



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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	June 6, 2019
SUBJECT/REPORT NO:	2019 Development Charges By-law and Background Study (FCS19050) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Lindsay Gillies (905) 546-2424 Ext. 2790 Alicia Li (905) 546-2424 Ext. 1434 Joseph Spiler (905) 546-2424 Ext. 4519
SUBMITTED BY:	Cindy Mercanti Acting Director, Financial Planning and Policy Director, Customer Service and POA Corporate Services Department
SIGNATURE:	

RECOMMENDATIONS

- (a) That the 2019 City of Hamilton Development Charges Study, as amended, prepared by Watson & Associates Economists Ltd. and dated March 13, 2019, amended May 15, 2019, be approved;
- (b) That, whenever appropriate, the City requests that grants, subsidies and other contributions be clearly designated by the provider as being to the benefit of existing development (or new development, as applicable);
- (c) That all of the growth capital projects listed in the City of Hamilton Development Charges Background Study, as amended, prepared by Watson & Associates Economists Ltd. and dated March 13, 2019, amended May 15, 2019, be approved, in principle, subject to annual capital budget approvals;
- (d) That, having considered the matters in Report FCS19050 including the changes incorporated into the 2019 Development Charges By-law, attached hereto as Appendix "A" of Report FCS19050, no further meeting under s.12 of the Development Charges Act, 1997 is required;

- (e) That Appendix "A" attached to Report FCS19050 respecting the 2019 Development Charges By-law, prepared in a form satisfactory to the City Solicitor, be passed and enacted;
- (f) That the "Local Service Policy" as included in the 2019 City of Hamilton Development Charges Study, as amended, be implemented effective July 6, 2019 and that the Planning and Economic Development Department be directed to make any updates required to co-ordinate the City's financial policies for new development with the "Local Service Policy";
- (g) That, where public stormwater management facilities have been provided at the cost of a developer, as a condition of development approval and the said facilities are deemed to be permanent and part of an ultimate solution, "credits for services in-lieu" for the related stormwater component of the Development Charge will be applied for any unbuilt units upon the said facilities being included in the Development Charge Background Study and any applicable addendum(s). Should external future development lands take benefit of said stormwater management facilities and where a best efforts provision has been included within the development agreement under which the facility was built, the City will collect the full Development Charge from the external developer and reimburse the original developer (constructor of storm pond) only the original value of the proportionate share of the best effort;
- (h) That the General Manager of Finance and Corporate Services be delegated authority to authorize Development Charge deferral agreements as outlined in Section 34 of the DC By-law, attached hereto as Appendix "A" of Report FCS19050;
- (i) That Development Charge Reserves be set up for the following type of Development Charge collections;
 - (i) Waste Diversion Residential Reserve;
 - (ii) Waste Diversion Non-Residential Reserve;
 - (iii) Stormwater Combined Residential Reserve;
 - (iv) Stormwater Combined Non-Residential Reserve;
 - (v) Stormwater Separated Residential Reserve;
 - (vi) Stormwater Separated Non-Residential Reserve;
 - (vii) Administrative Studies – Community Based Studies Residential Reserve;
 - (viii) Administrative Studied – Community Based Studies Non-Residential Reserve;
- (j) That, having considered the matters in Report FCS19050 including the changes incorporated into the amending GO Transit By-law attached hereto as Appendix "B" to Report FCS19050, no further meeting under s.12 of the *Development Charges Act, 1997* is required;

- (k) That Appendix "B" attached to Report FCS19050 being a By-law to amend By-law 11-174 – “City of Hamilton GO Transit Development Charge By-law, 2011”, prepared in a form satisfactory to the City Solicitor, be passed and enacted;
- (l) That staff be directed to report back to Committee regarding the anticipated impact of *Bill 108: More Homes, More Choice Act 2019* on the 2019 Development Charges By-law once the regulations are released and the Bill has received Royal Assent;

EXECUTIVE SUMMARY

The City’s existing 2014 Development Charges (DC) By-law 14-153 is set to expire on July 6, 2019. Approval of a new 2019 DC By-law (Appendix “A” to Report FCS19050) is required in order to levy DCs after this date. The new DC by-law will have a five-year term, expiring July 6, 2024. It may be repealed before this date.

