



# City of Hamilton Development Charge Exemptions Review

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In association with:

Presentation to Development Charges Stakeholders Sub-Committee  
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**N. Barry Lyon Consultants Limited**

# City of Hamilton Development Charge (D.C.) Exemptions Review



## Study Overview

- Watson & Associates Economists Ltd. (Watson) and N. Barry Lyon Consultants Limited (NBLC) retained to undertake study
- Key Objectives of Study:
  - Review current development charge (D.C.) exemptions in Hamilton and their historical performance and current need to meet City objectives
  - Examine D.C.-exemption practices in comparator municipalities and “best practices”
  - Identify appropriate opportunities where D.C. exemptions should be applied to generate the highest net benefit to the City of Hamilton

# Application of D.C. Exemptions

## Considerations for the City of Hamilton



- How do D.C.s affect the City's ability to attract development, and/or investment decisions of existing businesses to remain/expand within the municipality?
- How effective are D.C. exemptions as a tool in implementing the municipality's planning objectives (e.g. affordable housing, intensification, downtown revitalization, brownfield redevelopment)?
- Balance the need to be competitive with respect to new development and/or meet planning objectives in relation to the cost impact to ratepayers

# Evaluation of D.C. Exemption Practices

## Considerations



- Quantum of D.C. exemption
- Best practices in comparator municipalities
- D.C. exemptions' historical performance at achieving intended objectives
  - Meeting economic objectives? (e.g. economic/employment growth)
  - Meeting planning objectives? (e.g. intensification and growth targets)
  - Meeting fiscal objectives? (e.g. growth in assessment and property tax revenue)
- Market conditions and development feasibility
- Cost of D.C. discounts/exemptions to municipality

# City of Hamilton D.C. Exemptions

## Discretionary D.C. Exemption Amounts



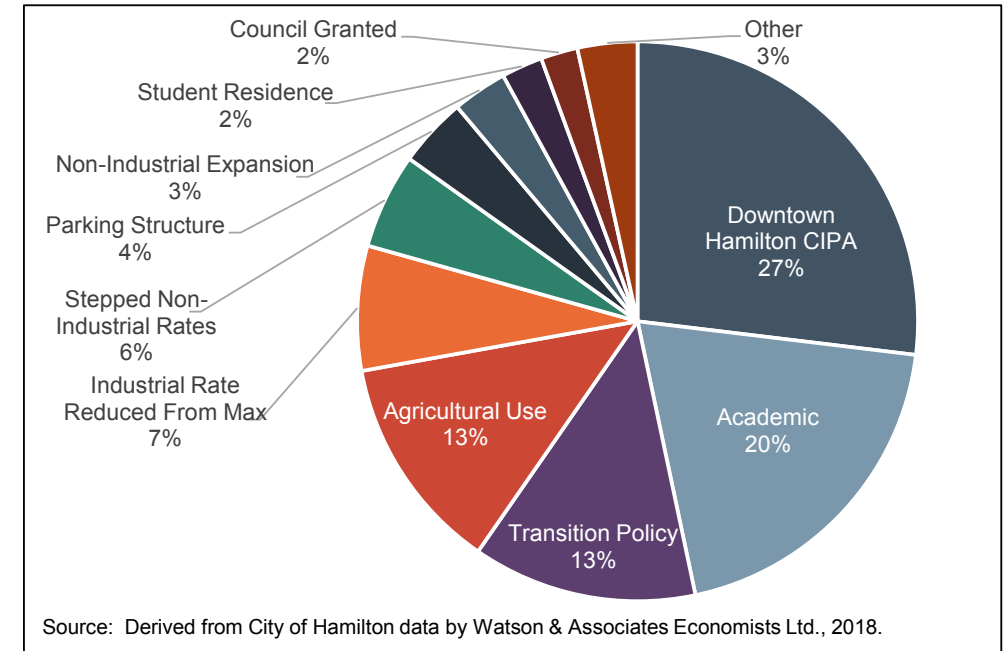
### Historical: 2013-2017

- Over the past five years, discretionary D.C. exemptions have accounted for **86%** of total D.C. exemptions

### Forecast: 2019-2018

- Under the current D.C. exemption policy framework (i.e. status quo), average annual D.C. exemption amounts over the next decade are forecast to be more than double that of the past five years

City of Hamilton Discretionary D.C. Exemptions by Category (share of total dollars), 2013 to 2017





