Industrial development charges too high: Chambers

Halton-area Chambers ask Region to avoid raising charges

By HOWARD MOZEL
Special to The Champion

A proposal by Halton Region to reduce its discount on industrial development charges (DC) drew considerable fire Monday at a special meeting by the area's four Chambers of Commerce.

Hosted by the Oakville Chamber of Commerce (OCC), the event was held to educate business owners about the impact of such a move and to exert pressure on those councillors in attendance to vote against changes when the time comes.

According to Oakville Chamber President John Breakey, it's already a "hard task" trying to attract development to the region at the best of times and increased, DCs certainly won't help.

"We have concluded this is rather prohibitive," he said.

Stephen Sparling, chair of the OCC's Advocacy Committee, said the industry feels blindsided by the Region's review since the current DC bylaw is in effect until 2004 and they weren't expecting to deal with the issue until then.

Mr. Sparling also said that despite the staff report's assertion that Halton has a relatively low tax rate, the region must remain competitive "on all tax fronts."

Halton should also wait until other regions complete their own reviews, he continued, to understand where Halton stands in relation to them. Jeannette Gillezeau, analyst for Clayton Research, presented a region-by-region comparison of existing and proposed industrial DC rates and the huge change in numbers that would result. Taking an 18,000-square-foot building on a one-acre site as an example, Ms Gillezeau said Halton's proposed rate would be approximately 63 per cent more than those in Vaughan.

"It's not a minor difference," she said. "It is a major increase and the dollars aren't insignificant."

Halton's DCs are at their current levels, Ms Gillezeau, added, due largely to the "very high cost" of the region's sewer and water works. Development charges are used to pay for demands on roads, police, services for seniors, GO Transit, water and wastewater created by growth. Shortfalls in development charges are supported by the regular tax base.

Recently, the Region's administration and finance committee narrowly approved the elimination of retail development charge discounts and a reduction from a 50 per cent discount to a 25 per cent discount for industrial businesses. New retail businesses currently receive a 25 per cent discount in development charges.

Regional staff recommended changing the development charges bylaw after hearing discussion from both sides of the issue at the Development Charges Review Committee (DCRC).

Currently, Halton communities have some of the highest industrial development charges in the Greater Toronto Area. Halton Hills is first, with $6.59 per square feet, followed by Milton in third at $5.83, Oakville in sixth with 5.23 and Burlington in eighth with $4.88. If the reduction in discounts is ultimately approved, Halton municipalities would have the four highest rates, ranging from $6.96 per square feet in Halton Hills to $6.20 per square feet in Milton.

While Halton would have the highest development charges, other areas of the GTA will undergo reviews of their rates in 2004, said the staff report. In an effort to reduce the impact of the discount reductions, regional staff recommended phasing it in over two years. The first phase would begin February 1, with retail still receiving a 15 per cent discount and industrial seeing a 40 per cent discount. Full discount reductions would come into effect January 1, 2004.

Charges much higher than in other regions

Fully phased-in, said Ms Gillezeau, Halton's DCs will be 57 per cent higher than Peel Region and 87 per cent higher than York.

To back up her assertions, Ms Gillezeau quoted from the 'Hemson Report' that warned of the potential negative impacts of higher DCs: "It is our view that were Halton to establish DCs that were noticeably higher than the rates in competing municipalities, from an economic development perspective, it might develop a reputation as a high-cost region."

The Hemson Report, commissioned by the Region, also said that if discounts were eliminated (at least in the short term) developers would either try to raise rents, try to lower other costs, reduce their profit margin or look to other regions.

"There is no basis to conclude which of the possible outcomes would result," said Hemson. "However, logic does suggest that developers would be more likely to focus elsewhere than simply accept lower profit margins."

Ms Gillezeau said there exists a local fallacy that Peel will soon run out of land, so that Halton can just sit back and wait for businesses to come westward. Peel has at least 1,600 net hectares remaining and it could be as long as 10 years before that region runs dry.

According to the study prepared by C.N. Watson and Associates, also commissioned by Halton Region, under existing DCs, "most new industrial and office buildings in Halton region generate more than sufficient taxes to fund the share of growth-related capital costs not covered by the current development charges."

The Region's staff report went to the administration and finance committee Wednesday. It will be addressed at regional council February 22.