Staff was directed to undertake a new DC Background study in October 2017 through Report FCS17086. Since that time, staff and consultants have worked to compile and release the information required to be included in a DC Background Study per the *Development Charges Act, 1997*, as amended (DC Act).

There are notable changes in the process and calculation compared to prior DC Background Studies both as a result of Bill 73 and due to a comprehensive review of all DC exemption policies.

Related to the requirements under Bill 73 to consider area specific DCs, the City’s masterplans have allowed for the adoption of a variable approach in calculating DCs for stormwater services between the combined and separated sewer systems. Water and wastewater are assessed only to urban areas and to rural properties with connections to the City’s water or wastewater networks. The special area charge for wastewater infrastructure in Waterdown and Dundas that has been carried forward since amalgamation continues to apply only to Waterdown and Dundas. All other services are calculated on a city-wide basis. This methodology was directed by Council at its March 28, 2018 meeting through Report FCS18034.

Bill 73 also increased the required public consultation period of a DC Background Study from two weeks to 60 days. Staff has received input and consulted with any interested parties with each public release of information. The draft local service policy and draft service standards were released in September 2018 and the draft capital projects lists were released in January 2019. The full DC Background Study was released almost two weeks ahead of schedule on March 13, 2019. If Council adopts a 2019 DC By-law on June 12, 2019, it will mean that the City has exceeded the minimum statutory public consultation period by over 30 days since the full release of the DC Background study. As noted, partial information was available for public input starting approximately five months earlier.

The extensive review of the City's DC exemption policies commenced in June 2018 with a staff report identifying the review and a clear indication that the Downtown Hamilton Community Improvement Project Area (Downtown CIPA) exemption would be reduced in a phased approach. Staff scheduled an input meeting with the Downtown developers in November 2018. The exemption review provided staff with further financial impact data in order to continue to recommend a phased reduction. The DC Stakeholders Sub-Committee received the results of the DC exemption review on January 28, 2019 and formalized recommendations for the 2019 proposed DC by-law on February 19, 2019. The phased reduction recommended for the Downtown CIPA in January 2019 was a slower phasing than initially put forward in June 2018.

As stated, through the 2019 DC By-law process, several changes were directed to the DC exemption policy compared to existing practice. Table 3 of Report FCS19050 details the directed policy. In addition to City DCs, the City collects for GO Transit DCs through By-law 11-174 which has the same policy as the City's DC By-law. In order to maintain this consistency, an amendment is required to the GO Transit DC By-law (Appendix "B" to Report FCS19050). The funds collected through the GO Transit DC By-law are remitted annually to Metrolinx.

The By-law attached to Report FCS19050 as Appendix "A" is the result of all direction obtained from Council to date as well as incorporating an addendum that staff and Watson & Associates Economists Ltd. has determined is warranted arising from enquiries, concerns and feedback obtained throughout the public consultation process.

The addendum is Appendix "D" to Report FCS19050 and has been distributed under separate cover. As part of the open and transparent consultation, an addendum to the DC Background Study has been prepared. The addendum includes a recalibration for the in-period calculation for identified storm projects. In addition, there are a number of smaller amendments included in the addendum such as updating rock costs for storm facilities, clarifying language in the stormwater local service policy and an adjustment to the recreation services list.

On May 2, 2019, the Ontario Government released the Housing Supply Action Plan that is intended to "cut red tape to create conditions that make it easier to build housing." To implement the Housing Supply Action Plan, the Province is proposing legislative changes. Bill 108 was tabled in the Ontario Legislature on May 2, 2019 to give effect to many of the measures outlined in the Housing Supply Action Plan. Bill 108 proposes changes to the DC Act as well as 12 other Acts.

An Information Update regarding Bill 108 and the changes to DCs, dated May 14, 2019, was distributed to Council.

As stated in the Information Update, staff is not proposing any changes to the 2019 DC By-law process and will continue to monitor Bill 108 through the readings and will report back with impacts once more details are known. A change to the presentation of Administrative Studies within the DC rate schedules has been incorporated with the addendum and within the schedules to the 2019 DC By-law.

