



INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	May 6, 2021
SUBJECT/REPORT NO:	Development Charges Annual Indexing – Effective July 6, 2021 (FCS21033) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Alex Di Domenico (905) 546-2424 Ext. 1434
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

COUNCIL DIRECTION

Not Applicable

INFORMATION

Development Charges Annual Indexing

In accordance with the City's Development Charges (DC) By-laws, DC rates are adjusted annually by the percentage change during the preceding year, as recorded in Statistics Canada's Construction Cost Index (non-residential building) (CANSIM Table 18-10-0135-01-Toronto) as prescribed by the Province's *Development Charges Act*. This adjustment is required to align DC revenues with construction costs and helps ensure the sustainability of the DC reserves for the funding of the City's growth-related capital requirements.

Table 1 illustrates that the percentage change in the 2020 index was 2.58%. The effective date of the indexing is July 6, 2021.

**Table 1
Stats Canada Non-Residential Building Construction Price Index**

Year	Index	Percentage Change
2019	108.7	
2020	111.5	2.58%

Source: Statistics Canada – CANSIM table 18-10-0135-01 (Toronto)

There are two DC By-laws administered by the City of Hamilton (City). Firstly, By-law 19-142 respecting the collection of DCs for growth-related City services and secondly, By-law 11-174 (as amended) respecting the collection of DCs to pay for the City's contribution towards Metrolinx growth capital. Both By-laws are consistent with respect to the indexation timing of the rates.

It is to be noted that there is a By-law amendment in process for By-law 19-142 respecting the collection of DCs for growth-related City services and the rates presented herein have been calculated assuming it will be passed. A DC Update Study was conducted with the By-law amendment which was presented as Appendix "A" to Report FCS21025 at the March 25, 2021 meeting of the Audit, Finance, and Administration Committee and released to the public in March 2021. The DC Update Study is scheduled to be presented for adoption at the June 3, 2021 meeting of the Audit, Finance and Administration Committee.

The DC Update Study contained an update to the amount of growth-related capital needs able to be included in the DC calculation as per legislative changes which are detailed in Report FCS21025 presented at the March 25, 2021 meeting of the Audit, Finance and Administration Committee. Specifically, the removal of the 10% statutory deduction was factored into the rates presented herein. This legislated change allows municipalities to recover up to 100% of growth-related capital costs whereas some services were previously restricted such that municipalities could only recover up to 90% of the growth-related capital costs.

Note that each individual service category is indexed which may result in the overall increase being slightly more / less than applying the 2.58% index rate to the overall total. Tables 2, 3, 4 and 5 show the impact on the overall City DC after the removal of the 10% statutory deduction and after each individual service category had been indexed.

Table 2 illustrates the Residential City DC rates for developments in combined sewer system areas and Table 3 illustrates the Residential City DC rates for developments in separated sewer system areas.

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**Table 2
Residential City DC Rates for Combined Sewer System**

Residential DCs (\$ per unit unless otherwise stated)	City DCs Current (2020-2021 \$)	City DCs With Proposed By-law Amendment (2020-2021 \$)	City DCs Indexed (2021-2022 \$)	Increase	
				Due to Proposed By-law Amendment	Due to Indexing
Single / Semi	45,195	46,381	47,576	1,186	1,195
Townhouse / Other Multiple	32,348	33,196	34,050	848	854
Apartment (2+ bedrooms)	26,466	27,163	27,862	697	699
Apartment (1 bedroom)	18,105	18,581	19,059	476	478
Residential Facility (\$ per bed)	14,597	14,984	15,369	387	385

Note: The City DCs above do not include Special Area Charges which are not subject to annual indexing or affected by the removal of the 10% statutory deduction.

**Table 3
Residential City DC Rates for Separated Sewer System**

Residential DCs (\$ per unit unless otherwise stated)	City DCs Current (2020-2021 \$)	City DCs With Proposed By-law Amendment (2020-2021 \$)	City DCs Indexed (2021-2022 \$)	Increase	
				Due to Proposed By-law Amendment	Due to Indexing
Single / Semi	51,964	53,151	54,520	1,187	1,369
Townhouse / Other Multiple	37,193	38,041	39,020	848	979
Apartment (2+ bedrooms)	30,430	31,127	31,928	697	801
Apartment (1 bedroom)	20,816	21,292	21,840	476	548
Residential Facility (\$ per bed)	16,784	17,172	17,613	388	441

Note: The City DCs above do not include Special Area Charges which are not subject to annual indexing or affected by the removal of the 10% statutory deduction.

Table 4 illustrates the Non-Residential City DC rates for developments in combined sewer system areas.

