Audit and Administration Committee

REPORT 09-010

9:30 a.m.
Thursday, June 4, 2009
East Ballroom
Sheraton Hotel
116 King Street West

Present:
Chair B. Clark
Councillors B. Bratina, C. Collins, B. Morelli, M. Pearson

Absent with Regrets:
R. Powers (City Business), T. Whitehead (City Business)

Also Present:
Councillors B. McHattie and D. Mitchell
C. Murray, City Manager
R. Rossini, General Manager; T. Tollis, Treasurer;
B. McMullen, Manager of Accounting Services; J. Spiler,
Manager of Capital Budgets; W. Thompson, Senior
Financial Analyst – Finance and Corporate Services
T. McCabe, General Manager; T. Sergi, Director of
Development Engineering – Planning and
Economic Development
K. Christensen, City Clerk – City Clerk’s Office
M. Meyer, Legislative Assistant – City Clerk’s Office

THE AUDIT AND ADMINISTRATION COMMITTEE PRESENTS REPORT 09-010
AND RESPECTFULLY RECOMMENDS:

1. FOI Quarterly Report (January 1 to March 31, 2009) (CL09003) (City Wide) (Item 5.2)


2. Trade Union Contributions to Municipal Election Campaigns (CL09004) (City Wide) (Item 5.3)

That Information Report CL09004 respecting Trade Union Contributions to Municipal Election Campaigns be received.

Council – June 10, 2009
3. Development Charges Background Study (Item 6.1(a))

That the Development Charges Background Study be received for information.

4. 2009 City of Hamilton Water and Wastewater Development Charges Bylaw (2-year Term) and Development Charges By-law for all other Growth Services (5-year Term) (FCS09060) (City Wide) (Item 6.1(b))

(a) That the residential development charge rate for a single detached unit increase to $26,689, and that all residential classes increase per Table 1 of Report FCS09060, taking effect on July 6, 2010.

(b) That the industrial development charge rate be set at $6.65 per sq ft (the wastewater service component) effective July 6, 2010.

(c) That the non-residential development charge rate for new commercial, institutional and office developments be set as per the following, effective July 6, 2010:

1. For developments up to 5,000 sq. ft. at 50% of the rate in effect ($9.69 sq.ft.).
2. For developments, 5,001 to 10,000 sq. ft. at 75% of the rate in effect ($14.53 sq.ft.).
3. For developments 10,001 sq. ft. and greater at 100% of the rate in effect ($19.37 sq.ft.).

(d) That the City continue its practice to index its Development Charges (per the Development Charges Act prescribed Statistics Canada Construction Cost Index) and that the next anniversary date for this adjustment would be July 6, 2011.

(e) The Special Area Charges for Binbrook (water and wastewater) and Dundas/Waterdown (wastewater) be continued and that the charges be implemented in accordance with the conditions of the agreements.

(f) That the City establish a development charge reserve specifically for the waste-water plant expansion project from which the growth-related debt charges for the plant expansion would be funded.

(g) That for all classes of development activity, the Development Charges revenue collected go first towards payment of 100% of the wastewater Development Charges service and that any foregone development charge revenue due to exemptions be applied to the balance of the Development Charges services.

(h) That hotels, for Development Charge purposes, be classed as industrial, per Council motion dated October 14, 2008.

Council – June 10, 2009
(i) That the initial 5,000 sq ft of non-industrial (includes commercial/institutional) expansions of developments existing at the commencement of this by-law be exempt from Development Charges. Expansion square footage greater than 5,000 sq.ft. to be assessed 100% of the “non-industrial” rate in effect. Also, that these expansions be considered expansions only if a minimum period of 1 year has passed from the time that the last occupancy permit was issued for the subject property.

