8.1(a) - REVISED

CITY OF HAMILTON
CORPORATE SERVICES
Financial Planning, Administration and Policy

TO:	Mayor and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	May 2, 2024
SUBJECT/REPORT NO:	2024 Development Charges Background Study, Policies and By-laws - Final Report (FCS23103(b)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Carolyn Paton (905) 546-2424 Ext. 4371
SUBMITTED BY: **SIGNATURE:**	Kirk Weaver Acting Director, Financial Planning, Administration and Policy Corporate Services Department

RECOMMENDATION(S)

(a) That the 2024 City of Hamilton Development Charges Study, as amended, prepared by Watson & Associates Economists Ltd., and dated December 21, 2023, amended March 28, 2024, be approved;

(b) That, whenever appropriate, the City of Hamilton requests that grants, subsidies and other contributions be clearly designated by the provider as being to the benefit of existing development (or new development, as applicable);

(c) That all the growth capital projects listed in the City of Hamilton Development Charges Background Study, prepared by Watson & Associates Economists Ltd., and dated December 21, 2023, amended March 28, 2024, be approved, in principle, subject to annual capital budget approvals;

(d) That, having considered the matters in Report FCS23103(b) including the changes incorporated into the 2024 Development Charges By-law, attached hereto as Appendix “A” of Report FCS23103(b), no further meeting under s.12 of the *Development Charges Act, 1997* is required;

(e) That Appendix "A" attached to Report FCS23103(b) respecting a single 2024 Development Charges By-law, prepared in a form satisfactory to the City Solicitor and including the following discretionary exemption policies, be passed and enacted:

(i) A Downtown Hamilton Community Improvement Project Area (CIPA) discretionary exemption for residential development, limited to the height restrictions Council approved through the Downtown Secondary Plan, be 40% in year one (June 1, 2024 to May 31, 2025); 35% in year two (June 1, 2025 to May 31, 2026); 30% in year three (June 1, 2026 to May 31, 2027); 20% in year four (June 1, 2027 to May 31, 2028); 10% in year five (June 1, 2028 to May 31, 2029); and 0% thereafter;

(ii) A Downtown Hamilton Community Improvement Project Area (CIPA) discretionary exemption for non-industrial development (other than Class A Office) industrial development and the non-residential component of mixed-use development, limited to the height restrictions Council approved through the Downtown Secondary Plan, be 40%;

(iii) A Downtown Hamilton Community Improvement Project Area (CIPA) discretionary exemption for Class A Office, limited to the height restrictions Council approved through the Downtown Secondary Plan, be 70%;

(iv) A reduced rate discretionary exemption be provided for manufacturing (Employment North American Industry Classification System (code 31-33), as well as, for production and artists' studios at a 37% discount;

(v) A reduced rate discretionary exemption be provided for industrial development (other than manufacturing) at a 37% discount in Year 1 (June 1, 2024 to May 31, 2025) with a reduction in the exemption of 5% per year until completely phased out;

(vi) An industrial expansion (detached building), 50% expansion of existing gross floor area exemption, be applied only to industrial businesses with primary economic activity identified as manufacturing (employment North American Industry Classification System (N.A.I.C.S.) code 31-33);

(vii) A 100% Development Charge discretionary exemption for adaptive re-use of a protected heritage property;

(viii) A 50% Development Charge discretionary exemption for redevelopment of an existing residential development for the purpose of creating residential facilities within an existing building and that the credit applicable, when the original building was a Residential Facility or Lodging house, be 100% of the applicable Residential Facility Rate or Lodging House Rate;

(ix) A discretionary exemption for non-industrial developments included within a Community Improvement Project Area (CIPA) or Business Improvement Area (BIA) and for office developments (excluding medical clinics) as follows:

(i) 1st 5,000 square feet at 50% of the non-industrial charge;
(ii) 2nd 5,000 square feet at 75% of the non-industrial charge; and
(iii) 10,000 square feet or larger at 100% of the non-industrial charge;

(x) A 100% discretionary Development Charge exemption for bona fide farming / agricultural use;

(xi) A 100% discretionary Development Charge exemption for places of worship exempt from property taxes;

(xii) A discretionary transition policy in which the Development Charge Rate at the time of a complete building permit application apply if the building permit is issued within six months of the next rate increase;

(xiii) A 100% discretionary Development Charge exemption for Farm Labour Residences;

(xiv) A 100% discretionary Development Charge Exemption for City Housing Hamilton;

(xv) A 100% discretionary Development Charge Exemption for Parking, other than Commercial Parking;

(xvi) A Temporary Building or Structure Exemption;

(xvii) A discretionary Deferral Policy for Non-residential Development, a Mixed Use Development, a Residential Facility, a Lodging House or an Apartment Dwelling only;

(xviii) A discretionary Environmental Remediation and Site Enhancement (ERASE) Deferral Agreement Policy;

(xix) A discretionary Public Hospitals Deferral Policy;

(xx) A discretionary Post-Secondary Deferral Policy;

(f) That the Local Service Policy, as included in the 2024 City of Hamilton Development Charges Background Study, as amended, be approved, adopted and implemented effective June 1, 2024;

(g) That revisions to Section L.2.4 of the Comprehensive Development Guidelines and Financial Policies, to align with the Local Service Policy, attached as Appendix "C" be adopted and approved; and

(h) That, where public stormwater management facilities have been provided at the cost of a developer, as a condition of development approval and the said facilities are deemed to be permanent and part of an ultimate solution, "credits for services in-lieu" for the related stormwater component of the Development Charge will be applied for any unbuilt units upon the said facilities being included in the Development Charge Background Study and any applicable addendum(s).

EXECUTIVE SUMMARY

The purpose of the 2024 Development Charges Background Study (DCBS) and By-law is to ensure that the City can continue collecting Development Charges (DCs) from net new development across the City to fund growth related capital infrastructure needs in accordance with the *Development Charges Act, 1997, as amended* (DC Act). The City's existing 2019 Development Charges (DC) By-law 19-142 is set to expire on June 12, 2024. Approval of the new 2024 DC By-law (Appendix "A" to Report FCS23103(b) is required to levy DCs after this date. The new DC By-law will be in effect June 1, 2024.

Staff was directed to undertake a new DCBS in 2021 through Report FCS21085, "2023 Development Charges Background Study – Procurement Policy 11 Request". Since that time, staff and consultants have worked to compile and release the information required to be included in a DCBS per the DC Act. The 2024 DC By-law and the draft By-laws were released to the public on December 21, 2023.

The DCBS initially recommended the use of separate DC By-laws for each service in response to the mandatory phase-in requirements in the DC Act that were introduced via the *More Homes Built Faster Act, 2022* (Bill 23). However, Bill 185, *Cutting Red Tape to Build More Homes Act, 2024*, under consideration by the Legislature, seeks to reverse this requirement. Staff is now recommending one DC By-law. More detail is included in the Analysis and Rationale for Recommendations section of Report FCS23103(b).

