

Development Charges Financial Impacts related to the *More Homes Built Faster Act, 2022* (Bill 23) and Development Charges Exemption Strategy

SUMMARY TABLE

	Annual Budget			
	Tax		Rate	
	\$ Increase	% Increase	\$ Increase	% Increase
FUNDING BLOCK ADJUSTMENTS - BILL 23	\$ 3,746,173	0.34%	\$ -	0.00%
STATUTORY EXEMPTIONS - BILL 23	\$ 17,083,396	1.55%	\$ 14,081,251	5.03%
SUBTOTAL - BILL 23	\$ 20,829,569	1.89%	\$ 14,081,251	5.03%
STATUTORY EXEMPTIONS - Previous	\$ 10,189,656	0.93%	\$ 10,304,039	3.68%
DISCRETIONARY EXEMPTIONS - Previous	\$ 9,569,319	0.87%	\$ 2,899,670	1.04%
SUBTOTAL - Previous Exemptions	\$ 19,758,975	1.80%	\$ 13,203,710	4.72%
UNFUNDED DISCRETIONARY EXEMPTIONS BACKLOG	N/A		N/A	
TOTAL	\$ 40,588,544	3.69%	\$ 27,284,960	9.75%

FUNDING BLOCK ADJUSTMENTS - BILL 23

	10 year	Annualized	Annual Budget			
			Tax		Rate	
			\$ Increase	% Increase	\$ Increase	% Increase
Housing Block Adjustment	\$ 26,030,790	\$ 2,603,079				
Adjustment for Existing Reserve Balance	-\$ 13,229,391	-\$ 1,322,939				
Growth Studies Block Adjustment	\$ 13,997,775	\$ 1,399,778				
Adjustment for Existing Reserve Balance	\$ 10,662,551	\$ 1,066,255				
Total Funding Block Adjustments	\$ 37,461,725	\$ 3,746,173	\$ 3,746,173	0.34%	\$ -	0.00%

STATUTORY EXEMPTIONS - BILL 23

	10 year	Annualized	Annual Budget			
			Tax		Rate	
			\$ Increase	% Increase	\$ Increase	% Increase
5-year Phase-in	\$ 177,198,963	\$ 17,719,896				
Affordable Housing Exemption	\$ 22,045,957	\$ 2,204,596				
Not for Profit Housing Exemption	\$ 45,612,993	\$ 4,561,299				
Additional Residential Unit Exemption	\$ 33,341,594	\$ 3,334,159				
Purpose Built Rental Unit Exemption	\$ 33,446,960	\$ 3,344,696				
Total Statutory Exemptions - Bill 23	\$ 311,646,467	\$ 31,164,647	\$ 17,083,396	1.55%	\$ 14,081,251	5.03%

Future Statutory Exemptions

Attainable housing
Removal of land costs for prescribed services

STATUTORY EXEMPTIONS - Previous

	10 year	Annualized	Annual Budget			
			Tax		Rate	
			\$ Increase	% Increase	\$ Increase	% Increase
Residential Intensification	\$ 92,464,274	\$ 9,246,427				
Industrial Expansion - attached	\$ 58,013,261	\$ 5,801,326				
University	\$ 54,459,420	\$ 5,445,942				
Total Statutory Exemptions - Previous	\$ 204,936,956	\$ 20,493,696	\$ 10,189,656	0.93%	\$ 10,304,039	3.68%
<i>Existing Funding</i> (2023 budget base approved through 2023 Budget Reports FCS22081 & FCS22054)			\$ -	0.00%	\$ -	0.00%
Additional Funding Required			\$ 10,189,656	0.93%	\$ 10,304,039	3.68%

DISCRETIONARY EXEMPTIONS - Previous

	10 year	Annualized	Annual Budget			
			Tax		Rate	
			\$ Increase	% Increase	\$ Increase	% Increase
Downtown CIPA	\$ 150,927,593	\$ 15,092,759				
Industrial Rate - reduced from max	\$ 234,292,550	\$ 23,429,255				
Industrial Expansion - detached	\$ 3,959,474	\$ 395,947				
Agriculture	\$ 38,664,806	\$ 3,866,481				
Place of Worship	\$ 11,042,327	\$ 1,104,233				
Transition Policy	\$ 27,981,310	\$ 2,798,131				
Other	\$ 2,021,718	\$ 202,172				
Total Statutory Exemptions - Previous	\$ 468,889,778	\$ 46,888,978	\$ 32,089,638	2.92%	\$ 14,799,340	5.29%
<i>Existing Funding</i> (2023 budget base approved through 2023 Budget Reports FCS22081 & FCS22054)			\$ 12,951,000	1.18%	\$ 9,000,000	3.21%
Additional funding required			\$ 19,138,638	1.74%	\$ 5,799,340	2.07%
Reduce to 50% (pending 2024 DC by-law discussions)			\$ 9,569,319	0.87%	\$ 2,899,670	1.04%

UNFUNDED DISCRETIONARY EXEMPTIONS BACKLOG

The City has a financing strategy to clear the unfunded backlog in DC exemptions via an annual \$6.5 M allocation through to 2030 (FCS22081)

Assumptions used:

Growth Forecast:

Utilized an annual growth forecast of 2,000 single detached equivalents (3,009 total units) for residential development. This forecast is slightly less than the 2020-2022 actual experience, which included record breaking years. In comparison, an annual growth forecast of 2,770 single detached equivalents (4,168 total units) is needed for the City to achieve its Provincial 2051 growth target.