(j) That, where public stormwater management facilities have been provided at the cost of a developer as a condition of development approval, and the said facilities are deemed to be permanent and part of an ultimate solution, “credits for services in-lieu” for the related stormwater component of the Development Charges charge will be applied for any unbuilt units upon the said facilities being included in the Development Charges background study and related amendments. Should external future development lands take benefit of said stormwater management facilities and where a best efforts provision has been included within the development agreement under which the facility was built, the City will collect the full Development Charges from the external developer and reimburse the original developer (constructor of storm pond) only the original value of the proportionate share of the best effort.

(k) That the maximum dollar value the city will contribute to any stormwater management facility be fixed to the value identified in the Development Charges background study and related amendments for both land and construction costs plus indexing as appropriate.

(l) That “credits for services in-lieu” for a portion of the related stormwater component of the Development Charges charge will be applied for unidentified stormwater management facilities that are deemed to be an appropriate and permanent enhancement/improvement to the approved downstream solution(s).

(m) That hospitals governed by the Public Hospitals Act be 50% exempt from the Development Charges payable. (policy previously approved by Council through report FCS02100c); and that the hospital Development Charges payable also have access to a 10-year deferral agreement at 0% interest.

(n) That all of the growth capital projects listed in the City of Hamilton Development Charges Background Study dated May 20, 2009 and related amendments be approved as part of the 2009 - 2018 City of Hamilton Capital Budget Forecast.

(o) That a permanent transition policy be implemented as follows:
That the Development Charge rates payable are the rates in effect on the date a completed building permit application is received and accepted by the City, provided that the permit is issued within 6 months of the effective date of a rate increase. Where the building permit is revoked by the Chief Building Official on or after the date of the rate increase, any subsequent application for a building permit on the lands or site will be subject to the rates in effect on the date of permit issuance;

(p) That a one-time (for the 2009 July 6th By-laws) transition policy be implemented as follows:
For site plan applications, where a complete application for site plan approval has been received by the City prior to May 1, 2010, and no building permit in relation thereto has been issued prior to July 6, 2010, the Development Charges payable upon issuance of the building permit shall be based on the rates in effect on July 5, 2010, provided that the building permit is issued prior to Jan 6, 2011.
Where the building permit is revoked by the Chief Building Official on or after July 6, 2010, any subsequent application for a building permit on the lands or site will be subject to the rates in effect on the date of permit issuance;

(q) That the assumptions with respect to anticipated development, levels of service, capital grants, subsidies, and other contributions and other deductions required under the Development Charges Act contained within the background studies and related amendments identified in recommendation (m) be adopted;

(r) That, whenever appropriate, the City request donors to clearly designate grants, subsidies, and other contributions as being for the benefit of existing development (or new development as applicable);

(s) That the Development Charges By-laws, attached as Appendix “A” and “B” to report FCS09060, be passed and enacted, as amended.

(t) That Council determine that no further public meeting is required.

(u) That, in consideration of the downturn in the local economy, the charges for residential and non-residential (industrial, commercial and institutional) be continued at the rates contained in By-law 04-145 as amended by By-law 06-173 for a period of 1 year after which the full charges as noted in recommendations (a) through (c) be implemented on July 6, 2010.

(v) Notwithstanding (u), that staff report back to Council on or before April 15, 2010 regarding the economic climate of the City and recommend whether the rates contained in By-law 04-145 as amended by By-law Council – June 10, 2009
5. **2008 Communication of Audit Results (Item 7.1(a))**

That the 2008 Communication of Audit Results be received for information.

6. **2008 Internal Control Findings (Item 7.1(b))**

That the 2008 Internal Control Findings be received for information.

7. **2008 Financial Report and Audited Financial Statements (FCS09056) (City Wide) (Item 7.1(c))**

That the 2008 Financial Report and Audited Financial Statements for the City of Hamilton attached as Appendix “B” to Report FCS09056 be approved.

8. **Governance Review Sub-Committee Report 09-002 (Item 8.1)**

(a) **Proposed New Report Template (CM09008) (City Wide) (Item 3)**

(i) That Report CM09008 outlining a proposed new report template, attached hereto as Appendix “A”, be approved as amended to reflect suggestions provided during the discussion, including:

   A. incorporate the City’s Corporate Strategic Plan Desired End Results on the back page of each agenda;

   B. incorporate a statement in the Executive Summary advising that, if applicable, Alternatives for Consideration are included in the report

(ii) That should Council approve the new format, staff develop a comprehensive mandatory training program for all report writers.