An Addendum to the December 21, 2023 Development Charge Background Study (Addendum), prepared by Watson and Associates Economists Ltd. (Watson) was released to the public on April 2, 2024. The Addendum includes revisions to capital costs related to water, wastewater, stormwater and services related to a highway. In addition, the Addendum being recommended through Report FCS23103(b), includes an update to the City's Local Service Policy (LSP). As a result of these revisions, a recalculation of the DC rates has been undertaken. The result is a decrease in the calculated DC rates compared to the DCBS release on December 21, 2023. Table 1 sets out the new proposed rates.

Table 1
Residential and Non-Residential 2024 Development Charge Rates

SCHEDULE OF DEVELOPMENT CHARGES

Service/Class of Service	RESIDENTIAL					NON-RESIDENTIAL
	Single and Semi-Detached Dwelling	Other Multiples	Apartments - 2 Bedrooms+	Apartments - Bachelor and 1 Bedroom	Residential Facility	(per sq.ft. of Gross Floor Area)
City Wide Services/Class of Service:						
Services Related to a Highway	18,103	13,512	11,099	6,876	5,636	13.31
Public Works (Facilities and Fleet)	1,335	996	818	507	416	0.80
Transit Services	1,601	1,195	982	608	498	0.96
Fire Protection Services	1,151	859	706	437	358	0.69
Policing Services	1,018	760	624	387	317	0.61
Parks and Recreation	11,065	8,259	6,784	4,203	3,445	0.95
Library Services	2,061	1,538	1,264	783	642	0.18
Long-term Care Services	231	172	142	88	72	0.04
Child Care and Early Years Programs	-	-	-	-	-	0.00
Provincial Offences Act Services including By-Law Enforcement	52	39	32	20	16	0.03
Public Health Services	42	31	26	16	13	0.01
Ambulance	325	243	199	123	101	0.06
Waste Diversion	346	258	212	131	108	0.03
Total City Wide Services/Class of Services	**37,330**	**27,862**	**22,888**	**14,179**	**11,622**	**17.67**
Urban Services						
Wastewater Facilities	7,125	5,318	4,368	2,706	2,218	4.53
Wastewater Linear Services	10,630	7,934	6,517	4,038	3,310	6.75
Water Services	6,856	5,117	4,203	2,604	2,135	4.36
Combined Sewer System						
Stormwater Drainage and Control Services	9,553	7,130	5,857	3,629	2,974	0.00
Separated Sewer System						
Stormwater Drainage and Control Services	22,741	16,974	13,942	8,638	7,080	4.75
GRAND TOTAL RURAL AREA	**37,330**	**27,862**	**22,888**	**14,179**	**11,622**	**17.67**
GRAND TOTAL COMBINED SEWER SYSTEM	**71,494**	**53,361**	**43,833**	**27,156**	**22,259**	**33.31**
GRAND TOTAL SEPARATED SEWER SYSTEM	**84,682**	**63,205**	**51,918**	**32,165**	**26,365**	**38.06**

The DC rates in Table 1 are in 2023 dollars and will be indexed when the 2024 DC By-law comes into effect on June 1, 2024. More detail is included in the Analysis and Rationale for Recommendations section of Report FCS23103(b).

The City of Hamilton (City) held two open houses to receive feedback on the 2024 DCBS and the proposed 2024 DC By-law. An in-person open house was held on January 23, 2024 from 7:00 to 9:00 pm and a virtual session on January 24, 2024 from 10:00 am to 12:00 pm. In addition to the open houses, the City held a statutory public meeting as required by the DC Act at the Audit, Finance and Administration Committee meeting on February 22, 2024 to receive input on the proposed DC rates and related DC policies that will be applied throughout the City. Staff has received other input and consulted with any interested parties with each public release of information. All feedback received from the variety of opportunities provided were considered in staff recommendations included in Report FCS23103(a).

The current DC By-law (19-142) contains several discretionary DC policies, some with full or partial exemptions. The foregone DC revenue that results from these exemptions is funded by existing tax and ratepayers through allocations in both the Rate and Tax Capital Budgets.

An extensive review of the City's DC exemption policies was carried out by Watson as part of the DCBS process. Report FCS23103(b) recommends the discretionary policies (including exemptions) to be contained in the 2024 DC By-law which is anticipated to be in force June 1, 2024. Table 2 provides a comparison of the City's current polices, recommendations from Watson and the recommendations from staff. The rationale for the staff recommendations is included in the Analysis and Rationale section of Report FCS23103(b).

Table 2
Recommended Discretionary Exemption Policies
Downtown CIPA, Industrial and Farm Help Houses

Exemption Provided	Current Policy	Watson Recommended Policy	Staff Recommended Policy
Downtown CIPA – Non-Residential	70% discount for office development 40% for all other non-residential	No change	No change
Downtown CIPA – Residential	40% discount	20% discount in year 1. Reduce by 5% every year until phased out	Discounts by Year: • 40% discount in year 1(June 1/24-May 31/25) • 35% Discount in year 2(June 1/25-May 31/26) • 30% Discount in year 3(June 1/26-May31/27) • Reduce by 10% every year until phased out
Industrial Reduced Rate	37% discount for all industrial development	37% discount to apply to manufacturing development and Production and Artists Studios only	Maintain 37% exemption for manufacturing (Employment NAICS code 31-33) as well as for Production and Artist Studios Industrial - 37% discount in year 1 (June 1/24-May 31/25). Reduce by 5% every year until phased out
Industrial Building Expansion (Detached)	Industrial building on same lot as an existing building – fully exempt up to 50% of existing gross floor area	Exemption to apply to manufacturing development only	Exemption to apply to manufacturing development only
Farm Help Houses	No exemption	Fully exempt	Fully exempt

Alternatives for Consideration – See Page 27

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Passing of the 2024 DC By-law will enable the City to continue to levy a DC, generally at building permit issuance, for new development, net new development, redevelopment or change of use to recover a portion of the capital costs for infrastructure incurred by the City to service the increased needs arising from development.

All figures presented are inclusive of the DCBS Addendum.

Table 3 outlines the gross expenditures related to servicing growth over the next 10 years and the portion that can be recovered through DCs.

Table 3
Net Costs to be Recovered from Development Charges

Total gross expenditures planned over the life of the by-law	$ 4,713,771,389
Less:	
Benefit to existing development	$ 1,162,295,003
Post planning period benefit	$ 379,320,827
Other deductions	$ 153,260,402
Grants, subsidies and other contributions	$ 631,928,900
Net Costs to be recovered from development charges	**$ 2,386,966,257**

Staff has estimated the cost of the recommended disretionary DC exemption portfolio at an annualized cost of $71.9 M. This cost estimate is based on the proposal contained in Bill 185 removing the legislated phase-in of DC rates and the pace of growth expereinced 2020-2023 versus the growth forecased in the DCBS. An overview of the financial implications of Bill 185, if enacted, and discretionary DC exemption impacts on the DC exemption financing strategy included in the 2024 Tax and Rate Budgets will be included in the 2025 Budget Outlook Report. As indicated in Table 2 of Appendix “B” to Report FCS23103(b), the City budgeted $93.3 M for DC exemptions in 2024, the estimated annualized cost of staff’s recommendations is $71.9 M (assuming no phase-in). Therefore, a positive impact is anticipated in future financing plans.

