

Note that CityHousing Hamilton is not impacted by this recommendation. CityHousing Hamilton projects will continue not to be subject to DCs. Any City owned facility is not charged DCs.

Should a separate affordable housing program not be developed and approved prior to passing the 2019 DC By-law that staff will recommend amending the 2019 DC By-law to include the affordable housing exemption on a per unit basis. Once a separate affordable housing program is scheduled to be in place, staff will seek to amend the 2019 DC By-law to remove the exemption.

Staff Recommendation:
Do not exempt affordable housing within the DC By-law

AND

That Housing Services be directed to draft an affordable housing grant program in lieu of including an affordable housing exemption within the DC By-law prior to the passing of the 2019 DC By-law.

Estimated Cost:
To be determined.
The cost will depend on the terms and expected use of the program to be designed.

Alternative:
Continue to exempt affordable housing in the DC By-law, edit wording to apply on a unit basis rather than a project basis.
Estimated cost: $5.5 M over 10 years

Places of Worship

Current Policy:
A place of worship, as defined in the DC By-law, is 100% exempt from City DCs.

DC Exemption Review Recommendation:
No specific recommendation provided.

Staff Recommendation:
Maintain exemption – clarify that revenue generating space is not exempt.

Estimated Cost:
$4.0 M over 10 years

Alternative:
Do not provide an exemption for places of worship.
Estimated cost: $0

Public Hospitals

Current Policy:
Development of a Public Hospital, as defined in the DC By-law, is exempt from 50% of the City DCs otherwise payable under the DC By-law.

DC Exemption Review Recommendation:
No specific recommendation provided.

Staff Recommendation:
Maintain 50% exemption.

Estimated Cost:
$0.05 M over 10 years based on historical
However, note that while no future hospital projects are known, one single project would likely exceed the historical average.

Alternative:
Do not provide an exemption for public hospitals.
Estimated cost: $0

Downtown Public Art Reserve voluntary contributions

Current Policy:
Developments within the Downtown Hamilton Community Improvement Project Area (CIPA) are eligible to receive a dollar for dollar exemption for voluntary contributions made to the Downtown Public Art Reserve, to a maximum of 10% of the City DC calculated prior to the application of the Downtown Hamilton CIPA exemption.

DC Exemption Review Recommendation:
No specific recommendation provided.

Additional Comments:
Cities around the world are realizing the economic and social benefits, and quality of life enhancements that flow from creativity and investment in culture and the expression of a community's culture through mediums such as Public Art. In addition to bringing vibrancy to a city's public spaces, Public Art is a tremendous source of civic pride and conveys the identity and cultural image of a city to its residents and visitors. Developers contributing the Downtown Public Art Reserve demonstrates a commitment to and a sense of ownership of the public spaces that reflect the evolving community across the Downtown Hamilton CIPA for the benefit of future tenants and residents as well as the existing community.

The funding from developers provides the only source of funds to the City's Downtown Public Art Reserve (108049). Staff makes recommendations for how to spend the funds and Council approves through Capital Budget requests. In absence of providing developers and opportunity to receive a DC exemption for voluntary contributions to the Downtown Public Art Reserve an annual contribution would need to be included in the City's annual budget.

Staff Recommendation:
Maintain exemption, place an annual limit of $250K on the contributions that will be accepted by the City under this program.

Estimated Cost:
$1.8 M over 10 years

Alternative:
Remove exemption, budget annually through the City's budget process.
Estimated cost: $1.8 M over 10 years

Heritage Buildings

Current Policy:
Adaptive Reuse of Protected Heritage Properties as defined in the DC By-law, is exempt from City DCs within the existing building envelope.

DC Exemption Review Recommendation:
No specific recommendation provided.

Additional Comments:
The cost related to renovating properties with a heritage designation can be substantially more than the costs related to renovating non-heritage designated properties. Therefore, staff is recommending maintaining the exemption to aid in the preservation and adaptive reuse of the City’s heritage properties and adding clarification that any existing sections of the building that are not covered by the heritage designation are not eligible for the exemption.

Staff Recommendation:
Maintain exemption - within existing building envelope except for sections that are not covered by the Heritage designation.

Estimated Cost:
$1.5 M over 10 years

Alternative:
Do not provide an exemption for the Adaptive Reuse of Heritage Properties.
Estimated cost: $0

Redevelopment for Residential Facility

Current Policy:
Residential facilities created within the existing building envelope of an existing residential development, is exempt from 50% of the City DCs otherwise payable under the DC By-law.

