



City of Hamilton 2024 D.C. Background Study D.C. Workshop

Development Charges Stakeholders
Sub-Committee

April 13, 2023

Agenda



- Overview of Project
- Development Charges (D.C.) Overview
 - History of D.C.s
 - Methodology
- Legislative Changes to the D.C.A.
- D.C. Exemptions and Policies
- Survey of D.C. Rates
- Study Process and Next Steps
- Questions

Overview of Project



- Key components of the study:
 - D.C. Background Study and By-law update (current by-law expires June 2024)
 - Growth Forecast
 - D.C. Exemptions Review
 - Update review undertaken in 2019
 - Review current practices with respect to discounts and exemptions
 - Market analysis and assessment of housing affordability trends
 - Justify and recommend D.C. exemptions for by-law update
 - Reserve Fund Policy Review
 - Best practices review of other municipalities
 - Internal discussions with staff on current practices and opportunities to strengthen existing policies



Development Charges Act (D.C.A.) Overview

City of Hamilton
2024 D.C. Background Study

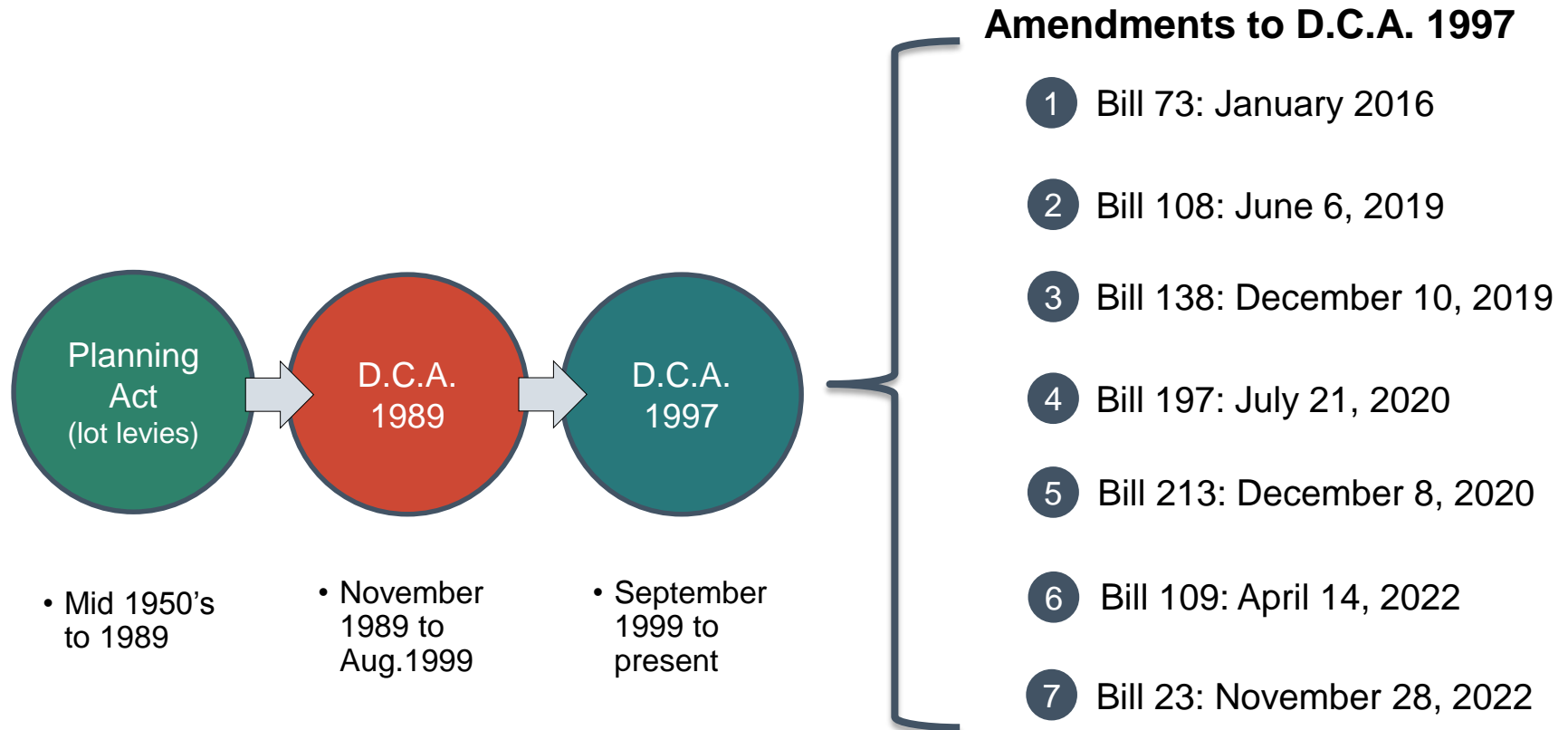
Development Charges (D.C.)



