Hamilton

City of Hamilton

Report for Information

To:	Chair and Members Audit, Finance & Administration Committee
Date:	April 16, 2026
Report No:	FCS26032
Subject/Title:	2026 Development Charges Indexing
Ward(s) Affected:	(City Wide)

Recommendations

That Report FCS26032, respecting 2026 Development Charges Indexing, **BE RECEIVED** for information.

Key Facts

- The Development Charges By-law 24-072, as amended, requires that Development Charges rates be adjusted annually each year by the percentage change from the previous year as recorded in the Statistics Canada's Building Construction Price Index.
- The purpose of Report FCS26032 is to inform Council of the 4.0% increase in Development Charges rates which will take effect on June 1, 2026 due to the annual indexing prescribed through the Development Charges By-law 24-072, as amended.

- An alternative to amend the Development Charges By-law 24-072, as amended, to remove the automatic indexing of Development Charges rates has been presented through the Alternative section to Report FCS26032 on page 5.

Financial Considerations

There are no financial implications associated with the receipt of Report FCS26032. Financial impacts would only arise should Council choose to pursue the alternative presented to amend the Development Charges By-law 24-072, as amended, (“DC By-law”). The financial impact of the alternative has been assessed and is detailed in the Alternative section within Report FCS26032.

The annual indexing of Development Charges (“DC”) rates will result in a 4.0% increase in DC collections, ensuring rates remain aligned with rising construction costs.

Background

Development Charges

DCs are a development fee collected by the City of Hamilton to help fund the capital costs associated with 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.

Development Charges Indexing

City DC rates are indexed annually by the percentage change during the preceding year, as recorded in Statistics Canada’s Building Construction Price Index to align DC rates with construction costs and help to ensure the sustainability of the DC reserves to fund the City’s growth-related capital requirements. Indexing is permitted by the Development Charges Act, 1997, as amended, (“DC Act”) and is required by the City’s DC By-law. While indexing is not mandatory under the DC Act, if the rates are to be adjusted, they must be in accordance with the prescribed index. The DC By-law requires that indexing occur annually based on the prescribed index.

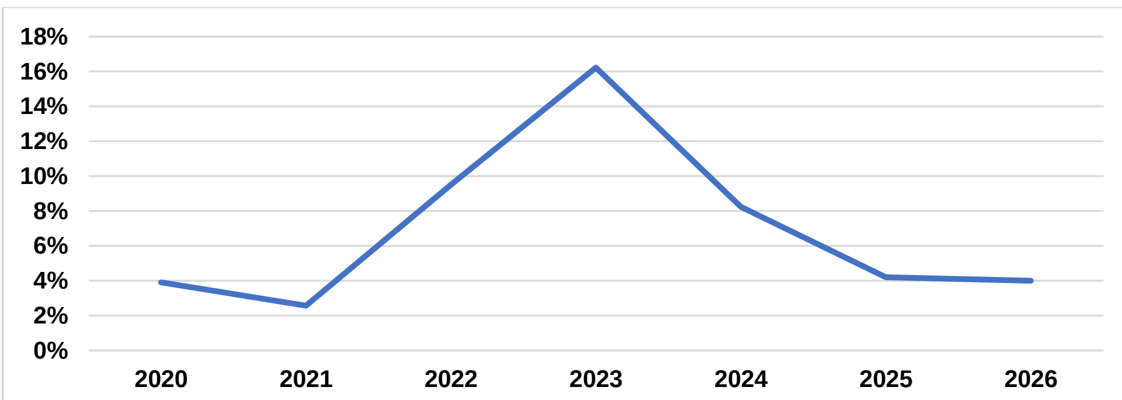
An alternative to Report FCS26032 has been presented should Council choose to amend the DC By-law to remove the requirement for annual indexing of DC rates.

Analysis

Development Charges Indexing Rates

The Statistics Canada Building Construction Price Index increased by 4.00% in 2025. Accordingly, DC rates will rise by the same percentage on June 1, 2026. This reflects a continued downward trend in annual indexing from the peak rate of 16.22% which applied to the DC rates in 2023. Figure 1 illustrates the indexing rates which have occurred from 2020 through 2026.

Figure 1: Annual Development Charges Indexing Rates



DC rates are composed of individual service components, illustrated through Appendix “A” to Report FC26032. Each service component is indexed separately, which results in the overall DC rate impact varying slightly from the overall 4.0% index rate. Appendix “B” to Report FCS26032 presents the change in residential and non-residential DC rates. Table 1 summarizes the indexed DC rates for a single-detached dwelling and for non-residential development on a per-square foot basis within a separated sewer system area prior to any exemptions (including the 20% temporary exemption).

Table 1: Summary of Updated Development Charges Rates within the Separated Sewer System Area

Development Type	Pre-Indexing Rate[1]	Indexed Rate[2]	Increase
Single-Detached Dwelling	$98,511/ unit	$102,451/ unit	$3,940/ unit
Non-Residential	$45.09/ square foot	$46.88/ square foot	$1.79/ square foot

[1] In effect through May 31, 2026

[2] In effect June 1, 2026 through May 31, 2027

Transition Policy

DCs are assessed at building permit issuance and are typically based on the DC rate in effect on that date. However, there are exceptions for developments eligible for DC rate lock-in in accordance with Section 26.2 of the DC Act or those which qualify for the City's discretionary transition policy.