Redevelopment of an existing residential facility to create additional units within the existing building envelope is exempt from 50% of the City DCs otherwise payable under the DC By-law. DC Credit for any existing residential facilities being redeveloped shall be provided at 100% of the DC rate in effect.

DC Exemption Review Recommendation:
No specific recommendation provided.

Additional Comments:
This exemption does not apply to brand new residential facility developments. Older style residential facilities are being converted from rooms containing two beds per room to one bed per room. Therefore, staff recommends maintaining the exemption.

Staff Recommendation:
Maintain exemption.

Estimated Cost:
$0.06 M over 10 years

Alternative:
Do not provide any exemption for redevelopment for use as a residential facility.
Estimated cost: $0

Industrial Rate

Current Policy:
Industrial developments are only charged 100% of the water and wastewater and 65% of the services related to a highway components of the DC. This equates to a 39% reduction from the calculated rate.

DC Exemption Review Recommendation:
Reduced rate exemption (39% reduction) should continue.

Additional Comments:
None.

Staff Recommendation:
Continue with exemption, 39% reduction, by adjusting the % of the services related to a highway component charged.

Estimated Cost:
$26.0 M over 10 years

Alternative:
None

Expansion of an existing Industrial development

Current Policy:
Current DC By-law reads:

17. No development charge shall be imposed on:
(a) one or more enlargements of an existing industrial building as defined herein, up to a maximum of fifty percent (50%) of the gross floor area of the existing industrial building.
(b) one or more industrial buildings on the same lot or parcel of land as one or more existing industrial buildings, up to a maximum of fifty percent (50%) of the combined gross floor area of the existing industrial buildings.

18. Where a proposed enlargement exceeds fifty percent (50%) of the gross floor area of an existing industrial building, development charges are payable on the amount by which the proposed enlargement exceeds fifty percent (50%) of the gross floor area before the enlargement.

19. The cumulative total of the gross floor area previously exempted hereunder shall be included in the determination of the amount of the exemption applicable to any subsequent enlargement.

Where:

(a) a subdivision of a lot or parcel of land subsequent to any enlargement or additional industrial building previously exempted hereunder results in the existing industrial building being on a lot or parcel separate from the development previously, further exemptions, if any, pertaining to the existing industrial building shall be calculated on the basis of the lot or parcel of land as it exists at the time of said enlargement or additional industrial building.

(b) lands are merged or otherwise added to a lot or parcel of land after July 16, 2018, the exemption in 17 (b) shall only be available to development on the lot or parcel of land as it existed as of July 16, 2018 and the exemption in subsection 17(b) shall not apply to any development on lands that were merged with or added to a lot or parcel of land after July 16, 2018.

DC Exemption Review Recommendation:
Not applicable.

Additional Comments:
The DC Act requires that municipalities provide a 50% expansion exemptions for industrial buildings. The City allows the exemption to be used whether the expansion is attached or unattached to recognize that industrial expands in different forms and DC policy should not favour an attached expansion over a detached structure.

Staff Recommendation:
Maintain the 50% Industrial expansion exemption as written in the active DC By-law.

Estimated Cost:
$15.0 M over 10 years

Alternative:
Require that industrial expansions be attached to an existing structure in order to receive 50% expansion exemption.
Estimated cost: $0

Transition Policy

Current Policy:
Current DC By-law reads:

37. The development charge rates payable are the rates in effect on the date a complete building permit application is received and accepted by the City's Chief Building Official, provided that the permit is issued within 6 months of the effective date of a development charge rate increase. Where the said building permit is lawfully revoked by the Chief Building Official on or after the date of the said development charge rate increase, any subsequent application for a building permit on the lands or site will be subject to the development charge rate in effect on the date of building permit issuance. For the purposes of this Section, a "complete application" shall mean an application with all required information and plans provided, all application fees paid and all prior charges and taxes relating to the subject land paid and discharged.

38. Where a complete application for site plan approval pursuant to City of Hamilton By-law 03-294, as amended, or any successor thereto, has been received by the City prior to May 1, 2014, and no building permit in relation thereto has been issued prior to July 06, 2014, the development charge payable upon the issuance of the building permit or permits issued in relation to said approved site plan shall be the applicable development charge as of July 5, 2014, provided that:

(a) any building permit required in relation to the said approval has been issued prior to January 6, 2015; and

(b) construction has commenced thereafter within six (6) months of the date of issuance of the said building permit or permits, such construction to be deemed to have commenced when all footings and foundations have been completed.

