



City of Hamilton Report for Information

To: Chair and Members
Audit, Finance & Administration Committee

Date: June 12, 2025

Report No: FCS25026(a)

Subject/Title: Review of Development Charges and Developer Incentives - Update

Ward(s) Affected: City Wide

Recommendations

That Report FCS25026(a) respecting “Review of Development Charges and Developer Incentives – Update” **BE RECEIVED** for information.

Key Facts

- The purpose of Report FCS25026(a) is to provide an update on the Development Charges By-law Amendment process, including a summary of public and stakeholder consultation to date, an overview of the potential implications of Bill 17, *Protect Ontario by Building Faster and Smarter Act, 2025* and an outline of next steps.
- Based on the preliminary feedback received, a temporary percentage based general exemption for a period of two years has the highest potential to provide meaningful support to encourage development and protect the construction industry labour market while also reducing administrative complexity and associated burdens.
- Report FCS25206(a) is for information only. Staff will present a final recommendation for a Development Charges By-law Amendment to the Audit, Finance & Administration Committee on July 10, 2025 considering the public input received at the June 12, 2025 Public Meeting and the status of Bill 17, *Protect Ontario by Building Faster and Smarter Act, 2025*.

Financial Considerations

There are no financial considerations associated with the receipt of Report FCS25026(a). However, the proposed amendments to the discretionary Development Charges (“DC”) policies and exemptions contained in the City of Hamilton’s Development Charges By-law, 24-072, as amended (“DC By-law”) and permitted under the *Development Charges Act, 1997, as amended* (“DC Act”) carry potentially significant financial implications to the City without offsetting financial support from senior levels of government. Estimated financial implications of the final version of the proposed DC By-law Amendment will be outlined through the July 10, 2025 report to the Audit, Finance & Administration Committee.

As required by the DC Act, any exemptions or reductions in DCs provided through a DC By-law cannot be made up through higher DCs for other development types and, therefore, must be funded through other sources such as offsetting Federal and Provincial financial support, the property taxes and water and wastewater user rates. Strategies for financing these costs will be included in the 2026 Budget Outlook report later this year.

Background

DCs are a development fee collected by the City of Hamilton to help fund the capital costs associated with new growth. These funds contribute significantly to the expansion of infrastructure services such as roads, water and wastewater systems, parks and emergency services which are required to support growth. DCs are typically payable at the time of building permit issuance and are calculated in accordance with the DC Act and the DC By-law. Through the DC By-law, the City outlines numerous discretionary DC policies and exemptions. While the calculation of the DC amount is highly prescribed, Council may use discretion to reduce the amount charged. However, any reduction may not be made up through higher DCs for other development types.

At its meeting of April 16, 2025 Council approved the following motion:

- (a) That Finance staff be directed to report back to the May 1, 2025 Audit, Finance & Administration Committee on the following:
 - (i) A draft by-law with a financing strategy and accompanying background study providing staff recommendations for the City of Hamilton Development Charges By-law 24-072 and/or 11-174 to support development through mechanisms such as:
 - Deferral of the collection of Development Charges from building permit to occupancy;
 - Deferral of the 2025 Development Charges indexing;
 - Exemption of Development Charges for 2- and 3-bedroom housing development units;
 - Implementing a pause of the phase-out of the Downtown CIPA partial exemption;

- Implementing a pause of the phase-out of the industrial rate reduction for non-manufacturing developments;
- Extending the transition period by an additional 6 months to a total of 12 months;
- (ii) An assessment of the risks associated with each amendment;
- (iii) Estimated financial impacts associated with each amendment;
- (iv) With updated residential and non-residential building starts forecasted based on the current market conditions and financial impacts to the City and the local economy associated with declining housing starts and associated lower expected levels of permit activity;
- (v) Projected impact on Development Charges revenues and Community Benefits Charges municipal revenue for 2025 and 2026;
- (b) That Finance staff be directed to report back to the Audit, Finance & Administration Committee exploring the option to discontinue the City of Hamilton's Community Benefits Charges By-law 22-158 inclusive of an assessment of the required process, risks and financial impacts;
- (c) That the Mayor be requested to advocate to the Province for changes to the Development Charges Act to allow for a more streamlined process to make administrative changes to Development Charges By-laws to better respond to changing economic conditions;
- (d) That staff be directed to report back through annual Housing secretariat reporting on outcomes.

To fulfil section (a) of the Council direction, [Report FCS25026: Review of Development Charges and Developer Incentives](#) was presented to the Audit, Finance & Administration Committee on May 1, 2025, which initiated the legislatively required 60-day notice period prior to the passage of a DC By-law Amendment. The DC By-law amendments proposed were intended to serve as a starting point for public consultation.