Alternatives for Consideration – See Page 16

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Passing of a 2019 DC By-law will enable the City to continue to levy a charge at building permit issuance for new development, net new development, redevelopment or change of use in developments to recover some of the capital costs that the City will incur in order to service the increased needs arising from the new development, net new development, redevelopment or change of use of development.

All figures presented are inclusive of the DC Background Study addendum.

Table 1 outlines the gross expenditures related to servicing growth over the next five years and the portion that can be recovered through the DC calculation. Of note is that the costs are predicated on meeting the 2031 provincial growth targets. If the growth occurs at a faster or slower pace, the City will incur more or less actual costs to service the actual growth.

Table 1: Gross Growth Expenditures over the next five years

Total Gross Expenditures planned over the next 5 years	\$ 2,849,223,312
Less:	
Benefit to Existing Development	\$ 946,283,371
Post Planning Period Benefit	\$ 162,098,114
Ineligible	\$ 31,192,195
Mandatory 10% deduction - soft ser.	\$ 21,566,486
Grants, Subsidies, Contributions	\$ 449,484,218
Net Costs to be recovered by DC's	\$ 1,238,598,926

Table 2 summarizes the rates that will be effective for each type of development, subject to any exemption policy that may apply.

Table 2: Calculated 2019 DC rates

	Current Rate (Urban Area Indexed to 2019)	Combined Sewer System	Separated Sewer System	Rural
Single / Semi Detached (per dwelling unit)	\$40,081	\$43,489	\$50,003	\$25,311
Town and other Multiple (per dwelling unit)	\$28,969	\$31,128	\$35,790	\$18,177
Apartment -2+ Bedroom (per dwelling unit)	\$24,472	\$25,467	\$29,282	\$14,821
Apartment - 1 Bedroom / Bachelor (per dwelling unit)	\$17,026	\$17,422	\$20,031	\$10,139
Residential Facility (per bedroom)	\$13,003	\$17,046	\$16,151	\$8,174
Non-Residential (per square foot or gross floor area)	\$21.48	\$18.02	\$20.18	\$11.18

The 2019 DC By-law attached as Appendix “A” to Report FCS19050 includes Council recommended DC exemptions. The cost of providing these exemptions will be funded from non-DC sources such as property taxes and / or rates payors.

The City currently budgets approximately \$15.5 M annually towards the cost of providing DC exemptions. In addition, for 2017 and 2018, a portion of the annual surplus has been allocated for the purpose of funding past unfunded DC exemptions. This practice of allocating a portion of the annual surplus and / or consideration for future budget pressures on through the tax capital budget will be necessary to sustain the policy in the 2019 DC By-law, particularly in the early years to cover higher front-end costs for exemptions that are being recommended to be phased down.

Staffing: Staff is monitoring Bill 108 as it passes through the legislature and will report to Audit, Finance and Administration Committee (AF&AC) and Council, as appropriate, and as additional information is available.

It is expected that additional administration support, in the form of FTEs, will be required within Corporate Services and / or Planning and Economic Development to fully support the effective implementation and management of the proposed Bill 108 changes. The details on these additional support costs have yet to be determined and will be presented through a staff report later this year of as part of the 2020 budget process.

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

HISTORICAL BACKGROUND

Staff was directed to undertake a 2019 DC Background study in October 2017 through Report FCS17086. Since that time, staff and consultants have worked to compile and release the information required to be included in a DC Background Study per the DC Act. Arising out of staff meetings, meetings with consultants and meetings and conversations with interested parties, the following list identifies the formal documents and presentations that were considered by Council leading up to the 2019 DC By-law attached as Appendix "A" to Report FCS19050.