For the purposes of this Section 38, a "complete site plan application" means an application in compliance with the requirements of the City as set out in the document entitled "City of Hamilton Submission Requirements and Application Form for Site Plan Control" dated January 01, 2004, or any successor thereto, as the same may be amended from time to time, together with all applicable fees.

DC Exemption Review Recommendation:
No specific recommendation provided.

Additional Comments:
Staff previously sought approval to discontinue the annual transition policy. Such a policy is not identified in any comparator municipality DC By-laws. Staff is now recommending that the policy be continued for the implementation of the new rates and the annual transitions thereafter for the following reasons:

- When large increases in DC rates are announced the building department is overwhelmed with permit applications.
- The influx of permit applications will correlate with the size of the rate increase, a large increase leads to a large volume of applications attempting to get permits ahead of the rate increase.
- If a transition based on application date is not provided then, in order to meet building code requirements related to permit issuance, additional staff will need to hired and trained for the few weeks leading up to a DC rate increase.
- Hiring staff for a few weeks of work is not an option due to the technical nature of the position and a required 4-5 month training period.

Therefore, since annual indexation cannot be predicted and hiring and training staff for a few weeks of work is not a feasible option, staff are recommending that the transition policy remain.

Staff is not recommending a transition tied to site plan application at this time.

Staff Recommendation:
Maintain the transition policy tied to building permit application.

Estimated Cost:
$6.7 M for the first year, $0.44 M annually thereafter.
The first year will result in a much higher cost to the City due to a new DC rate coming into effect.
Note that the cost has been spread over the five year by-law period when estimating the annualized cost for Table 1.

Alternative:
None

Student Residences

Current Policy:
Development of a student residence by a university, college of applied arts, or other accredited post-secondary institution is exempt from 50% of the City DCs otherwise payable under the DC By-law. In the case of redevelopment of student residences, credit for existing residences to be redeveloped shall be applied based on 100% of the rate in effect, as outlined in the DC By-law.

DC Exemption Review Recommendation:
Remove exemption.

Additional Comments:
There are a few student residence projects that are in discussions. While staff is recommending removing the exemption, careful considerations has been provided. A sudden elimination of an exemption of this magnitude for a key sector of development will be better accommodated with a longer period of notice. Therefore, staff recommends providing approximately a year and half notice of the change.

Staff Recommendation:
Remove the 50% exemption effective June 30, 2020, maintain until then.

Estimated Cost:
$4.8 M to June 30, 2020 assuming approximately 660 student rooms benefit from the exemption.
Note that the cost has been spread over the five year by-law period when estimating the annualized cost for Table 1.

Alternative:
Remove 50% exemption effective immediately.
Estimated cost: $0

Agriculture

Current Policy:
Agricultural uses, as defined in the DC By-law, which are located outside the urban boundary, are 100% exempt from City DCs.

The DC By-law currently defines agriculture as:

"agricultural use" means the bona fide use of lands and buildings for apiaries, fish farming, dairy farming, fur farming, the raising or exhibiting of livestock, or the cultivation of trees, shrubs, flowers, grains, sod, fruits, vegetables and any other crops or ornamental plants and includes the operation of a farming business and the erection of a farm help house on agricultural land outside the Urban Area Boundary, but excludes a commercial greenhouse. Agricultural use does not include the development of a single detached dwelling on agricultural land. Development of building or structures inside the Urban Area Boundary for a use that would, except for its location inside the Urban Area Boundary, be an agricultural use under this By-law shall be an industrial development.

DC Exemption Review Recommendation:
No specific recommendation provided.

Additional Comments:
In Ontario, farm properties satisfying the eligibility requirements are identified for the Farm Property Class and are taxed at 25% of the municipal residential tax rate.

For a number of years and until 2016, the City of Hamilton reduced the tax ratio of the farmland property tax in order to mitigate the impacts of reassessment (the value of farmland has increased at a pace higher than the other tax classes). The provincial tax ratio threshold for farmland properties is 0.2500. Hamilton, along with some identified municipalities, provides a tax ratio under this threshold.

