



## City of Hamilton

# Report for Information

**To:** Chair and Members  
Audit, Finance & Administration Committee

**Date:** May 7, 2026

**Report No:** FCS26029

**Subject/Title:** Review of a Potential Development Charges Exemption for Fourth Residential Units

**Ward(s) Affected:** (City Wide)

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## Recommendations

That Report FCS26029, respecting the Review of a Potential Development Charges Exemption for Fourth Residential Units, **BE RECEIVED** for information.

## Key Facts

- The purpose of Report FCS26029 is to provide information on the implications of providing a discretionary exemption of Development Charges for fourth residential units.
- An exemption of Development Charges for fourth residential units would require amendment to the City of Hamilton Development Charges By-law. An alternative recommendation to Report FCS26029 has been presented should Council wish to proceed with amending the Development Charges By-Law.

## **Financial Considerations**

There are no financial considerations related to the receipt of Report FCS26029. Financial impacts would only arise should Council choose to pursue the alternative presented to amend the City of Hamilton's 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 FCS26029.

As required by the Development Charges Act, 1997, as amended, ("DC Act") any exemption or reduction in Development Charges ("DC") 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 property taxes and water and wastewater user rates, unless new funding is provided through Federal and Provincial levels of government. As such, the cost of any additional exemption beyond the requirements of the DC Act will be borne by local tax and ratepayers.

## **Background**

### **Council Direction**

Through the January 15, 2026 meeting of the Audit, Finance and Administration Committee and subsequent approvals, Council adopted the following motion that initiated a review of a DC exemption for fourth residential units:

"That staff be directed to report back to the Audit, Finance & Administration Committee in the second quarter of 2026 to explore the feasibility and implications of providing a Development Charges exemption through amendment of the Development Charges By-Law for the addition of a fourth residential unit on a property."

Report FCS26029 is presented in response to the Council direction.

## 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. 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 provides a number of discretionary DC policies and exemptions, which are used to provide support / incentivize certain types of development. The DC By-Law includes the following discretionary exemptions:

- 20% partial exemption for all development types between September 1, 2025 and August 31, 2027;
- Transition policy to honour DC rates in effect at building permit application if permit is issued within six months from the date of the first increase;
- 100% exemption for buildings owned by and used for the purposes of CityHousing Hamilton;
- 100% exemption for non-profit child care centres;
- 100% exemption for farm business development;
- 100% exemption for Places of Worship;
- 100% exemption for temporary buildings
- 100% exemption for non-profit housing developments;
- 100% exemption for first 5,000 square feet of an office development expansion;
- 37% partial exemption for production studio, artist studio and manufacturing facility developments;
- 32% partial exemption for non-manufacturing industrial development\*;
- 40% partial exemption for non-residential development in the Downtown Community Improvement Plan Area (“CIPA”);
- 35% partial exemption for residential development in the Downtown CIPA\*;
- 70% partial exemption for Class A offices in the Downtown CIPA;

- Up to 50% partial exemption for new non-industrial development within a CIPA or BIA; and
- Up to 50% partial exemption for new office developments.  
\*Phasing out according to schedules approved through the DC By-law.

In addition to the discretionary DC exemptions outlined above are the following statutory DC exemptions:

- 15-25% exemption for rental housing developments based on the number of bedrooms within each unit;
- 100% exemption for up to two additional dwelling units ancillary to an existing or new detached house, semi-detached house or rowhouse;
- 100% exemption for non-profit housing developments;
- 100% exemption for long-term care home developments;
- 100% exemption for attached industrial expansions up to 50% of the existing gross floor area;
- 100% exemption for Board of Education owned buildings; and
- Lock-In of DC rates at site plan or zoning by-law amendment application.

The current DC By-law was adopted in May 2024 and has been amended three times. The first amendment in November 2024 was in response to legislative changes which allowed for the re-inclusion of studies in DC rates after a brief period of ineligibility. The second amendment, in August 2025, introduced a 20% temporary, partial exemption for all development types and a streamlined process for non-profit housing developments to improve access to the existing exemption under the DC Act. The third amendment, in October 2025, provided for an exemption for non-profit child care centre developments.

