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Halton development fees a hot topic

By Joan Little

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The Hamilton Spectator Feb 3 2003

Growth, it is said, does not pay for itself. If it did, our taxes should go down, or at least remain stable.

That was the issue again recently as Halton council debated development charges for non-residential (retail, office and industrial) development.

Development charges are designed to cover the costs attributable to new development (e.g. new or expanded roads, watermains, sewers, etc). In the Greater Toronto Area (GTA), regions, cities, and education boards have separate charges. Provincial legislation from 1997 outlines the permissible costs, and requires documentation of the amounts through a background study.

The municipality may pass a bylaw and index the amounts annually, but it expires in five years. A new study and public meetings are required before a new one can be passed.

To stimulate non-residential development, Halton's 1999 bylaw provided a 25 per cent discount for retail development, and 50 per cent for other non-residential building.

An October 2002 study recommended reducing the discounts because of the high infrastructure costs Halton faces. (And these high costs exclude replacing services in old areas.) This would generate an additional $1.7 million over the balance of the bylaw term (to Aug 31, 2004). During the first 28 months of the bylaw, only 36 per cent of growth-related costs were recovered.

Oakville Councillor Allan Elgar asked, "Who do you think is paying those costs if the developers aren't?" He suggested a question on the ballot about who should pay growth costs. And vacant land has value, too, he said. "Cows don't send their kids to school."

Halton region's actual non-residential growth cost is $5.38 per square foot for most areas, but developers only pay $2.69. The October study recommended reducing the 25 per cent retail discount to 15 per cent February 1, and eliminating it January 1, 2004. It recommended the 50 per cent discount on other non-residential development be reduced to 40 per cent February 1, and 25 per cent January 1, 2004.

Developers, landowners and industry advocates predicted dire consequences, arguing this represents a 50 per cent increase from the present discounted rates. Some suggested council wait for other regions and municipalities to review their charges.

In a 14-2 recorded vote, only Burlington Councillor Jack Dennison and Milton Mayor Gordon Krantz opposed lower discounts.

Krantz took exception to a presentation by Rob Burton, president of the Joshua Creek Ratepayers, who wanted every councillor involved in development, who had a family member involved, or who had accepted money from developers, to abstain from voting. (Oakville Mayor Ann Mulvale had declared a conflict of interest, and didn't participate in the discussion or vote, because her adult son now works in a shopping centre development).

Krantz asked, "Are you running for any office?" Burton replied that he is. (He has filed his nomination for mayor of Oakville).

Dennison outlined his experience developing a small industrial site in Winnipeg. He had trouble leasing his buildings until he reduced initial rents and applied escalation clauses for later years. Then his buildings generated taxes, and he benefitted.

"Even supermarkets," he said, "use loss leaders." And he related that Dayside Industries, a 40-year-old Burlington business, relocated to Brantford because it could not afford a new building in Burlington. Retaining the discounts, he said, was good business.

Burlington Councillor John Taylor commented that the discounts were not economically based, but had been the result of a political decision in 1999, which had cost taxpayers substantial amounts. Retaining existing discounts, he said, would add $170 to an average tax bill by 2010.

Sometimes an individual stands out from the crowd. Economist Tom Muir of Burlington has volunteered hundreds of hours to Halton and Burlington on this and other fiscal issues in recent years, and is a member of the region's development charges advisory committee.

In his excellent presentation, he noted the costs of development, both direct and indirect, are often ignored. And many factors besides development charges affect business location choices, including land costs, industrial taxes, and access to markets. (For example, Hamilton does not have development charges, but its industrial tax rate is high). Rather than offer general discounts, he suggested, Halton could use targeted incentives to attract specific types of business.

Angry that taxpayers subsidize development, he suggested a line be inserted in Halton's budget below "Social Welfare" headed "Developer Welfare".

Strong words. But from someone with Muir's credentials, who has no vested interest other than as a Burlington taxpayer, they warrant consideration.

Maybe Elgar's idea is worth pursuing. A ballot question such as, "Should development pay its own way?" could yield an interesting response.

Former Burlington alderman and Halton councillor Joan Little is a freelance columnist. She does not identify with any political party. Her views are her own.