First of all, thank you for allowing me - on behalf of the Flamborough Chamber of Commerce (FCC) - to share some thoughts as you address the challenges of finalizing the 2014 Hamilton Municipal Budget.

Let me reiterate upfront that the FCC is determined to be a constructive partner in promoting the best interests of the entire city. There is no better example of that than the joint, unanimous submission to Council (formulated after some two years of regular meetings) by the Flamborough, Hamilton and Stoney Creek Chambers of Commerce on the contentious issue of 'area rating.' Many of our recommendations were incorporated in the ultimate Council decision that was championed by Councillors Collins and Powers. And guess what? You don't hear about area rating anymore. Why? Because at its core, your decision was FAIR!!

I have been asked frequently how the seeming impossible (three separate and independent chambers of commerce representing very divergent parts of the city) could arrive at a unanimous submission. This is my answer:

1. Amalgamation angst notwithstanding, we were all passionately committed to 'city building.'
2. We had an extraordinary chair – Dr. John Knechtel of Ancaster.
3. We respected each other, meaning we listened carefully and spoke thoughtfully.
4. And – perhaps most importantly – we 'parked' our local – and frequently narrow – partisan positions outside the door of the meeting rooms.

All of the above brings me to this submission.

There was an opinion column published yesterday in the National Post under the title of 'The myth of the poor municipality.' There is much food for thought in the column, but allow me to focus on just the following quote:

“Instead of asking for more money, municipalities need to start controlling their spending. Consider that while population in Canadian municipalities has grown by 12% since 2000, inflation-adjusted spending over the same period has exploded by 55%. These are national numbers, but whether you are talking about Vancouver, Calgary, Toronto, Ottawa or Montreal, the profile is similar, with inflation-adjusted spending growth far outpacing increases in population. Municipalities that don't fit this profile are the exception, and should be applauded.”

I draw your attention to the last line. Time restraints didn't allow me the opportunity to research the specific numbers for Hamilton, but I intend to do so in the coming weeks. And the FCC will be the first to “applaud” if Hamilton is the “exception” and “doesn't fit the (national) profile.”

The FCC doesn’t have the resources to conduct a line-by-line review of the proposed 2014 Hamilton Budget. Instead, I would like to focus on a single line item - with the hope it is an anomaly rather than the rule.
For the most part, the issue flew below the radar screen.

You may recall that last year, Council decided to hike the fee for a rezoning application by an incredible 70% – from $5,930 to $10,275. And that’s just for a “simple” application. The costs for a “complex” application are even more. And many rezoning applications relate to new commercial and industrial investment options.

We acknowledge the argument that applications should be “revenue neutral” (ie: all – mostly staff – costs are to paid for by the applicant and not by existing taxpayers). But perhaps we need a change in direction. Maybe we should look at application costs as “investments” that will result in significant “dividends” (ie: new jobs and taxes) in the future.

Let’s also not forget that commercial and industrial tax rates are some three and four times that of residential rates. And the message we are hearing is that Hamilton taxpayers – at all levels and in all categories and in all communities – are “maxed out.”

We share your concern about the imbalance between residential assessment on the one hand and commercial/industrial assessment on the other. In simple language, the key to solving the fiscal challenges facing Hamilton is to recruit and retain additional commercial and industrial investments – complete with new employment opportunities and additional commercial and industrial tax revenues.

The reality is that the current economy remains fragile. The prolonged recession has had a devastating impact on businesses far and wide – including those in the “new” Hamilton.

Further, we are not only competing with neighbouring municipalities like Burlington, Cambridge and Brantford. We are now competing within the context of global economy, which doesn’t recognize international borders, let alone municipal ones.

We agree with the popular opinion that Hamilton is on the cusp of something very special. All the blood, sweat and tears of hard work – complete with its agonies and frustrations – of so many folks (many of them volunteers) over the past two decades is finally starting to bear some fruit.

We want that momentum to continue. But increasing rezoning application fees by 70% within current economic realities sends the WRONG message to the commercial and industrial investment community.

To confirm that Hamilton is indeed “OPEN FOR BUSINESS” we recommend – with the utmost of respect – that you revisit the matter of rezoning application fees.

Thank you for your time and attention. If there are any questions, I will be happy to try and answer them.

Arend Kersten
Executive Director
Flamborough Chamber of Commerce
The Flamhorough Chamber of Commerce will meet soon to discuss the City’s 70 per cent hike in zoning application fees. The fees have jumped from $5,930 to $10,275.

“Our concern, at the simplest level, is how will this negatively impact commercial and industrial investment in Hamilton,” said FCC’s Executive Director Arnd Kersten. “We’re not talking about a complex zoning application with adjoining buildings or anything like that; a 70 per cent increase concerns us all.”

The fees are problematic when looking at how the current global economy affects the decisions business investors make, noted Kersten.

“(Investors) will look at the building permits, and places like Burlington and Brantford, and they’ll look at the prices of the land, what the application fees are, what the labour costs are, and they’ll just as soon as spend their money elsewhere if there are too many impediments,” he explained.

The City’s Planning Division manager Steve Robichaud noted the rate changes were effective in January.

“The 2013 fees were established based on a detailed activity based review of the actual costs (staff time, public notices, etc.) involved in the processing of development applications,” said Robichaud. “The fee schedule differentiates between the size and scale of the project in that there are two classes of rezoning applications: routine and complex. Alternatively, where the proposal does not comply with zoning, such as parking, a minor variance application is an option to the rezoning process.”