Staffing: None

Legal: The proposed By-law has been reviewed by Legal Services. Once approved, the By-law is subject to a 40-day appeal period. Any appeals to the By-law will require further involvement from Legal Services’ staff.

HISTORICAL BACKGROUND

The City’s existing DC By-law 19-142 expires end of day June 12, 2024. A new DC By-law must come into effect by end of day June 12, 2024 for the City to continue collecting DCs. If DCs are not collected for a period of time, the costs associated with growth-related capital projects would have to be funded from other sources, such as, property taxes and rate user fees. Over the 2021-2023 period, the City collected an average of $101.7 M in DCs and exempted an average of $56.1 M in DCs.

Staff was directed to undertake a new DCBS through Report FCS21085, "2023 Development Charges Background Study – Procurement Policy 11 Request", approved by Council on October 27, 2021. Since that time, staff and consultants have worked to compile and release the information required to be included in a DCBS per the DC Act. The DC By-law, attached as Appendix "A" to Report FCS23103(b) is drafted to be in force as of June 1, 2024 and to repeal DC By-law 19-142 at the same date.

Since the passing of the 2019 DC By-law, the Province has released numerous pieces of legislation affecting development charges, including:

- *More Homes, More Choice Act, 2019* (Bill 108);
- *Plan to Build Ontario Together Act, 2019* (Bill 138);
- *COVID-19 Economic Recovery Act, 2019* (Bill 197);
- *Better for People, Smarter for Business Act, 2020* (Bill 213);
- *More Homes for Everyone Act, 2022* (Bill 109);
- *More Homes Built Faster Act, 2022* (Bill 23);
- *Affordable Homes and Good Jobs Act, 2023* (Bill 134); and
- *Cutting Red Tape to Build More Homes Act, 2024* (Bill 185), not yet in force.

Staff brought forward reports to Council detailing the changes and to obtain endorsement of municipal comments for consultations conducted by the Province as legislation was released.

The City completed a Development Charges Update Study in 2021 and amended the 2019 DC By-law via By-law 21-102 to reflect some of these legislative changes arising from Bill 108 and Bill 138. Other changes from these Acts took effect when the legislation passed and did not require a By-law update.

The *More Homes Built Faster Act, 2022* (Bill 23), introduced multiple and significant changes to the DC Act including the phase-in of charges imposed in a DC By-law over a five-year term. Any DC By-laws passed after January 1, 2022, were required to phase-in the calculated charges as follows:

- Year 1 of the By-law – 80% of the charges could be imposed;
- Year 2 of the By-law – 85% of the charges could be imposed;
- Year 3 of the By-law – 90% of the charges could be imposed;
- Year 4 of the By-law – 95% of the charges could be imposed; and
- Years 5 to 10 of the By-law – 100% of the charges could be imposed.

Bill 185, *Cutting Red Tape to Build More Homes Act, 2024* introduced in the legislature on April 10, 2024, proposes to eliminate some of the provisions contained in Bill 23, including the statutory phase-in of DC rates for DC By-laws passed on and after January 1, 2022. Other changes related to Bill 185 are detailed in staff Report FCS24034.

As part of the Federal Government 2024 Budget, released on April 16, 2024, $6 B over 10 years was announced to Infrastructure Canada to launch a new Canada Housing Infrastructure Fund. $1 B is expected to flow directly to municipalities, with the remaining $5 B flowing through agreements with the Provinces. Included in the $5 B section of the budget, was an action to freeze DCs for three years at the April 2, 2024 DC rates.

It is unclear at this time (1) whether the Province of Ontario will enter into an agreement, (2) how this freeze would be implemented, (3) timing of implementing a freeze, (4) whether indexing would be permitted and (5) how the financial gap between calculated DC rates and the April 2, 2024 DC rates would be funded. Therefore, this announcement has not been factored into the recommendations of Report FCS23103(b). Staff will report back to Council on this announcement as more details become available.

Committee and Sub-Committee Reports and Presentations

Throughout the DCBS process, members of Council have been engaged through updates or to provide direction at key milestones. Below is a summary of the major committee and sub-committee meeting since 2021.

Audit, Finance and Administration Committee - October 21, 2021
- 2023 Development Charges Background Study – Procurement Policy 11 Request (Report FCS21085)

Development Charges Stakeholders Sub-Committee Meeting - April 13, 2023
- 2024 Development Charges Background Study and By-law Update (Report FCS23040)

General Issues Committee Meeting - June 14, 2023
- Development Charges Exemptions Sustainable Funding Strategy (Report FCS23064)

Development Charges Stakeholders Sub-Committee Meeting - September 18, 2023
- Presentation delivered by Watson & Associates Economists Ltd. – 2024 Development Charges Background Study and By-law

Development Charges Stakeholders Sub-Committee Meeting • November 9, 2023
- 2024 Development Charges Background Study and By-law Update (Report FCS23040(a))
- Exemption Policy – 2024 Development Charges Background Study and By-law Update (Report FCS23103)
- Area Specific and Local Service Policies – 2024 Development Charges Background Study and By-law Update (Report FCS23104)

Release of 2024 Development Charges Background Study – December 21, 2023

Audit, Finance and Administration Committee Meeting – February 22, 2024
- 2024 Development Charges Background Study and By-law Update – Open House Feedback (Report FCS23103(a))
- Public meeting as required under Section 12 of the DC Act

Release of Addendum to the 2024 Development Charges Background Study – April 2, 2024

Audit, Finance and Administration Committee Meeting (Special) – April 4, 2024
- 2024 Development Charges Background Study and By-law Update - Open House Feedback (Report FCS23103(a))
- Motion passed directing staff to review and analyze several discretionary exemptions to be included in Report FCS23103(b)

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

DCs are fees imposed on development and redevelopment projects to support the capital costs of growth-related infrastructure that is needed to service new residential and non-residential populations within a municipality. The DC Act requires that the City's 2024 DC By-law expires a maximum of 10 years from the date it comes into effect (was no more than five years when the 2019 DC By-law was adopted). The last DCBS and DC By-law for the City of Hamilton was completed in 2019.

The DC Act outlines the requirements for a municipality to pass a DC By-law. Municipalities are required to undertake a background study no less than every 10 years. This requirement has not changed with Bill 185.

The DC policy included in the recommended 2024 DC By-law, attached as Appendix "A" to Report FCS23103(b), encompasses the direction obtained through previous Council decisions.

Table 4 to Report FCS23103(b) outlines the requirements of the municipality under the DC Act and the associated dates related to the adoption of the 2024 DC By-law.