Under the transition policy, the DC rate in effect at the date of building permit application may be applied if all of the following conditions are met:

- The building permit application is complete, in accordance with the requirements of the Building Division;
- The building permit is issued within six months of the effective date of the first rate increase following the application; and
- The building permit is not revoked after the date of the rate increase.

The transition policy ensures applicants have sufficient time to navigate the City's review and approval processes without incurring higher DC rates solely due to administrative processing timelines.

Education Development Charges

Education DCs (“EDC”) are also applicable to most developments but are not subject to the City’s annual indexing process. EDC rates are established independently by the public and separate school boards, Hamilton-Wentworth District School Board and the Hamilton-Wentworth Catholic District School Board, respectively, under the authority of the Education Act, 1990 and the City has no decision-making authority over the setting, adjustment or timing of these fees. EDCs are assessed and collected at the date of building permit issuance on behalf of the school boards and are subsequently remitted to the boards in full. No portion of EDC revenue is retained by the City.

Development Charges Indexing Communication

Notice of DC indexing will be communicated to the City Builders’ Group, posted on the City’s website and social media channels and included in all DC estimates and in the email signature for DCRequest@hamilton.ca.

Alternatives

Currently, the DC By-law requires indexing and does not provide Council the authority to delay or waive indexing. However, Council has the discretion to modify the DC By-law to grant Council the authority to waive or defer annual DC indexing for a given year and subsequently, delay the indexing which would have otherwise occurred on June 1, 2026 to December 1, 2026. Staff recommend that if a delay of indexing is pursued, it be aligned so that the transition policy will expire at the next scheduled indexing date (June 1, 2027) to avoid the administrative complexity of misaligned transition points.

Recommendation Revision: Should Council wish to pursue this option, the recommendation to Report FCS26032 could be amended to read as follows:

"(a) That Development Charges By-law, 24-072, as amended, **BE AMENDED** immediately to grant Council the authority to waive or defer annual Development Charges indexing as follows:

  (i) That Section 49(b) of By-law 24,072, as amended, is amended to read:

    (b) thereafter, adjustment shall be made each year on June 1 unless Council otherwise approves to delay or waive the annual adjustment by May 31 of each year.

(b) That subsequent to the amendment of Development Charges By-law 24-072, as amended, the 2026 annual indexing of Development Charges **BE DELAYED** from June 1, 2026 to December 1, 2026 with the foregone revenue to be funded as a discretionary exemption."

Financial Impact: There is no immediate financial impact associated with the proposed amendment. However, the financial impact for the delay of indexing to December 31, 2026 would result in an estimated $2.7 M to be funded through property taxes (~0.1% increase) and water and wastewater user rates (~0.4% increase).

Pros:

- **Flexibility:** Amendment of the DC By-law would provide Council the discretion to waive or defer DC indexing in 2026 or future years through motion only.
- **Support for Development:** Temporarily delaying indexing may help support the feasibility of development projects under consideration and encourage construction activity prior to the rate increase taking effect on December 1, 2026.

Cons:

- **Long-Term Capital Financing:** Without the identification of an alternative funding source, waiver or delay of indexing will result in a funding shortfall as the cost of infrastructure construction will outpace DC collections.
- **Precedence:** Delaying DC rate indexing in 2026 may establish an expectation for similar relief in subsequent years.
- **Unpredictability:** Inconsistent use of the waiver authority may undermine confidence in the DC framework as a cost-recovery tool.

Amendments to the DC By-law cannot be applied retroactively. Therefore, if it is the will of Council to cancel the annual indexing scheduled to take effect on June 1, 2026, the amending by-law must be enacted prior to that date and action taken under the amended by-law to waive or cancel the annual adjustment by May 31, 2026.

Relationship to Council Strategic Priorities

Report FCS26032 is being presented to the Audit, Finance and Administration Committee to support the following Council priorities:

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

Previous Reports Submitted

FCS25016 – Development Charges Indexing – Audit, Finance and Administration Committee, April 10, 2025

- Information report to Council to inform of the 4.2% increase in DC rates which took effect on June 1, 2025.

FCS25026 – Review of Development Charges and Developer Incentives – Audit, Finance and Administration Committee, May 1, 2025

- Contemplated amendment of the DC By-law to grant Council the discretion to waiver or defer annual indexing. Ultimately, not included in the final recommendation to amend the DC By-law in 2025 to provide a temporary partial DC exemption of 20%.

Consultation

Internal:

- Legal Services, Corporate Services

External:

- Watson & Associates Economists Ltd.
- Hamilton-Wentworth District School Board
- Hamilton-Wentworth Catholic District School Board

Appendices and Schedules Attached

Appendix “A” to Report FCS26032:	Development Charges Pamphlet Effective June 1, 2026 through May 31, 2027
Appendix “B” to Report FCS26032:	Increases in City Development Charges Rates Effective June 1, 2026

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