Purpose:

- To recover the capital costs associated with residential and non-residential growth within a municipality
- The capital costs are in addition to what costs would normally be constructed as part of a subdivision (i.e. internal roads, sewers, watermains, sidewalks, streetlights, etc.)
- Municipalities are empowered to impose these charges via the Development Charges Act (D.C.A.)

History of D.C.'s



Capital Costs



- **Capital Cost definition has been recently narrowed by Bill 23:**
 - **Acquire land or interest in land (*nothing prescribed to date*)**
 - Improve land
 - Acquire, lease, construct or improve buildings, facilities and structures (includes furniture and equipment)
 - Equipment and rolling stock
 - Capital component of a lease for the above
 - Circulation materials for Libraries
 - ~~**Studies for above, including a D.C. Background Study**~~
 - Interest on money borrowed to pay for the above
 - Any planning horizon for future capital needs can be used, except for Transit (which is limited to 10 years)
 - Capital costs must be reduced by grants, subsidies and other contributions.
 - May include authorized costs incurred or proposed to be incurred by others on behalf of a municipality/local board



D.C. Eligible Services

1. **Water**
2. **Wastewater**
3. **Storm water drainage**
4. **Services related to a highway**
5. Electrical power services.
6. Toronto-York subway extension.
7. **Transit**
8. **Waste diversion**
9. **Policing Services**
10. **Fire protection**
11. **Ambulance**
12. **Library**
13. **Long-term Care**
14. **Parks and Recreation**
15. **Public Health services**
16. **Childcare and early years services**
17. ~~Housing services~~
18. **Provincial Offences Act**
19. Emergency Preparedness
20. Airports (Waterloo Region only)

These D.C. eligible services are to be considered as part of the City's D.C. background study.

***Amended as per Bill 23**



Limitations on Capital

- Certain Capital Costs may not be included:
 - Parkland Acquisition
 - Vehicle & Equipment with avg. life of <7 yrs.
 - Computer Equipment that is not integral to the delivery of the service
 - Studies

***Amended as per Bill 23**

Service Standards



- Service Standard measure provides a ceiling on the level of the charge which can be imposed
- The D.C.A. requires the calculation to be based on “quality” and “quantity” measures and “averaged” over the past 15 years
- This involves reviewing capital inventories in detail over the past 15 years
- Note that this measure does not apply to water, wastewater, stormwater and transit (which now has a forward-looking service standard)

