



THE CANADIAN CHAMBER OF COMMERCE
LA CHAMBRE DE COMMERCE DU CANADA

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Community Leadership

REVISED

Submitting chamber: Hamilton Chamber of Commerce

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Executive Summary

As with most Chambers, the Hamilton Chamber of Commerce has always been concerned about the overall competitiveness of its District, in this case, the City of Hamilton, vis a vis our ability to attract and retain business. Further, in the interests of basic fairness, our members had long felt that they had been subject to a regimen of higher than normal municipal and education taxes. To illustrate, while all issues facing the business community have some interest for us; in order to focus our business advocacy efforts and make the most effective use of our scarce resources, both staff and volunteer, our standing processes encourage us to annually concentrate our lobbying activities in at least four, but not more than six, major generic issues simultaneously.

Continually since 1998, one of these major lobbying objectives each year has been to reduce non-residential taxes in our City with the eventual objective of making them minimally in alignment with the Provincial Threshold (i.e. roughly the average rate of business taxation in the Province of Ontario as compared to the local residential rate); as well as the same ratio in neighbouring jurisdictions (e.g. Region of Halton), which historically have been well below provincial average. As a result of our consistent, aggressive and multi-faceted lobbying efforts, the City of Hamilton, in co-operation with the Province of Ontario, has embarked on a multi-year **Business Tax Reduction (“BTR”)*** Plan which has reduced overall net business taxes in this City, to 2004 inclusive, by a total \$93.4 Million per annum.

Based on an estimated 15,500 businesses (excluding Home Operations) in the City, this means net average tax reduction of approximately \$6K for each and every business in the “new” City of Hamilton; or roughly a 1800% return on entry level Chamber membership investment. (* Note: The City has, in 2005, changed the name of this program to **Business Retention and Expansion (“BRE”)** Plan. However, for simplicity, we will continue to reference it as **BTR** for the purposes of this presentation. The City’s 2005 **BTR** calls for a further \$10 Million in combined City Business & Provincial Education Tax Reductions. However, this amount is excluded from the above noted total, as this is not yet finalised. In short, this project remains very much a “work in progress”)

The Project was, and is, nothing more, and nothing less, than consistent, thorough, active business advocacy work which combines all aspects of effective lobbying; including, but not limited to:

- Presentations both public and private, formal and informal to governments at both municipal (including Regional government, when it existed – Hamilton amalgamated politically in 2001) and provincial levels; including to non-elected and elected officials of all parties (It is important to note, that with one possible significant exception, we have always acted 100% in a strictly politically non-partisan way – this is one of the keys to our success);
- Education of members through our chamber publications and speeches by Chamber leaders;
- Public advocacy through effective, but selective, use of the media;
- While maintaining our leadership on the issue, working in silent or active partnership with any and all possible “allies” in the matter, including, for example CFIB, local BIA’s, other business groups, etc.;
- Working collaboratively, not confrontationally, whenever possible, with elected and non-elected leaders in both levels of government; and
- Perhaps most importantly, never “giving up” on the issue – retaining adherence to our core goal, but at the same time showing some flexibility in implementation – i.e. keeping our eyes focused on the long term goal, but at the same time showing full appreciation for what may be politically achievable in the short term.



As recently as April 2005, His Worship Mayor Larry DiIanni of the City of Hamilton has publically credited the Chamber's lobbying efforts with effectively helping to restore competitiveness to the City of Hamilton in terms of business taxation which has resulted in a net increase in business activity in the City.

In terms of raw tax rates, 2004 versus 2000, **Commercial has fallen a net total of 36%, and Industrial 38%, on average**, with a significantly positive impact on Economic Development activity in the "New" City of Hamilton. To illustrate this point, from 2001 to 2004 inclusive (the "BTR Period") non residential construction permits are up across the City over the Pre-BTR Period (i.e. 1994 to 2000 Inclusive), as follows: average 70% increase in Commercial; plus, a whopping 138% increase in Industrial over the same period. On a combined basis, this is now well above the provincial average. Whereas, previously, we had been well below the provincial average proportionally for a municipality of our size.

