



## City of Hamilton

# Report for Information

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

**Date:** May 7, 2026

**Report No:** FCS26032(a)

**Subject/Title:** Review of 2026 Development Charges Indexing

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

---

## Recommendations

That Report FCS26032(a), respecting a Review of 2026 Development Charges Indexing, **BE RECEIVED** for information.

## Key Facts

- The purpose of Report FCS26032(a) is to provide information on the feasibility of selectively applying annual indexing of Development Charges (DCs) by development sector, as well as currently available details related to the Canada-Ontario Partnership to Build funding program.
- Due to the expedited timeline associated with Council's direction, there was insufficient time to fully assess the legislative permissibility of this novel indexing approach. Accordingly, three alternative options are presented for Council's consideration that would achieve similar policy objectives. The exemption options include:

- (1) Temporary partial exemption equivalent to indexing for residential developments;
- (2) Temporary partial exemption equivalent to indexing for all developments; and
- (3) Temporary partial exemption at a Council determined percentage for Council determined development sectors.

## Financial Considerations

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

## Background

### Council Direction

Through the April 16, 2026 meeting of the Audit, Finance & Administration Committee and subsequent approvals, Council adopted the following referral:

“That Report FCS26032 **BE REFERRED** to staff for report back to the Audit, Finance and Administration Committee on May 7, 2026, with additional information on the following:

- (a) The feasibility of breaking down or adjusting Development Charges Indexing by sector (residential, industrial, etc.); and
- (b) Clarification from higher levels of government as to funding announcements, which have been ambiguous to date.”

Report FCS26032(a) 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 calculated in accordance with the Development Charges Act (DC Act) and 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.

A further statutory exemption for non-profit retirement homes has been proposed through Schedule 3 to Bill 98, Building Homes and Improving Transportation Infrastructure Act, 2026 which will be presented to the Audit, Finance and Administration Committee through Report FCS26044, Bill 98, Building Homes and Improving Transportation Infrastructure Act, 2026 as it Relates to the Development Charges Act, 1997 on May 7, 2026.

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. A fourth amendment has been presented as an alternative to Report FCS26029, Potential Development Charges Exemption for Fourth Residential Units, which will be presented to the Audit, Finance and Administration Committee on May 7, 2026.

### **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 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.

### **Canada-Ontario Partnership to Build**

The Office of the Premier released a Backgrounder on March 30, 2026, titled "Details of the Canada-Ontario Partnership to Build" which identified a potential Ontario wide \$8.8 B funding pool over 10 years for Ontario Municipalities which reduce their DCs by up to 50% for a 3-year period.

## **Analysis**

### **Permissibility of Strategic Indexing by Development Sector**

Historically, indexing has been applied uniformly across all DC rates. While the DC Act permits the annual indexing of DC rates using a prescribed index, neither the Act nor its associated regulations expressly contemplate the application of indexing only to specific development sector(s).

Strategic indexing by development sector represents a novel approach that has not been previously examined for permissibility. Introducing development sector specific indexing would raise a number of policy, technical and legal considerations, including legislative authority, the potential loss of compounding of DC rates and the long-term implications for DC reserve sustainability.

Given the novelty and complexity of this concept, a fulsome assessment would require consultation with relevant stakeholders. Due to the timeline for this referred report, there was insufficient time to undertake the full level of analysis and consultation required to ensure undue risk is not assumed by the City.

Accordingly, staff has presented three alternatives for Council consideration which would achieve comparable policy objectives without introducing regulatory uncertainty or implementation risks that cannot be addressed adequately within the current timeframe.

**Canada-Ontario Partnership to Build**

Through the City's submission of staff comments on Bill 98, Building Homes and Improving Transportation Infrastructure Act, 2026 (detailed through Report FCS26044, Bill 98, Building Homes and Improving Transportation Infrastructure Act, 2026 as it Relates to the Development Charges Act, 1997), staff requested that the Province provide additional details regarding the Canada-Ontario Partnership to Build funding program, to support Council's consideration of how best to encourage development while maintaining eligibility for the program. As of the date of writing, no further information has been received from the Province.

