



Hamilton

# INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	May 19, 2022
<b>SUBJECT/REPORT NO:</b>	Development Charges Indexing – Effective July 6, 2022 (FCS22039) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
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<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

## COUNCIL DIRECTION

Not Applicable

## INFORMATION

### Development Charges Annual Indexing – Percentage

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 2021 index was 9.51%. The effective date of the indexing is July 6, 2022.

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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.

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

Year	Index	Percentage Change
2020	111.5	
2021	122.1	9.51%

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

With respect to the City of Hamilton’s (City’s) 2022 DC indexing rate, staff consulted with Watson & Associates Economists Ltd. (Watson). Watson advised that most of their clients that index for December 1 or January 1 used the Q3 2021 results for their indexing, which were over 11%. Watson provided a sample of over 20 municipalities that would have indexed their rates for December 1 or January 1 based on the Q3 2021 results of over 11%, which they indicated was a small sample as a majority of municipalities index for January 1. The City of Hamilton (City) uses Q4 results, but the results did not change between Q3 and Q4 2021, illustrating that the City of Hamilton’s indexing rate is in line with that of other municipalities.

### **Impact of Community Benefits Charge**

The Province has introduced a new tool through the *Planning Act*, namely a Community Benefits Charges (CBC) regime. In effect, the legislation removes eligibility of some services from DC collection over to the newly created CBC regime with a two-year transition period. Accordingly, the City will no longer be able collect DCs for those affected services as of the earlier of the CBC By-law adoption or September 18, 2022. Therefore, there are two rate tables for City DCs: one effective July 6, 2022 – September 17, 2022 and the other effective September 18, 2022 – July 5, 2023. If a CBC By-law is adopted by Council and in effect prior to September 18, 2022, the DC Pamphlets (attached as Appendix “A” and “B” to Report FCS22039) will be amended and will be posted to the City’s website. Council will be informed via a Communication Update should this need arise. The City is currently undertaking the process required to implement a CBC By-law by September 2022. For additional background, please refer to Reports FCS22015 and FCS22015(a).

As illustrated in Tables 2 and 3, the effect of the Provincial changes on DCs is that the indexed City DCs will decrease \$1,203 per single family dwelling at the earlier of a CBC By-law coming into force or September 18, 2022.

**Development Charges Annual Indexing – Amounts**

There are two DC By-laws administered by the City of Hamilton (City). Firstly, By-law 19-142 (as amended) 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 (GO Transit) growth capital. Both By-laws are consistent with respect to the indexation timing of the rates.

Note that each individual service category is indexed which may result in the overall increase being slightly more / less than applying the 9.51% index rate to the overall total. Tables 2, 3, 4, and 5 show the impact on the overall City DC after each individual service category has 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.

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

<b>Residential DCs</b> (\$ per unit unless otherwise stated)	<b>City DCs</b> Current (2021-2022\$)	<b>Increase</b> Due to Indexing	<b>City DCs</b> Indexed (July 6, 2022 to Sept. 17, 2022)	<b>Decrease</b> as of CBC Transition Expiry	<b>City DCs</b> Indexed (Sept. 18, 2022 to July 5, 2023)
Single/Semi	47,576	4,523	52,099	1,203	50,896
Townhouse/Other Multiple	34,050	3,236	37,286	859	36,427
Apartment (2+ bdrms)	27,862	2,648	30,510	704	29,806
Apartment (1 bdrm)	19,059	1,812	20,871	482	20,389
Residential Facility (\$ per bed)	15,369	1,460	16,829	388	16,441

Note: The City DCs above do not include Special Area Charges which are not subject to annual indexing.

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

<b>Residential DCs</b> (\$ per unit unless otherwise stated)	<b>City DCs</b> Current (2021-2022\$)	<b>Increase</b> Due to Indexing	<b>City DCs</b> Indexed (July 6, 2022 to Sept. 17, 2022)	<b>Decrease</b> as of CBC Transition Expiry	<b>City DCs</b> Indexed (Sept. 18, 2022 to July 5, 2023)
Single/Semi	54,520	5,183	59,703	1,203	58,500
Townhouse/Other Multiple	39,020	3,709	42,729	859	41,870
Apartment (2+ bdrms)	31,928	3,035	34,963	704	34,259
Apartment (1 bdrm)	21,840	2,077	23,917	482	23,435
Residential Facility (\$ per bed)	17,613	1,674	19,287	388	18,899

Note: The City DCs above do not include Special Area Charges which are not subject to annual indexing.

