



Hamilton

DEVELOPMENT CHARGES EXEMPTIONS
SUSTAINABLE FUNDING STRATEGY
(FCS23064)

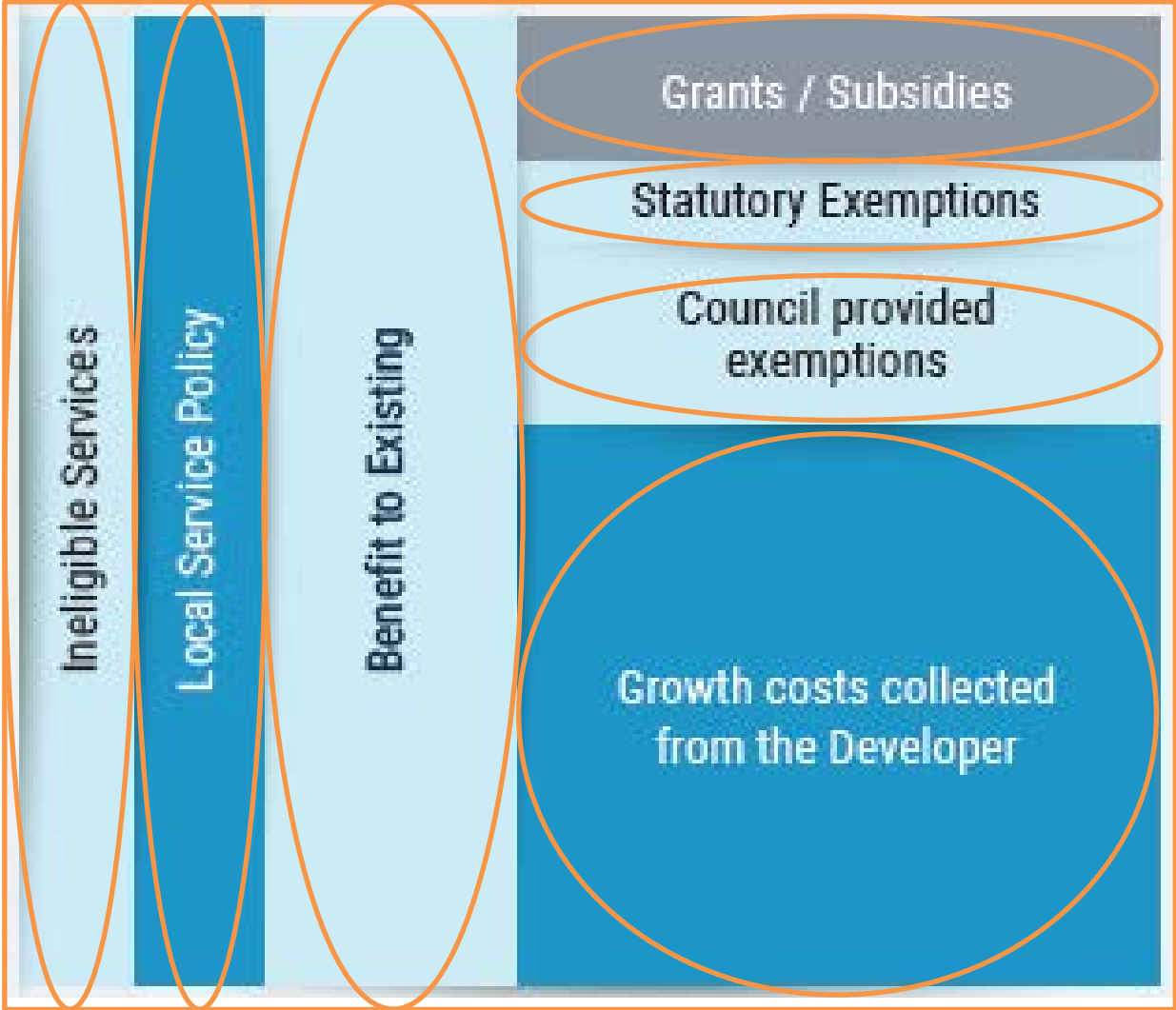
June 14, 2023

- Introduction
- How Growth is Financed
- Current Approach
- Increase Recommended
 - due to Bill 23
 - for pre-Bill 23 Exemptions
- Scenario analysis
- DC Exemption Reserve
- Recommendations