On May 12, 2025, the Minister of Municipal Affairs and Housing introduced Bill 17, *Protect Ontario by Building Faster and Smarter Act, 2025* ("Bill 17") which proposes to amend eight pieces of legislation which directly impact municipalities, including the DC Act. The proposed DC Act changes include:

- Exemption for Long-Term Care Homes
- Regulation-Making Authority to Impose Limits on Eligible Capital Costs
- Simplified DC By-law Amendment Process
- Deferral of DCs for Residential Developments to Occupancy
- Removal of Interest on Instalments
- Permit Early Payment for Institutional, Rental Housing and Residential Developments
- Mandate Lowest DC Rate for Lock-In Developments
- Regulation-Making Authority to Combine DC Services for Credit Purposes
- Regulation-Making Authority to Determine What Constitutes a Local Service

[Report FCS25033: Bill 17, *Protect Ontario by Building Faster and Smarter Act, 2025* as it relates to the *Development Charges Act, 1997*](#) provides a detailed summary of the proposed amendments to the DC Act.

Analysis

Bill 17

At the time of writing, Bill 17 has not yet been enacted. However, it is possible that the legislation may be passed prior to Council's consideration of Report FCS25026(a), which could have implications for the City's ongoing Development Charges By-law Amendment process and related financial planning. The anticipated Bill 17 impact of each recommended amendment has been assessed and is detailed in the corresponding sub-sections of the Analysis within Report FCS25026(a).

DC By-law Amendment Procedure Update

The process to amend the City's existing DC By-law is legislated through the DC Act. Table 1 sets out the required activities, the estimated date of occurrence and the status of each activity.

Table 1: Schedule of Required Development Charges By-law Amendment Dates

Required Activity	Estimated Date	Status
Background Study & draft By-law to be made available to the public Must occur at least 60 days prior to passage of the By-law	May 1, 2025	Complete
Notice of Public Meeting placed in the Hamilton Spectator	At least 20 days prior to Public Meeting	Complete
Public Meeting	June 12, 2025	Concurrent to Report FCS25026(a)
Council to consider passage of By-law	AF&A: July 10, 2025 Council: July 16, 2025	Future
Newspaper and written notice given of By-law passage	Within 20 days of By-law passage	Future
By-law appeal period	40 days from passage of By-law	Future

Public Consultation

Finance staff has collaborated with Communications and Public Engagement staff to develop updated communications materials that incorporate plain language and educational content, along with a plan to solicit feedback on the proposed DC By-law Amendments within the limited timelines currently established for this work. Should Council wish to pursue additional public engagement, further direction and an extension of the timeline for a DC By-Law Amendment would be necessary.

Staff from Finance and Planning & Economic Development have engaged directly with the development community through a workshop discussion with the non-residential development community on May 14, 2025 and with the residential development community as a special session of the Development Industry Liaison Group ("DILG") on May 16, 2025. Staff also participated in the May 15, 2025 meeting of the Agriculture & Rural Affairs Sub-Committee, the June 3, 2025 meeting of the Open for Business Sub-Committee and the June 3, 2025 Mayor's Roundtable on Trade and Tariffs, where they provided information and gathered feedback on the proposed DC by-law amendments.

These meetings provided valuable insights into the challenges facing the development industry. There was an overwhelming consensus that while DCs are a factor, amendment to DC policy alone would be insufficient to stimulate growth or resolve the broader market challenges. However, reducing DCs was recognized as a meaningful municipal action that, when combined with other initiatives at the federal and provincial levels, could spur increased development activity.

Members of the public have been invited to register as a delegate or submit comments to be included as a part of the public record for the June 12, 2025 Public Meeting via clerk@hamilton.ca. Following the Public Meeting on June 12, 2025 members of the public are encouraged to continue submitting general inquiries or comments to DCBackgroundStudy@hamilton.ca.

The preliminary feedback received in relation to each amendment has been summarized in the corresponding sub-sections of the Analysis within Report FCS25026(a).

Annual Indexing

DC rates are adjusted annually based on Statistics Canada's Building Construction Price Index, as required by the City's DC By-law. DC rates increased by 4.2% on June 1, 2025 per [Report FCS25016: Development Charges Indexing](#). The draft by-law amendment presented through [Report FCS25026: Review of Development Charges and Developer Incentives](#), proposed an amendment to allow Council to waive indexing in future years as an amendment cannot be applied retroactively.