***Amended as per Bill 23**

Methodology



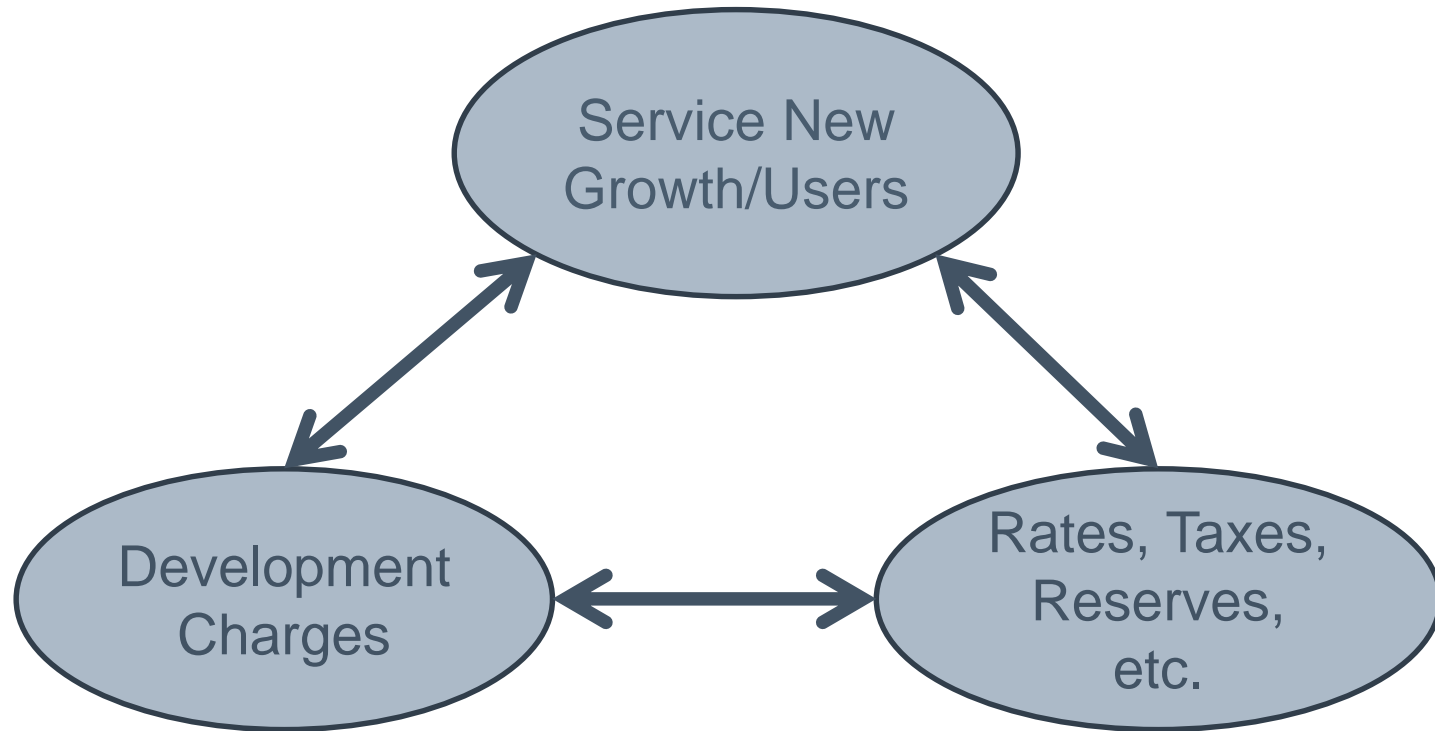
The following provides the overall methodology to calculating the charge:

1. Identify amount, type and location of growth
2. Identify servicing needs to accommodate growth
3. Identify capital costs to provide services to meet the needs
4. Deduct:
 - i. Grants, subsidies and other contributions
 - ii. Benefit to existing development
 - iii. Amounts in excess of 15-year historical service calculation
 - iv. D.C. Reserve funds (where applicable)
5. Net costs then allocated between residential and non-residential benefit
6. Net costs divided by growth to calculate the D.C.

Overview of the D.C. Calculation



Relationship Between Needs to Service Growth vs. Funding



Local Service Policies



- Section 59.1(1) and (2) of the Act “No Additional Levies” - prohibits municipalities from imposing additional payments or requiring construction of a service not authorized under the D.C.A. therefore, need to be clear:
 - What will be included in the D.C.; and
 - What will be required by developers as part of their development agreements
- Items considered in Local Service Policies may include:
 - Local, rural, collector & arterial roads,
 - Intersection improvements & traffic signals,
 - Streetlights & sidewalks,
 - Bike Routes/Bike Lanes/Bike Paths/Multi-Use Trails/Naturalized Walkways,
 - Noise Abatement Measures,
 - Land dedications/easements,
 - Water, Wastewater & Stormwater, and
 - Park requirements.



Legislative Changes to the D.C.A.

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Changes to D.C. Legislation

There were a number of recent changes to the D.C.A. These changes were provided through:

- Bills 108 and 138: More Homes, More Choice Act, 2019 and Plan to Build Ontario Together Act, 2019
 - Installment payments
 - D.C. Freeze for Site Plan and Zoning By-law Applications
 - Interest on the Above
- Bill 197: COVID-19 Economic Recovery Act, 2020
 - Removal of mandatory 10% deduction
 - List of eligible services
 - C.B.C. legislation (Planning Act)
- Bill 213: Better for People, Smarter for Business Act, 2020
 - Exemptions for universities
- Bill 109: More Homes for Everyone Act, 2022
 - Rules for Annual Treasurer's Statement
- Bill 23: More Homes, Built Faster Act, 2022

Changes to the D.C.A.