Table 4
Requirements Under the DC Act

Requirement	Date
2024 Development Charges Background Study released	December 21, 2023
Public Meeting advertisement placed in Hamilton Spectator at least 20 days prior to the public meeting	January 17, 2024
Public Meeting at least two weeks after proposed DCBS and By-law are made available to the public	February 22, 2024, held at Audit, Finance and Administration Committee
Addendum released	April 2, 2024
Addendum advertisement placed in Hamilton Spectator	April 8, 2024
Council considers passage of By-law at least 60 days after the DCBS is made available to the public	May 2, 2024, held at Audit, Finance and Administration Committee
Newspaper and written notice given of By-law passage within 20 days after By-law passage	Forthcoming
Last day for By-law appeal within 40 days after By-law passage	Forthcoming
City makes available Development Charges pamphlet within 60 days after By-law passage	Forthcoming

Bill 185, *Cutting Red Tape to Build More Homes Act, 2024*

On April 10, 2024, the Province of Ontario introduced the *Cutting Red Tape to Build More Homes Act, 2024* (Bill 185). Bill 185 contains several proposed amendments to the DC Act detailed in Schedule 6 of the Bill. Changes proposed through Bill 185 are detailed in staff Report FCS24034.

Bill 185 proposes the removal of the mandatory phase-in of DC rates over five years which has implications for the 2024 DC By-Law. Given the uncertainty around the timing for final passage of Bill 185 and the need for the City to pass a new by-law prior to the expiry of the current By-law, the draft 2024 DC By-law has been prepared to abide by the legislation in effect (i.e., the phase-in will apply until it is eliminated by the Province as anticipated through Bill 185). The DC By-Law will not require amendment to eliminate the phase-in but may be required to facilitate other changes to the DC Act through Bill 185.

GO Transit

In addition to City DC By-law 19-142, the City also has the GO Transit DC By-law (By-law 11-174) which will remain in effect. The GO Transit DC By-law is applied in addition to City DCs. The GO Transit DC By-law collects funds to support the Metrolinx system. The City collects the DCs and remits them annually to Metrolinx. The GO Transit DCs will be indexed effective July 6, 2024, in accordance with the GO Transit DC By-law. Table 5 illustrates the current GO Transit DC rates and the rates that will take effect July 6, 2024. Note that GO Transit DCs are not applicable to non-residential development.

Table 5
Metrolinx (GO Transit) DC Rates

Residential DCs ($ per unit unless otherwise stated)	**GO DCs** Current (July 6, 2023 – July 5, 2024)	**GO DCs** July 6, 2024 – July 5, 2025	**Increase** Due to Indexing
Single / Semi	357	386	29
Townhouse / Other Multiple	256	277	21
Apartment (2+ bedrooms)	221	239	18
Apartment (1 bedroom)	148	160	12
Residential Facility ($ per bed)	116	126	10

While DC By-laws are required to be updated through a legislated study process, the Province of Ontario has passed several regulations which have enabled GO Transit DC by-laws to remain in force without a study. Most recently, O. Reg 538/22 on November 25, 2022, under the *Metrolinx Act, 2006,* has enabled GO Transit DC By-laws to remain in force until December 31, 2025. During the extension period, the Ministry of Transportation was to undertake a broader review of the framework governing municipal contributions to GO Transit. To date, the City has not received communications regarding the future of GO Transit as it relates to DC collections.

Education Development Charges

In addition to City DCs and GO DCs, the City is required to collect Education DCs (EDCs) on behalf of the school boards. EDC By-laws are passed by each of the school boards. The City does not have influence on the EDCs.

Both school boards will have new EDC rates coming into effect on July 6, 2024. At the time of writing, staff has not received the draft rates from either board.

RELEVANT CONSULTATION

Approach to DC Consultation Period

The 2024 DCBS and Draft DC By-laws were released to the Public via the City's website on Thursday December 21,2023 following Council direction through Report FCS23040(a) approved by Council on November 22, 2023. A Communication Update to Council, informing Council of the release was issued on December 21, 2023. The City's social media channels were also utilized to communicate the release of the DCBS and interested parties were notified.

Various staff divisions and sections were involved in the creation of the DCBS and recommendations for the DC Policies. As soon as any information was released publicly, staff from the appropriate divisions worked to review and validate all enquiries, concerns and feedback received. Where appropriate, amendments to the DC By-law and Background Study have been implemented.

Internal

- Planning and Economic Development Department
- Public Works Department
- Healthy and Safe Communities Department
- City Manager's Office
- Corporate Services Department – Legal and Risk Management Services
- Corporate Services Department – Office of City Clerk
- Hamilton Police Service
- Hamilton Public Library
- Development Charges Stakeholders Sub-Committee (includes representatives from Hamilton-Halton Homebuilders Association, Hamilton-Burlington Real Estate Board, Hamilton Chamber of Commerce and two representatives of the public)
- Development Industry Liaison Group
- Audit, Finance and Administration Committee

External

- Watson & Associates Economists Ltd. (Watson)
- GMBlueplan
- Arcadis IBI Group
- Scheckenberger & Associates Ltd. (Ron Scheckenberger) in association with WSP
- The City received feedback and correspondence through the City's email address: DCBackgroundStudy@hamilton.ca

Open Houses

The City held two open houses to receive feedback on the 2024 DCBS and the proposed 2024 DC By-law. An in-person open house was held on January 23, 2024 from 7:00 pm to 9:00 pm and a virtual session on January 24, 2024 from 10:00 am to 12:00 pm. Notifications of these meetings were sent to Council, the Developers Industry Liaison Group (DILG), relevant community stakeholders and posted on LinkedIn, "X" (formerly Twitter), and Hamilton.ca. Both open houses were well attended by members of the development community representing both residential and non-residential interests. Representatives from Planning and Economic Development, Financial Planning, Administration and Policy and Watson & Associates Economists Ltd. were in attendance.

Statutory Meeting (see Recommendation (d))

As required by the DC Act, the City of Hamilton held a statutory public meeting at the Audit, Finance and Administration Committee meeting on February 22, 2024 to discuss proposed DC rates, as well as, DC policies that will be applied throughout the City. This meeting was advertised in the Hamilton Spectator on January 17, 2024, posting on the City's website (hamilton.ca), "X" (formerly Twitter), LinkedIn and interested community stakeholders. There were 16 registered delegates and 55 written submissions included in the February 22, 2024, Audit, Finance and Administration Committee meeting agenda. Subsequently, 10 written submissions were received and added to the February 28, 2024 Council Agenda. These 10 items were ultimately received at the March 27, 2024 Council meeting due to cancellation of the February 28, 2024 Council meeting. In addition, one registered delegate and two written submissions were included in the April 4, 2024, Audit, Finance and Administration Committee meeting agenda.

Several requests for additional information relating to the DCBS were received through the City's email at DCBackgroundStudy@hamilton.ca. Individual responses were compiled with input from the relevant consultants and City staff.

Table 6 presents a summary of the nature of concerns from the community.