9. **Interview Sub-Committee Report 09-001 (Added Item 8.2)**

(a) **Citizen Appointments to the Advisory Committee for Immigrants and Refugees**

(i) That the following nine (9) applicants be appointed to the Advisory Committee for Immigrants and Refugees for the Council – June 10, 2009
balance of the 2006 to 2010 term of Council or until such time as successors are appointed:

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<td>A.</td>
<td>Suhreta Kovac</td>
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<td>H.</td>
<td>Aisha Minhas</td>
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<td>I.</td>
<td>Jitendra Shukla</td>
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(ii) That the membership for the Advisory Committee for Immigrants and Refugees be increased from fifteen members to twenty (20) members.

FOR THE INFORMATION OF COUNCIL:

(a) CHANGES TO THE AGENDA (Item 1)

The Clerk advised of the following changes to the agenda:

Item 7.1 is moved up on the agenda to be dealt with prior to the consent items.

An addendum to Item 6.1(a), which is the Development Charges Background Study, has been distributed.

With respect to Item 6.1(b), Development Charges public meeting, additional written submissions have been received. A list of the submissions has been distributed.

   (ii) Daniel Guizetti, Empire Communities

   (iii) Bruce King and Larry Szpirglas, REALTORS Association of Hamilton-Burlington

   (iv) Fred Losani, Losani Homes

   (v) Décor Innovations

       Jim Bangs

       Brad Daw

   (vi) Branthaven Homes

       Mishal Qureshi

       Shane C. Cooney

       Jennifer Cruciano

       Marla Iosue

   (vii) Tom Atterton, Hamilton and District Labour Council

   (viii) Paul Silvestri, Silvestri Investments

   (ix) Anthony E. Franciosa, Coreslab Structures

   (x) Domenic Carnicelli, Carriage Gate Homes

   (xi) Dan Gabriele, Marz Homes (Binbrook) Inc.
In addition to the list, written submissions have been received from Jakov and Mary Ojvan, A-1 Siding and Window Inc. and from Frank Buck, Hanson Brick. These have been distributed to the Committee.

Additional delegation requests have been received as follows:
(iii) Miran Mes, Branthaven Homes
(iv) Lyn Townsend (Townsend Rogers), Mattamy Homes
(v) Mark Noskiewicz (Goodmans LLP), Multi-Area Developments Inc.
(vi) Carlo Di Gioacchino, Dundurn Edge Developments Inc.

Added as Item 8.2 is Interview Sub-Committee Report 09-001.

On a motion, the agenda was approved as amended.

(b) DECLARATIONS OF INTEREST (Item 2)

There were no declarations of interest.

(c) MINUTES (Item 3)

(i) Minutes of the meeting held on May 20, 2009 (Item 3.1)

That the minutes of the Audit and Administration Committee meeting held on May 20, 2009 be approved as presented.

(d) Minutes of Various Sub-Committees (Item 5.1)

The following Minutes were received:
(i) GLBT Advisory Committee Minutes – March 19, 2009 (Item 5.1(a))

(e) 2009 City of Hamilton Water and Wastewater Development Charges Bylaw (2-year Term) and Development Charges By-law for all other Growth Services (5-year Term) (FCS09060) (City Wide) (Item 6.1(b))

Chair Clark advised the meeting that Item 6.1(b) was a public meeting pursuant to Section 12 of the Development Charges Act, 1997, to present and obtain public input on the City’s proposed Development Charges By-law and Water Wastewater Development Charges By-Law. He further advised that notice of the public meeting was published in the Hamilton Spectator on May Council – June 10, 2009
8, 2009, inviting interested parties to make representations at today’s meeting. Any person in attendance can make representations relating to the proposed Development Charges By-law and Water Wastewater Development Charges By-Law.