Project Origin

The project had its start in early 1998. The then Region of Hamilton-Wentworth was faced with the thorny issues of implementing **Current Value Assessment ("CVA")**, which the Province of Ontario was then introducing (which incidentally was also a measure advocated by the Chamber). If fully implemented immediately, without any mitigating measures, **CVA** would have resulted in tremendous tax swings away from the older parts of the City such as the Downtown Core and the Industrial East End, towards the more affluent, but under serviced, suburbs. The Province did allow the Region a variety of tools that the City could use to lessen the impact; but the Regional government was uncertain as to which specific tools would be the best to implement.

The Region's senior financial staff had had a long time satisfactory relationship with the Chamber, and asked for our quiet assistance in helping evaluate the options before they made their recommendations were back to the Regional Council. As we as a Chamber had long advocated for **CVA**, as well as for tax relief broadly for the hard pressed urban core, and as this fit very well with our "new" (at that time) business advocacy philosophy; i.e. of working collaboratively, rather than confrontationally, with governments at all levels, we agreed to help without hesitation or reservation.

We struck a **CVA** Task Force of about six volunteer members to this end. We approached a past president of the Chamber, who was co-incidentally a Chartered Accountant with the local office of an international firm, and who had some considerable personal expertise in tax issues, albeit at a federal/provincial level. From him, we found an individual from his firm with some municipal business tax expertise. With his assistance, as well as from other board members, we recruited for the task force a group of volunteers from commercial real estate and other accounting and legal firm members, who collectively had considerable experience in these matters.

Over a concentrated period of about 3-4 months, they worked very pro-actively with City staff to come up with not only a series of recommendations that would maximize the benefits of **CVA** to those who most needed the relief. However, these tools also went a long way to mitigating the most dramatic of the increases in the suburbs. The group was even able to make recommendations to the Province as to ways and means they could improve the tool set that they had initially provided to local municipalities to help them cope with **CVA**.

We would like to say that this Task Force was an immediate and outstanding success. But, sadly, it was not! It lacked the necessary clout, and yes-even experience, to change Provincial thinking quickly enough. In response to significant pressure from suburbs in other municipalities that had not shown the same flexibility as had our Region (and even from some panicked and misinformed business owners and MPP's in our own), the Province introduced a blanket **CVA** capping program, which in fact "torpedoed" the good work done by our Task Force, in essence making their recommendations obsolete.



However, the Task Force, in their basic research came up with some startling data that confirmed the basic inequities of the Hamilton Business tax situation. In short, over time, the Region/City's taxation policies had overall created a materially uncompetitive business environment that hindered our Region's ability. We had anecdotally suspected this for a long time, but lacked the basic facts to prove the point. In comparing our rates of business taxation with residential tax rates (the so-called "Range of Fairness"), local businesses were generally amongst the highest in the Province. Roughly, the Provincial average of this Range of Fairness became known as the Provincial Threshold.

When the Task Force brought the alarming situation to the attention of the Chamber's Board, we decided on two things:

1. We would elevate the temporary task force into a permanent Government Finance and Taxation Committee; and,
2. More importantly, we would make **BTR** the corner stone of Chamber business advocacy activities until such time as we achieved reasonable parity with the Provincial Threshold "Range of Fairness" and/or those in place in the neighbouring jurisdiction of the Region of Halton/City of Burlington; which has been always well below the Provincial Threshold.

Eventually, the committee merged with an also new Government Affairs Committee, which had been focused, primarily, on the issues surrounding Municipal Amalgamation (another long term lobbying success). These committed volunteers did serve as a credible focus for our activities in this regard for the long struggle ahead.

Project Parameters

The Committee's existing track record of working collaboratively at a senior level with local government, and to a lesser extent with Provincial officials, gave them an instant credibility. Further, our "standing by" local elected officials who were then "facing the wrath" of many local businesses over **CVA**, gave us an inside edge in negotiating with them. We constantly kept encouraging them to take a long term positive look at the potential impacts of **BTR**; while at the same time, warning of the negative impacts of not proceeding. One local Councilor in 1998 had told us "point blank", that while he conceded that Business taxes were indeed unfairly far too high – politically, "You were never going to achieve your goals- you are in essence asking politicians to choose between residences and business, and you will always lose that equation". Well, we decided to, and eventually did, prove him very, very wrong.