Table 6
Summary of Community Input

AGAINST ELIMINATION OF EXEMPTIONS
Residential – Downtown CIPA – Against Elimination of 40% Residential Exemption
• High interest rates which translate to high financing costs are impacting development
• Increasing construction costs are resulting in higher unit prices
• Lower demand is resulting in slow housing sales
• A reduction in exemptions will further negatively impact desire for development in the downtown
• Concerned about the long-term negative impacts on downtown development
• Impact on housing commitment and not receiving due funding from Federal Government
Non-Residential – Against Elimination of Industrial Reduced Rate Exemption / Industrial Building Expansion (Detached) DC Exemption
• High interest rates which translate to high financing costs are impacting development
• Hamilton's ability to compete in industrial development market as it relates to surrounding municipalities
• A reduction in exemptions will further negatively impact desire for development
• Productivity of land needs to be considered.
Other
• Farm labour residences should be considered fully exempt
IN FAVOUR OF ELIMINATION OF EXEMPTIONS
• Suggestion to increase DC rates for farmers who build on unserviced farmland where there is no existing infrastructure.
• Developers who are successful in expanding outside the urban boundary should pay
• Taxpayers should not have to pay for developer or provincial shortfalls
• The desire to reduce tax burden on residents during recent budget deliberations. This is their chance to ensure developers pay for growth and not taxpayers

An Addendum to the 2024 DCBS was released on April 2, 2024.The Addendum includes housekeeping changes, as well as, LSP changes recommended by Planning and Economic Development staff. A Communication Update was released on April 2, 2024. While no further statutory public meeting was required, a notice regarding the Addendum with the opportunity to provide feedback was communicated with the community. This included an advertisement in the Hamilton Spectator on April 10, 2024, posting on the City's website (hamilton.ca), "X" (formerly Twitter), LinkedIn and communications to interested community stakeholders.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

The three priorities for the City of Hamilton's Council term (2022-2026) are: S*ustainable Economic and Ecological Development, Safe & Thriving Neighbourhoods, and Responsiveness & Transparency.* While all three priorities are integral to the City's success, building infrastructure that supports development through DC rates assists in achieving the goal of Sustainable Economic and Ecological Development.

DCs are fees imposed on 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 populations within a municipality.

The purpose of the DCBS and DC By-law is to ensure that the City can continue collecting DCs from net new development across the City to fund growth related capital infrastructure needs in accordance with the DC Act.

DC By-laws

The DCBS initially recommended the use of separate DC By-laws for each service in response to the mandatory phase-in requirements in the DC Act that were introduced via the *More Homes Built Faster Act, 2022* (Bill 23). The current version of the DC Act could be interpreted such that any amendment to a DC By-law would create a new DC By-law and re start the mandatory phase-ins (i.e., year one of the amending By-law would require a maximum of 80% of the calculated rate being imposed). Bill 185 proposes to remove the mandatory phase-in requirements. As the financial risk associated with having one DC By-law is now viewed as low, staff is recommending one 2024 DC by-law versus one for each service. One DC by-law reduces the administrative complexity related to City staff and developer use.

Bill 185 had implications on the 2024 DC By-law. Bill 185 proposes the reversal of the mandatory five-year phase-in of DC rates under new DC By-Laws which was previously enacted through Bill 23. The 2024 DC By-law has been drafted such that, if the mandatory phase-in requirements are repealed from the DC Act, they will not be applicable through the City's 2024 DC By-law.

Bill 185 further proposes the reduction of the Site-Plan / Zoning By-Law Amendment lock-in period from two years to 18 months from the date of approval in order to expedite building processes. The 2024 DC By-law has been drafted to refer to the DC Act so that current legislation in effect for each development (either two years or 18 months) will be applied.

Staff worked with Legal Services and made a few other changes from the separate DC By-laws for each service drafted in December 2023 to the recommended 2024 DC By-law attached as Appendix "A" to Report FCS23103(a). Those changes are summarized below:

- Consolidated 16 By-laws into one By-law, including repeal of 2019 DC By-law
- Edited discretionary DC Exemption Policies to align with staff recommendation as summarized in Table 2
- Some sections edited for clarity and to ensure language works with Bill 185 proposals
- Added definitions as needed (e.g., Manufacturing Facilities, Farm Labour Residences, Local Service Policy)

DC Exemptions (see Recommendation (e) (i) – (e) (xx))

A municipality may choose to impose less than the calculated DC rate but must express so through the DC By-law and cannot make up the lost revenues by increasing the DC for other types of development. Due to the state of the housing market at present, staff's recommendation on exempting DCs in certain circumstances is intended to take in to account current economic realities respecting the state of the housing market, as well as, Council's priority and funding opportunities with Senior Levels of Government.

In addition to statutory exemptions (e.g., residential intensification, non-profit housing, discounts for rental), the City's DC By-law has historically contained discretionary DC policies with full or partial exemptions. The foregone DC revenue is funded by existing tax and rate payers. An allocation of funding and multi-year financing plan for both statutory and discretionary exemptions was approved in the 2024 Budget.

Watson undertook a thorough review of the City's DC Exemption Policies. Initially, Watson recommended eliminating the Downtown CIPA Residential and Industrial reduced rate exemptions. After feedback was received from community stakeholders, a further comprehensive review of market feasibility, best practices in comparator municipalities and historical performance of current exemptions led to Watson revising their initial recommendations to the policy identified in Table 7. Staff has considered Watson's recommendations and is recommending an alternative set of discretionary exemptions, also illustrated in Table 7. The rationale for staff's recommendations is explained in more detail below.

Table 7
Summary of Staff Recommended Exemption Policies – Downtown CIPA and Non-Residential

Exemption Provided	Current Policy	Watson Recommended Policy	Staff Recommended Policy
Downtown CIPA – Non-Residential	70% discount for office development 40% for all other non-residential	No change	No change
Downtown CIPA – Residential	40% discount	20% discount in year 1. Reduce by 5% every year until phased out	Discounts by Year: • 40% discount in year 1(June 1/24-May 31/25) • 35% Discount in year 2(June 1/25-May 31/26) • 30% Discount in year 3(June 1/26-May31/27) • Reduce by 10% every year until phased out
Industrial Reduced Rate	37% discount for all industrial development	37% discount to apply to manufacturing development and Production and Artists Studios only	Maintain 37% exemption for manufacturing (Employment NAICS code 31-33) as well as for Production and Artist Studios Industrial - 37% discount in year 1 (June 1/24-May 31/25). Reduce by 5% every year until phased out
Industrial Building Expansion (Detached)	Industrial building on same lot as an existing building – fully exempt up to 50% of existing gross floor area	Exemption to apply to manufacturing development only	Exemption to apply to manufacturing development only
Farm Labour Residences	No exemption	Fully exempt	Fully exempt

Rationale for Staff Recommended Exemptions

Residential Exemption in the Downtown Hamilton Community Improvement Project Area (see Recommendation (e) (i) – (e)(iii)

Staff are recommending a slower phase out of the exemption for residential development in the Downtown Hamilton CIPA. Staff's recommendation is shown in Table 8 below in comparison to that recommended by Watson:

Table 8
Watson's Recommendations compared to Staff Recommendations

	Downtown CIPA Residential Exemption					
	Jun 1, 2024	Jun 1, 2025	Jun 1, 2026	Jun 1, 2027	Jun 1, 2028	Jun 1, 2029 and thereafter
Watson's Recommendation	20%	15%	10%	5%	0%	0%
Staff's Recommendation	40%	35%	30%	20%	10%	0%

Staff's recommendation is intended to take into account current economic realities respecting the current state of the local housing market, Council's priorities and leveraging funding opportunities with Senior Levels of Government respecting near term housing supply. Specifically, the following have informed staff's recommendation:

- Economic Realities

  Through public and stakeholder feedback received as part of consultation on the DCBS, the current housing market has been identified as being in a weakened state, particularly with respect to higher-density development in the Downtown. This is a result of the rapid rises in interest rates resulting in softened pre-sales for new development. This, combined with other significant development costs, risk and financial lending requirements needed to facilitate higher density development, have resulted in projects becoming unfeasible with evidence of projects either being cancelled or placed on hold.

