



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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	October 21, 2021
SUBJECT/REPORT NO:	2023 Development Charges Background Study – Procurement Policy 11 Request (FCS21085) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Shivon Azwim (905) 546-2424 Ext. 2790
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That a new Development Charges Background Study for all City services be initiated, at an appropriate time, subject to the Growth Related Integrated Development Strategy (GRIDS) 2 process, to support a new Development Charges By-law in accordance with the *Development Charges Act, 1997*;
- (b) That the single source procurement of Watson & Associates Economists Ltd. as external consultants for the City’s 2023 Development Charges Background Study, pursuant to Procurement Policy #11 – Non-competitive Procurements within the planned budget of \$900 K in Capital Project 3382155301 “Development Charges By-law Studies” be approved;
- (c) That the General Manager, Finance and Corporate Services, be authorized to negotiate, enter into and execute a contract and any ancillary documents required to procure Watson & Associates Economists Ltd. as the consultant to complete the 2023 Development Charges Background Study in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

The Development Charges Act, 1997 (DC Act) requires that the Development Charges (DC) By-law expires no more than five years from the date it comes into effect. The last DC Background Study and DC By-law for all City of Hamilton services was completed in 2019. Since then, the Province has released several pieces of legislation affecting development charges, including: Bill 108, More Homes, More Choice Act, 2019 (Bill 108); Bill 138, Plan to Build Ontario Together Act, 2019 (Bill 138); Bill 197, COVID-19 Economic Recovery Act, 2019 (Bill 197); and Bill 213, Better for People, Smarter for Business Act, 2020 (Bill 213).

The City completed a Development Charges Update Study in 2021 and amended the 2019 DC By-law via By-law 21-102 to reflect some of the changes. Other changes took effect when the legislation passed and did not require a By-law update. This amendment does not impact the expiry date of the current DC By-law. A new DC By-law must come into effect by June 12, 2024 in order for the City to continue collecting DCs.

Staff is recommending that for the 2023 DC Background Study, Watson & Associates Economists Ltd. (Watson) be single sourced through Policy #11 of the City's Procurement Policy (By-law 20-205) to consult and advise staff and Council on matters related to the study. Watson is a DC expert and leader in the field of municipal finance and have served over 100 municipalities across Canada. Watson has prepared the DC Background Studies for City of Hamilton since 2004. Most recently, related to DC specific engagements, Watson was engaged by the City to complete the DC Background Study Update in 2021.

Watson is currently engaged to perform the GRIDS 2 Financial Impact Assessment which uses many of the same masterplans as the DC Background Study. Watson was the sole and successful bidder for this engagement following a public Request for Tender process. As a result of past and current engagements, Watson has extensive knowledge and familiarity with the City's services, policies, processes, infrastructure, employment and residential housing metrics which will provide for a solid base on which to begin the work for the next DC Background Study.

Alternatives for Consideration – See Page 6

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Subject to Council approval of the recommendations to Report FCS21085, staff will begin negotiations with Watson in order to obtain a reasonable and competitive hourly rate. Watson’s billing practice is based on an hourly fee and direct expenses billed at cost. In-house staff expertise will also contribute to the compilation of the DC Background Study, which will require a portion of staff time. Council approved Capital Project 3382155301 “DC Bylaw Studies” in the amount of \$900 K through the 2021 Capital Budget process which will be the funding source for the consultant, sub-consultants, direct staff costs, as well as, other costs such as advertising and printing costs.

Staffing: Staff from each service area in the City, as well as, Local Boards will be required to participate in and provide information required for the DC Background Study. It is anticipated that the current staff complement in Budgets and Fiscal Policy, including the existing temporary resource, will be able to accommodate the leadership and co-ordination needs for the study by re-prioritizing the execution of various tasks.

Legal: The DC Act requires that DC By-laws expire after a period of no more than five years. The 2019 DC By-law will expire on June 12, 2024. A DC Background Study must be completed in order to support a new By-law and the By-law must be passed within one year of the completion of the DC Background Study, in order to remain in compliance with the DC Act.

HISTORICAL BACKGROUND

Watson has developed an understanding of the City’s services and relevant policies and procedures related to DCs through completion of previous DC Background Studies for the City of Hamilton dating back to 2004.

Currently, Watson is engaged to work on the GRIDS 2 Financial Impact Assessment (GRIDS 2 FIA). Watson was the successful bidder for this engagement following a public Request for Tender process. GRIDS 2 FIA is mandated by Provincial policy to determine how and where to plan for forecasted population and employment growth to the year 2051, in accordance with the Provincial population and employment growth forecasts and land needs assessment methodology. Much of the same information collected for GRIDS 2 FIA will be required to produce the new DC Background Study. As such, since Watson is already involved in the collection and interpretation of the information needed for GRIDS 2 FIA, it would result in some duplication of work to have another consultant collect the same data for the DC Background Study.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Under City By-law 20-205, Procurement Policy #11 requires Council approval for single source requests greater than \$250 K.

Section 10(1) of the DC Act requires the completion of a DC Background Study by the municipality prior the approval of a DC By-law. Per Section 11 of the DC Act, the accompanying DC By-law may only be passed within the one-year period following the completion of the DC Background Study. The accompanying By-law adopted following completion of the 2023 DC Background Study will replace the current DC By-law 19-142.