Bill 23



Additional DC Exemptions:

- **Affordable Rental Unit:** Where rent is no more than 80% of the average market rent, **as defined by a new Bulletin**, published by the Ministry of Municipal Affairs and Housing.
- **Affordable Owned Unit:** Where the price of the unit is no more than 80% of the average purchase price, **as defined by a new Bulletin**, published by the Ministry of Municipal Affairs and Housing.
- **Attainable Unit:** Excludes affordable units and rental units, **will be defined as prescribed development or class of development** and sold to a person who is at “arm’s length” from the seller.
 - Note: for affordable and attainable units, the municipality shall enter into an agreement which ensures the unit remains affordable or attainable for 25 years.

Currently
NOT in
force

- **Inclusionary Zoning Units:** Affordable housing units required under inclusionary zoning by-laws
- **Non-Profit Housing:** Non-profit housing units are exempt from D.C. installment. Outstanding installment payments due after this section comes into force will also be exempt from payment of D.C.s.
- **Additional Residential Unit Exemptions** (units in existing rental buildings, 2nd and 3rd units in existing and new singles, semis, and rowhouses)

Currently in
force

Changes to the D.C.A.

Bill 23



D.C. Discounts:

- Rental Housing Discount (based on number of bedrooms – 15%-25%)

D.C. Revenue Reduction:

- Removal of Housing as an Eligible D.C. Service
- Capital Cost Amendments (restrictions to remove studies and land)
- Mandatory Phase-In of D.C. (Maximum charge of 80%, 85%, 90%, 95%, 100% for first 5 Years of the by-law) - These rules apply to a D.C. by-law passed on or after January 1, 2022
- Historical Levels of Service from 10 years to 15 years

Changes to the D.C.A.

Bill 23



D.C. Administration:

- Maximum Interest Rate for Installments and D.C. Freeze (maximum interest rate would be set at the average prime rate plus 1%)
- Requirement to Allocate 60% of the monies in the reserve funds for Water, Wastewater, and Services Related to a Highway
- D.C. by-law expiry extended to 10 years



Exemptions

Mandatory Exemptions

- Upper/Lower Tier Governments and School Boards;
- Industrial building expansions (may expand by 50% with no D.C.);
- May add up to 2 apartments in an existing or new detached, semi-detached, or rowhouse (including in an ancillary structure);
- Add one additional unit or 1% of existing units in an existing rental residential building;
- Development of lands intended for use by a university that receives operating funds from the Government (as per Bill 213);
- Affordable and Attainable units (*to be in force at a later date*);
- Affordable inclusionary zoning units;
- Non-profit Rental Housing;
- Discount for Rental units based on bedroom size; and
- Phase-in of D.C.s.

***Amended as per Bill 23**



Exemptions

Discretionary Exemptions

- Reduce in part or whole D.C. for types of development or classes of development (e.g. industrial or churches);
- May phase-in over time; and
- Redevelopment credits to recognize what is being replaced on site (not specific in the Act but provided by case law).

Hamilton's Discretionary Exemptions



Fully Exempt Development:

- Parking structure, excluding commercial parking;
- Agricultural use;
- Place of worship (excluding revenue-generating space);
- Temporary building or structure;
- CityHousing Hamilton; and
- Public Art.

Discounts:

- Industrial development, artist's studio, and production studio

Partially Exempt Development (e.g. 50% exempt):

- Class A office development (min. 20k sq.ft of gross floor area) within Downtown Hamilton CIPA
- Non-industrial development within the City's CIPA's or BIAs;
- Office development;
- Downtown Hamilton CIPA exemption;
- Redevelopment of existing residential development to create residential facilities or lodging houses; and
- Adaptive Reuse of Protected Heritage Properties; and
- Expanded industrial building expansion exemptions (versus what is required in the Act) – expansion can be detached from existing building and expansion exemption can be used more than once.

D.C. Policies



There are a number of areas for Council's consideration through this study process including:

- Overall quantum of the DC rate;
- Discretionary Exemptions/Discounts;
- Phase-in of DC rate;
- Area Rating;
- Rate transition policies; and
- Discretionary prepayment/deferral agreements.