  This feedback has been corroborated through consultations and feedback from staff in the Economic Development Division and in recent industry market reports. A recent report by the Canadian Mortgage and Housing Corporation published on April 4, 2024 projected a decline in housing starts in 2024 before seeing a recovery in 2025 and 2026 as a result of higher interest rates.(source: https://www.cmhc-schl.gc.ca/media-newsroom/news-releases/2024/lower-housing-starts-forecast-2024)

- Housing Supply as a Council Priority and Funding Opportunity with Senior Levels of Government

  City Council has identified housing supply and affordability as a priority and approved various initiatives and efforts to support new housing creation including updates to the City's Official Plan and Zoning By-law, evaluation of City-owned lands for housing and continued infrastructure improvements. In addition to City efforts, both the Provincial and Federal governments have prioritized housing supply as central policy initiatives. This focus has resulted in a number of funding opportunities to municipalities intended to support new and expedited housing unit creation, as well as, fund necessary supporting infrastructure.

  The Downtown represents a significant area of opportunity for new housing supply in support of these housing targets and commitments given the scale and density of current planning permissions and the continued presence of significantly underutilized properties available for redevelopment in relatively short order where financially feasible.

  Key funding commitments of note, that the City has entered into, tied to housing supply include:

- The Canadian Mortgage and Housing Corporation's (CMHC) Housing Accelerator Fund under which the City has entered into an agreement to incentivize the creation of 2,675 net new housing units above the City's five-year historical Building Permit average by December 2026. To support this target, the Housing Accelerator Fund will provide the City annual payments until March 2027 totalling $93.5 M to fund various CMHC approved City incentive programs and initiatives intended to meet the housing target. It is important to note that the City's fourth and final payment under this program, representing approximately $20 M, is contingent on the City demonstrating significant progress towards meeting the net new housing unit target.

- The Province's Building Faster Fund which provides the City with funding for meeting annual provincial housing targets established for the City. For 2023, the City received approximately $17.6 M for exceeding the 2023 housing target. The Building Faster Fund is a three-year program with the potential for further funding in 2024 and 2025 tied to meeting/exceeding housing targets.

Staff's recommended approach continues to seek an overall phase-out of the current Downtown Residential CIPA exemption, but at a slower pace than recommended by Watson. This approach is intended to provide a meaningful incentive to support new housing creation and supply in the downtown. The approach takes into consideration the current economic realities for higher-density development in the near term and the current City commitments and opportunities to leverage potential funding opportunities with senior levels of government tied to increased housing supply.

Industrial Reduced Rate Exemption (See Recommendations (e)(iv) – (e)(vi))

Staff is recommending that a reduced rate apply for manufacturing development, consistent with Watson's recommendation. However, staff is also recommending that the City phase out the existing reduced rate for other industrial development instead of an immediate removal of the reduced rate.

Table 9
Watson's Recommendations compared to Staff Recommendations

	Industrial (other than Manufacturing)								
	Jun 1, 2024	Jun 1, 2025	Jun 1, 2026	Jun 1, 2027	Jun 1, 2028	Jun 1, 2029	Jun 1, 2030	Jun 1, 2031	Jun 1, 2032+
Watson's Recommendation	0%	0%	0%	0%	0%	0%	0%	0%	0%
Staff's Recommendation	37%	32%	27%	22%	17%	12%	7%	2%	0%

Based on current market conditions, the regional competitiveness landscape and the desire to fulfil ambitious strategic priorities of increasing industrial and commercial tax base, square footage and construction value and growing key sectors of the economy, staff has recommended a continuation of the 37% exemption to DCs for manufacturing (NACS codes 31-33). Staff are recommending the gradual phase out of the exemption for all other industrial development.

Industrial real estate saw a significant boom during the COVID-19 pandemic with the increase in e-commerce, supply chain constraints and demand for manufactured goods. In late 2023 / 2024, industrial real estate demand started to normalize in the Greater Toronto and Hamilton Area (GTHA) and greater southern Ontario regions. There are several development projects currently underway across Southern Ontario, projecting on the demand of the last couple of years that is no longer present. As a result, lease and rental rate increases realized over the last few years are beginning to fall back.

In addition, the higher interest rate environment, tighter capital markets and increase in land values and construction costs, has already slowed the pace of industrial development activity in Hamilton. While 2024 should be another decent year for industrial construction in Hamilton, this is a result of projects that have been in the development pipeline for the last couple of years. Moving forward, the pipelines for 2025 and 2026 appear far less robust. In summary, the record pace of industrial construction value realized over the last couple of years may not be sustained in Hamilton beyond 2024.

The continued growth of the industrial market is reliant on occupiers and companies coming from other markets and Hamilton needs to be able to provide opportunities at a price point that is less than offerings in the Greater Toronto Area (GTA) for a company to be able to rationalize locating in Hamilton. While the City's Industrial property tax competitiveness has been improving, taxes for the industrial property class in Hamilton are still higher than the overall average.

Whether through exemptions or discounts provided within their DC by-laws or through Community Improvement Plan and grant programs, some of our neighbouring municipalities offer industrial DCs at a much lower rate.

The 2022 - 2026 Council Priorities include Priority 1: *Sustainable Economic & Ecological Development* that includes outcomes to reduce the burden on residential taxpayers and facilitate the growth of key sectors. The Economic Development Action Plan 2021 - 2025 includes growing business and investment as a key priority and several stretch targets aimed at achieving this goal including: adding seven million square feet of new Industrial / Commercial space; generate a total of $2.5 B in Industrial / Commercial construction value; and increase new gross commercial / industrial assessment by 1.5 % per year.

Hamilton also has employment density and growth targets to achieve to keep pace with residential growth targets. Stagnation in the industrial sector with continued residential growth would put further pressure on the residential tax base and put Hamilton in the realm of bedroom community status.

Development on Airport Lands (Responds to section (b)(ii) of the April 4, 2024 AF&A Motion)

The following information is provided in response to a motion passed at the April 4, 2024 special meeting of the Audit, Finance and Administration Committee requesting a comparison of DCs applicable to local airports.