However, we felt that we had to follow some basic principals, which had proven successful to us thus far:

- Focus on a **BTR** plan which at least equally benefited existing firms (i.e. we would never propose "bonusing" of any kind) as the research suggested that existing business is generally a greater source of sustained employment and assessment growth than new or relocated firms (However, **BTR** would help us to attract these companies as well);
- Always strive to work collaboratively, rather than confrontationally;
- Position local tax reductions to match equal or greater reductions in Provincial set (but locally collected) education taxes to maximize impact; i.e. "for every dollar that you, Mr. Councilor, will reduce local business taxes, we will work with you to ensure that we get at least matching reductions from Provincially set Education tax rates, so we mutually reduce negative drain of taxes out of the City to other communities" (e.g. \$47 Million/51% of the above noted net tax reductions did in fact come from the provincially set Education Tax rates).
- Thus, whenever and where ever possible, work in tandem with local politicians to gain Provincial support through both local MPP's and directly at the Ministerial level (a "Team Hamilton" approach, if you will);



- Deal in facts, not emotion, e.g. using as our underlying benchmark the above noted competitive “Range of Fairness”, i.e. comparing business to residential tax rates against provincial & neighboring averages, but also encouraging benchmarking with other municipalities in related data such as comparative tax costs per square foot, per capita costs of program service/delivery, etc.;
- Stay attuned to the benefits for the broader community (e.g. more business, more jobs, more positive tax assessment, more prosperity and thus eventually reduced residential taxation);
- Keep political feet to the fire (e.g. every time we talked to a politician, publicly or privately, reinforce the need of **BTR**, even if we were talking on another subject; i.e. if you talk to the Chamber, you are going to have to talk sometime in the conversation about **BTR**);
- Publicly praise elected officials when they did the right thing;
- Work with non-elected staff to help make their case with the elected officials (we will play “bad cop to their “good Cop” etc.) – I.e.. Constantly work with allies;
- We would not always seek the limelight or even credit for what was happening – many times this meant letting the politicians “get the glory”; and
- Use the media judiciously – anyone can grab headlines; and while we would never balk at talking to the media, we would never pro-actively use them unless we felt that we had no choice.

We would not “pay” for any added lobbying support; i.e. any business advocacy efforts would have to come from existing staff and resources – largely dependant on volunteers (which is much more effective in any event in terms of negotiating with either politicians and bureaucrats, as well as dealing the media.

If any lobbying costs were incurred they would have to be self-funding by specifically raised “sponsorships”, as we successfully did with our “Get Hamilton Moving Task Force” to lobby for the completion of the Red Hill Creek Expressway. **As it turned out, we did not require actually raising or spending any material funds for BTR**; i.e. our net budget was “Zero divided by two”. (As an aside, to demonstrate the effectiveness of focused lobbying on public perception, while not really “true”, our opponents publicly accused the Chamber of having only two answers to Community Development, “reduce business taxes & complete the Expressway”. They also accused us of “throwing lots of money” at our lobbying efforts on these issues, which as above, was largely incorrect.

Project Results and Impacts

While we continue to press for **BTR** as we have not yet reached parity with neighboring jurisdictions; we have met our targeted goals in two of our four business classes in terms of now achieving the Provincial Threshold.

The Range of Fairness (ratio between non-residential to residential tax rates) in what is now the City of Hamilton have dropped as follows:

<u>Property Class</u>	<u>2001</u>	<u>2004</u>	<u>Provincial Threshold (“Average”)</u>
Multi-unit Residential	3.00:one	2.74:one	2.74:one
Commercial	2.43:one	1.98:one	1.98:one
Industrial	3.84:one	3.33:one	2.63:one
Large Industrial	4.56:one	3.91:one	2.63:one.

The net impact on economic development has been gratifying. Some examples follow:

- Net Commercial Tax Assessment Growth in 2004 was 2.9% versus 1.9% average since 1998.
- Net Industrial Tax Assessment Growth was 1.9% in 2004 versus 0.4% average.