Bill 17 Impact: Bill 17 introduces a simplified by-law amendment process for DC by-laws when the purpose of the amendment is to decrease rates through discretionary policies, including annual indexing adjustments. This change means the City would be able to utilize the simplified process to amend the DC By-law to reduce rates. However, integrating Council's authority to waive annual indexing within the by-law itself is expected to be more streamlined and administratively efficient over the long term.

Preliminary Public Consultation Feedback: Through the above noted consultation, there has been strong support for the immediate cancellation / reversal of DC rates indexing to reflect current economic conditions. Specifically, the development community stated a desire for the City to reverse the June 1, 2025 rate increase. However, as amendments to the DC By-law cannot be applied retroactively, it is not possible to incorporate this feedback into the proposed amendments and any change to the indexing approach would only affect future years. An alternative to achieve the same outcome is a general temporary reduction to DC rates in an amount equal to the indexing percentage (4.2%)

Transition Policy

The DC By-law includes a six-month transition period, allowing building permits not subject to the DC rate lock-in to be charged the rates in effect at the time of application for six months from the date of the first rate increase following application. The draft by-law amendment presented through [Report FCS25026: Review of Development Charges and Developer Incentives](#), proposed amendment to extend this period to 12 months for building permit applications submitted between December 1, 2024 and May 31, 2025.

Bill 17 Impact: Bill 17 does not introduce any changes which would impact the City's existing transition policy. The current provisions, without further amendment, would remain unchanged.

Preliminary Public Consultation Feedback: Feedback on the transition policy extension has been limited. However, there has been broad support and no concerns have been raised regarding the proposed extension of the existing policy.

Downtown CIPA Partial Exemption

Council previously approved a gradual phase-out of the Downtown Community Improvement Plan Area ("CIPA") partial exemption for residential developments, with complete removal effective June 1, 2029 through the current DC By-law. The draft by-law amendment presented through [Report FCS25026: Review of Development Charges and Developer Incentives](#), proposed amendment to pause the phase-out for two years, maintaining current exemption levels until May 31, 2027, with full removal delayed to June 1, 2031.

Bill 17 Impact: Bill 17 does not introduce any changes which would impact the City's existing Downtown CIPA partial exemption. The current provisions, without further amendment, would remain unchanged.

Preliminary Public Consultation Feedback: Feedback on the proposed amendment related to the Downtown CIPA was broadly supportive, though it has not prompted extensive discussion through public consultations to date. Stakeholders generally viewed the measure as a positive step aligned with broader objectives of intensification and downtown revitalization.

Industrial Development Partial Exemption

Council previously approved a gradual phase-out of the industrial development partial exemption for non-manufacturing developments, with complete removal effective June 1, 2032 through the current DC By-law. The draft by-law amendment presented through [Report FCS25026: Review of Development Charges and Developer Incentives](#), proposed amendment to pause the phase-out for two years, maintaining current exemption levels until May 31, 2027, with full removal delayed beyond the expiry of the current by-law (May 31, 2034).

Bill 17 Impact: Bill 17 does not introduce any changes which would impact the City's existing industrial development partial exemption for non-manufacturing developments. The current provisions, without further amendment, would remain unchanged.

Preliminary Public Consultation Feedback: Feedback on the proposed partial exemption for non-manufacturing industrial developments did not generate significant discussion during public consultations to date. The non-residential development group, in particular, emphasized that DCs alone are not a determining factor in whether projects proceed. While the measure was not opposed, it was generally viewed as having limited impact on development feasibility given the current market uncertainty.

Deferral of Payment

DCs are typically payable at building permit issuance, with statutory exceptions for rental housing and institutional developments and discretionary exceptions for eligible high-density residential, non-residential and mixed-use developments. Through [Report FCS25026: Review of Development Charges and Developer Incentives](#) staff reviewed options to extend deferral of payment more broadly but advised against doing so due to administrative complexity and associated risks.

Bill 17 Impact: Bill 17 proposes to delay the payment of DCs for residential developments from the time of building permit issuance to occupancy without interest. Rental Housing Developments would continue to pay DCs through legislated instalments over six years beginning at occupancy. If Bill 17 is enacted as published at the time of writing, staff's earlier recommendation and any discussion regarding deferral options is effectively superseded. To ensure a transparent and accountable process, this option will be reflected in the July 10, 2025 Report back to AF&A either as a statutory requirement or alternative.

Preliminary Public Consultation Feedback: Feedback on the deferral of DC payments received interest from the development community in seeing deferral options extended to both residential and non-residential developments. However, discussion during consultations was somewhat muted due to the Province's proposed changes under Bill 17, which would mandate deferral to occupancy for non-rental residential developments. As a result, the public consultation discussions, to date, have operated under the assumption that residential deferrals are already imminent, shifting the focus of feedback toward the potential for expanding similar considerations to non-residential developments.