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**

<b>Non-Residential DCs (\$ per sq. ft.)</b>	<b>City DCs Current (2021-2022\$)</b>	<b>Increase Due to Indexing</b>	<b>City DCs Indexed (July 6, 2022 to Sept. 17, 2022)</b>	<b>Decrease as of CBC Transition Expiry</b>	<b>City DCs Indexed (Sept. 18, 2022 to July 5, 2023)</b>
Non-Industrial	20.32	1.91	22.23	0.62	21.61
Industrial	11.74	1.12	12.86	-	12.86
<b>New Non-Industrial<sup>[1]</sup></b>					
1 <sup>st</sup> 5,000 sq. ft.	10.16	0.96	11.12	0.31	10.81
2 <sup>nd</sup> 5,000 sq. ft.	15.24	1.43	16.67	0.46	16.21
10,000+ sq. ft.	20.32	1.91	22.23	0.62	21.61

<sup>[1]</sup> New non-industrial developments within a CIPA or BIA and new office development (medical clinic excluded) receive reduced stepped rates as illustrated above.

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**

<b>Non-Residential DCs (\$ per sq. ft.)</b>	<b>City DCs Current (2021-2022\$)</b>	<b>Increase Due to Indexing</b>	<b>City DCs Indexed (July 6, 2022 to Sept. 17, 2022)</b>	<b>Decrease as of CBC Transition Expiry</b>	<b>City DCs Indexed (Sept. 18, 2022 to July 5, 2023)</b>
Non-Industrial	22.62	2.13	24.75	0.62	24.13
Industrial	13.14	1.25	14.39	-	14.39
<b>New Non-Industrial<sup>[1]</sup></b>					
1 <sup>st</sup> 5,000 sq. ft.	11.31	1.07	12.38	0.31	12.07
2 <sup>nd</sup> 5,000 sq. ft.	16.97	1.59	18.56	0.46	18.10
10,000+ sq. ft.	22.62	2.13	24.75	0.62	24.13

<sup>[1]</sup> New non-industrial developments within a CIPA or BIA and new office development (medical clinic excluded) receive reduced stepped rates as illustrated above.

Table 6 illustrates the index impact on Metrolinx (GO Transit) DC Rates. Metrolinx (GO Transit) DCs are only collected from residential development. Note that the Metrolinx (GO Transit) DC rates are not impacted by the removing of services from the City DC rates due to the CBC legislation.

Note that the indexed rate may be slightly different than applying the 9.51% to the existing rate. This difference is due to the fact that when the index calculation is prepared, the original Metrolinx (GO Transit) DC (e.g., \$215 per single / semi from 2011) and all previous index factors are considered.

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

<b>Residential DCs</b> (\$ per unit unless otherwise stated)	<b>GO DCs</b> Current (2021-2022\$)	<b>GO DCs</b> Indexed (2022-2023\$)	<b>Increase</b> Due to Indexing
Single/Semi	281	307	26
Townhouse/Other Multiple	201	220	19
Apartment (2+ bdrms)	174	190	16
Apartment (1 bdrm)	116	127	11
Residential Facility (\$ per bed)	91	100	9

Appendices “A” and “B” to Report FCS22039 are the Development Charges Pamphlets which will be posted on the City’s DC 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.

With respect to the communication strategy for DC indexing, staff conducted a presentation to the Development Industry Liaison Group (DILG) at their meeting on April 11, 2022. Also, along with the DC pamphlets, staff will be providing notice of the DC indexing rate on the City’s DC website. The City’s social media accounts will be utilized to provide notice as well.

### **Transition Policy**

DCs are payable upon building permit issuance with some exceptions.

Effective January 1, 2020, the Province implemented exceptions 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 (as amended). 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:

**SUBJECT: Development Charges Indexing – Effective July 6, 2022 (FCS22039)  
(City Wide) – Page 6 of 6**

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- The permit application must be a complete application as per requirements outlined by the Building Services Division;
- The permit must be issued within 6 months of the effective date of the first rate increase following application; and,
- The permit must not be revoked after the date of a rate increase.

**Other DC Updates Effective on July 6, 2022**

The DC Downtown Hamilton Community Improvement Project Area (CIPA) exemption will remain at 40% July 6, 2022 – July 5, 2023.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report FCS22039 – DC Pamphlet July 6, 2022 to September 17, 2022  
Appendix “B” to Report FCS22039 – DC Pamphlet September 18, 2022 to July 5, 2023

AD/LG/KW/dt