



Hamilton

# INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	May 16, 2019
<b>SUBJECT/REPORT NO:</b>	2019 Development Charges Public Meeting Presentations – Additional Background Information (FCS19046) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Lindsay Gillies (905) 546-2424 Ext. 2790
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<b>SIGNATURE:</b>	

## COUNCIL DIRECTION

Not Applicable

## INFORMATION

On April 18, 2019, a public meeting related to the City’s 2019 Development Charges (DC) Background Study and By-law was held during the Audit, Finance and Administration Committee (AF&AC) meeting. The public meeting was held in two parts, the first commencing at 9:30 am with the regularly scheduled AF&AC meeting and the second part commencing at 7:00 pm that same day.

Through the public meeting, Committee received several presentations and written submissions. This Information Report provides Committee with background information regarding key theme areas referenced during the various presentations. A separate information report is forthcoming related to the written submissions received. For ease of use, information is sorted into general themes.

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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.

## **Academic / Student Residences**

### Heads and Beds

Section 323(1) of the *Municipal Act, 2001* provides municipalities the authority to levy an amount payable not exceeding the prescribed amount for each full-time student enrolled in a university designated by the Minister of Training, Colleges and Universities or a college of applied arts and technology. This type of tax is referred to as a Payment-in-lieu of taxes and is commonly referred to as the heads and beds payment. The prescribed amount identified in Ontario Regulation 384/98 is \$75. This amount has not been amended since 1987 and equates to approximately \$39.00 in today's present value.

In 2011, the Municipal Property Assessment Corporation (MPAC) provided the City with clarity on the scope of the property tax exemption for private schools. As confirmed by MPAC, private schools that met the criteria for exemption prior to amendments of the *Assessment Act, 1990* through *Bill 149: Fair Municipal Finance Act, 1997 (No. 2)*, will continue to be exempt on the assessment roll, unless there has been an ownership change, a change in occupancy, or a change in usage. In addition, educational institutions that are not defined as a public educational institution are not required to pay heads and beds. Given the clarification from MPAC and the heads and beds parameters, there are educational institutions that do pay property taxes and are not required to provide a heads and beds contribution.

### Student Residence

As per the 2019 proposed DC By-law a student residence means “a Residential Development that is solely owned by a university, college of applied arts and technology or other accredited post-secondary institution, designed or intended to be used for sleeping and living accommodations by students of the university, college of applied arts and technology or other accredited post-secondary institution that owns the Residential Development.” *[emphasis added]*

Where a student residence is not solely owned by the academic institution it does not meet the definition in the proposed 2019 DC By-law and therefore, is not eligible for a 50% reduction until June 30, 2020.

Student residence developments located within the Downtown Hamilton Community Improvement Project Area (Downtown CIPA), would receive the Downtown CIPA exemption. The student residence exemption is proposed to end on June 30, 2020. Between July 6, 2019, the proposed effective date of the 2019 DC By-law, and June 30, 2020, the Downtown CIPA has a higher exemption value than the student residences exemption (60% versus 50%).

### **Phasing-in of Residential Increase**

The *Development Charges Act, 1997* (DC Act) allows a municipality to provide for phasing in of development charges through the rules in a DC By-law. The DC Act further states that “any phase in of a development charge may not provide for any resulting shortfall to be made up through higher development charges for other development”. This latter statement means that if a phase in of the calculated charge is provided then the lost collections must be made up through other non-DC sources (levy, rates, reserves) because they cannot be made up through other DCs.

The proposed 2019 DC By-law does not provide for any phasing in of the calculated residential increase.

The 2014 DC By-law provided a phase in which cost in excess of \$11 M. The increase per single detached dwelling was \$7 K which was phased in over 12 months with 0% of the increase for the first six months, 50% for the next six months and 100% in effect one year after the 2014 DC By-law adoption.

As presented at the January 28, 2019 DC Stakeholders Sub-Committee meeting, per Royal LePage statistics the increase in new home sales prices between 2014 and 2018 was 55%. As illustrated in Table 1 the increase for a single-family home in the proposed 2019 DC By-law compared to the calculated 2014 DC is 24% or 50% depending on if the dwelling is located in the combined or separated sewer system.

**Table 1: Increase in calculated DC between 2014 and 2019**

	2014 Calculated DC Single Family Dwelling	2019 Calculated DC Single Family Dwelling	Increase
Combined Sewer System	\$34,983	\$43,523	\$8,540 – 24%
Separated Sewer System	\$34,983	\$52,561	\$17,578 – 50%

Note: The current indexed DC for a single-family dwelling as of May 2019 is \$38,318

The proposed five-year increase for the residential DC is below the four-year increase in new home sales prices and therefore a phase-in is not warranted.

### **Variable DCs**

The concept of area specific DCs, or variable DCs, was touched on through both the presentations and the written submissions. Staff comments on variable DCs will be provided through the information report addressing the responses to written submissions.

**Rental Housing / Affordable Housing**

Two presentations touched on purpose built residential rentals and one presentation touched on affordable housing, specifically Habitat for Humanity.

Through the DC exemption review process, it was recommended and approved that the affordable housing DC exemption be removed from the DC By-law and a grant/loan program outside of the DC By-law be initiated to support affordable housing. Housing Services is in the process of establishing recommendations for the initial terms of such a program. Some benefits of a program outside of the DC By-law are in line with concerns in the presentations received. Namely, a program outside of the By-law can be more flexible, help ensure longer term housing affordability and can adapt to continue to meet local needs as other levels of government alter their approaches to delivering affordable housing programs.

**APPENDICES AND SCHEDULES ATTACHED**

Not Applicable

LG/dkm