- Net Tax revenues up \$6.98 Million per annum 2001 to 2004, plus a further supplementary taxes generated from these classes of \$12.6 Million over the same period.
- Non-residential building permits in the years 2002 to 2004 inclusive are the higher three years over the past eleven as compared to 1999, when they were the eleventh – after adjusting for inflation .
- Building permits for the period 2001 to 2004 inclusive were \$70 Million/ 101% over the previous seven years average. The average value of commercial & industrial building permits over the same two periods rose by 138% and 70% respectively.

The City’s General Manager, Joe Rinaldo, in his report to the Mayor and Council dated March 29, 2005 specifically credited **BTR** as the fundamental underlying factor in this turn around. Specifically, he added; “The Economic Development Department, in the last four years, has averaged 150 serious industrial/commercial enquiries per year. The majority of these enquiries, (have occurred) in the last 30 months, and have originated from Industrial-Commercial-Institutional (“ICI”) realtors in the GTA (“Greater Toronto Area”). This clearly indicates that Hamilton’s efforts to reduce business taxes and be competitive with surrounding municipalities are now being recognized outside this community.”

The trend continues – on June 13 2005, the Hamilton Spectator reported that April 2005 non-residential Building permits were up \$10.2 Million/15% from same period in 2004, indicating that a business renaissance is now well under way in Hamilton, and firmly now on a sustained basis. **BTR** championed by the Hamilton Chamber of Commerce was instrumental in this success.

Media Coverage

We did not pro-actively seek strong media coverage as it was felt that this might discourage, rather than encourage, the kind and level of support we needed from elected officials. Sadly, this has meant that many of our members are somewhat unaware that the reduced business taxes that they enjoy now are primarily due to our efforts. (In fact due to the above mentioned property tax swings between the older parts of the City & the suburbs caused by **CVA**, which has occurred simultaneously, many business properties in the suburbs have still experienced net tax increases, which also minimized the apparent impact of our efforts there.)

Nevertheless, notwithstanding that we did not seek active exposure, we can, in fact ,site numerous examples where the media have paid attention & acknowledged our efforts – a partial list of some coverage of the Chamber and the **BTR** issue over the past 18 months is outlined below (copies of actual clippings are available on request):

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| 1. <i>Business Executive</i> Article: | “Hamilton fares poorly under property tax comparison |
| 2. <i>Hamilton Spectator</i> Article: | “Chamber pushes to retain tax cuts for business” |
| 3. <i>Flamborough News</i> Article: | “MUNICIPAL AUDITOR, BUSINESS TAX REDUCTIONS AT THE TOP OF THE AGENDA AT 3-CHAMBER SUMMIT” |
| 4. <i>Hamilton Spectator</i> Article: | “Province allowing cities to increase business taxes” |
| 5. <i>Hamilton Spectator</i> Editorial: | “Rolling back tax cuts to business a bad idea” |
| 6. <i>Hamilton Spectator</i> Article: | “Chamber of Commerce head hopes to ‘springboard the city’” |
| 7. <i>Hamilton Spectator</i> Article | “Business taxes dropping \$9m” |
| 8. <i>Hamilton Spectator</i> Article: | “HAMILTON’S ON A ROLE” |
| 9. <i>Hamilton Mountain News</i> Article: | “Mayor hopeful other government levels will help eliminate future city tax hikes” |
| 10. <i>Dundas Star</i> Article: | “New Hamilton chamber chair has strong ties to Valley Town” |



Project Transferability

As outlined above, by following the basic principals outlined above, the project is imminently transferable with minimal modification to any Chamber operating in a municipality facing an undue tax burden affecting that community’s ability to effectively compete.

Self Promotion

The Hamilton Chamber of Commerce is the oldest, largest and most broadly based business organization extant within the Greater Bay Area, outside of the GTA. Established in 1845, we predate even the City of Hamilton itself; indeed we predate all but a mere 3 or 4 organizations currently extant within the Community. Since our very beginning, while we do provide quality and comprehensive networking opportunities for our members, we do view ourselves primarily as the “Voice of Business”, particularly ethical business, within the community. Our underlying theme is to provide business opportunities; but in our view, one of the best ways that we can do that is if businesses can operate in a community that is welcoming and competitive from a business viewpoint. Thus, the over riding importance of business advocacy to us.