Table 3 shows Hamilton's historical farmland tax ratios and Table 4 shows a list of municipalities that have implemented farmland tax ratios below the Provincial threshold of 0.2500.

Table 3: City of Hamilton Historical Farmland Tax Ratios

	2013	2014	2015	2016	2017	2018
Tax Ratio	0.1982	0.1857	0.1807	0.1767	0.1767	0.1767
Municipal Tax Impact	7.4%	3.7%	5.20%	3.70%	5.6%	5.3%

With all other factors held constant, a 0.01 increase in the 2018 farmland tax ratio would have equated to an additional $116 K in tax revenue from the farmland class.

Table 4: Farmland tax ratios below Provincial threshold of 0.2500

Municipality	2018 Farmland Ratio
London	0.1180
North Bay	0.1500
Caledon	0.1689
Hamilton	0.1767
Durham	0.2000
Greater Sudbury	0.2000
Halton	0.2000
Ottawa	0.2000
Chatam-Jent	0.2200
Kingston	0.2250
Lambton	0.2260
Oxford	0.2350
Brant County	0.2400

Source: BMA Municipal Study 2018

In addition to a low tax ratio, agriculture development currently benefits from a 100% DC exemption. Staff recommends removing farm help houses from the definition of agriculture and reducing the agriculture DC exemption to 50% with a phased approach.

Staff were directed, through the May 17, 2016 Planning Committee to add the requirement of a farm business registration number for developers accessing the agriculture exemption. Staff will add this clarification in the draft 2019 DC By-law.

Further, staff has reviewed other municipal DC By-laws and there are at least four municipalities (Milton, Niagara Region, Bradford West Gwillimbury and Centre Wellington) that have a definition related to cannabis/marijuana. It is recommended that the definition of agriculture be structured to exclude cannabis growing and processing facilities and that these facilities be charged the industrial DC rate.

Staff Recommendations:
Do not exempt farm help houses.

Require proof of a farm business registration number to receive the agriculture DC exemption.

Agriculture – bona fide farm:
Start reducing the DC exemption for agriculture
July 6, 2019 – July 5, 2020 – continue to provide 100% exemption
July 6, 2020 – July 5, 2021 – reduce agriculture exemption to 75%
July 6, 2021 – July 5, 2023 – reduce agriculture exemption to 50%.

Redefine agriculture to exclude cannabis growing and processing, charge the industrial DC rate.

Estimated Cost:
$1.8 M over five years
Note that where varying (decreasing) exemption rates have been recommended, staff analysed the estimated cost for the five year By-law period rather than a 10 year period.

Alternatives:

1. Continue to exempt agriculture at 100%.
   Estimated cost: $5.5 M over 10 years ($2.8 M over five years)

   Direct staff to review increasing the farmland class tax ratio.

2. Do not define redefine agriculture to exclude cannabis growing and processing.
   Estimated cost: $13.0 M over 10 years

New Non-industrial (Commercial/Institutional) stepped rates

Current Policy:
That the effective City DC rate for new non-industrial (Commercial/Institutional) be set as follows:

- i. 50% of the rate in effect be charged on the first 5,000 ft^2 of gross floor area;
- ii. 75% of the rate in effect be charged on the second 5,000 ft^2 of gross floor area;
- iii. 100% of the rate in effect be charged on the gross floor area in excess of 10,000 ft^2.

DC Exemption Review Recommendation:
Non-industrial stepped rate DC exemption should be removed from non-office based commercial and institutional developments.

DC exemption should be maintained for office development, excluding medical office.

Additional Comments:
Staff is generally supportive of implementing the consultant's recommendation. The City has priority commercial development areas that staff is recommending the stepped DC rates be maintained.

Staff is recommending that the stepped non-industrial (commercial/institutional) rates be maintained within the City's CIPAs and BIAs and for office development outside these borders.

The City's CIPAs and BIAs borders are included for reference as Appendix "C" to Report FCS18062(a).

Staff Recommendation:
Continue stepped DC rates for office, excluding medical office.
Continue stepped DC rates within the City's CIPAs and BIAs.
Remove stepped rates for all other development.

Estimated Cost:
$10.0 M over 10 years

Alternative:
Continue stepped rates for all non-industrial development.
$27.5 M over 10 years

Expansion of Existing Non-Industrial (Commercial/Institutional)

Current Policy:
That the initial 5,000 ft^2 of gross floor area of an expansion be exempted, provided that the development did not receive the stepped DC rates in the past.