Gary Scandlan, C.N. Watson & Associates, and Joe Spiler, Manager of Capital Budgets and Development, made a PowerPoint presentation to Committee. Highlights of the presentation included:

- Development Charge Overview
- Proposed City Wide Development Charges
- Area Specific Service (Binbrook and Dundas/Waterdown) Proposed Rates and Options
- City DC Policy Considerations
- Next Steps/Process

Committee discussed the presentation and had additional information supplied by staff.

In response to a request for additional information respecting factors that were taken into account when determining the discount on industrial development charges, Gary Scandlan, C.N. Watson & Associates, advised that he would supply some information that the stakeholder committee in the City of Guelph developed. He further advised that he would supply information on York and Peel.

On a motion, the presentation was received.

On a motion, the Committee received the following written submissions for information:

(i) Michael Chiaravalle, Sonoma Homes Inc.
(ii) Daniel Guizetti, Empire Communities
(iii) Bruce King and Larry Szpirglas, REALTORS Association of Hamilton-Burlington
(iv) Fred Losani, Losani Homes
(v) Décor Innovations
    Jim Bangs
    Brad Daw
(vi) Branthaven Homes
    Mishal Qureshi
    Shane C. Cooney
    Jennifer Cruciano
    Marla Iosue
(vii) Tom Atterton, Hamilton and District Labour Council
(viii) Paul Silvestri, Silvestri Investments
(ix) Anthony E. Franciosa, Coreslab Structures
(x) Domenic Carnicelli, Carriage Gate Homes
(xi) Dan Gabriele, Marz Homes (Binbrook) Inc.
John Dolbec, Hamilton Chamber of Commerce, introduced Ruth Liebersbach, President of the Hamilton Chamber of Commerce and Tyler MacLeod, past President of the Hamilton Chamber of Commerce. Ruth Liebersbach addressed Committee. Her points included, but were not limited to the following:

- Magnitude of increase is prohibitively expensive and puts the City at economic disadvantage
- The issue is not whether to increase but when to increase
- Suggest phased in increase
- Should look at freeze until the City has a more favourable industrial to residential assessment ratio.

Tyler MacLeod addressed Committee. His points included, but were not limited to the following:

- Hamilton needs to be competitive. Municipalities with higher development charges are self-sustaining and can attract industrial growth.
- Hamilton can only get to that point by increasing its competitiveness.
- Short-term pain for long-term gain.

Councillor McHattie requested additional information respecting property taxes, land values, and other impacts of a development charges freeze.

Steve Spicer and Adi Irani, Hamilton Halton Homebuilders Association (HHHBA), addressed Committee. Their comments included, but were not limited to the following:

- HHHBA represents 6,500 men and women working in construction
- Agree that growth should pay for growth
- Do not agree with the cost split between existing development and new growth
- Do not agree with how subsidies from higher levels of government would be applied
- Hamilton is a price-sensitive market
- Request that Council delay implementation of development charge increase until Jan 2011 at which time a 50% increase would be implemented then the remaining 50% in July 2011
- Prepared to accept the proposed numbers for the wastewater treatment plant as long as a workable implementation is in place
- Residential starts this April were at just 27% of the starts last April
- The proposed increase would shut the homebuilding industry down so requesting a freeze.

In response to questions from Committee, Mr. Spicer and Mr. Irani advised of the following:
• There are not more units built or proposed downtown due to current unsold built inventory.
• Prepared to accept the increase if there is a suitable transition policy
• Approximately 600 units will be built in 2009 – don’t think we’ll reach 1000
• Increase in development charges will cause a substantial decrease in the number of houses built
• The increase in development charges is passed directly to the consumer

Moran Mes, Branthaven Homes, addressed Committee. His comments included, but were not limited to the following:
• If Council votes for an increase, they will be driving homebuilders to cities and towns with lower rates
• Branthaven has cut prices to homes and implemented a work-share program.
• Requesting a freeze on rates until the economy recovers
• Need to lower rates and bring business in to stimulate the economy

Steve Stipsits, Branthaven Homes, addressed Committee. His comments included, but were not limited to the following:
• Have never seen sales so low
• A short delay is not long enough to generate any momentum.