## Analysis

### DC By-Law Amendment Procedure

The process to amend a DC By-law is legislated through the DC Act. Bill 17, Protect Ontario by Building Faster and Smarter Act, 2025 (“Bill 17”) which received Royal Assent on June 5, 2025, provided a simplified process to amend a DC By-law in order to decrease the amount of a DC that is payable for certain development types (Section 19(1)(c) of the DC Act). The simplified process removes requirements for a background study, public consultation, notice and prohibits appeals of the amendments.

Should Council wish to provide an exemption for fourth residential units, the DC By-law could be amended through one of the following approaches:

- (1) Adoption of revised recommendations to Report FCS26029, based on the alternatives presented;
- (2) Adoption of a Council motion directing an amendment of the DC By-law; or
- (3) Adoption of a future staff report containing recommendations on an exemption.

### Applicability of DCs to Multi-Residential Developments with Four or More Units

DCs for multi-residential developments are calculated based on both the number of dwelling units and the number of bedrooms within each unit. The rationale for this methodology is to align the DC charge with the anticipated occupancy levels and the corresponding demand for municipal services generated by differing unit types.

The DC Act provides for a statutory exemption related to the creation of additional residential units. Under the DC Act, a property owner may add up to two additional units to either an existing or newly constructed detached house, townhouse or rowhouse without being charged DCs. Of these exempted units, one is permitted to be located within a detached structure, commonly referred to as a detached secondary unit. These provisions are intended to encourage residential intensification within existing neighbourhoods.

There are several different pathways through which a four-unit dwelling may be developed, including the conversion of an eligible existing single-unit, two-unit or three-unit dwelling or the construction of a newly built four-unit dwelling. In most circumstances, the conversion of an existing residential space would not result in City DCs owing due to the redevelopment credit applied. However, the applicability of DCs depends upon the specifics of the current use and the proposed use. The DCs applicable in each case is summarized in Table 1. DCs for developments with four or more residential units developed for rental purposes pay DCs through legislated instalments beginning at occupancy without interest, while all other residential developments pay DCs at occupancy.

**Table 1: Four-Unit Development Charges Scenarios**

	<b>Existing Single-Unit Dwelling Converted to Four-Unit Dwelling</b>	<b>Existing Two-Unit Dwelling Converted to Four-Unit Dwelling</b>	<b>Existing Three-Unit Dwelling Converted to Four-Unit Dwelling</b>	<b>New Four-Unit Dwelling</b>
<b>Full Rate City DCs for 4, 2-bedroom apartment units</b>	\$241,564	\$241,564	\$241,564	\$241,564
<b>Less: Rental Housing Discount of 20%/ Unit</b>	(\$48,313)	(\$48,313)	(\$48,313)	(\$48,313)
<b>Less: Redevelopment Credit</b>	(\$98,511)	(\$147,052)	(\$220,578)	-
<b>Less: Intensification Exemption</b>	(\$96,626)	(\$48,313)	-	(\$60,391)

	<b>Existing Single-Unit Dwelling Converted to Four-Unit Dwelling</b>	<b>Existing Two-Unit Dwelling Converted to Four-Unit Dwelling</b>	<b>Existing Three-Unit Dwelling Converted to Four-Unit Dwelling</b>	<b>New Four-Unit Dwelling</b>
<b>Less: 20% Temporary Partial Exemption</b>	-	-	-	(\$26,572)
<b>Estimated City DC Payable</b>	\$0	\$0	\$0	\$106,288

Please note, certain assumptions have been made for the purpose of classifying the units and development details. All developments are assessed in accordance with the DC Act and the DC By-law. Table 1 is provided for illustration purposes only and members of the public should not rely upon it when making development decisions as significant variation is possible.

Individuals are encouraged to contact [DCRequest@hamilton.ca](mailto:DCRequest@hamilton.ca) to obtain an informational estimate specific to their proposed development scenario.

As of the date of writing, six building permits for four-unit rental housing developments are pending issuance, four of which are for new four-unit developments that would have DCs applicable based on the calculations outlined in Table 1.

## Alternatives

Council has the authority to establish discretionary exemptions from DCs through amendment of the DC By-law. The DC By-law could be amended to provide an exemption for fourth residential units.