DC Exemption Review Recommendation:
Remove non-industrial expansion exemption.

Additional Comments:
Staff is generally supportive of the consultant's recommendation. Staff is recommending maintaining the exemption for office, excluding medical office. This approach is consistent with how office has been treated with other exemption recommendations.

Staff Recommendation:
Only provide a 5,000 ft^2 exemption for office, excluding medical office.
Remove exemption for all other non-industrial development.

Estimated Cost:
$1.6 M over 10 years

Alternative:
Remove non-industrial expansion DC exemption.
Estimated cost: $0

Downtown Hamilton CIPA

Current Policy:
Current DC By-law reads:

22. All development within the boundaries of the Downtown Hamilton Community Improvement Project Area (CIPA) as shown on Schedule "D" attached to this By-law shall:

(a) be exempted from the following percentages of the development charges otherwise payable, after all other credits and exemptions are considered, under the By-law for only the portion of the building that is within the height restrictions as shown in Schedule "H" attached to this By-law based on the later of the date on which development charges are payable or the date all applicable development charges were actually paid:

Date	*Percentage of exemption (%)*	*Percentage of development charge payable (%)*
July 6, 2014 to July 5, 2015	*90*	*10*
July 6, 2015 to July 5, 2016	*85*	*15*
July 6, 2016 to July 5, 2017	*80*	*20*
July 6, 2017 to July 5, 2018	*75*	*25*
July 6, 2018 to July 6, 2019	*70*	*30*

Schedule "H" attached to this By-law shall not be amended by any decision by the Local Planning Appeal Tribunal relating to the City's Zoning By-law Amendment 18-114; or by any amendments, including site specific or area specific, to the City's Zoning By-law 05-200 either through Local Planning Appeal Tribunal decisions or by Council.

For clarity, any development in excess of the height restrictions as shown in Schedule "H" shall be subject to the full calculated development charge and only be reduced if there are any credits or exemptions remaining after applying any and all other credits or exemptions to the portion of the building that is within the height restrictions as shown in Schedule "H" attached to this By-law.

In summary, currently all development within the Downtown Hamilton CIPA receives a 70% exemption for all height that is within the heights that were approved with the Downtown Hamilton Secondary Plan.

DC Exemption Review Recommendation:
Reduce CIPA exemption through a phased approach. Continue to apply to residential, non-residential and mixed use development except for standalone major office development.
Continue to provide 70% CIPA exemption for standalone major office developments (Class A) greater than 20,000 ft^2 gross floor area.

Additional Comments:
Staff supports the consultant's recommendation. Previously staff proposed an initial reduction from 70% exemption to 50% exemption. The DC exemption is one of the most significant incentives that encourages development within the Downtown Hamilton CIPA. Staff recommends a more conservative approach, so as not to constrain development in the downtown.

While there have been a number of multi-residential projects announced in downtown Hamilton, the real estate market is experiencing volatility. A number of factors can influence the viability of these and future projects. These factors include increases in labour and material costs, rise in interest rates, tightening of construction financing, and a potential slowdown in the housing market. It is important that the residential activity which is starting to take shape in the core be continued in order to attract interest in the commercial and office sectors. Economic Development is focussed on attracting more companies and jobs into the downtown but a key component of this strategy is to increase the density in the downtown in order to provide the talent pool that employers require. Companies and businesses are attracted by increased density and downtown Hamilton is showcased as a place where people want to live and work. In order to continue the interest in attracting new multi-residential and commercial projects in the downtown, it is important that incentives be adjusted gradually and to provide sufficient notice to developers and investors as projects take time to plan, by reducing the development charge exemption by 10% per year (an increase from the previous 5% reduction) to 2021. The proposed schedule of reducing the development charge exemption to 60% on July 6, 2019 to 50% in 2020 and then 40% in 2021, 2022 and 2023 would also allow the City to review the impact of the changes on development in the downtown. Staff would seek to re-evaluate the exemption once the 40% is reached in 2021 to determine what, if any, modifications are required.

Staff Recommendations:
Continue to provide 70% CIPA exemption for major office developments (Class A - greater than 20,000 ft^2 gross floor area), whether or not the development is standalone office.