A routine rezoning application, as defined by the city, may add one specific use that does not change the zoning district, may reduce yard requirements or modify other district or zone requirements, may rezone three single detach dwelling lots or less, or extend a “temporary use.”

On the other hand, a complex rezoning application would be considered all other applications. For Phase 1, services up to the city council review of the actual costs (staff time, public notices, etc.) involved in the processing of development applications,” said Robichaud. “The fee schedule differentiates between the size and scale of the project in that there are two classes of rezoning applications: routine and complex. Alternatively, where the proposal does not comply with zoning, such as parking, a minor variance application is an option to the rezoning process.”

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On the other hand, a complex rezoning application would be considered all other applications. For phase one, services up to the city council, cost $13,850. An additional $6,700 will be added for phase two, subsequent to the council resolution approval. If a business owner is considering submitting multiple or joint applications, total fees are reduced by 25 per cent.

“(Rezoning) is required if you have a piece of property and you need a rezoning to accommodate a new use; typically that’s residential switching to commercial or to agricultural,” said Kersten. “A lot of zoning requests have to do with commercial and industrial development.”

Kersten was informed by a city official that council instructed staff to adjust costs of an application so it is covered entirely by the applicant.

“In other words, it becomes revenue neutral to the taxpayers,” he explained. “If it costs $10,000, then the applicants will pay the $10,000, instead of the $5,000 and the rest carried by the other taxpayers.”

The aim of the increase is to make applications “revenue neutral,” which means all costs, including staff time, be the responsibility of the applicant with no support by the taxpayers.

The adjustments in fees, suggested in a report made by BMA Management Consulting Inc., also put Hamilton in line with neighbouring municipalities. The change in rates is based on a comparison with adjacent and/or similar sized municipalities.

The current fee structure reflects approximately 75 per cent of the costs to process an application, said Robichaud. The City’s current fee structure is considered “middle of the pack.”

The Flamhorough Chamber of Commerce will be meeting on Tuesday, June 4 to discuss its next steps and whether or not they will challenge the fees or take it to council.

For more, please Page 8.
In advance of the Big City Mayors' Caucus this week, local government leaders are once again trying to build a believable case that they urgently need more money from federal and provincial governments. The “infrastructure deficit” campaign has now shifted to a “housing crunch” campaign.

Asking for more money has become a municipal reflex. Local governments claim they are cash-strapped and do not receive their fair share of tax revenue from Canadians' pockets. Their common premise is that they get only eight cents of every tax dollar. The eight cent idea has so much traction that many observers take it as fact and use it to frame every discussion on municipal finances.

Eight cents is misleading because it represents only taxes directly collected by municipalities. When user fees and transfers are taken into account, local governments actually receive almost double that amount, or around 15 cents of every dollar that government collects.

But the eight cent strategy is smart, distracting focus away from excessive spending. It also taps into the strong human desire for fairness. It seems as wrong as an older sibling getting a bigger piece of cake. But does fairness really dictate equal pieces of cake (tax revenue) for each level of government?
Without significant new funding from Ottawa, Canadian cities will run off an ‘infrastructure cliff’: Mulcair

The different levels of government have different responsibilities. Health care, education, old age security, guaranteed income supplements, defence, welfare and child protection are the responsibilities of senior levels of government. These programs are complicated and costly to deliver; health care alone consumes about a third of provincial budgets. Municipalities also have important core responsibilities including roads, garbage, sewers, police and firefighting. But, for the most part, these are more straightforward and less expensive.

Another idea that municipalities use to distract attention away from their spending and support their case for more revenue is the fact that transfer payments from senior levels of government were cut during the 1990s.

It’s true, transfers did decrease significantly during the 1990s — from a high of $15-billion in 1994 to a low of $8-billion in 2000. But here is the missing part of the story: Total municipal revenue actually increased from $48-billion in 1990 to $54-billion in 2000, even while transfers went down, because local governments increased property taxes and fees to make up the difference. (All numbers are inflation adjusted using 2008 dollars).

This makes the municipal “infrastructure deficit” argument very weak and could explain the shift to the “housing crunch” rhetoric now in vogue. If revenues did not decline during the 1990s, why did local governments fail to properly invest in their infrastructure?

While population in Canada’s municipalities has grown by 12% since 2000, inflation-adjusted spending over the same period has exploded by 55%

Putting this inconvenient question aside, municipalities are now getting a pile of new money to spend on infrastructure. Tens of billions of dollars have been promised over the next 10 years as part of the New Building Canada Plan. This looks pretty generous, especially when you consider that transfers from senior levels of government were already at a high water mark of $16-billion a year in 2008, the latest year for which we have data.

But municipalities are not saying thank you. They once again have their hands out. This time they want more money for social housing.

Instead of asking for more money, municipalities need to start controlling their spending. Consider that while population in Canada's municipalities has grown by 12% since 2000, inflation-adjusted spending over the same period has exploded by 55%. These are the national numbers, but whether you are talking about Vancouver, Calgary, Toronto, Ottawa or Montreal, the profile is similar, with inflation-adjusted spending growth far outpacing increases in population. Municipalities that don't fit this profile are the exception, and should be applauded.

The eight cent myth, the “infrastructure deficit” and the “housing crunch” are all seductive justifications for irresponsible spending that hurts hardworking taxpayers. It’s not sustainable. It’s time for municipal leaders to start accepting accountability for their spending and for senior governments to stop pandering to their predictable demands for more money.

There is only so much cake to go around.

National Post

Laura Jones is executive vice-president and Queenie Wong is senior research analyst at the Canadian Federation of Independent Business (CFIB). The new report, Municipalities are Richer than They Think, can be found at Cfib.ca.