Lyn Townsend, Townsend Rogers, addressed Committee on behalf of Mattamy Homes. Her comments included, but were not limited to the following:
• House prices already include $65,000 of fees per unit – the homeowners are not able to add an extra $7,100 into their mortgage.
• Mattamy Homes is setting prices in the fall and needs to know whether to build in the $7,100.
• An 18-month freeze is ideal but if Council could look at a 12-month freeze with a review at that time, that would be good – a fixed term by-law with term of 1-year.
• Would like this go to council on June 24 to allow more time.
• Permanent exemptions are on the backs of taxpayers, but an exemption that is not permanent can be managed. Need to look at programs to manage. Can add deficits into the development charge when the economy picks up.

Mark Noskiewicz (Goodmans LLP) addressed Committee on behalf of Multi-Area Developments Inc. His comments included, but were not limited to the following:
• Not in support of merging special area charges
• The 2004 resolution which limits use of special area charges did say that they would continue in Binbrook
• If the special area charges were not merged, the payback would occur fairly quickly. If charge was blended, payback will be much longer – 25-30 years.

The Chair advised that Carlo Di Gioacchino, Dundurn Edge Developments Inc., was unable to stay to present, but would submit written comments.

Tom Cochrane addressed Committee. His comments included, but were not limited to the following:
• The development charge question challenges the viability of the housing industry
• The housing industry employs many people, putting them to work quickly when opportunity knocks
• It’s time to give up on development charges – one of worst forms of public policy ever created
• Hamilton is doing what other municipalities are doing without understanding the repercussions
• City needs growth to survive. When growth is stopped, the economic stability of citizens is threatened
• Need affordability and choice in housing.

Cathi Stephens addressed Committee. Her comments included, but were not limited to the following:
• The company she is with also represents Bay Area Infrastructure
• She has seen a decrease in salary in the past three months with the possibility that it will go lower because there are not a lot of new starts
• Contractors cannot collect Employment Insurance
• Requesting that Council freeze development charges

Debbie Rushton addressed Committee. Her comments included, but were not limited to the following:
• She is an agent with Homelife Macro and sells new homes for Losani
• Increasing development charges would make new homes unaffordable and reduce the market even more than it already is

Brian Robinson addressed Committee. His comments included, but were not limited to the following:
• He works for Losani Homes
• Requesting an 18-month freeze on development charges

Dennis Petis addressed Committee. His comments included, but were not limited to the following:
• He is a real estate broker
• This recession is the worst he has seen
• Builders are working for nothing right now
• Requesting a freeze for a minimum of 2 years so that the industry can restructure and be competitive

Council – June 10, 2009
• Hamilton should be a leader in bringing new construction and affordable housing.

Steve Vartaniaw addressed Committee. His comments included, but were not limited to the following:
• He owns a rug company
• The company grew from 6 employees to 70 but is now down to 45
• Speaking on behalf of the sub-trades
• Asking for period of time to allow the economy to rebound

Ryan Oosterhoff addressed Committee. His comments included, but were not limited to the following:
• He is employed by Losani Homes
• He is in support of blending the special area charges
• Hamilton is one of the few cities that funds stormwater ponds through development charges.
• An inequality currently exists and the increase to the general development charge fund appears to be insignificant if blended
• Supports freezing development charges for 18 months

Stan Timykoglou addressed Committee. His comments included, but were not limited to the following:
• He has owned a painting company for last 37 years in Stoney Creek
• Been through 2 recessions
• Business slow and he is down to three employees – had twelve last year
• Toronto has frozen development costs for two years
• Recommending a freeze for a longer period to get the economy going

