### RECOMMENDATION

(a) That the resolution from the Township of Adjala-Tosorontio, attached as Appendix "A" to Report FCS13044(a), regarding the inclusion of hospital growth related costs under the *Development Charges Act*, be supported;

(b) That the Minister of Municipal Affairs and Housing be requested to consider making the following services eligible under the *Development Charges Act*:

   (i) Acquisition of land for parks;
   (ii) Waste management services;

(c) That the Minister of Municipal Affairs and Housing be requested to consider amending the *Development Charges Act* to remove the limitation of the 10-year average level of service restriction for transit services;
(d) That copies of Report FCS13044(a), respecting the Inclusion of Hospital Growth Infrastructure under the Development Charges Act, be forwarded to the Honourable Charles Sousa, Minister of Finance, and the Honourable Linda Jeffrey Minister of Municipal Affairs and Housing, the Association of Municipalities of Ontario, and local Members of Provincial Parliament;

(e) That the item respecting Correspondence from the Township of Adjala-Tosorontio be considered complete and removed from the Audit, Finance & Administration Committee’s Outstanding Business List.

**EXECUTIVE SUMMARY**

Development Charges (DC) are collected from new development and redevelopment by municipalities in Ontario under the DC Act as a means to pay for the capital costs associated with growth. When the current version of the DC Act came into effect in 1997, it placed a number of restrictions on what could be collected, including making a number of services ineligible and limiting collections for future needs to what had been provided on average over the previous 10 years. DCs can only be used towards growth related capital costs (adding assets) – they cannot be used to fund maintenance or replacement of assets or operating costs.

On March 27, 2013 Council referred to staff correspondence from the Corporation of the Township of Adjala-Tosorontio regarding the inclusion of hospital growth infrastructure under the DC Act. Staff are supportive of this resolution.

Adjala-Tosorontio’s request was generated as a result of the Province requiring a local contribution towards the costs of expansions and operational funding in smaller community hospitals. As most of the expansions are required to meet the needs of an increasing population, Adjala-Tosorontio believes these costs should be shared with growth. Staff are supportive of the concept of population growth paying for growth capital needs.

The City of Hamilton’s contributions to hospital development in the City to date have been limited to providing partial DC exemptions and 10-year no-interest DC payment deferral agreements, rather than providing cash contributions to new hospital developments and expansions.

Given the nature of the request to add to the eligible services under the DC Act and the upcoming DC Background Study, staff have provided a listing in the Analysis/Rationale section of this report of other services that have a growth related infrastructure component but are not currently eligible DC services. Inclusion of all or any of these...
services would provide additional funding sources for the City’s capital program. A detailed explanation of each service and the potential impact of its addition as an eligible service under the *DC Act* can be found in the Analysis/Rationale section of this report. The services with the greatest potential funding impact have been included in recommendations (b) and (c) to Report FCS13044(a).

The items included in recommendation (b) and (c) to Report FCS13044(a) were also advocated for by the Association of Municipalities of Ontario (AMO) during the 2011 provincial election (see Appendix “B” to Report FCS13044(a) for entire AMO backgrounder). During the 2011 election, AMO sought a number of reforms to the *DC Act*, including:

- “Allowing development charges on currently ineligible municipal costs associated with acquiring land for new parks, waste management, municipal administrative buildings, and cultural facilities;
- Amending how certain services like transit are calculated so that they are based on future 10-year average service levels, rather than past service levels”.

**Alternatives for Consideration – See Page 6**

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

**Financial:** For recommendation (a) to Report FCS13044(a), if the Province ultimately allowed Hospital Services to become an eligible service this would provide a funding source for municipal contributions towards hospital growth infrastructure without impacting the tax levy.

For recommendation (b) to Report FCS13044(a), if the Province allowed anything on this list to become an eligible service under the *DC Act*, the City would then be able to collect DCs for the service and use that funding to pay for growth related infrastructure costs that are currently paid from the tax levy.

For recommendation (c) to Report FCS13044(a), removing the limitation of the previous 10-year average level of service restriction for Transit Services would allow the City to collect DC’s based on future costs, including potentially new methods of transit. Currently, the City is limited to collecting DCs based on the service that has been provided on average over the last 10 years. Ultimately, this would increase the amount of DCs collected from transit, making more capital funding available for transit to add service.

