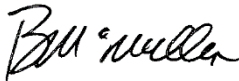




INFORMATION REPORT

TO:	Chair and Members Development Charges Stakeholders Sub-Committee
COMMITTEE DATE:	April 13, 2023
SUBJECT/REPORT NO:	2024 Development Charges Background Study and By-law Update (FCS23040) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Carolyn Paton (905) 546-2424 Ext. 4371
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

COUNCIL DIRECTION

Not Applicable

INFORMATION

Background

The Development Charges Stakeholders Sub-Committee (DCSSC) is a sub-committee of the Audit, Finance and Administration Committee (AF&A). The mandate of the DCSSC, with guidance from staff, is to develop a method for calculating and collecting Development Charges (DCs) which is consistent with the *Development Charges Act* (DC Act). As this is the first meeting of the DCSSC in this Term of Council, a presentation, provided under separate cover, has been prepared to provide background information on DCs and details of legislative changes which have occurred in recent years.

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.

DCs are fees imposed on land development and redevelopment projects to help pay for the capital costs of growth-related infrastructure that is needed to service new residential and non-residential development within a municipality. Until November 28, 2022, the DC Act required that the DC By-law expire no more than five years from the date it comes into effect. This five-year limit was increased to a ten-year limit on November 28, 2022. However, the City's 2019 DC By-law remains subject to the five- year limit.

The last DC Background Study and DC By-law for the City of Hamilton 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); *Bill 213, Better for People, Smarter for Business Act, 2020* (Bill 213), *Bill 109, More Homes for Everyone Act, 2022* (Bill 109); and *Bill 23, More Homes Built Faster Act, 2022* (Bill 23).

The City completed a DC Update Study in 2021 and amended the 2019 DC By-law via By-law 21-102. The changes through By-law 21-102 included:

- Removal of the previously required 10% statutory deduction for several services effective July 6, 2021, which had the effect of increasing the percentage of capital costs that can be recovered through DCs.
- Removal of some studies effective July 6, 2021 and removal of Parking and Airport services effective September 18, 2022 in accordance with legislative changes.
- Housekeeping changes to ensure that the City's DC By-law was in alignment with changes made to the DC Act such as including language around locking in DC rates at the related planning application date and expanding the residential intensification exemption.

A new DC By-law must come into effect on or before June 13, 2024 for the City to continue collecting DCs. If DCs are no longer collected, the costs associated with growth-related capital projects would have to be funded from other sources, such as, property taxes and rate user fees.

Project Management

Watson & Associates Economists Ltd. (Watson) has been engaged to prepare the next DC Background Study and DC By-law for the City of Hamilton following Council's direction provided through Report FCS21085. As Watson has extensive knowledge and familiarity with the City's services, policies, processes, infrastructure, employment and residential housing metrics, their expertise in this field will serve Hamilton well throughout this process.

The key components of the DC Background Study are as follows:

- Determination of the City's growth forecast
- Update the fifteen-year historical service standards
- Review capital project lists for eligibility with the DC Act and assess benefit to existing development and post period benefit as applicable
- Review other City and DC related policies such as the Local Service Policy and Area Specific Charges
- DC Exemptions Review including a review of current practices with respect to discounts and exemptions, market analysis and assessment of housing affordability trends, and justifications and recommend DC exemptions
- DC Reserve Fund Policy Review
- Preparation and finalization of DC Background Study
- Preparation of individual DC By-laws for each service (2019 DC By-law was approved as one By-law which included all services)

Growth Forecast and Masterplan Timing

Report PED23084, "Corporate Strategic Growth Initiatives (CSGI) – Master Plan Updates and Development Charge By-law Approach" was presented at the General Issues Committee Meeting on April 5, 2023. It provides an update on the growth-related Master Plans that are included within the Corporate Strategic Growth Initiatives Project (CSGI project), including the status and underlying growth scenario used to inform the work completed to date. This information is critical as it informs the growth timelines and capital projects included in the DC Background Study and the new DC By-law.

Given the tight deadlines that must be satisfied prior to the adoption of the new DC By-law, combined with unknowns related to the allocation of the City's growth to the year 2051, staff recommends an approach, through Report PED23084 which would see a new DC By-law passed in 2024 based on the City's existing 2031 growth forecast. The staff recommendations from PED23084 will be referred to the DCSSC for consideration. This approach is intended to meet the critical deadlines and will ensure that the City is not in a position of being unable to collect DCs due to an expired DC By-law.