# D.C. Exemptions Reviewed with Assessment and Recommendations



D.C. Exemption	Current Policy
Downtown CIPA	Downtown Community Improvement Project Area (CIPA) D.C. discount of 70% for residential and non-residential development
Industrial Reduced Rate	City-wide 39% discount of the current industrial D.C. rate - applicable for new industrial developments
Non-Industrial Stepped Rate (New Construction)	The City-wide non-industrial (commercial/institutional) D.C. discount as follows: 1st 5,000 square feet: 50% discount of charge; 2nd 5,000 square feet: 25% discount of charge in effect) 10,000+ square feet: 100% of charge in effect
Non-Industrial Expansion	Initial 5,000 sq.ft. of gross floor area of a commercial/institutional building expansion is D.C. exempt (City-wide)
Academic Facilities	City-wide 100% D.C. exemption (excluding transit component) for academic/teaching space if development is by a university, other post-secondary school offering a degree or diploma recognized by the Province, or a not-for-profit private elementary or secondary school
Student Residences	City-wide 50% discount of applicable D.C.s for student residences built by a university, college of applied arts and technology, other accredited post secondary institution, or accredited private secondary school
Affordable Housing	City-wide 100% D.C. exemption for residential projects receiving senior government or City Housing Hamilton funding but not receiving funding to cover D.C.s
Parking Structures	City-wide 100% exemption of D.C.s for parking garages/structured parking facilities

# D.C. Exemptions Performance, 2013 to 2017

## Highlights



- CIPA

- CIPA D.C. exemption has historically been important to fund project feasibility “gap” for residential projects in downtown Hamilton
- Exemption has helped to revitalize downtown, generating population and employment growth, and helping achieve density and intensification targets

- Industrial Reduced Rate

- D.C. discount has been beneficial in improving industrial development feasibility — Hamilton cost competitive for development

# D.C. Exemptions Performance, 2013 to 2017

## Highlights



- Non-Industrial (Commercial/Institutional) – Stepped Rates
  - Retail/services sector key beneficiary – strong feasibility and market dynamics – D.C. exemption not needed to support/facilitate development
  - Qualifying projects have generated significant building G.F.A. and employment
- Academic Facilities and Student Residences
  - Significant “lost” D.C. revenues; significant employment growth and expansion in student housing
- Affordable Housing
  - Limited number of projects have benefited from exemption



# Residential Market Trends

## The Residential Real Estate Market is Improving



- Strong demand and market fundamentals underpinning the market
- Achievable pricing has shown strong appreciation
- Absorption is also strengthening, due to investors' presence and greater market depth
- Wider range of developers, more market participants, increasing land values, increasing number of development applications, proposed transit investments, improving built form
- These factors are driving larger buildings
- Rising development costs

# Non-Residential Market Trends



- Retail commercial sector is robust – serving growing population needs
- Office sector is growing in expanding “knowledge-based” economy but continued weakness in major office market
- Industrial market has experienced significant improvement – low vacancy rates, higher market rents; however, recent development activity has been below historical trends
- Institutional sector has experienced strong growth, driven primarily by education and health sectors

# Recommended Changes to D.C. Exemption Policy Framework



## Modify

- **CIPA**

- Phase out D.C. exemption. Continue to apply to both residential, non-residential and mixed-use development except for standalone major office development
- Continue to provide the current exemption for standalone major office developments (Class A) greater than 20,000 sq.ft. G.F.A.

- **Non-Industrial Stepped Rate D.C.**

- D.C. exemption should be removed from non-office-based commercial and institutional developments; exemption should be maintained for office development, excluding medical office

# Recommended Changes to D.C. Exemption Policy Framework

## Maintain



- **Industrial Reduced Rate** – maintain current D.C. exemption
- **Parking Structures** - 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 D.C.s for revenue generating parking

# Recommended Changes to D.C. Exemption Policy Framework



Remove

- **Non-Industrial Expansion D.C. exemption**
- **Academic D.C. exemptions** – removed, where permitted
- **Student Residence D.C.**
- **Affordable housing** – replace with an equivalent incentive program

# Recommended Changes to D.C. Exemption Policy Framework



For a number of exemptions that could not be an empirically analyzed based on market basis, no specific recommendations have been provided

Heritage Building	Farm Help House
Places of Worship	Covered Sports Field
Downtown Public Art	





# Thank you

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