Karl Gonnsen, Metropolitan Consulting, addressed Committee. His comments included, but were not limited to the following
• He represents Parkside Hills Inc. and Silverwood Homes, Paletta International Corporation, and Trinson Management Corporation and has distributed written submissions on behalf of each of them.
• Hoping committee will take Mr. Irani and Mr. Spicer’s suggestions
• His clients support the elimination of the special area charge, as they recognize that many costs have to be community wide (i.e., water treatment plant, roads)
• OPA 28 charge – not being recommended for removal (charge for bringing lands in Waterdown into urban area) – content to see that remain.
• Foregone revenue – The City will lose building permit revenues, engineering fees, etc. if there is no growth in this industry.
• The increase is not equitable or fair.
Danny Gabriel, Mars Homes, addressed Committee. His comments included, but were not limited to the following:

- Offices are closed today and staff are all here to express concern
- A $7,000 increase on the price of a new home right now is a bad idea
- Struggling every day to keep everyone at work, create sales, etc.
- Goal is that to be able to call people back to work, not lay them off.
- Key ingredient to economic well-being is home ownership.
- Want to be allowed to do what they do everyday without interference. Development Charges are an interference.

John Melo, Golfi Concrete and Drain Limited, addressed Committee. His comments included, but were not limited to the following:

- He has 25 employees
- 80% are employed by homebuilders
- Raising development charges will affect them and sub-contractors
- Struggling to keep them employed due to shrinking new home industry

John Mariella, Triple MMM Plumbing, addressed Committee. His comments included, but were not limited to the following:

- Doesn’t think Councillors realize what the industry has been going through over last year
- Have made major concessions and cutbacks
- Hardest part is to go to employees and cut their wages
- Hard to tell people not to come in because there is no work
- Extra 7300 will affect price of house

Tim McCabe, General Manager of Economic Development and Planning advised Committee that, as of June 4, 2009, 250 permits were issued, totaling 316 units.

On a motion, the presentations were received.

Committee passed the following motion:

That Report FCS09060 respecting 2009 City of Hamilton Water and Wastewater Development Charges Bylaw (2-year Term) and Development Charges By-law for all other Growth Services be amended to reflect the following:

(a) That the Development Charges rate (residential and non-residential) be frozen until July 2010; and
(b) That staff be directed to come back to the Audit and Administration Committee in May 2010 with a report outlining the status of economy and be prepared to reopen discussions about Development Charges at that time.

Council – June 10, 2009
Committee passed the following motion:

(a) That item (e) of Report FCS09060 respecting 2009 City of Hamilton Water and Wastewater Development Charges Bylaw (2-year Term) and Development Charges By-law for all other Growth Services be deleted in its entirety; and

(b) That the Special Area Charges for Binbrook (water and wastewater) and Dundas/Waterdown (wastewater) be continued and that the charges be implemented in accordance with the conditions of the agreements.

Committee then approved the recommendations, as amended.

(f) 2008 Internal Control Findings (Item 7.1(b))

Committee dispensed with the presentation from the auditors.

(g) 2008 Financial Report and Audited Financial Statements (FCS09056) (City Wide) (Item 7.1(c))

Committee dispensed with the staff presentation.

(h) ADJOURNMENT (Item 13)

The Audit and Administration Committee adjourned at 12:51 p.m.

Respectfully submitted,

Councillor Brad Clark, Chair
Audit and Administration Committee

Mary-Ann Meyer
Legislative Assistant
June 4, 2009
# CITY OF HAMILTON

**DEPARTMENT NAME**

*Division Name*

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## RECOMMENDATION(S)

## EXECUTIVE SUMMARY (High level overview)

Alternatives for Consideration – See Page X  or  Not Applicable

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

**Financial:**

**Staffing:**

**Legal:**

Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honest, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork
Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honest, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork


Example:

Skilled, Innovative and Respectful Organization: DER 1.1 – By 2011, 90% of employees will have had a regularly scheduled performance appraisal and a learning and development plan.
Vision: To be the best place in Canada to raise a child, promote innovation, engage citizens and provide diverse economic opportunities.

Values: Honest, Accountability, Innovation, Leadership, Respect, Excellence, Teamwork