There have been rapid and significant changes to the *Development Charges Act, 1997* (DC Act) since 2019

- *More Homes, More Choice Act, 2019* (Bill 108)
 - DC Rate lock-ins at related planning application date – includes locking in the exemptions
 - Expanded exemption for secondary dwelling units
 - Reduced list of what a DC can be imposed for (some studies, Airport and Parking removed)
- *Better for People, Smarter for Business Act, 2020* (Bill 213)
 - Required exemption for post-secondary institutions
- *More Homes Built Faster Act, 2022* (Bill 23)

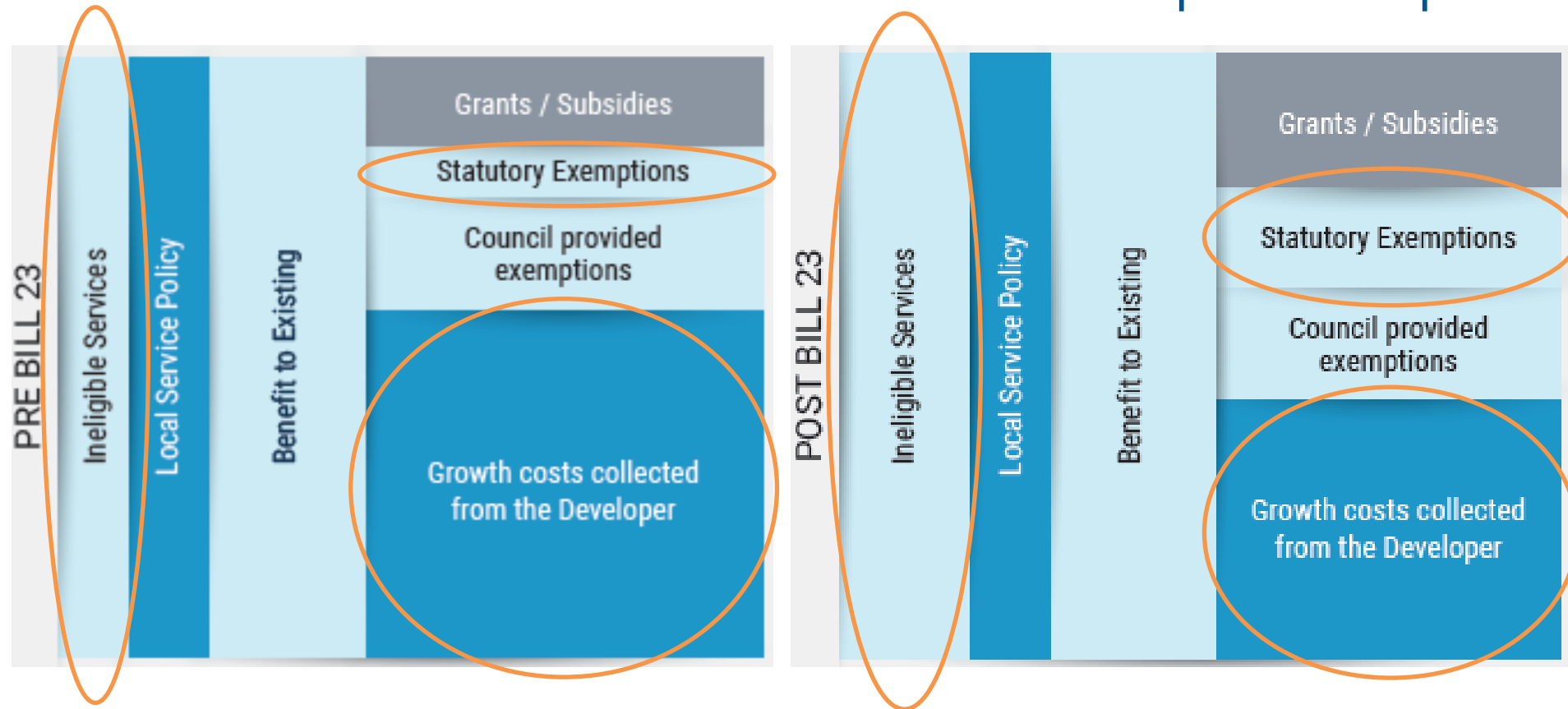
How Growth is Financed - simplified



How Growth is Financed – Bill 23 impacts simplified

More Homes Built Faster Act, 2022 (Bill 23)

- Reduced the list of eligible services (studies and housing services removed)
- Increased the amount of statutory exemptions
 - 5-year DC Rate Phase in
 - Exemptions for non-profit, affordable and inclusionary zoning units
 - Expanded secondary dwelling unit exemption
 - Reduction for rental



Not captured:

- Removal of land costs (nothing prescribed to date)
- Required exemption for Attainable housing units (not defined to date)

- Historically the budgeting of DC exemptions has been short; shortfalls in discretionary exemptions have been addressed through allocations from the annual operating surplus

	2020	2021	2022
DC Exemption Budget	\$ 16,500,000	\$ 17,500,000	\$ 17,500,000
Allocated from annual operating surplus	15,100,000	12,951,576	8,882,418
Total	\$ 31,600,000	\$ 30,451,576	\$ 26,382,418
In year DC Exemptions	\$ 40,307,367	\$ 39,406,901	\$ 50,585,204

- There is an unfunded discretionary DC exemption backlog of approximately \$50 M (\$58.8 M as per Report FCS23035 less \$8.9 M allocated from the 2022 annual operating surplus); \$6.5 M annually through 2030 has been budgeted to clear this backlog

Increase recommended

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%

Increase recommended due to Bill 23

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				
<i>Adjustment for Existing Reserve Balance</i>	-\$ 13,229,391	-\$ 1,322,939				
Growth Studies Block Adjustment	\$ 13,997,775	\$ 1,399,778				
<i>Adjustment for Existing Reserve Balance</i>	\$ 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