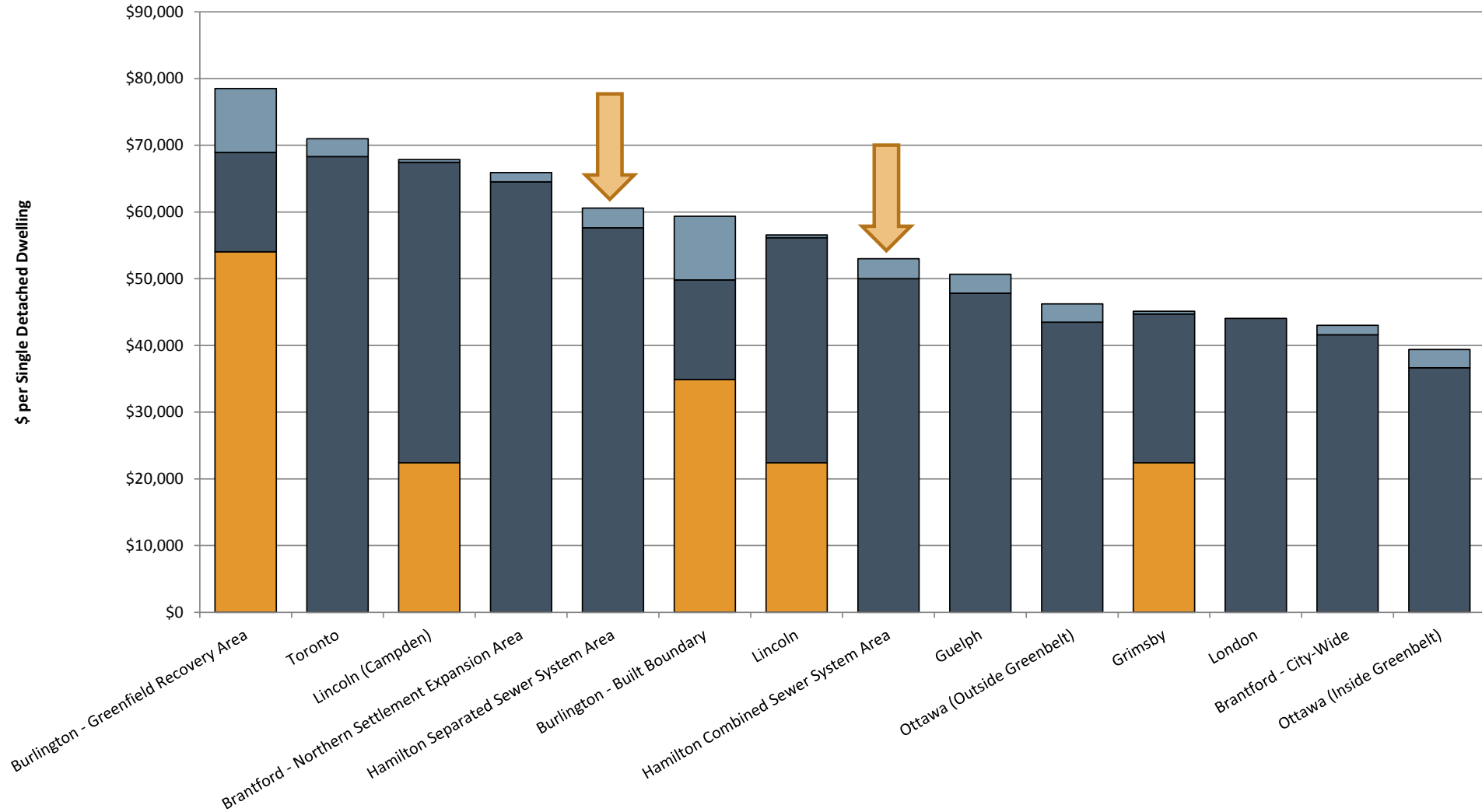
Note: Separate by-laws for each service are being proposed. This would limit the impact of the new phase-in requirements when a by-law needs to be amended/updated for any individual service.