Committee and Sub-Committee Reports and Presentations:

October 23, 2017

Audit Finance & Administration Committee Meeting

- 2019 Development Charges Background Study (FCS17086) (City Wide)

February 12, 2018

Audit Finance & Administration Committee Meeting

- 2019 Development Charges (DC) Study and Initial meeting of the DC Stakeholders Committee (FCS18022) (City Wide)

March 1, 2018

Development Charges Stakeholders Sub-Committee Meeting

- Presentation – 2019 Development Charges Study – Overview
- Presentation – 2019 Development Charges Study – Area Specific Charges

March 26, 2018

Audit Finance & Administration Committee Meeting

- Area Specific Development Charges - 2019 Development Charge Background Study (FCS18034) (City Wide)

June 14, 2018

Development Charges Stakeholders Sub-Committee Meeting

- Presentation – 2019 Development Charges – Update
- 2019 Development Charges By-law Policy (FCS18062) (City Wide)

September 13, 2018

Development Charges Stakeholders Sub-Committee Meeting

- Presentation – 2019 Development Charge Study – Local Service Policy
- Presentation – 2019 Development Charge Study – Historical Service Standards

January 28, 2019

Development Charges Stakeholders Sub-Committee Meeting

- Presentation – Hamilton 2019 Development Charges Study: Capital
- Presentation – City of Hamilton Development Charge Exemptions Review
- 2019 Development Charges By-law Policy (FCS18062(a)) (City Wide) (deferred to February 19, 2019 meeting)

February 19, 2019

Development Charges Stakeholders Sub-Committee Meeting

- Development Charges By-law Policy - 2019 Development Charges Agriculture / Farm Land Comparators (FCS18062(b)) (City Wide)
- 2019 Development Charges By-law Policy (FCS18062(a)) (City Wide)

March 18, 2019

Agriculture and Rural Affairs Advisory Committee

- Presentation – 2019 Development Charges - Draft DC By-law Agricultural DC Policy
- Development Charges By-law Policy - 2019 Development Charges Proposed Amendments to Agriculture (FCS18062(c)) (City Wide)

March 25, 2019

Development Charges Stakeholders Sub-Committee Meeting

- Presentation – 2019 Development Charges – Background Study Summary
- 2019 Development Charges - Background Study
- Received Correspondence
 - David Zietsma, Redeemer University College, respecting Development Charges Exemption for Academic Institutions
 - Thomas H. Ferns, General Counsel and Corporate Secretary, Mohawk College, respecting Development Charges Exemptions for Academic Institutions
 - Patrick Deane, President and Vice Chancellor, McMaster University, respecting Development Charges Exemptions for Academic Institutions
- Development Charges By-law Policy - 2019 Development Charges Academic Comparators (FCS18062(d)) (City Wide)
- 2019 Background Study for GO Transit Development Charges By-law Amendment (FCS19020) (City Wide) (Outstanding Business List Item)

April 18, 2019

Audit Finance & Administration Committee Meeting (Designated Public Meeting under DC Act)

- Presentation – 2019 Development Charges – Background Study Summary

- Received Public Meeting Correspondence
 - Patrick Deane, McMaster University
 - Thomas Ferns, Mohawk College
 - David Zietsma, Redeemer University College
 - Matthias Feiner
 - Mike Cope
 - McMaster Students Union
 - Joel Farber, Fogler, Rubinoff LLP
 - Karl Gonnsen, Metropolitan Consulting Inc.
 - T. Johns Consulting Group Ltd.
 - Hamilton-Halton Home Builders' Association
- Received Public Meeting Presentations
 - Robert Graham and David Zietsma, Redeemer University College
 - Jesse Newton, Oak Hill Academy
 - Dan Postma, Calvin Christian School
 - Sergio Manchia, UrbanSolutions Planning and Land Development Consultants Inc.
 - Dr. Patrick Deane, President and Vice-Chancellor, Roger Couldrey, Vice-President, McMaster University
 - Dr. Nafia Al-Mutawaly, Microgrid Solutions
 - Stephanie Bertolo and Scott Robinson, McMaster Students Union
 - Savan Chandaria, Tibro Group
 - Karin Dearness
 - Don McLean
 - Lynda Lukasik, Environment Hamilton
 - Gail McKeegan
- 2019 Development Charges Background Study and By-law Update (FCS19036)
(City Wide)

