



City of Hamilton Report for Information

To: Chair and Members
Audit, Finance and Administration Committee

Date: April 10, 2025

Report No: FCS25016

Subject/Title: Development Charges Indexing (FCS25016)

Ward(s) Affected: (City Wide)

Recommendations

1. That Report FCS25016 respecting Development Charges Indexing **BE RECEIVED** for information.

Key Facts

- The purpose of this report is to inform the Chair and Members of the Audit, Finance, and Administration Committee of the increase in development charge (DC) rates, effective June 1, 2025, due to annual indexing.
- This increase is a result of the annual indexing prescribed under City DC By-laws 24-072 and 11-174 (Consolidated), which indicate that DC rates shall be adjusted annually by the percentage change from the previous year as recorded in the Statistics Canada's Building Construction Price Index.

Financial Considerations

Development Charge (DC) indexing is essential for ensuring that DC collections remain aligned with rising construction costs. This alignment is important for maintaining adequate funding for growth-related infrastructure projects. By regularly adjusting DC rates to reflect inflationary trends in construction, municipalities can secure the necessary financial resources to support expanding infrastructure needs, mitigate funding shortfalls, and sustain long-term urban development.

Background

The City of Hamilton has two DC By-Laws: By-law 24-072 (as amended) respecting the collection of DCs for growth-related City services and By-law 11-174 (as amended) respecting the collection of DCs to contribute to Metrolinx (GO Transit) growth capital. In accordance with the City's DC By-laws 24-072 (as amended) and 11-174 (as amended), DC rates are indexed annually by the percentage change during the preceding year, as recorded in Statistics Canada's Building Construction Price Index (Table 18-10-0289-02, non-residential buildings, Toronto) as prescribed by the Province's *Development Charges Act, 1997, S.O. 1997, c. 27* ("DC Act"). This adjustment is required to align DC revenues with construction costs and helps ensure the sustainability of the DC reserves to fund the City's growth-related capital requirements.

Analysis

Development Charges Annual Indexing – Percentage

The percentage change in Statistics Canada's Building Construction Price Index for 2024 was 4.2%. The effective date for applying this indexing rate is June 1, 2025, for City Development Charges (DCs) and July 6, 2025, for GO Transit DCs. This represents one of the lowest increases in recent years, compared to the peak rate of 16.22% in 2022. The 2024 indexing rate reflects a return to more typical levels, aligning with historical trends in construction cost adjustments.

Development Charges Annual Indexing – Amounts

Indexing applies to both City and GO Transit DCs in accordance with DC By-Laws 24-072 (as amended) and 11-174 (as amended). The effective date of the indexing is June 1, 2025, for City DCs and July 6, 2025, for GO Transit DCs.

Note that each individual service category is indexed which may result in the overall increase being slightly more / less than applying the 4.2% index rate to the overall total. Tables 1 to 4 show the impact on the overall City DC after each individual service category has been indexed.

Table 1 illustrates the Residential City DC rates for developments in combined sewer system areas and Table 2 illustrates the Residential City DC rates for developments in separated sewer system areas.

Table 1**Residential City DC Rates for Combined Sewer System**

Residential DCs (\$ per unit unless otherwise stated)	City DCs Current (2024-2025\$)	City DCs Indexed (2025-2026\$)	Increase Due to Indexing
Single/Semi	82,800	86,278	3,478
Townhouse/Other Multiple	61,799	64,394	2,595
Apartment (2+ bedrooms)	50,762	52,891	2,129
Apartment (1 bedroom)	31,452	32,776	1,324
Residential Facility (\$ per bed)	25,779	26,862	1,083

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

Table 2**Residential City DC Rates for Separated Sewer System**

Residential DCs (\$ per unit unless otherwise stated)	City DCs Current (2024-2025\$)	City DCs Indexed (2025-2026\$)	Increase Due to Indexing
Single/Semi	94,539	98,511	3,972
Townhouse/Other Multiple	70,562	73,526	2,964
Apartment (2+ bedrooms)	57,959	60,391	2,432
Apartment (1 bedroom)	35,911	37,422	1,511
Residential Facility (\$ per bed)	29,434	30,670	1,236

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

Table 3 illustrates the Non-Residential City DC rates for developments in combined sewer system areas.