Development Charge Rates for Hamilton and Select Municipalities

Single Detached and Semi-Detached Dwellings

Upper Tier Charges Lower Tier Charges Education DC's

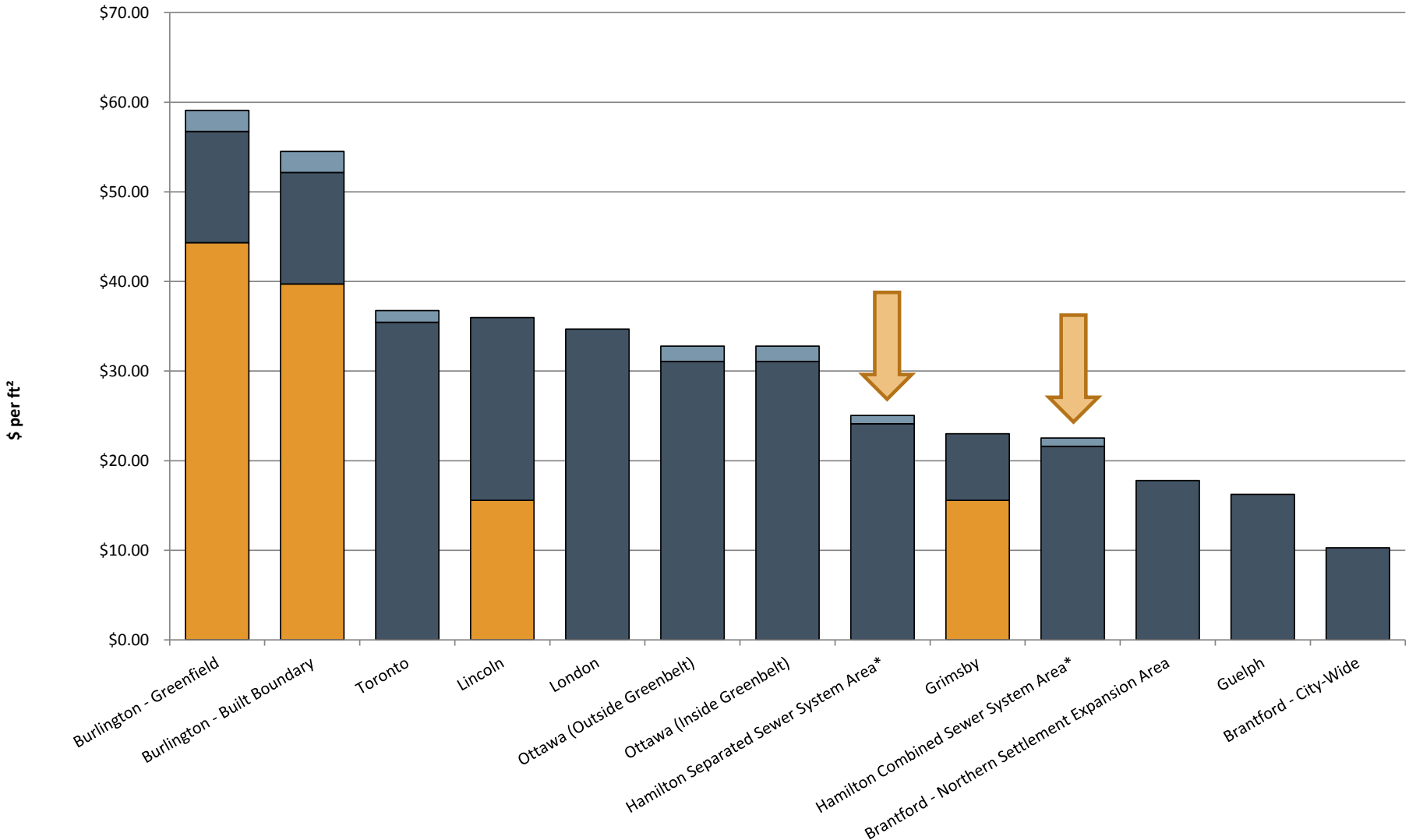




Development Charge Rates for Hamilton and Select Municipalities

Commercial Development - per sq.ft.