May 2, 2019

Audit Finance & Administration Committee Meeting

- Received Correspondence
 - Correspondence from Redeemer University College respecting clarification on Redeemer's request for an amendment to the development charges by-law change proposal

May 10, 2019, May 15, 2019 and May 16, 2019

Information Update to Mayor and Members of City Council

- Information Update Bill 108 – May 10, 2019 – Bill 108 – Amendments Related to Development Approvals (City Wide)

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- Information Update Bill 108 – May 15, 2019 – Bill 108 (Schedule 3) Amendments to the Development Charges (DC) Act, 1997 and Associated (Schedule 12) Amendments to Section 37 of the Planning Act (City Wide)
- Information Update – May 16, 2019, 2019 Development Charge Background Study Addendum

May 16, 2019

Audit Finance & Administration Committee Meeting

- 2019 Development Charges Public Meeting Presentations – Additional Background Information (FCS19046) (City Wide)
- 2019 Proposed Development Charges By-law Revisions (FCS19045) (City Wide)
- 2019 McMaster University Follow-Up (FCS19047) (City Wide)
- Motion – 2019 Development Charges By-law – Garden Suite
- Motion – 2019 Development Charges By-law – Commercial Greenhouse - Revised
- Motion – 2019 Development Charges By-law – CityHousing Hamilton
- Motion – Academic and Student Residence Development Grant Program

June 6, 2019

Audit Finance & Administration Committee Meeting

- 2019 Development Charges Public Meeting Written Submissions – Staff Response (FCS19051) (City Wide)

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The DC policy included in both Appendix “A” and Appendix “B” to Report FCS19050 encompasses the direction obtained through previous Council decisions. Appendix “E” to Report FCS19050 provides a summary of the policy contained within the 2019 DC By-law attached as Appendix “A” to Report FCS19050.

Through Report FCS18062(a), staff were directed to remove the DC exemption for affordable housing. Housing Services staff was to develop an alternate program in place of the DC exemption. Through Report FCS18062(a) and the accompanying discussions, it was understood that should the alternate program not be available at the time the 2019 DC By-law is to be adopted, that the exemption would be included in the 2019 DC By-law. The affordable housing exemption is contained in the 2019 DC By-law (attached as Appendix “A” to Report FCS19050) with language that the exemption shall only apply until Housing Services adopt an alternate program. Housing Services staff is anticipating that the alternate program will be presented to the Healthy and Safe Communities Committee in July 2019. Once the program is adopted and effective, staff will submit an amendment to the 2019 DC By-Law to remove the affordable housing exemption as a housekeeping edit.

The DC Act requires that a DC By-law set out “the rules [...] for determining if a development charge is payable in any particular case and for determining the amount of the charge” and “how the rules [...] apply to the redevelopment of land.”

There is no authority for a municipality to set rules outside of what is contained within a DC By-law. In 2013, a DC “Industrial credit transfer policy” was introduced through a stand-alone report (Report FCS13012). The policy has not been used since Report FCS13012 was considered and no similar policy exists within the 2019 DC By-law.

The DC Act outlines the requirements for a municipality to pass a DC By-law. Municipalities are required to undertake a background study no less than every five years to support the DC rates. A municipality may choose to impose less than the calculated rate but must express so through the DC By-law and cannot make up the lost revenues by increasing the development charge for other types of development.

Table 3 outlines the municipality’s requirements under the DC Act and the schedule of dates in 2019 related to the adoption of the 2019 DC By-law:

Table 3: Schedule of Dates for the 2019 DC By-law Process

	2019 DC Background Study and Draft By-law	Background Study for GO Transit DC By-law Amendment
Background Study and Proposed By-law available to public	March 13, 2019 via City Website	March 25, 2019 via DC Stakeholders Subcommittee
Public Meeting ad placed in newspapers	Hamilton Community News – March 21 & 28, 2019 Hamilton Spectator – March 22 & 29, 2019 <i>At least 20 days prior to the public meeting</i>	Hamilton Community News – March 21 & 28, 2019 Hamilton Spectator – March 22 & 29, 2019 <i>At least 20 days prior to the public meeting</i>
Public Meeting	April 18, 2019 held at Audit, Finance and Administration Committee, <i>at least two weeks after proposed background study and by-law are available to the public</i>	April 18, 2019 held at Audit, Finance and Administration Committee, <i>at least two weeks after proposed background study and by-law are available to the public</i>
Council considers passage of by-law	AF&AC – June 6, 2019 Council – June 12, 2019 <i>No less than 60 days after the background study is made available to the public</i>	AF&AC – June 6, 2019 Council – June 12, 2019 <i>No less than 60 days after the background study is made available to the public</i>
Newspaper and written notice given of by-law passage	By 20 days after passage	By 20 days after passage
Last day for by-law appeal	40 days after passage	40 days after passage
City makes available pamphlet (where by-law not appealed)	By 60 days after passage	By 60 days after passage

The following City DC By-law will be revoked and replaced on July 6, 2019:

- By-law 14-153 – City Wide Development Charges (expires July 6, 2019 at 12:01 am)

City By-law 11-174 – GO Transit Development Charges will remain in effect. The Province passed Ontario Regulation 468/16 and Ontario Regulation 469/16 which permits municipalities to collect GO Transit charges until December 31, 2019. During the extension period, the Ministry of Transportation is to undertake a broader review of the framework governing municipal contributions to GO Transit. To date, the City has not received communications regarding the future of GO Transit as it relates to DC collections.

The GO Transit DC By-law needs to be amended for policy changes arising through the 2019 DC By-law process. An amending By-law has been attached as Appendix “B” to Report FCS19050. Staff Report FCS19020 was presented as the Background Study for the by-law amendment at the March 25, 2019 DC Stakeholders Sub-Committee and the April 18, 2019 Public Meeting was to receive public input on both the 2019 DC By-law and the proposed amendments to the GO Transit DC By-law.

The funds collected through the GO Transit DC By-law are remitted annually to Metrolinx. The last update from the Province on the future of the GO Transit DCs was received in December 2016. At that time, the Province extended the expiration of GO Transit By-laws to December 31, 2019 and informed municipalities that a three-year review would be performed.

On May 2, 2019, the Ontario Government released the Housing Supply Action Plan that is intended to "cut red tape to create conditions that make it easier to build housing." To implement the Housing Supply Action Plan, the Province is proposing legislative changes. Bill 108 was tabled in the Ontario Legislature on May 2, 2019 to give effect to many of the measures outlined in the Housing Supply Action Plan. Bill 108 proposes changes to the DC Act as well as 12 other Acts.

On May 14, 2019 staff provided Mayor and Members of City Council an Information Update that provided an initial summary of the proposed changes impacting the fees currently levied under the *Development Charges Act, 1997*, S.O. 1997, c. 27 (DC Act). Specifically, the proposed changes contained in Bill 108 through Schedule 3, Amendments to the DC Act and the associated amendments through Schedule 12 to Section 37 of the *Planning Act*, R.S.O. 1990, c.P.13 (Planning Act).

At this time, staff is not proposing any change to the 2019 DC By-law adoption process. There is a presentation change to the DC administrative studies category which has been split between Engineering Services Studies (hard services) and Community Based Studies (soft services). This presentation change is included in the addendum and the 2019 DC By-law attached as Appendix “A” to Report FCS19050. This presentation change is to position the City as best as staff can, given what is known about Bill 108 so far. Staff will continue to monitor Bill 108 through the readings and will report back with impacts once more details are known.

RELEVANT CONSULTATION

Various staff divisions and sections were involved in the creation of the DC Background Study and recommendations for DC policy.

As soon as any information was released publicly, staff from the appropriate divisions and sections were brought into conversations as needed. Staff worked to review and validate all enquiries, concerns and feedback received, and where appropriate, amendments to the DC By-law and Background Study have been implemented.