For other development within the Downtown Hamilton CIPA

- July 6, 2019 – July 5, 2020 60% exemption
- July 6, 2020 – July 5, 2021 50% exemption
- July 6, 2021 – July 5, 2022 40% exemption
- July 6, 2022 – July 5, 2023 40% exemption
- July 6, 2023 – July 5, 2024 40% exemption

Maintain the same height limits on exemption use.

Add clarity that the Downtown Hamilton CIPA exemption cannot be combined/stacked with other DC exemptions and that the Downtown Hamilton CIPA exemption will not be applied if other exemptions result in a lower amount payable. (Example: in the Downtown Hamilton CIPA the stepped non-industrial rates will not be applied, only the Downtown Hamilton CIPA exemption – unless the stepped non industrial rates result in a lower charge to the developer, in that case the Downtown Hamilton CIPA exemption will not be applied.)

Estimated Cost:
$16.3 M over five years.
Note that where varying (decreasing) exemption rates have been recommended, staff analysed the estimated cost for the five year By-law period rather than a 10 year period.

Alternative:
A different phase-out approach could be used; all other recommendations remain the same.

For other development within the Downtown Hamilton CIPA

- July 6, 2019 – July 5, 2020 50% exemption
- July 6, 2020 – July 5, 2021 40% exemption
- July 6, 2021 – July 5, 2022 30% exemption
- July 6, 2022 – July 5, 2023 20% exemption
- July 6, 2023 – July 5, 2024 10% exemption

Estimated cost: $10.1 M over five years

Laneway Housing

Current Policy:
None

DC Exemption Review Recommendation:
Not applicable.

Additional Comments:
Staff were directed to consider addressing a DC exemption for laneway houses with the 2019 DC By-law through Report PED16200(a) (Attached as Appendix “D” to Report FCS18062(a)). Laneway houses are physically detached structures and therefore are classified as single detached dwellings within the current DC By-law. The DC Act contains statutory exemptions when an additional dwelling unit is added within an existing residential dwelling but does not address second dwellings that are on the same lot as an existing dwelling.

Staff is recommending an exemption for laneway houses to encourage this form of development.

Currently, zoning only exists to permit laneways homes within Wards 1, 2, 3 and 4.

Staff Recommendation:
Exempt laneway housing.

Estimated Cost:
$2.3 M over 10 years

Alternative:
Do not provide an exemption for laneway housing.
Estimated cost: $0

Uses charged Industrial Rate

Current Policy:
That self-storage facilities and hotels be charged at the industrial DC rate.

DC Exemption Review Recommendation:
Not applicable.

Additional Comments:
The DC rate calculation utilizes the North American Industry Classifications System (NAICS) when classifying development.

Self storage facilities and hotels are not industrial uses within the NAICS but have been benefitting from the industrial rates through the City’s DC By-law in the past. Staff is recommending that these uses be charged the appropriate non-industrial (commercial) DC rate.

Staff has identified film, production and artists’ studios as a key economic industry that the City should support as able. Therefore, staff recommends adding a definition for this type of development and that they be charged the industrial DC rate.

Staff Recommendation:
Do not provide the industrial rate for self-storage facilities or hotels.
Provide the industrial rate for film, production and artists' studios.

Estimated Cost:
The anticipated costs will be minor and will be able to be covered with what is already calculated for reducing the industrial rate from the calculated rate.

Alternative:
Only provide the industrial rate to industrial developments.
Estimated cost: $0

OTHER DC POLICIES

Environmental Remediation and Site Enhancement (ERASE) Redevelopment Program

Current Policy:
Development of a brownfield property that has been approved by the City for an ERASE Redevelopment Grant, is eligible to receive an exemption equivalent to the cost of the environmental remediation on, in or under the property (as approved by the City under the ERASE Redevelopment Grant program and required to be paid to the owner), up to but not exceeding the amount of City DCs otherwise payable under the DC By-law.

The ERASE Grant payments are then reduced by the amount that was used to offset the DC.

DC Exemption Review Recommendation:
No specific recommendation provided.

Additional Comments:
The ability to offset the DCs with the future ERASE Grants aids developers with the financial costs of site remediation. Where a developer is receiving an ERASE Grant they are required to pay for the site remediation works up front and wait until the development is completed and reassessed by the Municipal Property Assessment Corporation (MPAC) to benefit from the grant. Being able to defer the DCs to the time of the Grant payments assists the development with managing cash flow.