Upper Tier Charges Lower Tier Charges Education DC's



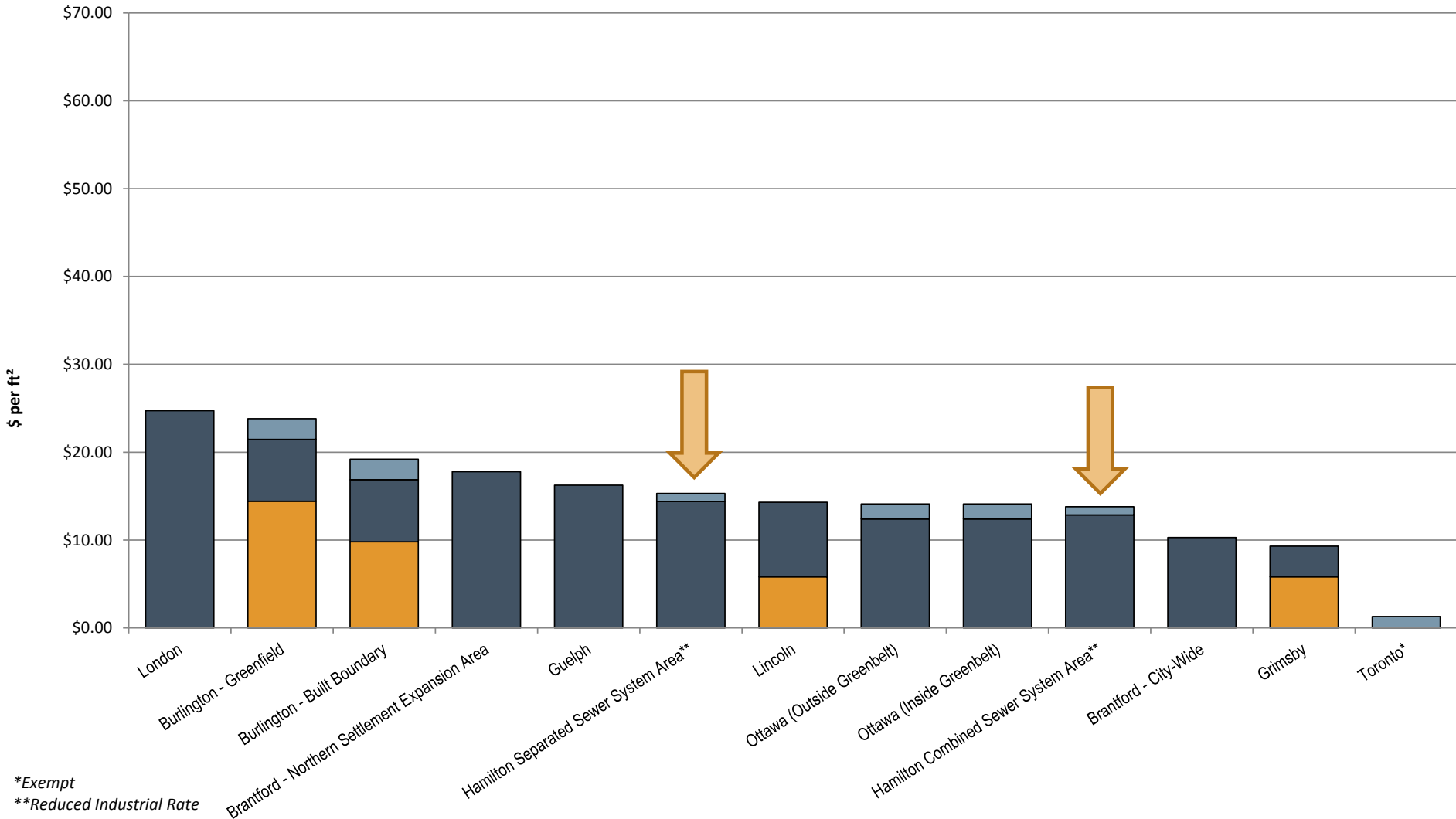
*Within CIPAs and BIAs: DC rate for development 10,000+ sq.ft. (50% of charge for first 5,000 sq.ft., 75% of charge for second 5,000 sq.ft.)



Development Charge Rates for Hamilton and Select Municipalities

Industrial Development - per sq.ft.

Upper Tier Charges Lower Tier Charges Education DC's





Study Process and Next Steps

City of Hamilton
2024 D.C. Background Study

Next Steps



- With Staff
 - Finalize Historical Service Standard and Capital Worksheets (in progress)
 - Develop growth forecast
 - Update local service policy
 - Explore Area rating options
- Future meetings with DC Stakeholders Sub-Committee will be scheduled to review:
 - Service Standards;
 - Capital Lists;
 - Area Rating Options;
 - Local Service Policy;
 - Initial DC Rates and DC Policies/Exemptions; and
 - Final DC Rates.

Questions



Questions