Given the limited information available on the funding program, a temporary partial exemption of DCs positions the City to provide a clearer and more measurable reduction that can be demonstrated to the Province in future funding applications. A defined exemption represents a tangible municipal action, whereas not applying indexing reflects the absence of an increase rather than an explicit exemption and may be more difficult to demonstrate as meaningful DC relief under the Canada - Ontario Partnership to Build funding program.

**Development Charges 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 or to waive indexing (Section 19(1)(b) and (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 in an equivalent amount, the DC By-law could be amended through one of the following approaches:

- (1) Adoption of revised recommendations to Report FCS26032(a), 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.

## **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 a temporary partial exemption in an amount equivalent to the annual indexing scheduled to occur on June 1, 2026. Three alternative approaches have been presented for Council consideration:

- (1) Temporary partial exemption equivalent to indexing for residential developments;
- (2) Temporary partial exemption equivalent to indexing for all developments; and
- (3) Temporary partial exemption at a Council determined percentage for Council determined development sectors.

The following pros and cons apply regardless of the approach which may be selected by Council:

### **Pros:**

- **Legislative Certainty:** Providing relief through amendment of the DC By-law is clearly permitted under the DC Act, whereas, the legislative authority for a novel approach to indexing DC rates based on development sector is uncertain and could not be evaluated within the available timeframe.

- **Demonstrable Reduction:** Amendment of the DC By-law to provide a temporary partial exemption, rather than waiving indexing, represents a clearer and more tangible reduction in DCs that can be readily referenced in support of any future City applications to the Canada-Ontario Partnership to Build funding program.
- **Indexing Continuity:** Providing relief through a temporary partial exemption, rather than waiving annual indexing, preserves future DC rate compounding and the indexing assumptions used in the DC Background Study.
- **Consistency:** Amendment of the DC By-law to provide relief aligns with the approach used for other discretionary exemptions. It establishes a structured and transparent mechanism for granting relief through specific clauses, rather than ad hoc waivers by motion, reducing confusion in how exemptions are administered.

**Cons:**

- **Cost:** Provision of an additional temporary partial exemption would increase reliance on property tax and water and wastewater ratepayers to fund the cost of growth-related infrastructure.
- **Policy Uncertainty:** Frequent amendments to the DC By-law can create uncertainty for developers, reducing the clarity and stability provided through the comprehensive and legislated by-law adoption process.

**Alternative 1: 4% Temporary Partial Exemption for Residential Developments**

Appendix “A” to Report FCS26032(a) contains the draft amending by-law necessary to implement Alternative 1, while Appendix “B” to Report FCS26032(a) includes tracked-change version of the DC By-law.

**Pros:**

- **Canada-Ontario Partnership to Build Alignment:** Limiting the exemption to residential development prioritizes alignment with the Canada-Ontario Partnership to Build funding program, as Provincial communications to date have indicated that eligibility and program interest are focused on DC reductions specific to residential development.
- **Cost Efficiency:** Limiting the exemption to residential developments represents a lower-cost option among Alternatives 1 and 2, as outlined in the corresponding Financial Impact sections.

**Cons:**

- **Labour Support:** Limiting the exemption to residential development may not fully support the broader construction labour market, as it would not incentivize or stimulate non-residential development.
- **Clarity:** The existing 20% temporary partial exemption applies to all development. Introducing an additional temporary partial exemption limited to residential development could complicate the understanding of DC exemptions for the development community.

**Financial Impact:** Alternative 1 carries a financial impact of approximately \$4.49 M to be funded through property taxes (~0.17% increase) and water and wastewater user rates (~0.64% increase). Appendix “E” to Report FCS26032(a) outlines the potential financial impact of each Alternative.

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

“That Appendix “A” attached to Report FCS26032(a) respecting a By-law to Amend By-Law 24-072, as amended, Respecting Development Charges on Lands within the City of Hamilton, **BE PASSED AND ENACTED.**”

**Alternative 2: 4% Temporary Partial Exemption for All Developments**

Appendix “C” to Report FCS26032(a) contains the draft amending by-law necessary to implement Alternative 1, while Appendix “D” to Report FCS26032(a) includes tracked-change version of the DC By-law.