Table 3
Non-Residential City DC Rates for Combined Sewer System

Non-Residential DCs (\$ per sq. ft.)	City DCs Current (2024-2025\$)	City DCs Indexed (2025-2026\$)	Increase Due to Indexing
Non-Industrial	36.78	38.33	1.55
Industrial - Manufacturing	23.20	24.15	0.95
Industrial - Other ^[1]	23.20	26.06	2.86
New Non-Industrial ^[2] (i.e., Commercial, Institutional)			
1 st 5,000 sq. ft.	18.44	19.20	0.76
2 nd 5,000 sq. ft.	27.60	28.77	1.17
10,000+ sq. ft.	36.78	38.33	1.55

^[1] For the rate period June 1, 2025, to May 31, 2026, industrial developments (excluding manufacturing) receive a 32% rate reduction, down from 37% in the previous period. This decrease in the rate reduction contributes to the year-over-year increase in the development charge rate. Meanwhile, manufacturing developments continue to receive a 37% reduction.

^[2] New non-industrial developments within a CIPA or BIA and new office development (medical clinic excluded) receive reduced stepped rates as illustrated above.

Table 4 illustrates the Non-Residential City DC rates for developments in separated sewer system areas.

Table 4
Non-Residential City DC Rates for Separated Sewer System

Non-Residential DCs (\$ per sq. ft.)	City DCs Current (2024-2025\$)	City DCs Indexed (2025-2026\$)	Increase Due to Indexing
Non-Industrial	43.26	45.09	1.83
Industrial	27.28	28.41	1.13
Industrial - Other ^[1]	27.28	30.65	3.37
New Non-Industrial ^[2] (i.e., Commercial, Institutional)			
1 st 5,000 sq. ft.	21.68	22.58	0.90
2 nd 5,000 sq. ft.	32.47	33.84	1.37
10,000+ sq. ft.	43.26	45.09	1.83

^[1] For the rate period June 1, 2025, to May 31, 2026, industrial developments (excluding manufacturing) receive a 32% rate reduction, down from 37% in the previous period. This decrease in the rate reduction contributes to the year-over-year increase in the development charge rate. Meanwhile, manufacturing developments continue to receive a 37% reduction.

^[2] New non-industrial developments within a CIPA or BIA and new office development (medical clinic excluded) receive reduced stepped rates as illustrated above.

Table 5 illustrates the index impact on Metrolinx (GO Transit) DC Rates. Metrolinx (GO Transit) DCs are only collected from residential developments.

Table 5
Metrolinx (GO Transit) DC Rates

Residential DCs (\$ per unit unless otherwise stated)	GO DCs Current (2024-2025\$)	GO DCs Indexed (2025-2026\$)	Increase Due to Indexing
Single/Semi	386	402	16
Townhouse/Other Multiple	277	289	12
Apartment (2+ bedrooms)	239	249	10
Apartment (1 bedroom)	160	167	7
Residential Facility (\$ per bed)	126	131	5

Appendix “A” to Report FCS25016 is the City’s DC Pamphlet which will be published on the City’s website and made available to the public. Different DCs index at different times: City DCs on June 1, 2025, GO Transit DCs on July 6, 2025, and Education DCs on July 1, 2025. The Pamphlet provides a summary schedule of the current rates and provisions contained within the DC By-laws. Special area charges are also outlined, where applicable.

Notice of DC indexing will be provided to the Development Industry Liaison Group (DILG) and publicized through the City’s website and social media channels.

Transition Policy

DCs are payable at 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.

For developments already in progress and nearing permit issuance, and where a site plan or site-specific zoning amendment application is not applicable, a transition policy was included as part of DC By-law 24-072 (as amended). 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

Not applicable.

Relationship to Council Strategic Priorities

This report on the DC indexing rate and rates for the upcoming period aligns with City Council Priority 3: Responsiveness & Transparency. Specifically, it supports 3.1 (customer service and proactive communication) and 3.3 (building a high-performance public service). Informing the development community in advance of rate changes ensures they can make informed decisions.

Previous Reports Submitted

Not Applicable

Consultation

Watson & Associates Economists Ltd.

Communications & Strategic Initiatives, City of Hamilton

Appendices and Schedules Attached

Appendix "A" to Report FCS25016: DC Pamphlet 01-Jun-2025 to 31-May-2026

Prepared by: Alex Di Domenico, Senior Financial Analyst
Corporate Services, Financial Planning, Administration and Policy

Submitted and recommended by: Kirk Weaver, Acting Director
Corporate Services, Financial Planning, Administration, and Policy