




CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Chair and Members Development Charges Stakeholders Sub-Committee
COMMITTEE DATE:	November 9, 2023
SUBJECT/REPORT NO:	Area Specific and Local Service Policy – 2024 Development Charges Background Study and By-law Update (FCS23104) (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:	

RECOMMENDATIONS

- (a) That as required by Section 10 (2) (c.1) of the *Development Charges Act, 1997*, the following services continue with a City-wide approach to Development Charges and included in the 2024 Development Charges Background Study prepared for public consultation:
- (i) Transit
 - (ii) Services Related to a Highway
 - (iii) Public Works
 - (iv) Waste Diversion Services
 - (v) Policing Services
 - (vi) Fire Protection Services
 - (vii) Ambulance Services
 - (viii) Library Services
 - (ix) Long-term Care Services
 - (x) Parks and Recreation Services
 - (xi) Public Health Services
 - (xii) Childcare
 - (xiii) Provincial Offences Act Administration

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.

- (b) That as required by Section 10 (2) (c.1) of the *Development Charges Act, 1997*, the following services continue with an Area Specific Development Charge and included in the 2024 Development Charges Background Study prepared for public consultation:
 - (i) Storm Water Services – Calculated on a combined versus separated sewer system;
- (c) That as required by Section 10 (2) (c.1) of the *Development Charges Act, 1997*, the following services continue with a City-wide approach to Development Charges and included in the 2024 Development Charges Background Study prepared for public consultation:
 - (i) Water (urban);
 - (ii) Wastewater Facilities (urban);
 - (iii) Wastewater Linear (urban);
- (d) That the Special Area Charge for Dundas / Waterdown (wastewater capacity) continue to be applied on an area-specific basis;
- (e) That in accordance with Section 59.1(1) and (2) of the *Development Charges Act, 1997*, a Local Service Policy be recommended for inclusion in the 2024 Development Charges Background Study prepared for public consultation and that the draft principles attached as Appendix “A” to Report FCS23104 be approved.

EXECUTIVE SUMMARY

Area Specific Development Charges

Under Section 10(2) (c.1) of the *Development Charges Act* (DC Act), municipalities are required to examine the use of Area Specific Development Charges (ASDC’s), however, they are not mandatory to impose. While there are no specific “prescribed” services, the DC Act identifies that the background study must provide consideration for ASDCs to reflect the different needs for different areas.

Staff, with the support of the DC consultants, Watson & Associates Economists Ltd. (Watson) have reviewed various alternatives for ASDC’s. It is recommended that Stormwater DCs be calculated based on the combined sewer system versus the separated sewer system. Water and wastewater services are recommended to be calculated based on the urban serviced areas of the City. All other City services including Roads, Transit and other services continue with the current approach of a City-wide DC Charge.

Local Service Policy (LSP)

Section 59.1(1) and (2) of the DC Act “No Additional Levies” prohibits municipalities from imposing additional payments or requiring construction of a service not authorized under the DC Act. It must be clear what services are specifically included in the charge and what developers are required to pay as part of their development agreements.

Based on discussions with Watson, engineering subconsultants and staff, the existing LSP has been subdivided based on the location of development as follows:

- Within the urban boundary as set out in OPA 167 as adopted by Council on June 8, 2022 and without the Minister modifications approved on November 4, 2022 (“Council-adopted Urban Boundary”) – traditional local service policy requirements (current) remain unchanged;
- Outside the Council-adopted Urban Boundary the developer be responsible for:
 - All roads, linear water, and wastewater infrastructure (external to urban boundary) required to service the development including potential oversizing costs;
 - Certain linear water/wastewater works that are oversized (post-period benefit), within the urban boundary, to accommodate flows;
 - Development would be required to pay:
 - municipal-wide DCs; and
 - water / wastewater treatment DCs (if they will be serviced with municipal water and wastewater).

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Area-Specific DCs

In general, with fewer area specific charges, there is a larger pool of DC funds to finance city infrastructure projects (see Table 1). Proceeding with an area-specific DC may result in an increased reliance on alternative sources of financing including debt due to the inability to pool funds. Stormwater projects have historically been budgeted to be funded through DC debt, so this is not anticipated to result in a significant impact. Staff is recommending that the Stormwater services continue to be charged on an ASDC basis between the combined sewer system and the separated sewer system.