It is, however, recommended that this exemption be rephrased as a deferral and a formal agreement be entered into in order to protect the City's interest and ensure collection in the future.

Staff Recommendation:
Maintain ability to offset DCs with ERASE grant, require security through a DC Deferral Agreement.

Estimated Cost:
DC impact negligible (lost interest) – the cost of the ERASE Grant is approved through the ERASE Grant and would be incurred regardless of the decision related to DCs.

Alternative:
Do not permit ERASE Grant recipients to offset the DC with the ERASE Grant.
Estimated cost: $0

Deferral Agreements

Current Policy:
The City (subject to the approval of the General Manager of Finance & Corporate Services) may enter into an agreement for non-residential developments, residential facilities, and apartment developments only, to defer payment, with interest, of City DCs for a term of no longer than 5 years, after it would otherwise be payable under the DC By-law.

Deferral Agreements for a Public Hospital may allow the City DCs to be deferred for no longer than 10 years after it is otherwise payable under the DC By-law, and deferral agreements for the student residence of a university may allow the City DCs to be deferred for no longer than thirty (30) years after it is otherwise payable under the DC By-law.

DC Exemption Review Recommendation:
Not applicable.

Additional Comments:
In recent years Council has received requests to extend a few DC deferral agreements past the five years that staff have authority to enter into. With the current policy, staff is not able to approve extensions. It is recommended that staff's authority be increased to permit staff to negotiate extension requests for up to two years after the initial five year term.

Another opportunity to enhance the effectiveness of deferral agreements is to add a deferral option for podium developments. The DC Act requires DCs to be paid with the first building permit. This is a challenge for podium development since the towers can be in phases with years in between and DCs are due with what is typically the underground parking because it forms the foundation for the future towers. It is recommended that staff be provided authority to enter into deferral agreements to delay the timing and rate of DC collection to the structure permit for each tower.

In addition, when an ERASE grant is used towards the DC there is not a registered deferral on title. Staff recommends that this become formal process and therefore need approval to enter into a deferral when the ERASE grant is used to offset the DC.

Staff Recommendation:
Maintain existing policy and add:

1. That staff be authorized to negotiate extensions of DC Deferral Agreements of up to two years.
2. That staff be authorized to enter into DC Deferral Agreements related to Podium Developments to delay timing and applicable rate of DC payment to the issuance of each structure permit (no time limit).
3. That staff be authorized to enter into zero interest DC Deferral Agreements where a developer is applying their ERASE grant to offset the DC (no time limit).

Estimated Cost:
$0

Alternative:
None

Other DC Policies

Current Policy:

<u>Temporary Building or Structure:</u>
A temporary building or structure is 100% exempt from City DCs, provided that the temporary building or structure not remain on the lands for more than one year.

<u>Redevelopment/Demolition Credits:</u>
A DC credit shall be provided for any existing development, and any demolished buildings, provided that a building permit has been issued within five years of demolition permit issuance. No credit shall be provided where a demolished building, or part thereof, would have been exempt pursuant to the DC By-law.

The DC credit shall be based upon the number of residential units multiplied by the related DC rates in effect at the time of redevelopment, and the non-residential gross floor area multiplied by the appropriate non-residential DC rates in effect at the time of redevelopment based on former use.

Indexing of Rates:
The City DC rates shall be indexed annually on the anniversary of the effective date of the DC By-law, based on the percentage change during the preceding year, as recorded in Statistics Canada's Construction Cost Index (non-residential building for the City of Toronto – CANSIM table 327-0043).

Demolition Credit Extensions:
The General Manager of Finance & Corporate Services may extend demolition credits for developments located outside the urban boundary, or for developments where it has been determined by the General Manager of Planning & Economic Development that significant development delays were not the responsibility of the developer. Otherwise, only Council may extend Demolition Credits.

Staff Recommendation:
That the above policies continue to be included in the DC By-law
Estimated cost: $0

Alternative:
Remove demolition credit extension policy.

GENERAL DC BY-LAW HOUSEKEEPING

Staff Recommendation:
Where no change in policy from the current DC By-law 14-153 has been addressed through Report FCS18062(a) the existing policy will continue. Staff will review all existing DC By-law definitions, schedules, and appendices and add/modify/clarify as deemed necessary. Example: adding a definition of a live/work dwelling, stacked townhouse, laneway house, etc.