Today, we comprise 1,750 individual members representing 1,150 companies and organizations that collectively employ 75,000 people full time from all parts of the “new” City of Hamilton, indeed and beyond. While almost every one of the large employers in town, both public and private sector are members; as is common in the Chamber movement, the overwhelming majority of our membership is Small to Mid sized Enterprises, and most of these are Independent Businesses. Currently 41% of our memberships are Small Operation/Home Operation Businesses (i.e. for profit enterprises with 3 full time employees or less, or not for profit businesses of 10 full time employees or less).

While primarily a business organization, we are very inclusive, welcoming anyone as members who ascribes to our fundamental mission, and formally (i.e. in writing) accepts our goals and code of conduct. To demonstrate this inclusiveness, our single fastest growing market segment is the not for profit sector – now well over 13% of our membership are Not for Profit organizations. We even have a large labour union as a member. We work very hard at recruiting members of all sizes from all business sectors to ensure that our membership reasonably reflects the broader business community operating within the City.

While obviously approaching issues from a business perspective, we have always taken pride in striving to work for the common good of the broader community – i.e. we would never advocate for public policy positions that would simply serve the best interests of business alone, over the needs of the community. However, we also firmly believe that what is good for business is genuinely good for the community, too. After all, without a healthy prosperous business community, you cannot truly have a sustainable future.

In the last five years we have had numerous public policy advocacy successes. A partial list of the major ones includes:

- Business Tax Reduction (now Business Retention and Expansion) Program;
- Municipal Amalgamation
- Current Value Assessment
- Construction of the Red Hill Creek Expressway and “new” Highway #6 to our Airport
- Reduction in Hydro Deposits
- City adoption officially Economic Development as a “Number One Priority”.
- Re-zoning of Airport lands for Employment use.



- Balanced Waterfront revitalization plans
- Adoption of a Hamilton Port Authority
- A Comprehensive plan for Brownfield Revitalization.
- City adopting long range Growth Related Integrated Development (planning) Strategy.

The list goes on, and continues actively to this day. The overwhelming majority of our policy work is generated by a dedicated core of volunteers through organized standing committee and/or geographic Divisions *, supplemented occasionally by special short term Task Forces, set up as either sub-committees or cross committees.

(* The Hamilton Chamber is somewhat unique, we believe, in that, since 1972/73 we have operated two semi-autonomous geographic Divisions that represent the special needs of suburban communities – Ancaster & Dundas. Notwithstanding that these two communities are no politically amalgamated within the “new” City of Hamilton, they still operate effectively. Their Chairs also sit “ex officio” on our Board of Directors with full voting rights, etc.)

Overall, we have about 300 members formally registered in committee work, about 200 of which are truly actively engaged. All of our committees are fully open to participation by any member in good standing at any time, which we believe essential to keeping our policies reasonably reflective of the views of the broader memberships, as well as reasonably balanced and well informed.

Representing, so many diverse individuals, we would never pretend that we speak with absolute unanimity on any issue for every single member, not to mention their employees or their families. However, we are never afraid to take strong controversial public stands on matters of importance to the business community. This is because this structure allows us to ensure that we do have reasonable consensus on well informed and well thought out general policy platforms.

Last, but not least, we have a weekly e-mail/fax. newsletter “Working For You” which now goes out to over 85% of our membership, advising them all, amongst much other valuable information, of what is happening on our major issues advocacy front. We also have a bi-monthly magazine “Panorama” which is mailed out to all members to supplement the newsletter in keeping members informed.

Lastly, these are always posted prominently on our web site www.hamiltonchamber.on.ca as well (“Working For You” always the last four issues). In addition, the web site features each committee, when & where they meet, whom their current Chair is and how to contact them plus the complete text of all public policy positions that have been approved by the Board from each committee over the last three years. In short, effective ongoing communication with all of stakeholders, particularly the membership, is of vital importance.

We are thus fully confident that when we do speak, we do speak for the membership, who are indeed representative of broader business community; and we can say this with some authority.

So, we say with pride, as we have since 1845, that we are indeed the

“Voice of Hamilton Business”