**Table 4
Non-Residential City DC Rates for Combined Sewer System**

Non-Residential DCs (\$ per sq. ft.)	City DCs Current (2020-2021 \$)	City DCs With Proposed By-law Amendment (2020-2021 \$)	City DCs Indexed (2021-2022 \$)	Increase	
				Due to Proposed By-law Amendment	Due to Indexing
Non-Industrial	18.76	19.80	20.32	1.04	0.52
Industrial	11.44	N/A ^[2]	11.74	- -	0.30
New Non-Industrial ^[1]					
1st 5,000 sq. ft.	9.38	9.90	10.16	0.52	0.26
2nd 5,000 sq. ft.	14.07	14.85	15.24	0.78	0.39
10,000+ sq. ft.	18.76	19.80	20.32	1.04	0.52

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- [1] New non-industrial developments within a CIPA or BIA and new office development (medical clinic excluded) receive reduced stepped rates as illustrated above.
- [2] The By-law amendment to remove the 10% statutory deduction that is in progress now will not impact Industrial DC rates. Industrial developments only pay the Wastewater (linear and plant) and Storm services plus a portion of the Roads service. None of these are impacted by removing the 10% statutory deduction.

Table 5 illustrates the Non-Residential City DC rates for developments in separated sewer system areas.

**Table 5
Non-Residential City DC Rates for Separated Sewer System**

Non-Residential DCs (\$ per sq. ft.)	City DCs Current (2020-2021\$)	City DCs With Proposed By-law Amendment (2020-2021\$)	City DCs Indexed (2021-2022\$)	Increase	
				Due to Proposed By-law Amendment	Due to Indexing
Non-Industrial	21.00	22.04	22.62	1.04	0.58
Industrial	12.81	N/A ^[2]	13.14	-	0.33
New Non-Industrial ^[1]					
1 st 5,000 sq. ft.	10.50	11.02	11.31	0.52	0.29
2 nd 5,000 sq. ft.	15.75	16.53	16.97	0.78	0.44
10,000+ sq. ft.	21.00	22.04	22.62	1.04	0.58

- [1] New non-industrial developments within a CIPA or BIA and new office development (medical clinic excluded) receive reduced stepped rates as illustrated above.
- [2] The By-law amendment to remove the 10% statutory deduction that is in progress now will not impact Industrial DC rates. Industrial developments only pay the Wastewater (linear and plant) and Storm services plus a portion of the Roads service. None of these are impacted by removing the 10% statutory deduction.

Table 6 illustrates the index impact on Metrolinx (GO Transit) DC Rates. Metrolinx DCs are only collected from residential development. Note that the GO Transit DC rates are not impacted by the By-law amendment to remove the 10% statutory deduction.

Note that the indexed rate may be slightly different than applying the 2.58% to the existing rate. This difference is due to the fact that when the index calculation is prepared, the original Metrolinx DC (\$215 per single / semi) and all previous index factors are considered.

**Table 6
Metrolinx (GO Transit) DC Rates**

Residential DCs (\$ per unit unless otherwise stated)	GO DCs Current (2020-2021 \$)	GO DCs Indexed (2021-2022 \$)	Increase Due to Indexing
Single / Semi	273	281	8
Townhouse / Other Multiple	196	201	5
Apartment (2+ bedrooms)	169	174	5
Apartment (1 bedroom)	113	116	3
Residential Facility (\$ per bed)	89	91	2

Appendix “A” to Report FCS21033 is the Development Charge Pamphlet which will be posted on the City website and made available to the public. The Pamphlet provides a summary schedule of the current rates and provisions contained within the DC By-laws. Special area charges and educational DCs are also outlined, where applicable.

In the event that the DC By-law amendment in process for By-law 19-142 is not adopted as currently proposed, the DC Pamphlet (attached as Appendix “A” to Report FCS21033) will be amended and will be posted to the City’s website. Council will be informed via a Communication Update should this need arise.

Transition Policy

DCs are payable upon building permit issuance, with some exceptions that the Province implemented effective January 1, 2020 that are detailed in Report FCS21025, presented at the March 25, 2021 meeting of the Audit, Finance, and Administration Committee. The rate payable is legislated through the DC Act and is either the rate in effect on the date of building permit issuance or the rate that was in effect at site plan or zoning application date plus interest to the building permit issuance date.

For developments already in progress and nearing permit issuance, and where a site plan or zoning application is not applicable, a transition policy was included as part of DC By-law 19-142. The transition policy allows for the DC rates, in effect on the date of building permit application, to be paid provided that **all** of the following criteria are met:

- The permit application must be a complete application as per requirements outlined by the Building Services Division;
- The permit must be issued within six months of the effective date of a rate increase; and
- The permit must not be revoked after the date of a rate increase.

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Other DC Updates Effective on July 6, 2021

The DC Downtown Hamilton Community Improvement Project Area (CIPA) exemption is decreasing from 50% to 40% on July 6, 2021. The transition policy above does not apply to the reduction in the DC CIPA exemption.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS21033 – Development Charges Information – Pamphlet – Summary of By-Laws 19-142 (as amended) and 11-174 (as amended) – Rates Effective July 6, 2021 – July 5, 2022

AD/dt