Increase recommended for Pre-Bill 23 exemptions

STATUTORY EXEMPTIONS - Previous

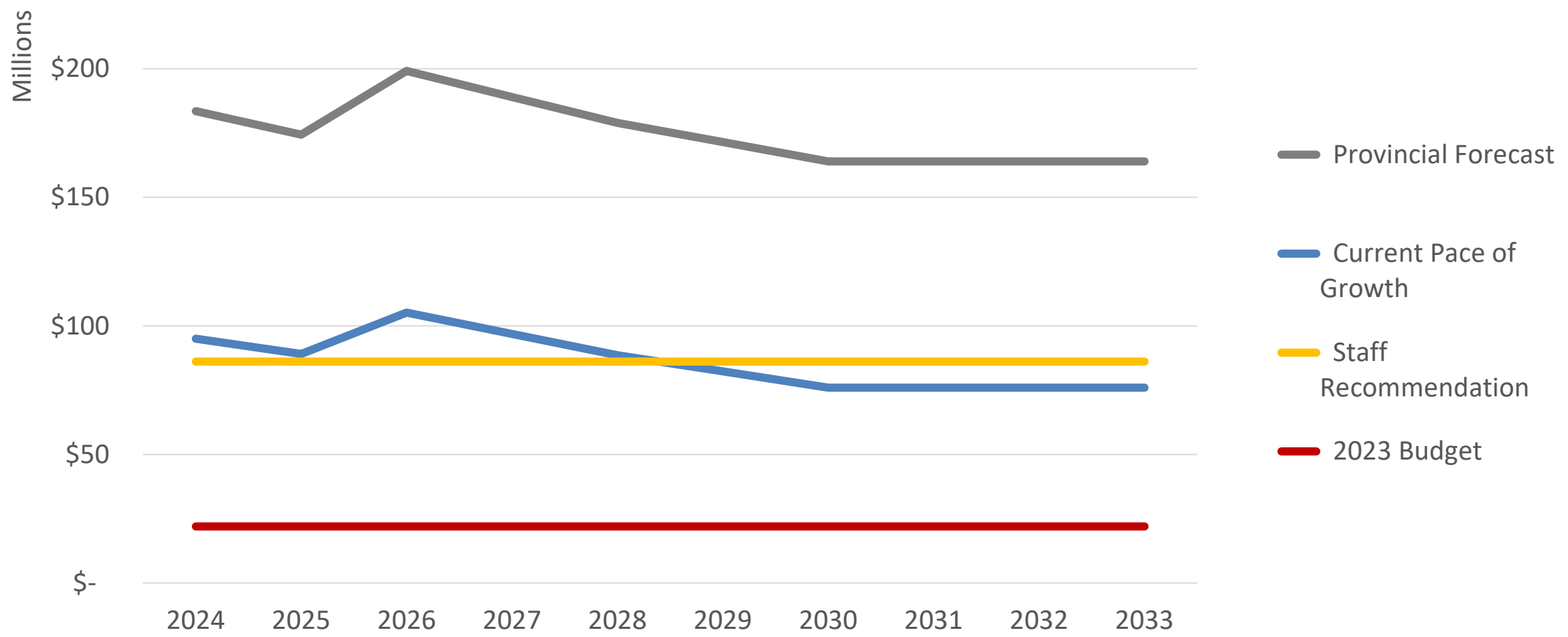
	10 year	Annualized	Annual Budget			
			Tax		Rate	
			\$ Increase	% Increase	\$ Increase	% Increase
Residential Intensification	\$ 92,464,274	\$ 9,246,427				
Industrial Expansion - attached	\$ 58,013,261	\$ 5,801,326				
University	\$ 54,459,420	\$ 5,445,942				
Total Statutory Exemptions - Previous	\$ 204,936,956	\$ 20,493,696	\$ 10,189,656	0.93%	\$ 10,304,039	3.68%

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> <i>(2023 budget base approved through 2023 Budget Reports FCS22081 & FCS22054)</i>			\$ 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%

