

# THE BUSINESS CASE FOR MAINTAINING REASONABLE USER FEE RATES IN HAMILTON



## **EXECUTIVE SUMMARY**

On behalf of the Hamilton Chamber of Commerce, I would like to thank the City of Hamilton for seeking our input on the proposed increase to user fees.

As President & CEO of the Hamilton Chamber of Commerce, Hamilton's oldest institution at 174 years old, I have the privilege of speaking for our 1,000+ members that employ over 75,000 people in this community.

On January 18, 2019, a report went before the General Issues Committee (GIC) at Hamilton City Hall. The City's five-year review of Development Application Fees recommended an increase in Tariff of Fees for Development Applications.

City staff were directed to consult with the development industry within the next 30 days and come report to GIC.

We thank the City for the opportunity to make this submission. The Chamber appreciates the positive ongoing working relationship with staff and commits to continuing to dialogue with staff to find ways to improve the efficiency of the development process to facilitate new investment into our community.

We believe our position represents a fair and balanced approach to ensure that costs to the municipality are to some extent covered through development applications, while at the same time ensuring that the potential impact on local and future businesses is taken into account.

The consideration of the proposed increase in fees has been undertaken within the context of two principles. The first is the extent to which there is a public interest in the development applications that are subject to the increase in fees. The second principle is to assess these changes within the context of ensuring consistency with broader municipal strategies as they relate to economic development and support for small business

## **1. PUBLIC INTEREST**

The background report prepared by the consultant on behalf of the City was tasked with identifying development application fees that would cover 100% of the cost of processing applications. This would put all of the costs on the proponent/applicant at no cost to the municipality, i.e. the public. This allocation is premised on the assumption that the full benefit of the application is to the proponent and that there is no public benefit associated with these applications. The position of the Hamilton Chamber of Commerce is that there is a need to encourage development activity and that costs should be shared in a manner that recognizes the public good involved with specific applications. Our assessment is as follows.

We understand that staff at the City are hired by, paid by, and function under the direction of Council and are there to serve the public interests. As professionals, their main responsibility is to represent the interests of their employer, i.e. the residents of the City of Hamilton through Council. When they spend time processing applications that are brought forward, their time on the file represents a professional role in protecting public interests. Therefore, there is a clear public interest in the role they play.

Similarly, planning consultants who act on behalf of proponents, through their professional ethical standards must consider the public interest in all of the work they undertake with respect to the processing of development applications. Thus, planners in both the public and private sector recognize the need to ensure a proper balance of public and private interests in development applications.

Second, there is a strong public interest associated with the economic benefits arising out of development applications. Development proposals not only generate future sustainable tax revenue, but also help in the creation of new jobs and in sustaining and expanding existing businesses.

There is also a public interest associated with development applications that assist in implementing specific Official Plan policies, including development applications that are anticipated to be forthcoming for properties along the LRT line. As these sites develop, the economic viability and sustainability of the LRT system is enhanced. Similarly, the importance of new development applications in the downtown area, which help to bring vitality through jobs and residents, is evidenced with current enhancement programs where fees, development charges, etc. have either been reduced or waived as part of a broader incentive program.

The public interest element of development applications is also illustrated in applications that relate to activities in the agricultural sector. Given there is a strong public interest in protecting and enhancing agricultural activities and the production of food, consideration of reduced fees for applications in the agricultural sector can be supported on the basis of contributing to the achievement of goals that are in the public interest.

## **2. ECONOMIC DEVELOPMENT AND SMALL BUSINESS**

The second principle in consideration of increasing fees is the extent to which the increase in fees could impede or prevent the achievement of economic development objectives by introducing costs that become an impediment to growth of existing businesses or establishment of new businesses. In cases where large corporations are applicants and the development project is of a large scale, an increase in fees may represent a marginal increase in costs that can be easily passed on through the sale of the final end product. However, it is important to recognize that not all development applications are undertaken by large interests.

In the case of small businesses, funds are limited and the extent to which the increase can be absorbed through high volume economic activity is not always present. Very often the costs and fees are significant and any increase could frustrate new investment in site improvements.