**Staffing:** N/A.
Legal: If any services were added to the DC Act by the Province, the City would need to complete a DC Background Study, have a public meeting, and enact a By-law before the City could collect any DCs for that service.

HISTORICAL BACKGROUND (Chronology of events)

In 1997, the Province replaced the previous DC Act (1989) with a new, updated DC Act which made a number of changes to the way DCs are calculated, including reduction of eligible services, mandatory 10% deduction for most services, mandatory background studies, and the industrial expansion exemption. While Hospital Services have never been an eligible service, a number of previously eligible services were made ineligible, including: headquarters for general administration of the City, cultural, entertainment and tourism facilities, and waste management services.

The City has not been required to provide cash contribution towards new hospitals or hospital redevelopments and expansions in the past, however starting with its 2004 DC By-law, the City has provided exemptions to hospitals, reducing the amount of DCs payable by 50%. Furthermore, the City has allowed the remaining DCs payable by hospitals to be deferred and paid over a period of ten (10) years with no interest.

POLICY IMPLICATIONS/LEGISLATED REQUIREMENTS

If the Province were to implement changes to the DC Act to add eligible services, the City would be required to undertake a background study to determine the appropriate amount to collect, and then provide notice and have a public meeting before charges for new services could be collected.

RELEVANT CONSULTATION

N/A.

ANALYSIS / RATIONALE FOR RECOMMENDATION

Adding eligible services to the DC Act would provide the City with additional capital funding sources for the growth related costs of those services. This would be beneficial.
to the existing tax base and assist in having the costs associated with new development be paid by growth rather than the existing taxpayers. Detailed explanations of each service are included below.

**Removal of the 10-year Average Level of Service for Transit**
With the potential for a move to a rapid transit system in the future, the 10-year average level of service restriction would limit the amount the City would be able to collect and fund from growth. Under the current legislation, if you have a traditional bus transit system, and have plans to move to a light rail transit (LRT) system, you can only collect costs based on the existing service standard from the traditional bus system from growth. If a traditional bus system was maintained, and significant investments in buses and routes were planned to accommodate growth, there would also be limitations on the funding that could come from DCs. Removing the previous 10-year average level of service would allow the City to collect for the appropriate level of service and type of service that would be required for future growth.

Potential for increased DC collections: Depending on type and cost of future transit, ranging from $500,000 to in excess of $4 million annually.

**Acquisition of Land for Parks**
The acquisition of land for parks is not an eligible service under the *DC Act* in part because the City already has cash-in-lieu of parkland dedication as a method of funding parkland acquisition costs. However, parkland dedication collections alone do not provide sufficient funding for the City’s parkland acquisition needs.

Potential for DC collections: Approximately $1 million annually.

**Waste Management Services**
Currently, growth related solid waste management services are ineligible under the *DC Act*. That means that growth related capital costs, such as garbage and recycling trucks, additional facility space, and additional landfill space costs are not collected from or paid by new growth. As a result, these costs which can be directly related to growth must be paid from the tax levy.

Potential for DC collections: Approximately $750,000 annually.

The following services were considered, but due to their limited financial impact, were not included in recommendations (b) or (c) to FCS13044(a).

**Headquarters for the General Administration of Municipalities and Local Boards**
City Hall and other municipal facility space that is used by staff for the general administration of the City (for example, Corporate Services, City Manager’s Office, Council) is not currently eligible to be included in service standard calculations.
Similarly, any additional space related to the general administration of the City that may be required as the municipality grows is not eligible to be funded from DCs.

Potential for DC collections: Approximately $250,000 annually.

**Rolling Stock with an Average Life of 6 years or Less**
Under the *DC Act*, rolling stock with an average life of seven (7) years or more is an eligible cost, which covers most public works and fire vehicles. However, the seven year average life requirement means that most ambulance and police service vehicles are not eligible to be collected for or funded from DCs.

Note that if this service were allowed under the *DC Act*, only the initial purchase of additional fleet would be considered growth related and eligible for DC funding. Replacement of existing vehicles is not growth related, and thus is required to be paid from other sources (tax levy).

Potential for DC collections: Approximately $75,000 annually.