Individual Service By-laws

The 2019 DC By-law, as amended, includes 18 services or classes of services¹. Bill 23 removes studies as an eligible service which means there are 17 services or classes of services being considered in the current DC Background Study.

¹ There are 19 lines on the current DC pamphlet, however Parkland Development and Indoor Recreation Services are considered 1 service in the DC Act.

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1. Water Services
2. Wastewater Services
3. Wastewater Treatment
4. Storm Water Services
5. Services Related to a Highway
6. Transit Services
7. Public Works (Class of Service)
8. Waste Diversion Services
9. Policing Services
10. Fire Protection Services
11. Ambulance Services
12. Library Services
13. Long-term care Services
14. Parks and Recreation Services
15. Public Health Services
16. Childcare and Early Years Programs and Services
17. Provincial Offences Act Administration

The services for which a DC may be collected are prescribed in Section 2 (4) of the DC Act.

Bill 23 legislated a mandatory rate phase in for all DC By-laws passed on or after January 1, 2022. The required rate phase in means that municipalities can collect:

- 80% of the calculated DC² in year 1 of the DC By-law,
- 85% in year 2,
- 90% in year 3,
- 95% in year 4, and
- 100% in years 5 through 10.

Since some services will not have the full updated 2051 Master Plans by the time inputs are required for the 2024 DC By-law process, they will need to proceed with using the 2031 growth allocations.

Following the completion of updated Master Plans based on the ultimate 2051 growth allocations, the City can initiate DC Background Studies as services are ready to proceed and pass a new DC By-law for each service prior to the expiration of the 2024 DC by-law for that service.

² The calculated DC is the amount calculated according to the rules in the DC Act and is the amount required to be levied in order to fund the capital costs necessary to support development, a reduction means that municipalities will not be able to afford all projects in the DC study through DC collections.

Since the rate phase in is required each time a new DC by-law is passed, having individual service DC By-laws will ensure that the City can limit the financial loss related to the required phase in as the 2051 Master Plans become available for each service. Finance staff will consider the impact of the required rate phase in and make recommendations to Council about when to initiate new DC Background Studies and By-laws at the appropriate time.

Work to Date

The City started working with Watson in the Summer of 2022 to update the historical service standards and update capital lists. Given the provincial approval of Official Plan Amendment (OPA) 167 which has expanded the City's urban boundary, Planning staff is preparing a new growth allocation which will inform the Master Plans and related capital project lists. The direction from the province means that there is a delay in the necessary inputs for the DC Background Study.

Next Steps

In order to enact a new DC By-law on or before June 13, 2024, all inputs to the DC Background Study must be received no later than September 1, 2023. Watson will work with staff and Master Plan consultants to finalize a DC Background Study and ensure that the timeline requirements of the DC Act are adhered to prior to Council passing a DC By-law.

Key dates in the DC Background Study and By-law adoption process include:

- September 1, 2023 – deadline to receive inputs for the DC Background Study
- Q4 2023 – compilation of DC Background Study by Watson and internal reviews
- Q4 2023/Q1 2024 – release the DC Background Study to the public
 - Requires a minimum of 60 days prior to Council passing a DC By-law
- Q2 2024 – public meeting on DC Background Study and proposed By-law(s)
 - Required to provide 20 days' notice, the DC Background Study and proposed by-law(s) must have been made public a minimum of two weeks prior
- Q2 2024 – Council to pass new DC By-law(s) after considering input from the public meeting
- June 13, 2024 – latest date by which a new DC by-law needs to be in force

In addition to the key dates above, the public will have opportunities to review and comment on information which will be released through updates to the DCSSC. Future meetings with the DCSSC will be scheduled to review the following:

Expected DCSSC Meeting	
Preliminary Service Standards	Summer 2023
Preliminary Capital Project Lists	Summer 2023
Area Rating Options	Fall 2023
Local Service Policies	Fall 2023
Exemptions	Fall 2023
Initial DC Rates	Q4 2023
Final DC Rates	Q4 2023 / Q1 2024

The outcome of this work will be brought forward to future DCSSC meetings as identified above.

APPENDICES AND SCHEDULES ATTACHED

None

CP/dt