Average Single Detached Unit Equivalent Construction, City Versus Provincial Forecast			Historical Construction	
	Annual 2024-2033	Total 2024-2033		Single-Detached Unit Equivalents
City (Staff Budget) ^[1]	2,000	20,000	2020	1,874
Provincial	2,770	27,700	2021	2,466
Shortfall	770	7,700	2022	1,996
			3-year Average	2,112
			2023 Projection	2,000
			2024 Projection	2,000
			2025 Projection	2,000

[1] Note that staff budget figures may update annually based on available forecast data

This approach was taken in an effort to limit the potential of over burdening taxpayers and ratepayers and may require further tax and rate increases if the pace of growth exceeds 2,000 single detached equivalents annually.

This approach is supported by the CMHC housing outlook for the City of Hamilton which projects 1,800 – 2,400 total units in 2024.

Non-Profit & Affordable Housing:

Limited the expected non-profit and affordable housing estimates to 150 units annually. The City’s Housing and Homelessness Plan (Report CS11017(d)) plans for 350 units annually. However, based on historical performance and projects which are anticipated to be financially viable, this amount was reduced to 150 units. This estimate will be reviewed annually with the budget process.

Attainable Units:

There has been no estimate for attainable units which have not yet been defined by the Province.

Inclusionary Zoning Units:

There has been no estimate for inclusionary zoning units which will be required to be exempted.

Removal of Land Costs:

There has been no estimate related to the potential removal of land costs.

Through Bill 23, the Province has provided themselves the ability to prescribe services for which land costs cannot be considered in the calculation of the DC rate. To date, no services have been prescribed. Once a service is prescribed, the costs of land will not be eligible to be paid for through DCs and thus another funding source must be determined; given the limited taxing powers of municipalities, this would be through tax and rate fees.

No double counting of exemptions:

The City’s discretionary exemptions have been reduced by the new required statutory exemptions, such as the five-year phase in of DC rates and the discount for rentals, to ensure that there was no double counting of exemptions.

Industrial Development Forecast:

The estimate for the discretionary DC exemption related to Industrial Rate – reduced from max (“DISCRETIONARY EXEMPTIONS – Previous” table in Appendix “B” to Report FCS23064) is based on the past three years of industrial development which was strong. As additional lands are serviced and opened for development the pace of industrial development may exceed this estimate and would be captured in a future update to the financing plan for DC exemptions.

Adaptive Reuse of Heritage Buildings:

The estimate for the discretionary DC exemptions related to the adaptive reuse of heritage buildings (which is included in the Other category of the “DISCRETIONARY EXEMPTIONS – Previous” table in Appendix “B” to Report FCS23064) has been estimated based on historical uptake.

This estimate does not consider the direction to staff through PED22211(a) “Response to Bill 23, Schedule 6, *More Homes Built Faster Act, 2022*, and its changes to the *Ontario Heritage Act* and its Regulations” to review the high priority properties of cultural heritage value or interest, identified in Appendix “B” attached to Report PED22211(a), and report back to Council with recommendations to designate individual properties under Part IV of the Ontario Heritage Act, and that this work be completed no later than January 1, 2025. This estimate will be reviewed in a future update to the financing plan for DC exemptions.

Discretionary Exemptions:

Staff has calculated a required tax levy increase of \$19.1 M (1.74%) and a required rate increase of \$5.8 M (0.53%) to fund the existing discretionary exemptions contained within the 2019 DC By-law.

Through the 2024 DC Background Study and By-law process, Watson and Associated Economists Ltd. will be completing a review of the discretionary DC exemptions and Council will have an opportunity to make changes to the discretionary DC exemptions.

Staff has assumed that the review and Councils direction will lead to a reduction in the discretionary exemptions and therefore is recommending 50% of the calculated required increase. Should the decisions through the 2024 DC By-law process yield a different discretionary exemption portfolio the financing strategy will be updated through a future budget process.

Note that the timing of realizing an exemption can be years after a discretionary exemption is removed from the DC By-law because the DC Act locks in the DC rate and exemptions as of the related planning application (site plan or site-specific zoning amendment) date.

Future DC Increases:

It has been assumed that there will be an increase in DC rates with the 2024 DC by-law. This amount cannot yet be substantiated as the work to gather all data needed to calculate the rate is underway. The City relied on its DC Consultant, Watson and Associates Economists Ltd. to make an estimate based on Watson’s experiences with tender price increases vs annual indexing with other municipalities.

It has further been assumed that the City will need to update several service specific DC By-laws in the next couple years to account for the 2051 Masterplans which will not be available by the time the 2024 DC By-law needs to be adopted. Note that when a new By-law for a service is passed, the required five-year phase-in of DC rates restarts; this has been considered in the calculated increase.

Historical Unfunded Backlog:

It is assumed that the City will continue with the existing funding plan as presented in the 2023 Tax Capital Budget process for the unfunded DC exemption backlog which assumes \$6.5 M annually until the backlog is cleared (estimated to conclude in 2030).