Internal

- Planning and Economic Development Department
- Public Works Department
- Healthy and Safe Communities Department
- City Manager's Office
- Corporate Services Department – Legal and Risk Management Services
- Corporate Services Department – Office of City Clerk
- CityHousing Hamilton
- Hamilton Police Service
- Hamilton Public Library
- Development Charges Stakeholders Sub-Committee (includes representatives from Hamilton-Halton Homebuilders Association, Hamilton-Burlington Real Estate Board, Hamilton Chamber of Commerce and two representatives of the public)
- Audit, Finance and Administration Committee
- Agriculture and Rural Affairs Advisory Committee

External

- Watson & Associates Economists Ltd.
- N. Barry Lyon Consultants Limited
- GM BluePlan Engineering Limited
- Wood Environment & Infrastructure Solutions
- Dillion Consulting Limited
- Public Representations (see April 18, 2019 AF&AC in Historical Background Section of this Report)
- Affordable Housing Developers
- Downtown Hamilton Community Improvement Project Area (CIPA) Developers

- Emails addressed through DCBackgroundStudy@hamilton.ca and other general enquiries such as:
 - Planning and Land Development
 - Rental Development
 - Property Development
 - Engineering Company
 - Retirement Home
 - Living Lab
 - Law Firm
 - Residents
 - Municipalities
 - Academic Institutions

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

The City of Hamilton 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) to incentivize specific types and locations of development. The foregone DC revenue is funded by existing tax and rate payers. This cost is justified through the tangible and intangible benefits the City realizes as a result of increased development activity made possible through reduced DC costs. For the 2019 DC By-law, staff engaged consultants to review the performance of the current exemption mix as well as provide a comparison with other identified municipalities. This review led to recommendations on where reductions or exemptions are justified.

The DC Stakeholders Sub-Committee received a presentation from the consultants on January 28, 2019 and confirmed direction for the proposed 2019 at the February 19, 2019 DC Stakeholders Sub-Committee Meeting. In addition, motions for amendments or clarity to the DC policy were passed at the May 16, 2019 Audit, Finance and Administration Committee meeting. The priorities that are upheld with the Council directions are a continued revitalization of Downtown Hamilton as well as commercial revitalization of all the City's Community Improvement Project Areas (CIPAs) and Business Improvement Areas (BIAs). Policies to incentivize industrial development continue to be a priority and a focus on encouraging and attracting office development as well as a new exemption for laneway houses and garden suites has been included in the 2019 DC Policy.

As part of the open and transparent consultation, an addendum to the DC Background Study has been prepared (Appendix "D" to Report FCS19050). The addendum includes a recalibration for the in-period calculation for identified storm projects. In addition, there are a number of smaller amendments included in the addendum such as updating rock costs for storm facilities, clarifying language in the stormwater local service policy and an adjustment to the recreation services list.

The 2019 DC By-law attached as Appendix “A” to Report FCS19050 has been compiled from all direction obtained through the DC By-law process. The policy direction has been detailed in Appendix “E” to Report FCS19050.

In order to implement the 2019 DC By-law attached as Appendix “A” to Report FCS19050, several reserves need to be established. Waste Diversion is a new service made eligible through Bill 73 which is included in the DC Background Study, therefore DC Reserves need to be established for Waste Diversion. The stormwater service has been split between the separated and combined sewer system so separate DC Reserves need to be established for each. The last new set of DC Reserves that is required is related to presenting the Administrative Studies for Community Based Services distinct from the Administrative Studies for Engineering Services Studies.

The amending DC By-law for GO Transit, attached as Appendix “B” to Report FCS19050 has been prepared based on the same policy direction to align the City’s GO Transit DC By-law with the 2019 DC By-law Policy. The Province passed Ontario Regulation 468/16 and Ontario Regulation 469/16 which permits municipalities to collect GO Transit charges until December 31, 2019. During the extension period, the Ministry of Transportation is to undertake a broader review of the framework governing municipal contributions to GO Transit. To date, the City has not received communications regarding the future of GO Transit as it relates to DC collections. There has been no change to the calculated rate for GO Transit DC since the adoption of the GO Transit DC By-law 11-174. The current rate will be indexed 4.6% as per the “Statistics Canada – Table 18-10-0135-01 Building Constriction Price Indexes, By Type of Building (Toronto)” on July 6, 2019. The impact of the indexing per type of Residential units is illustrated in Table 5.