Scenario Analysis

DC Exemptions

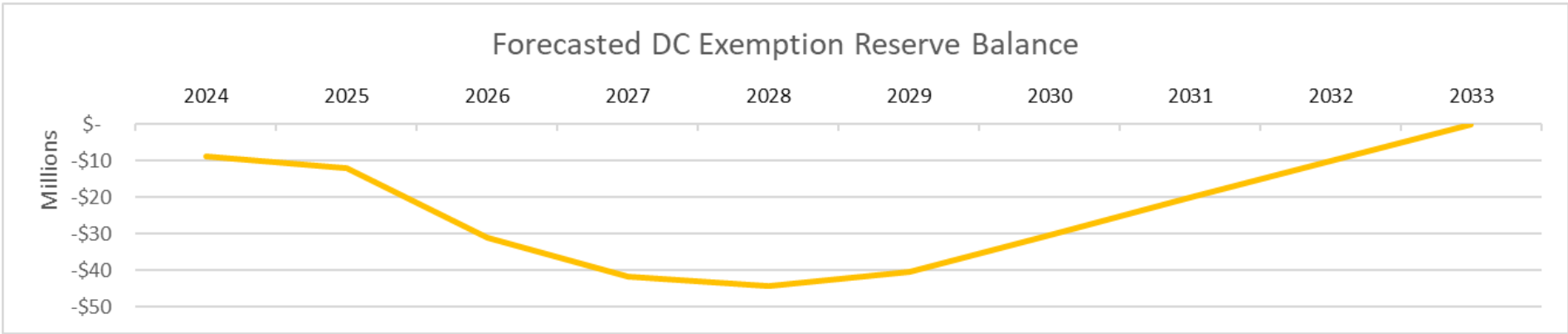
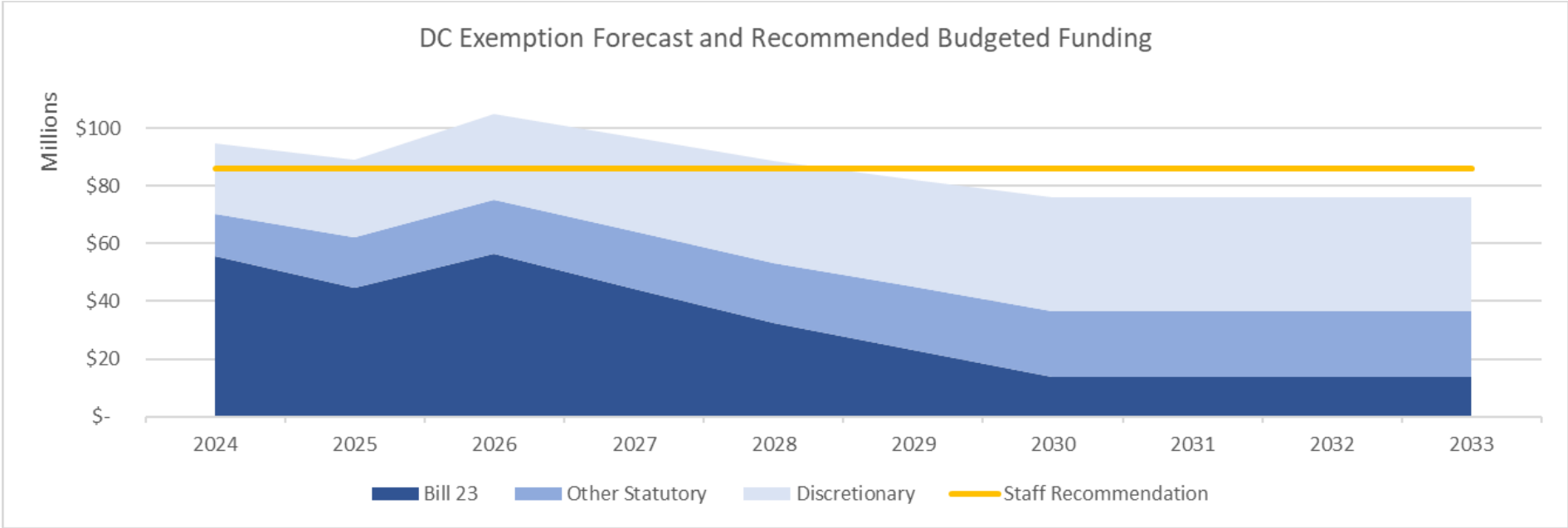


Starting in 2024, Staff is recommending that all in-year DC exemptions will be funded on a “fund-as-you-go” approach

Rationale

- Balances in DC Reserves will reflect growth from all permits issued to date
- Increased transparency and accountability
- Manage year to year fluctuations in exemptions

DC Exemption Reserve



Recommendations (summary)

- (a) That a \$40.59 M (3.69%) Property Tax Levy increase be referred to the 2024 Tax Capital budget process and reviewed annually thereafter ...
- (b) That a \$27.28 M (9.75%) Water and Wastewater/Stormwater rate increase be referred to the 2024 Rate Budget process and reviewed annually thereafter ...
- (c) That the Development Charges (DC) Exemptions Reserve Policy, attached as Appendix “D” to Report FCS23064, be approved and a reserve established.



Hamilton

THANK YOU