Table 1

Service	Capital Included in City-Wide	Reduction In Capital included in Calculation Due to ASDC Approach
Police	35,381,208	(19,730,630)
Fire	40,018,798	(14,987,731)
Public Works*	46,410,529	No impact
Library	55,643,756	(14,506,659)
LT Care*	3,348,243	No Impact
Child Care	No Capital Needs Identified	
POA*	1,802,189	No Impact
Public Health*	1,185,496	No Impact
Ambulance	9,162,668	(1,529,719)
Waste Diversion*	8,903,611	No Impact
Total	201,856,498	(50,754,739)

*Not collecting up to service standard therefore no impact

Note - analysis for Parks & Recreation not undertaken but would expect to see a reduction in capital included in the calculation

Financial: Local Service Policy (LSP)

Adopting the proposed LSP, which clearly delineates between inside and outside of the Council-adopted urban boundary (as set out in OPA-167 before the Provincial Changes), will ensure that the City is financing the appropriate infrastructure that supports projects included in Capital Plan which in turn supports the City’s growth strategies. This will also ensure that development not planned for by the City, occurring outside of the Council-adopted urban boundary will pay to connect to City services.

Should development outside of the ‘Council-adopted urban boundary be allowed to occur prior to completion of proper master planning and financial planning, the City will not bear the financial burden of providing services.

Staffing: Area-Specific DC’s and Local Service Policy

N/A

Legal: Area Specific DC’s and Local Service Policy

If the recommendations in Report FCS23104 are adopted they will be incorporated into the draft By-laws that will be prepared by Legal Services, Financial Planning, Administration and Policy Division and Watson. Where required, Legal Services has been consulted on policy and legal implications for the City's LSP.

HISTORICAL BACKGROUND

The City is currently undergoing the process to release the 2024 Development Charges (DC) Background Study and By-law. The current DC By-law expires end of day on June 12, 2024. The *Development Charges Act, 1997*, as amended (DC Act) requires that Council make the DC Background Study available to the public at least 60 days prior to passing a DC By-law. In addition, a draft DC By-law needs to be available to the public at least two weeks in advance of the public meeting regarding the proposed by-law. The following past reports and presentations provide context on Local Service Policies and Area Specific Development Charges.

2019 Development Charges Background Study and By-law

September 13, 2018 Development Charges Stakeholders Sub-committee

- Presentation – Watson & Associates Economists Ltd. – 2019 Development Charge Study: Local Service Policy

February 19, 2019 2019 Development Charges Stakeholders Sub-committee

- Report FCS18062(a), Development Charges By-law Policy

2023 Development Charges Background Study and By-law

April 13, 2023 2023 Development Charges Stakeholders Sub-Committee

- Report FCS23040, 2024 Development Charges Background Study and By-law Update
- Presentation – Watson & Associates Economists Ltd. – City of Hamilton 2024 DC Background Study / DC Workshop

September 18, 2023 2023 Development Charges Stakeholders Sub-committee

- Presentation – Watson & Associates Economists Ltd – 2024 DC Background Study and By-law

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Report FCS23104, Area Specific and Local Service Policy – 2024 Development Charges Background Study and By-law Update, makes recommendations for the draft ASDC's and a LSP to be included in the 2024 DC Background Study and By-law being prepared for

public consultation. These policies use inputs from third party suggestions and staff input alongside consideration for financial impact.

The *Development Charges Act, 1997* (DC Act) requires Council to consider the use of ASDC's under Section 10 (2) (c.1) when completing a Development Charge (DC) Background Study.

Section 59.1(1) and (2) of the DC Act "No Additional Levies" prohibits municipalities from imposing additional payments or requiring construction of a service not authorized under the DC Act. It must be clear, what services are specifically included in the DC Charge and what developers are required to pay as part of their development agreements. Therefore, staff has implemented Local Service Policy to distinguish between City and Developer related responsibilities.

RELEVANT CONSULTATION

Internal

- Planning and Economic Development – Growth Management, Transportation
- Public Works Department – Water, Wastewater Planning and Capital
- Corporate Services Department – Legal and Risk Management Services

External

- Watson and Associates Economists Ltd.
- GMBblueplan
- Arcadis IBI Group
- The City receives feedback and correspondence through the City's email address below:

DCBackgroundStudy@hamilton.ca

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Area Specific DCs

Based on their analysis, Watson has concluded that a good candidate for ASDCs is a service that has a strong connection between capital works and those who benefit from the capital works (restricted use), a clear service boundary, a different level of service between the boundaries and an ability to support the infrastructure costs / debt charges without pooling of funds.