### **3. FEE STRUCTURE AS AN ECONOMIC DEVELOPMENT TOOL**

The consultant prepared a summary chart to compare both existing and proposed application fees with other area municipalities. While this is helpful to assess the comparative position of the City with respect to other municipalities, we believe this comparison can also be used in a positive way in terms of the promotion of economic development in the City.

Rather than suggest our goal will be to have fees that are comparable with other municipalities, we believe there is an economic development advantage to being able to boast that the City of Hamilton is business friendly and enjoys application fees that are lower than those in surrounding communities. This economic development strategy would be consistent with, and help to support, other initiatives that advertise the City of Hamilton as an attractive location in which to operate a business. In the downtown area, we have seen how a strategic fee structure can greatly affect economic outcomes.

Further, consideration of fees in other municipalities, particularly those to the east is not always a fair comparison in that land prices and economic outcomes from development applications are often much higher in those locations, making the application fees a smaller proportion of overall returns than applications within the City.

### **RECOMMENDATIONS**

1. The first position of the Hamilton Chamber of Commerce is that there should be no increase in development application fees other than annual cost of living increases. This is consistent with being able to utilize the fee structure of the City as a helpful tool in terms of economic promotion. This will also minimize impacts on existing and new businesses.

2. At the same time, the Chamber recognizes that it is important to have a fee structure that is fair and reasonable. If fees are to be increased, our recommendation is that the increase be set at maximum of 50% of full cost recovery, recognizing the public and private benefit associated with development applications.

3. Introduce a range of fees for application for official plan amendment in the following manner:

- minor application, i.e. modifying numbers in an Official Plan, adding a land use, implementing a minor map Change: \$5,000
- intermediate application (current fee) \$19,000
- major (50% recovery) \$26,915

4. Introduce three categories for zoning applications as follows:

- minor (including adding a use) \$5,000
- intermediate (current fee) \$11,770
- maximum (50% recoverable fee) \$18,625

5. Increase the reduction for combined applications from 25% to 75% to reflect the marginal amount of additional work required for two applications to be processed concurrently.

6. Establish three categories of site plan application including the following:

- minor site plan application (2 x existing fee) \$2,430
- intermediate (current fee) \$9,800
- major (50% recoverable fee) \$17,765

7. Establish two categories for an amendment to an approved site plan	
• minor (current fee)	\$2,370
• major (25% full cost recovery to recognize significance of increase)	\$4,441

8. To minimize adverse impact to agricultural applications, in addition to the principle of only charging 50% of fees for agriculture uses, also implement the following:	
• severance of surplus farms	\$2,500
• zoning to eliminate development on retained lot as a result of farm consolidation	\$2,000
• site plan application for construction of a barn structure	\$2,000

10. Do not create a new fee for the removal of a holding provision in the Downtown.

11. Sign variance - Since this often relates to small business owners, we recommend the fee be retained as current. If an increase is deemed warranted, it is recommended the increase be a maximum of twice the current rate of \$910 to become \$1,820.

12. Given that a number of agreements are in standardized form, the Chamber would recommend that the cost for preparation of these agreements be reduced. This could be implemented in part through the agreements being available to the proponent on line and have the proponent fill in the relevant parts of the agreement.

As such, we believe that the fees for these agreements should be a maximum of \$1,500. This would include agreements such as:

- External Works Agreement
- Special Service Agreement
- Special Water Service Agreement
- Joint Sewer/Water Service Agreement
- Consent Agreements with or without warning clauses

13. Review of Construction Management Plan - Given that this is a review of a generally standardized plan, consideration should be given to setting a maximum fee of \$1500.

14. In order to allow the community to adapt to these changes, if an increase is to be considered, it is recommended that the increases be phased in in the following manner:

- retain the existing free structure until July 1, 2019
- any proposed increase be limited to 50% until October 1, 2019
- on January 1, 2020 the full fee increase will be implemented

We thank the City for the opportunity to make this submission. The Chamber appreciates the positive ongoing working relationship with staff and commits to continuing to dialogue with staff to find ways to improve the efficiency of the development process to facilitate new investment into our community.

Respectfully Submitted,



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Hamilton Chamber of Commerce