2+ Bedroom Apartment Units Partial Exemption

DC rates for apartment units are determined based on the number of bedrooms, with increased DC rates applying to units with 2+ bedrooms. The draft by-law amendment presented through [Report FCS25026: Review of Development Charges and Developer Incentives](#), proposed amendment to provide a temporary partial exemption to align DC rates for 2+ bedroom apartment units with the 1-bedroom rate for two years, to support housing affordability and family-sized units with a gradual return to the full differential as of June 1, 2031.

Bill 17 Impact: Bill 17 does not directly impact the proposed partial exemption for 2+ bedroom apartment units. However, Bill 17's broader support for residential development through deferral of payment from building permit issuance to occupancy aligns with the intent of this exemption to encourage family-sized housing.

Preliminary Public Consultation Feedback: Feedback on the proposed partial exemption for apartment units with 2+ bedrooms has been that the measure, while helpful, is not sufficiently broad. The residential development community emphasized that other forms of family-oriented housing (i.e. single detached dwellings and townhouses) also play a critical role in addressing housing needs. As such, there was a call to expand the scope of the exemption to ensure support for a wider range of residential housing types that accommodate families.

Demolition Credit Extension

Demolition credits offset DCs if redevelopment occurs within five years of demolition permit issuance, with limited extensions granted under certain conditions. The draft by-law amendment presented through [Report FCS25026: Review of Development Charges and Developer Incentives](#), proposed amendment to extend the DC demolition credit eligibility period to 10 years.

Bill 17 Impact: Bill 17 does not introduce any changes which would impact the City's existing demolition credit period. The current provisions, without further amendment, would remain unchanged.

Preliminary Public Consultation Feedback: Feedback on the proposed demolition credit extension has been generally supportive, though it did not generate significant discussion during consultations to date. While not a central focus of engagement, the proposal was viewed positively as a reasonable measure to support long-term project planning.

Anticipated Direction for DC By-law Amendments

Based on the feedback received through public consultations, there was strong support for implementing a temporary percentage based general exemption for a period of up to two years, having the highest potential to provide meaningful support to encourage development and protect the construction industry labour market while also reducing administrative complexity and associated burdens. The development industry stated that this measure alone may not fully address the broader challenges facing the housing market. Consequently, staff intends to recommend further calls upon the provincial and federal governments to engage collaboratively in addressing these issues, with the objective of minimizing the financial impact on property tax and rate payers. Public consultation remains ongoing and a final recommendation will be brought forward for consideration at the July 10, 2025 meeting of the Audit, Finance & Administration Committee.

Alternatives

Not Applicable

Relationship to Council Strategic Priorities

Report FCS25026(a) is being presented to the Audit, Finance & Administration Committee by staff as directed through item 10.1 of the April 16, 2025 meeting of Council in order to support the following council priorities:

- Council Priority 1: Sustainable Economic & Ecological Development, and;
- Council Priority 3: Responsiveness & Transparency.

Previous Reports Submitted

- Audit, Finance and Administration Committee, May 22, 2025: [FCS25033: Bill 17, Protect Ontario by Building Faster and Smarter Act, 2025 as it relates to the Development Charges Act, 1997](#)
- Audit, Finance and Administration Committee, May 22, 2025: [FCS25028: Review of Community Benefits Charges](#)
- Audit, Finance and Administration Committee, May 01, 2025: [FCS25026: Review of Development Charges and Developer Incentives](#)
- Audit, Finance and Administration Committee, April 10, 2025: [FCS25016: Development Charges Indexing](#)
- Audit, Finance and Administration Committee, November 21, 2024: [FCS24051: Inclusion of Studies in the 2024 Development Charges By-law](#)

- Audit, Finance and Administration Committee, May 02, 2024: FCS23103(b): [2024 Development Charges Background Study, Policies and By-laws – Final Report](#)
- Audit, Finance and Administration Committee, February 22, 2024: [FCS23103\(a\): 2024 Development Charges Background Study and By-law Feedback](#)
- Communication Update, January 08, 2024: [UPDATE – 2024 Development Charges Background Study and Draft By-laws](#)
- Development Charges Stakeholders Sub-Committee, November 09, 2023: [FCS23040\(a\): 2024 Development Charges Background Study and By-law Update](#)

Consultation

Internal

- Communications, City Manager's Office
- Economic Development, Planning & Economic Development
- Public Engagement, Community Initiatives, City Manager's Office
- Legal Services, Corporate Services

External

- Members of the non-residential development community
- Members of the residential development community through the DILG

Appendices and Schedules Attached

Not Applicable

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