



Presentation to Committee of the Whole on Proposed Development Charges Increases

July 16, 2009

Executive Vice President's Remarks

Prepared by the St. Catharines – Thorold Chamber of Commerce

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Chair Partington, Mayors, Regional Councilors, staff and members of the public, good evening, my name is Walter Sendzik, I am the Executive Vice President and General Manager of the St. Catharines – Thorold Chamber of Commerce, and joining me today is Stephen Cook Immediate Past President of the Chamber and the Chamber’s Policy Coordinator Kithio Mwanzia.

The St. Catharines – Thorold Chamber of Commerce is a member driven organization representing more than 1150 businesses with an employment base of over 28,000 employees. We are one of the largest business organizations in Southern Ontario.

Now, there are a number of mayors and councilors who are here today that are well informed of the Chamber’s position on the proposed increases of development charges in Niagara. Since the issue of development charge increases were brought forward by the Region, we have been active in working to not only understand the issue, but to present the concerns of the business community as it relates to the potential increases.

As well, over the past six months, we have worked to inform our members of the issue, collaborated with other business organizations and gained the support of the chambers of Niagara as it relates to our opposition to development charge increases at this time.

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And, through all of our efforts and the willingness of staff and council to listen to our concerns, let me state **that** the fact industrial development charges are recommended to be frozen at its current rate for the next five years speaks volumes about the region's openness to concrete, credible recommendations.

Although, we would encourage Regional Council to take an extra step related to industrial development charges, and lower them to zero. This action has proven to be successful in London, Ontario, and we think this would be progressive measure that would provide Niagara with an even stronger competitive tool for attracting and expanding industrial development across Niagara.

Now, after today's public session you will be asked to vote on a development charge increase that will significantly impact residential and commercial developments – **and** quite possibly hurt growth in Niagara.

The reason for this significant increase in development charges is directly related to the **\$150 million gap in the Capital Budget Affordability Strategy**. Regional staff has concluded that there is a capital expenditure gap over the next 10 years, and the best way to close the gap is to charge an additional \$150 million to developers looking to build in Niagara.

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In addition to the \$150 million, as outlined in the Report to Corporate Services Committee of April 8, 2009 (CSD 67-2009:p.13), the development charge increases are projected to actually generate \$17 million a year – which over a ten year period would generate \$35 million more than the required \$150 million. As the report states, “the additional \$35 million is projected DC revenue will assist closing the \$300 million capital budget affordability gap as detailed in the Region’s Capital Budget Affordability Review.”

So, not only is staff looking to find money to close a \$150 million gap, it’s recommending digging deeper into the pockets of the private sector for an additional \$35 million to close another gap.

Now, some would argue that growth should pay for growth – and that makes sense on one level – but a reading of the report indicates that the increase of development charges isn’t simply about new growth paying for new growth. It’s about the Region trying to find ways to pay for an infrastructure deficit that is gaping wide.

So, this isn’t simply about getting developers to pay their fair share, it is about something much more complex.

And based on the complexity of the issue, the Chamber has the following recommendations for council to consider before voting on the Development Charge increases:

1. Don't completely cover the \$150 million gap in the Capital Budget Affordability Strategy with increases in development charges. In the short term, federal and provincial stimulus funds transferred to communities should be able to mitigate the gap before any need to increase development charges. **As a council, you should be ensuring that all stimulus infrastructure funding is directed to \$150 million gap as the Strategy was written before last fall's economic collapse.**

2. In addition to federal and provincial stimulus funding, Niagara will save hundreds of millions of dollars from the uploading of social program costs to the province. This will transfer costs previously paid for by Niagara to the province. The stated amount of revenue realized by the uploading is more than \$350 million over the next 10 years. **Again, as council continues to consider policy options about the use of those funds, a portion of the realized revenue could be used to keep development charges competitive for both commercial and residential as a means to attract investment to Niagara over the next ten years.**

Speaking of competition, Niagara has one of the lowest development charge rates in southern Ontario. This is one of the only areas in which Niagara has a competitive advantage. **Now, more than ever, we need to protect, and build on our competitive advantages.** Remember – we are not the GTA – we need to attract investment away from the GTA and this is one means in which to accomplish the objective. This point is

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supported by the NEDC on its web site, which lists low development charges as a Top 10 Reason to invest in Niagara.

3. With respect to the reduction of brownfield development charge exemptions, the Chamber strongly urges Council to reject staff's recommendation to increase the costs of brownfield development in Niagara.

NEDC is on record as stating that the recommendation to revisit brownfield incentives is premature and that the industry needs more time to grow in Niagara. The Chamber agrees with this position. According to the National Roundtable on the Environment and the Economy for every \$1 invested in brownfield development there is a \$3.88 return on investment. Conversely upfront costs for brownfield development can be as high as 10 - 15 times that of any other development.

Niagara is a leader in brownfield development, and many of the abandoned industrial sites that were subject to tax rebates, are now providing much need tax revenue back to the region, and local municipalities. **Now is not the time to be reducing incentives for brownfield development.**

4. Due to today's economic realities, and economic growth projections by the Canadian Chamber of Commerce and the Ontario Chamber of Commerce, **we recommend to council that residential and commercial development charges remain at status quo for the next two years.** Economic forecasts are projecting an 18 – 24 month period

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before the economy enters a period of sustained recovery. **Therefore, any rate increase on residential and commercial developments should be phased in after this period.**

5. Finally, although not related directly to development charges, the Chamber believes that this exercise has provided the opportunity for Niagara to be bold and innovative in its approach to the process of development. It is our recommendation that once the development charge by-laws are approved, the Region and its 12 municipalities should examine the consolidation of all development processes into one regional structure. This progressive move could remove layers of bureaucracy and duplication for business, and create an efficient and affordable system for development throughout Niagara.

In conclusion, as you are left to weigh this issue before you place your vote, remember that development creates jobs – both short-term and long-term. In addition, all private new developments - houses, apartments, retail outlets or industrial complexes –generated tax revenue into perpetuity. Although these aspects weren't included in the staff report, you need to ask yourself how will development charge increases impact future job growth and tax revenues – and if growth does slow down as a result of the increases – who will shoulder the blame.

Niagara needs to stay competitive. This is more than just covering a gap – it's about a stronger, more prosperous Niagara.

Thank you,