The trigger for DCs on the City's airport is established within the lease agreement with the City and its tenant, Tradeport International Corporation (Tradeport). The City and Tradeport have established a process for collecting fees that are consistent with DC fees for building structures on Tradeport operated lands. Through this process, the rates applied would include all eligible discounts or exemptions. Upon review of exemption / grant policies of surrounding airports (Region of Waterloo and the City of London), the Non-Residential DC for Industrial Buildings on airport lands in the Region of Waterloo is discounted by 60%. The City of London provides a grant for the following industrial uses:

- Targeted Industrial – A 100% grant for advanced manufacturing (Renewable and Clean Technology, Automotive, Agri-Food/Food Processing, and Defence and Aerospace), Life and Health Sciences, Information Technology and Digital Media, and Research and Development.); and

- Non-Targeted – All other industrial developments (excluding the targeted industries noted above) would be eligible for 50% exemption grant up to a maximum of $250,000.

Local Service Policy (see Recommendations (f) and (g))

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 DC Act. Municipalities, therefore, implement LSPs which propose what will be included in the DC and what will be required by developers as part of their development agreements.

The existing LSP has been subdivided based on the location of development as follows:

- Within the Urban Boundary as set out in the Official Plan Amendment (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).

Changes to the LSP included in the Addendum are recommended to provide additional clarity to DC eligible projects and reflect new standards approved by Council since adoption of the 2019 DC Background Study including the Complete Streets Guidelines (2018) and the Airport Employment Growth District (AEGD) Transportation Master Update 2023.

The LSP currently identifies land for all local, collector and arterial roads (net of applicable oversizing) as direct developer responsibility as per the Financial Policies for Development. Recent approval of the Complete Streets Guidelines and the AEGD Transportation Master Plan Update have resulted in wider road allowances for non-residential roads, relative to residential roads.

The current Financial Policies for Development does not distinguish between the width of residential and non-residential roads; both require the developer to be responsible for up to 26m road allowance. Given that land for road allowances up to the collector designation is a direct developer contribution, the impact on the DC is not proportional for non-residential collector roads which are generally wider than residential collector roads. As such, to align with the plans listed above, the responsibility for non-residential roads has been updated in Appendix “C” to Report FCS23103(b) such that the developer is responsible for up to 32m of road allowance.

Indexing of Development Charge Rates

The City’s 2024 DCBS was prepared in 2023 and, therefore, the calculated DC rates are in 2023 dollars. Section 49 of the City’s 2024 DC By-law, attached as Appendix “A” to Report FCS23103(b), contains the indexing provision for DCs. The DC Act prescribes that Statistic’s Canada Construction Cost Index (non-residential building) (CANSIM Table 18-10-0276-02 (Toronto), formerly 18-10-0135-01/CANSIM 327-0058) is to be used to index DC rates. The index for 2024 was 8.25%. Tables 10 and 11 illustrate the residential (combined and separated sewer) indexed DC rates that will be in effect as of June 1, 2024.

Table 10
Residential City DC Rates for Combined Sewer System

Residential DCs ($ per unit unless otherwise stated)	**City DCs** per 2024 DCBS (2023$)	**City DCs** Indexed (Jun 1, 2024 – May 31, 2025)	**Increase** Due to Indexing
Single / Semi	71,494	77,388	5,894
Townhouse/Other Multiple	53,361	57,761	4,400
Apartment (2+ bedrooms)	43,833	47,445	3,612
Apartment (1 bedroom)	27,156	29,396	2,240
Residential Facility ($ per bed)	22,259	24,094	1,835

General Note: The City DCs above do not include Special Area Charges which are not subject to annual indexing.

Table 11
Residential City DC Rates for Separated Sewer System

Residential DCs ($ per unit unless otherwise stated)	**City DCs** per 2024 DCBS] (2023$)	**City DCs** Indexed (Jun 1, 2024 – May 31, 2025)	**Increase** Due to Indexing
Single / Semi	84,682	91,663	6,981
Townhouse/Other Multiple	63,205	68,417	5,212
Apartment (2+ bedrooms)	51,918	56,197	4,279
Apartment (1 bedroom)	32,165	34,818	2,653
Residential Facility ($ per bed)	26,365	28,539	2,174

General Note: The City DCs above do not include Special Area Charges which are not subject to annual indexing.

Table 12 illustrates the Non-Residential City DC rates for developments in combined sewer system areas.

Table 12
Non-Residential City DC Rates for Combined Sewer System

Non-Residential DCs ($ per sq. ft.)	**City DCs** per 2024 DCBS (2023$)	**City DCs** Indexed (Jun 1, 2024 – May 31, 2025)	**Increase** Due to Indexing
Full rate	33.31	36.05	2.74
Reduced rate[2]	20.99	22.51	1.52
New Non-Industrial[1]			
(i.e., Commercial, Institutional)			
1st 5,000 sq. ft.	16.70	18.07	1.37
2nd 5,000 sq. ft.	24.99	27.04	2.05
10,000+ sq. ft.	33.31	36.05	2.74

General Note: The City DCs above do not include Special Area Charges which are not subject to annual indexing.

[1] New non-industrial developments within a CIPA or BIA and new office development (medical clinic excluded) receive reduced stepped rates as illustrated above. Staff calculated the reduced stepped rates based on the full rate per the 2024 DCBS.

[2] The reduced rate is for Artist Studios, Production Studios, and Manufacturing Facilities as defined in the 2024 DC By-law. Staff calculated the reduced rate based on the full rate per the 2024 DCBS.

Table 13 illustrates the Non-Residential City DC rates for developments in separated sewer system areas.

Table 13
Non-Residential City DC Rates for Separated Sewer System

Non-Residential DCs ($ per sq. ft.)	**City DCs** per 2024 DCBS (2023$)	**City DCs** Indexed (Jun 1, 2024 – May 31, 2025)	**Increase** Due to Indexing
Full rate	38.06	41.19	3.13
Reduced rate[2]	23.98	26.14	2.16
New Non-Industrial[1]			
(i.e., Commercial, Institutional)			
1st 5,000 sq. ft.	19.08	20.64	1.56
2nd 5,000 sq. ft.	28.55	30.90	2.35
10,000+ sq. ft.	38.06	41.19	3.13

General Note: The City DCs above do not include Special Area Charges which are not subject to annual indexing.

[1] New non-industrial developments within a CIPA or BIA and new office development (medical clinic excluded) receive reduced stepped rates as illustrated above. Staff calculated the reduced stepped rates based on the full rate per the 2024 DCBS.

[2] The reduced rate is for Artist Studios, Production Studios, and Manufacturing Facilities as defined in the 2024 DC By-law. Staff calculated the reduced rate based on the full rate per the 2024 DCBS.

The City's DC Pamphlet will be posted on the City's DC website and made available to the public. The Pamphlet provides a summary of the current rates and provisions contained within the DC By-law. Special Area Charges, GO Transit DCs and educational DCs are also outlined, where applicable.

With respect to the communication strategy for DC indexing, staff will provide communication to the members of the Development Industry Liaison Group (DILG). Also, along with the DC pamphlet, staff will be providing notice of the DC indexing rate on the City's DC website. The City's social media accounts will be utilized to provide notice as well.