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Some pros and cons to ASDCs are as follows:

Pros to ASDCs:

- ASDC's have a higher perceived equity as funds collected in a specific area and are only used for that area and ensures investment of funds collected in areas where development is occurring.

Cons to ASDCs:

- Development Charges (DCs) collected for a service are restricted to the area in which they are collected.
- Smaller collection areas result in a smaller pool of Development Charges revenues
- Many services are not restricted to use by residents of one specific area and are often used by all residents (e.g., roads, parks, recreation, library, police), therefore, City-wide DCs are more appropriate.
- ASDC's have an increased administrative burden on municipal staff.
- Higher charges in one area versus another area may impact competitiveness.

All services other than water, wastewater, stormwater and transit require a 15-year service standard to be calculated to establish an upper ceiling on the amount which can be collected from development. In certain cases, utilizing an ASDC can significantly reduce the total funds collected to be used as financing towards City's infrastructure project as identified in Table 1 (see page 4).

When reviewing ASDC's, Watson examined the use of ASDC's for other services delivered by the City (no water, wastewater, roads or transit) such as Fire, Ambulance, Library, Parks and Recreation, to name a few. It was determined that the amount of capital costs that could be recovered through DC's would decrease on average by 24% if the City moved to an ASDC calculation approach.

Staff, with the support of the Watson, have reviewed various alternatives for area-specific DCs and are recommending that only Stormwater services continue to be considered for an area-specific DC calculation. Staff recommends that Stormwater DCs be calculated based on the combined sewer system versus the separated sewer system.

In summary, the following is being recommended:

- Stormwater – continue with current ASDC approach for combined versus separated sewer service areas given the difference in works required
- Water / Wastewater – continue with current approach in uniform rate for all urban areas

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- Roads – continue with current approach of City-wide DC for roads
- Transit – continue with current approach of City-wide DC for transit
- All other City services – utilize City-wide DC's

Local Service Policy

Section 59.1(1) and (2) of the DC Act “No Additional Levies” prohibits municipalities from imposing additional payments or requiring construction of a service not authorized under the DC Act. It must be clear, what services are specifically included in the DC Charge and what developers are required to pay as part of their development agreements.

Some items considered in Local Service Policy may include:

- Local, rural, collector and arterial roads;
- Intersection improvements and traffic signals;
- Streetlights and sidewalks;
- Bike routes, lanes and paths;
- Multi-use Trails / Naturalized walkways;
- Noise Abatement Measures;
- Land dedications / easements;
- Water, Wastewater and Stormwater; and
- Park requirements.

Given the Provincial changes to the City’s Council-adopted urban boundary, the City has had to initiate updates to water, wastewater, transportation, and transit master plans. This work will identify the infrastructure required to service the Provincially expanded urban boundary. Until the Masterplans are complete and the appropriate financial planning is undertaken, the Local Service Policy has been prepared to establish policies both within the City’s Council-adopted urban boundary and outside of it.

Based on the proposed LSP, should development occur outside of the City’s Council-adopted urban boundary, the infrastructure required to service the development will be paid for by the developers. As such, the following is being recommended:

- Within the urban boundary as set out in OPA 167 as adopted by Council on June 8, 2022 and without the Minister modifications adopted on November 4, 2022 (“Council-adopted Urban Boundary”) – traditional local service policy requirements (current) remain unchanged;

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- Outside the Council-adopted Urban Boundary the developer be responsible for:
 - All roads, water, wastewater, and stormwater infrastructure (external to urban boundary) required to service the development including potential oversizing costs
 - Certain linear water / wastewater / stormwater works that are oversized (post-period benefit), within the urban boundary, to accommodate flows
 - Developers would be required to pay:
 - municipal-wide DCs; and
 - water / wastewater treatment DCs (if they will be serviced with municipal water and wastewater).

ALTERNATIVES FOR CONSIDERATION

N/A

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS23104 – Draft Principles of City of Hamilton Local Service Policy

CP/dt