RELEVANT CONSULTATION

Corporate Services Department, Procurement Section, advised that a report to Committee and Council is required for all requests under Policy #11 – Non-competitive Procurements over \$250 K.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Recommendation (a) to Report FCS21085 is required in order to pass a new DC By-law and collect DCs from net new development within the City. DCs are permitted to be collected per the DC Act. DCs are collected in order to recover the growth-related capital costs related to servicing new development. If DCs were no longer collected, the costs associated with DC funded capital projects would have to be funded from other sources, such as, property taxes and rate user fees.

Staff is recommending that for the 2023 DC Background Study, Watson be hired as the external consultant to consult and advise staff and Council on matters related to the study. Per City of Hamilton By-law 20-205, Procurement Policy #11- “Non-competitive Procurements”, staff must obtain Council approval for single source requests greater than \$250 K.

Watson is a DC expert and leader in its field and has served over 250 municipalities across Canada in matters related to municipal finance, education and land economics. Watson has assisted over 100 municipalities with the calculation and consultation process related to DC Background Studies and has undertaken over 400 DC studies (See Appendix “A” to Report FCS21085).

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As a result, Watson is able to navigate through a DC Background Study for the City without the preliminary work of learning the City's policies, procedures, infrastructure, services and housing statistics from scratch. Firstly, this will save staff the time it takes to reorient a new external consultant. Secondly, switching from one consultant to another could increase the risk of an oversight or inconsistency between methodologies used in the past, which could result in an Ontario Land Tribunal (OLT) appeal.

Watson was involved in the Provincial Technical Working Group on the Community Benefits Charge (CBC) regulations and methodology, which also resulted in changes to the originally proposed changes to the DC Act per Bill 108. These changes were reflected in Bill 197. As such, Watson has extensive experience and knowledge with the new legislation that will be reflected in the new DC Background Study.

In advocating for municipalities, Watson has been involved in all of the working groups established for the Province during the passing of Bill 108, Bill 138, Bill 197 and Bill 213 and has been a source of information and advice for matters related to the CBC. Watson's expertise and knowledge related to these Bills will ensure the Background Study is compiled properly. Additionally, through Watson, the City will have access to an expansive database on rates, policies and exemptions for over 200 municipalities which can be accessed by clients as a free resource.

Watson is currently engaged to perform the GRIDS 2 FIA which will use the same masterplans and information required to complete the DC Background Study. The GRIDS 2 FIA engagement went through a public Request for Tender process. In addition, Watson has prepared DC Background Studies for City of Hamilton in the past and is familiar with the City's processes.

As a result, Watson has extensive knowledge and familiarity with the City's service lines, policies, processes, infrastructure, employment and residential housing metrics, as they have most recently completed and are working on projects directly related to the information required to be scrubbed and used as inputs into the next DC Background Study.

The timing of the next DC Background is recommended to commence as soon as the inputs are available following the GRIDS 2 process which will ensure that the City is keeping its DC rates relevant based on growth plans. The GRIDS 2 process is anticipated to be complete in April of 2022 as per the timeline presented in the presentation to the General Issues Committee on August 4, 2021. The related masterplans are also anticipated to be well underway at this time.

ALTERNATIVES FOR CONSIDERATION

Council could direct staff to issue a Request for Proposal (RFP) for consulting services for the completion of a Development Charges Background Study and providing the support for the passing of a new Development Charges By-law.

Given the active engagement that Watson has with the GRIDS 2 FIA projects, issuing an RFP may or may not result in cost savings as compared to approving a single source through Procurement Policy #11. Through the GRIDS 2 FIA project, Watson is currently reviewing and working with the same data that will feed into the next DC Background Study and, therefore, they will have some base information needed to start the DC study calculations through this other engagement which would suggest that there could be a cost savings by sole sourcing Watson. Further, this alternative could result in the City selecting a consultant with less expertise and knowledge about the City's current DC policies and processes, resulting in more City staff time spent on educating a new consulting firm.

To mitigate the risk of hiring a less experienced consultant, if an RFP is issued, staff recommends that the bid be restricted to only Watson or Hemson Consulting Ltd. (Hemson). Hemson is also a leader in the field of municipal finance and provides expert advice in areas of planning policy, municipal finance, demographic and economic forecasting, growth management strategy, land needs assessment, real estate advisory and transportation impact analysis. They have completed over 200 DC Background Studies for a range of municipal clients.

Financial: It is unknown whether issuing an RFP would result in cost savings as compared to approving a single source through Procurement Policy #11. Should cost savings be identified, they may be offset by the additional staff time requirements noted in the Staffing section.

Staffing: Should Council wish to undertake an RFP for this project, additional staff time over the recommended approach would be required. There would be staff involved in the development, issuance, bid evaluation and award. If a new consultant firm was procured, it would require staff to spend a significant amount of time educating the new firm about the City's policies and processes.

Legal: No difference compared to staff recommendation in Report FCS21085.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

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

Built Environment and Infrastructure

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

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 FCS21085 – Watson & Associate Economists Ltd. Client List

SA/dt