**Pros:**

- **Labour Support:** Applying the exemption to all development types would support the broader construction labour market by incentivizing both residential and non-residential activity, rather than concentrating benefits in a single development sector.

**Cons:**

- **Cost Impact:** Applying the exemption across all development types represents the highest- cost option among Alternatives 1 and 2, as outlined in the corresponding Financial Impact sections.

**Financial Impact:** Alternative 2 carries a financial impact of approximately \$5.52 M to be funded through property taxes (~0.21% increase) and water and wastewater user rates (~0.79% increase). Appendix “E” to Report FCS26032(a) outlines the potential financial impact of each Alternative.

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

“That Appendix “B” attached to Report FCS26032(a) respecting a By-law to Amend By-Law 24-072, as amended, Respecting Development Charges on Lands within the City of Hamilton, **BE PASSED AND ENACTED.**”

### **Alternative 3: Council Determined Temporary Partial Exemption for Council Determined Development Sectors**

**Financial Impact:** The financial impact of Alternative 3 will vary based on Council’s decisions regarding the exemption percentage, duration and applicable development sectors. Appendix “E” to Report FCS26032(a) provides high-level information and illustrative scenarios to support Council’s consideration of the potential financial implications of different exemption approaches.

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

“That Appendix “A” attached to Report FCS26032(a) respecting a By-law to Amend By-Law 24-072, as amended, Respecting Development Charges on Lands within the City of Hamilton, **BE PASSED AND ENACTED** with modification to clause 1 to state:

1. Section 57 of By-Law 24-072, as amended, is hereby replaced with the following:

#### **Temporary Partial Exemptions**

(a) Notwithstanding any other provision of this By-Law, the Development Charges payable under this By-Law respecting **[Council determined development sectors]** shall be reduced by **[Council determined]**%, after all credits, partial exemptions, and other exemptions are applied, except for the partial exemption under Section 57(b), which shall be applied after the exemption in this Section 57(a) is applied, for the period between June 1, 2026 and May 31, 2027.

- (b) Notwithstanding any other provision of this By-Law, the Development Charges payable under this By-Law respecting all Development or Redevelopment shall be reduced after all credits, partial exemptions and other exemptions are applied by 20% between September 1, 2025 and August 31, 2027.

## Relationship to Council Strategic Priorities

Report FCS26032(a) 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

- Audit, Finance and Administration Committee, April 16, 2026: [FCS26032: 2026 Development Charges Indexing](#)
  - Information report to Council to inform of the 4% increase in DC rates to take effect on June 1, 2026. Included alternative to amend the DC By-law to delay indexing to December 1, 2026.
- Audit, Finance and Administration Committee, July 31, 2025: [FCS26026\(b\): Development Charges By-Law Amendment, July 31, 2025](#)
  - 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 DC Act.

## **Consultation**

Internal:

- Legal Services, Corporate Services

External:

- Watson & Associates Economists Ltd.

## **Appendices and Schedules Attached**

Appendix “A” to Report FCS26032(a) – Temporary Partial Exemption of Residential Developments By-Law Amendment

Appendix “B” to Report FCS26032(a) – Development Charges By-Law with Tracked Amendment for Temporary Partial Exemption of Residential Developments

Appendix “C” to Report FCS26032(a) – Temporary Partial Exemption of All Developments By-Law Amendment

Appendix “D” to Report FCS26032(a) – Development Charges By-Law with Tracked Amendment for Temporary Partial Exemption of All Developments

Appendix “E” to Report FCS26032(a) – Estimated Financial Impacts of Alternative Options

### **Prepared by:**

Ailish Brooke, Senior Financial Analyst, Development Charges, Programs & Policies, Financial Planning, Administration & Policy Division, Corporate Services Department

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

Kirk Weaver, Acting Director, Financial Planning, Administration & Policy Division, Corporate Services Department