**Pros:**

- **Development Enabling:** Could incentivize developers to build a fourth residential unit in situations where they otherwise would have constructed only three.
- **Housing Supportive:** Could incentivize more gentle density, increase housing choices, and encourage more “missing middle” development on residential lots while supporting the City’s zoning reforms to encourage four units on residential lots.

**Cons:**

- **Incentivized Unit Size:** Could encourage developers to reduce individual unit sizes in order to accommodate an additional fourth unit.
- **Cost:** Provision of an exemption for fourth residential units would increase reliance on property tax and water ratepayers to fund the cost of growth-related infrastructure.
  - **Retroactivity:** Recent residential developments with issued building permits would not qualify for any exemption, as DC By-law changes cannot be applied retroactively.
- **Policy Uncertainty:** Frequent amendments to the DC By-law can create uncertainty for developers and operators, reducing the clarity and stability provided through the comprehensive and legislated adoption process.
- **Eligibility for Funding:** The Additional Dwelling Unit and Multi-Plex Housing Incentive Program, funded from the Housing Accelerator Fund, was developed to provide financial incentives to support the creation of Additional Dwelling Units or Garden Suites within, or on the same property as, new or existing low-density houses, or the creation of multi-plex developments with six or less Dwelling Units. A DC exemption could impact the eligibility of this funding to be applied to a fourth unit.

**Financial Impact:** The financial impact associated with providing an exemption for fourth residential units is expected to be minimal. As outlined in Table 1 to Report FCS26029, most conversions will already result in zero DCs payable. An exemption for fourth residential units will be primarily applicable to purpose built four-unit rental housing developments where no redevelopment credit is applicable. As such, while the exemption would have limited budgetary impact, it is also unlikely to significantly advance housing objectives, given that most eligible developments already qualify for relief.

Based on current building permit application data, there are four pending building permits for new four-unit developments where no redevelopment credit applies. For these projects, the exemption would result in an estimated \$40 K to be funded through property taxes (~0.0015% increase) and water user rates (~0.0060% increase) for each four-unit development.

**Recommendation Revision:** Should Council wish to pursue this option, the recommendation to Report FCS26029 could be amended to read as follows:

“That Development Charges By-law, 24-072, as amended, be amended to provide exemption to fourth residential units as follows:

Section 26 of By-law 24-072, as amended is removed and replaced as follows:

“26. The following shall apply in respect of exemptions or partial exemptions or reductions provided for in the Act:

- (a) Exemptions or partial exemptions or reductions in accordance with the Act or any other Province of Ontario legislation will be applied.
- (b) The exemption in subsection 2(3.2) of the Act shall also apply to the creation of a fourth residential unit in the same circumstances as provided for in subsection 2(3.2) of the Act.

(c) The exemption in subsection 2(3.3) of the Act shall also apply to the creation of a fourth residential unit in the same circumstances as provided for in subsection 2(3.3) of the Act.”

## Relationship to Council Strategic Priorities

Report FCS26029 is being presented to the Audit, Finance and Administration Committee by staff 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, October 23, 2025: [FCS25072: Child Care Development Charges](#)
  - Recommendations amended by Council to amend the DC By-law to introduce an exemption for non-profit childcare developments.
- Audit, Finance and Administration Committee, July 31, 2025: [FCS25026\(b\): Development Charges By-Law Amendment](#)
  - Recommended amendment to the DC By-law to introduce a temporary 20% exemption in DCs for all developments and to propose a streamlined process for non-profit housing developments to improve access to the existing exemption under the Act.
- Audit, Finance and Administration Committee, November 21, 2024: [FCS24051: Inclusion of Studies in the 2024 Development Charges By-Law](#)
  - Recommended amendment to the DC By-law to add the cost of growth studies into the DC rates as introduced through Bill 185, Cutting Red Tape to Build More Homes Act, 2024.

- Audit, Finance and Administration Committee, May 2, 2024: [FCS23103\(b\): 2024 Development Charges Background Study, Policies and By-laws – Final Report](#)
  - Recommended passage of the 2024 DC By-law and associated policies and exemptions.

## **Consultation**

City of Hamilton staff from Legal Services, Corporate Services, the Building Division and Planning Division, Planning and Economic Development were consulted in the preparation of Report FCS26029.

## **Appendices and Schedules Attached**

None

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### **Submitted and Recommended by:**

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