Table 5: GO Transit DC Rates

Residential DCs (\$ per unit unless otherwise stated)	GO Transit DCs July 6, 2018 to July 5, 2019 (\$)	GO Transit DCs July 6, 2019 to to July 5, 2020 (\$)
Singles / Semi’s	252	263
Townhouse / Other Multiple	180	188
Apartment (2+ bedrooms)	156	163
Apartment (1 bedroom)	104	109
Residential Facility (per bed)	82	86

The 2019 DC By-law attached as Appendix “A” to Report FCS19050 contains the DC rates calculated through the DC Background Study, inclusive of the addendum, as prepared by Watson & Associates Economists Ltd. The calculated rates take a variable approach in calculating DC for stormwater services between the combined and separated sewer systems. Water and wastewater are calculated only to urban areas and the special area charge for wastewater infrastructure in Waterdown and Dundas that has been carried forward since amalgamation continues to apply only to Waterdown and Dundas. All other services are calculated on a city-wide basis. This methodology was directed by Council at its March 28, 2018 meeting through Report FCS18034.

Table 6 shows that although the calculated DC has increased, it has remained relatively stable when compared to the median selling price of a two-storey home.

Table 6: DC as a percentage of median two-storey home price

Year	Median price of 2 storey home [1]	SDD DC (combined system) [2]	DC %	SDD DC (separated system) [2]	DC %
2014	\$391,787	\$34,983	9%	\$34,983	9%
2018	\$610,595	\$42,636	7%	\$49,023	8%

Notes:

SDD = Single Detached Dwelling

[1] Source: Royal LePage

[2] 2014 DC in 2014 \$, 2018 DC deflated 2% from Table 2 to bring to 2018 \$

ALTERNATIVE FOR CONSIDERATION

Council could choose to not pass a 2019 DC By-law.

Financial: The City would no longer be able to levy a charge at building permit issuance to recover some of the capital costs that the City will incur in order to service the increased needs arising for new development, net new development, redevelopment or change of use in developments.

As illustrated in Table 1, this could amount to in excess of \$1 B in cash flow over five years that would need to be made up through other sources (property taxes, rate levy) if the City were to continue to provide services at existing service levels.

Staffing: The Planning and Economic Development Department of the City would likely experience an increase in development applications and building permit applications due to not having DCs payable at the time of permit issuance. The increase in FTEs related to the volume increase would at a minimum offset any reduction anticipated in the Corporates Services Department.

Legal: None.

- Pros:** Could result in the City experiencing an increase in development applications which could be facilitated to the capacity existing in the systems until enough funds from property taxes and rates levy can be generated to install additional servicing.
- Cons:** The full cost of capital works required to service growth would need to be recovered from property taxes and rates levy. To shift the costs, at the current pace of growth, would require increases in excess of 6.4% for property taxes, 23% for the rates levy. These increases are stated based on the current pace of growth, as the pace of growth increases to meet the provincial targets, additional levy impacts would be required. These increases are to simply replace the DC cash flow at the current pace of growth and current DC Act regulations. These increases do not take into account any Bill 108 changes and assume a heavy reliance on debt financing within the rates levy.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement and 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.

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Healthy and Safe Communities

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

Culture and Diversity

Hamilton is a thriving, vibrant place for arts, culture, and heritage where diversity and inclusivity are embraced and celebrated.

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS19050 – By-law No. 19-XXX, a Being a By-law respecting development charges on lands within The City of Hamilton

Appendix “B” to Report FCS19050 – By-law No. 19-XXX, Being a By-law to amend By-law 11-174 – “City of Hamilton GO Transit Development Charge By-law, 2011”

Appendix “C” to Report FCS19050 – 2019 Development Charges Background Study, City of Hamilton as prepared by Watson & Associates Economists Ltd. (distributed under separate cover)

Appendix “D” to Report FCS19050 – Addendum #1 to the March 13, 2019 Development Charges Background Study, City of Hamilton as prepared by Watson & Associates Economists Ltd. (distributed under separate cover)

Appendix “E” to Report FCS19050 – 2019 DC By-law Policy Summary

LG/AL/JS/dt