**Cultural or Entertainment Facilities, Including Museums, Theatres and Art Galleries**
The City has had limited capital funding available for culture and, if such services became eligible services under the *DC Act*, it would provide a funding source to cover a portion of the costs for expenditures related to new, additional facilities and increased space.

Potential for DC collections: Approximately $50,000 annually.

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<tr>
<th>ALTERNATIVES FOR CONSIDERATION</th>
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<td>(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)</td>
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The alternative for consideration would be for the Council of the City of Hamilton to not support the resolution from the Township of Adjala-Tosorontio regarding the inclusion of Hospital growth related costs in the *DC Act*.

The rationale for not supporting the resolution would be that the City of Hamilton has not been asked to make cash contributions towards Hospital projects in the past, and having a funding source, such as DCs may result in the Province seeking funding that they may not have otherwise sought.
Financial Implications:
If the City chose to not support the resolution from Adjala-Tosorontio, but hospital services were subsequently added to the *DC Act* as an eligible service anyway, the City would need to decide whether or not to pursue collecting the charges given that the City did not support adding Hospitals as an eligible service. However, choosing not to support the resolution doesn’t preclude the City from collecting DCs for hospital services if it becomes an eligible service under the *DC Act*.

Staffing Implications:
N/A.

Legal Implications:
N/A.

**ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN:**

**Strategic Priority #1**
A Prosperous & Healthy Community

*WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

**Strategic Objective**

1.2 Continue to prioritize capital infrastructure projects to support managed growth and optimize community benefit.

1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.

1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

**Strategic Priority #3**
Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

**Strategic Objective**

3.1 Engage in a range of inter-governmental relations (IGR) work that will advance partnerships and projects that benefit the City of Hamilton.
APPENDICES / SCHEDULES

Appendix “A” to Report FCS13044(a) – Correspondence from the Township of Adjala-Tosorontio

Appendix “B” to Report FCS13044(a) – AMO Development Charges Reform Backgrounder for the Ontario Provincial Election 2011
RESOLUTION

Moved by: Councillor Little
Seconded by: Councillor Pinto

WHEREAS the Development Charges Act 1997 currently does not provide for the collection of development charges for the expansion and improvements to hospitals; and

WHEREAS smaller community hospitals must depend on the limited resources of existing residents for at least part of the costs for expansion and operational funding; and

WHEREAS these hospitals must expand their services to meet the needs of the increasing population; and

WHEREAS the costs for hospital expansions should be shared with this growth;

NOW THEREFORE BE IT RESOLVED THAT the Honourable Minister of Municipal Affairs be requested to establish a committee to work with the LHIN’s and hospital boards to establish parameters and procedures to include hospitals under the Development Charges Act; and

THAT a copy of this resolution be forwarded to municipalities for support through AMO.

Motion Carried
Development Charges Reform

Growing communities across Ontario are struggling to finance the full cost of new development.

Municipalities levy development charges to recover the capital costs of providing municipal services to new housing subdivisions and developments. This includes roads, sidewalks, sewers and waterlines. However, in 1997, in a nod to developers, the province set strict limits on the funds municipalities could recover through development charges.

The changes reduced the developers’ contribution to services such as transit and other key services. It eliminated any responsibility for the costs of additional waste management capacity to meet the demands of growth and provides for no contributions for parklands acquisition.

It also meant that developers would no longer be required to contribute to services that are critically important to the quality of life in our communities including hospitals and cultural facilities. The results have been costly to municipalities and unfair to property taxpayers.

Development charges represent about 15% of total municipal capital funding for most communities and represent 32% of total capital funding in the high-growth GTA municipalities. It is not nearly enough to cover the capital costs of growth.

Provincial reform to the Development Charges Act is required if municipalities are to begin addressing this gap.

AMO seeks reform in the following areas including:

- Aligning development charges with other provincial planning objectives, such as curbing urban sprawl and promoting increased intensification;
- Removing the mandatory discount on the recovery of costs related to recreation services, library services, old age homes, space for child care, health department services, emergency shelters, social housing and ambulance stations.
- Allowing development charges on currently ineligible municipal costs associated with acquiring land for new parks, waste management, municipal administrative buildings, and cultural facilities;
• Amending how certain services like transit are calculated so that they are based on future 10-year average service levels, rather than past service levels; and,
• Reforming the way GO Transit and hospital development charges are levied.