Transition Policy (see Recommendation (e)(xi))

DCs are payable upon building permit issuance with some exceptions.

Effective January 1, 2020, the Province implemented exceptions that are detailed in Report FCS21025, presented at the March 25, 2021 meeting of the Audit, Finance and Administration Committee. The rate payable is legislated through the DC Act and is either the rate in effect on the date of building permit issuance or the rate that was in effect at site plan or site-specific zoning by-law amendment application date plus interest to the building permit issuance date. Interest is calculated according to the City's DC Interest Policy. The interest rate is capped at average prime of the five major banks plus one percent, adjusted quarterly, consistent with the maximum as per the DC Act.

For developments already in progress and nearing permit issuance and where a site plan or site-specific zoning by-law amendment application is not applicable, a transition policy was included as part of DC By-law 19-142 (as amended) and is included in the recommended 2024 City DC By-law. The transition policy allows for the DC rates, in effect on the date of building permit application, to be paid if all the following criteria are met:

- The permit application must be a complete application as per requirements outlined by the Building Services Division;
- The permit must be issued within six months of the effective date of the first rate increase following application; and
- The permit must not be revoked after the date of a rate increase.

ALTERNATIVES FOR CONSIDERATION

There are alternatives to the staff recommendations that Council may consider. A change to discretionary DC policies can be incorporated by staff between the May 2, 2024 meeting of the Audit, Finance and Administration Committee meeting and when the 2024 DC By-law is presented to Council for adoption at its meeting of May 8, 2024. Should Council seek to make changes to the Capital Project lists included in the DCBS, that change would necessitate that an Addendum to the DCBS be prepared by Watson and staff would need to return to Committee for approval on May 16, 2024, before a revised DC By-law could be considered at the May 22, 2024 meeting of Council.

Alternative 1: Council could choose not to pass a 2024 DC By-law

Financial — The City would no longer be able to levy a DC to recover some of the capital costs associated with growth that the City will incur to service the increased needs arising for new development, net new development, redevelopment or change of use in developments. Over the 2021 - 2023 period, the City collected an average of $101.7 M in DCs and exempted and average of $56.1 M in DCs.

Staffing — The Planning and Economic Development Department of the City may experience an increase in development applications and building permit applications due to not having DCs payable. Additional full time staff equivalents may be needed to support any increase in volumes.

Legal — None.

Pros — May result in more developments moving forward.

Cons — The City would not be able to collect DCs. This would negatively impact on the City’s ability to fund critical infrastructure. Any amounts that are not collected as a result of having no DC by-law would need to be funded by property tax and rate payers.

Alternative 2: Council can establish discretionary Development Charges policies

Section 2 of Appendix “B” presents Council with several discretionary DC exemption scenarios that staff could be directed to adopt in lieu of the staff recommendations. Each option contains a brief introductory explanation of the option, as well as, the total financial impact of adopting that option.

Financial — Financial impacts for all options are included in Appendix “B”.

Staffing — None

Legal — Legal would need to incorporate any changes in direction into the DC By-law in advance of Council adopting the By-law.

Pros — Some of the alternative discretionary exemption scenarios result in lower DC exemption costs which would reduce the amount the City needs to levy on property tax and rate payers.

Other alternatives provide more exemptions to the development community which may result in developments proceeding to development earlier or staying in the City.

Cons — Some of the alternative discretionary exemption scenarios result in higher DC exemption costs which would need to be levied to property tax and rates payers or drawn from reserves.

Other alternative scenarios result in providing fewer exemptions to the development community which, given the economic challenges with development, may delay developments from proceeding.

Alternative 3: Council could remove discretionary exemptions from DC By-law in favour of a Community Improvement Plan (CIP) Grant Program

Under Section 28 of the *Planning Act*, municipalities with enabling policies in their Official Plans may adopt a Community Improvement Plan(s) for the purposes of providing grants and / or loans to property owners to support physical improvements / development within specific geographic areas as deemed appropriate by City Council.

In addition to loans and tax increment grants, a Community Improvement Plan may also be used to provide grants wholly or partially equivalent to payable DCs or other City imposed development fees and charges. Such programs currently exist for various purposes in Niagara Region, London, Windsor among others.

As establishing a CIP Grant Program will take several months, it may be necessary to maintain exemptions desired by Council within the DC By-law until such time as a CIP is adopted by Council.

Financial — If discretionary DC exemptions are replaced like for like with a grant program, then the total cost remains the same. Additional costs would be required to fund the administration of a grant program.

Staffing — Staffing will be required to implement and support the program. Specifics would need to be assessed through the establishment of the program.

Legal — Legal Services would need to support the establishment and administration of a grant program.

Pros Providing DC reductions / exemptions via a grant program as opposed to within the DC By-law has advantages such as:

- Provides greater flexibility to apply additional criteria or requirements for eligibility versus an "as-of-right" requirement when embedded in the DC By-law;
- Allows the City greater flexibility to modify grants / programs in response to evolving market trends;
- Allows Council to review each development and eligibility on a case-by-case basis, if desired; and
- Allows Council to establish an upper limit on the dollar amount of exemptions that can be provided in any given year.

Cons Implementing this change, at this stage in the process, could be viewed negatively by the development community who seek stability and predictability in the development process.

A CIP approach also has disadvantages including:

- Requiring additional staffing to administer and monitor the program, as well as, to evaluate applications subject to program/grant criteria;
- Additional time and resources required for approval of grant applications via Committee / Council, unless otherwise delegated to staff;
- Less certainty for the development community and property owners as to the potential applicability of a Development Charge grant; and
- Would require funds to be budgeted for the anticipated level of grants annually.

Alternative 4: Council could direct staff not to proceed with LSP road change

The current Financial Policies for Development does not distinguish between the width of residential and non-residential roads as both require the developer to be responsible for up to 26m road allowance. To align with the Complete Streets Guidelines and the AEGD Transportation Master Plan Update, the responsibility for non-residential roads has been updated such that the developer is responsible for up to 32m of road allowance.

Specifically, Council would need to direct that Project number 91 in Table 5-12 of the Addended DCBS be reduced $4.7 M, such that the DC rates in effect would be those outlined in Appendix "F" to the Addendum.

Financial If the LSP change is not adopted, the direct developer responsibility will be lower for non-residential roads which leads to $4.7 M being put back into the DC calculation and the DC rates being higher than the Staff Recommendation as outlined in the Addendum to the 2024 DCBS.

Staffing None

Legal None

Pros None

Cons A disconnect would continue to exist between the Complete Streets Guidelines and the AEGD Transportation Master Plan Update versus the City's LSP.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report FCS23103(b) – 2024 Development Charge By-law

Appendix "B" to Report FCS23103(b) – 2024 Development Charges Discretionary Exemptions Policy Options

Appendix "C" to Report FCS23103(b) – Comprehensive Development Guidelines and Financial Policies Manual 2019

CP/LG/dt