




INFORMATION REPORT

TO:	Mayor and Members Audit, Finance & Administration Committee
COMMITTEE DATE:	October 3, 2024
SUBJECT/REPORT NO:	Proposed Federal Development Charges Freeze Impact (FCS24029) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Ailish Brooke (905) 546-2424 Ext. 6875
SUBMITTED BY:	Kirk Weaver Acting Director, Financial Planning, Administration & Policy
SIGNATURE:	

COUNCIL DIRECTION

Not Applicable

INFORMATION

The Canada Housing Infrastructure Fund

In April 2024, the Canadian federal government launched the \$6 B Canada Housing Infrastructure Fund (“CHIF”) to be made available to provinces / municipalities if certain criteria are met. This program was included in the Federal 2024 Budget. The purpose of Report FCS24029 is to provide an overview of the proposed three-year Development Charges (DCs) freeze as part of this initiative and how execution may affect the City’s DC revenues based on the information available to date. While there is currently limited information regarding implementation, it is prudent for Council to be aware of the possible implications throughout the City of Hamilton’s 2025 budget deliberation process.

The intention of the CHIF is to accelerate the construction and upgrading of housing-enabling water, wastewater, stormwater and solid waste infrastructure that will directly enable new housing supply and help improve densification. Of the \$6 B CHIF, \$1 B is directed to municipalities to support urgent infrastructure needs that will directly support the creation of more housing and the remaining \$5 B will be distributed to participating provinces. Provinces would be eligible to receive funding from the CHIF if they enter into an agreement with the federal government committing to:

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.

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- Permit four units as-of-right per lot;
- Adopt new National Building Code provisions related to accessibility, affordability and climate considerations;
- Implement as-of-right construction standards outlined in a Housing Design Catalogue which is currently being developed;
- Institute measures from the Home Buyers' Bill of Rights and Renters' Bill of Rights; and
- Freeze DC rates at April 2, 2024 for municipalities with populations exceeding 300,000 for a period of three years.

It is unknown if the distribution of funds received from the CHIF would be subject to the discretion of the Province or mandated through the applicable agreement. If an agreement is not reached between the provincial and federal governments by January 1, 2025, the federal government has stated that they will seek to work directly with eligible municipalities that comply with the conditions of the CHIF.

The Province of Ontario has not yet entered into an agreement with the federal government and neither the provincial nor federal government has entered into discussions with the City on this matter. Staff will report back to Council with a recommendation if the federal government engages the City to enter an agreement directly. Additionally, no intake or application process has been announced regarding access to the \$1B that has been allocated for urgent infrastructure needs.

Implications of a Development Charges Rate Freeze

Instituting a DC rate freeze has the potential to pose significant fiscal challenges for the City. Table 1 provides a comparison between the DC rates in effect as of April 2, 2024 (the proposed date for the DC rate freeze) and the DC rates that took effect on June 1, 2024 through the adoption of DC by-law 24-072.

Table 1: Development Charges Rate Comparison

	Rate at April 2, 2024 (\$)	Rate at June 1, 2024 (\$)	Infrastructure funding shortfall / Unit (\$)
Single Family Dwelling	66,964	91,663	24,669
Non-Residential Rate/ Square Foot	28.01	41.19	13.18

Note: The rates presented are the full calculated rates, exclusive of any statutory or discretionary exemptions / reductions which may apply.

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Staff has projected the potential lost DC revenue to be between \$44 M and \$89 M annually dependent upon the level of growth that is experienced. Table 2 outlines the projected shortfalls of the proposed DC freeze for three economic growth scenarios: low growth, budgeted growth and high growth based on the City of Hamilton 2024 budget and growth estimates prepared in association with Watson & Associates Economists Ltd. for the 2024 DC Background Study.

Table 2: Development Charges Rate Freeze Funding Shortfall Projections

	Annualized Infrastructure Funding Shortfall (\$)	3-Year Infrastructure Funding Shortfall (\$)
Low Growth 1,250 Single Family Dwelling Equivalents 1 M ft2 Non-Residential	44,053,750	132,161,250
Budget Growth 2,000 Single Family Dwelling Equivalents 2 M ft2 Non-Residential	75,758,000	227,274,000
High Growth 2,770 Single Family Dwelling Equivalents 1.56 M ft2 Non-Residential	89,000,227	267,000,680

The *Development Charges Act, 1997* (DC Act), requires municipalities to fund legislated DC exemptions. It is presumed that some of the funding shortfall would be mitigated by contributions from the CHIF. The DC Act is a Provincial statute and would require amendment in order for the proposed DC rate freeze to be mandated.

It is unknown how the freeze would be applied to developments which had building permits issued between April 2, 2024 and the date that a freeze would take effect. Should staff be required to recalculate all DCs for permits issued since April 2, 2024, staff will report to Council on requirements, processes and resources.

It is imperative that the magnitude of contributions from the CHIF far outstrip the foregone DCs that will need to be offset by tax and water rate increases, assuming no direct offsetting funding from the Federal and/or Provincial governments.

Conclusion

The federally funded CHIF is designed to accelerate the construction and upgrading of housing-enabling water, wastewater, stormwater and solid waste infrastructure that will directly enable new housing supply and help improve densification. Based on staff's assessment of one piece of this proposal, the proposed three year DC freeze, while this initiative could alleviate financial barriers for developers, it remains unconfirmed whether sufficient compensation from the Federal government to offset lost DC revenue will be provided. Without sufficient compensations, the financial burden for growth infrastructure may shift to tax and ratepayers. Accordingly, the City will be faced with balancing tax and rate increased with limiting what growth infrastructure can proceed within the funding capacity.

APPENDICES AND SCHEDULES ATTACHED

Not Applicable

AB/dt