

## **McMaster University Development Charges Submission**

April 18<sup>th</sup>, 2019

McMaster has been a partner with the City and the people of Hamilton since it moved from Toronto to Westdale in 1929. Since then, the University has significantly built its teaching and research strengths. Hamilton is now one of only four Canadian cities with a university ranked in the top 100 in the world. As the University has built its international prestige, McMaster has also developed its commitment to community engagement and to strengthening its role in Hamilton's development and success.

The University's strong history of community building forms the core element of the Principles of Cooperation document signed by City Council and postsecondary institutions in 2016. These Principles affirm collective responsibility to foster community-building, eliminate barriers to higher education, encourage graduates to settle in the City, and acknowledge the benefits of maintaining a postsecondary presence in a variety of locations throughout Hamilton.

The Principles of Cooperation apply equally to each partner, however, we are concerned that the same spirit and practice of equity is not fundamental in the City's proposal to amend its development charge framework.

This submission details why McMaster University merits its continued exemption from development charges:

- McMaster will not receive equal treatment with other post-secondary institutions
- McMaster's competitiveness as an institution will be severely disadvantaged
- McMaster is an economic driver for the City of Hamilton
- McMaster is a publicly funded not-for-profit educational institution
- McMaster is a community partner and committed to engagement

### **McMaster will not Receive Equal Treatment with Other Post-Secondary Institutions**

Locally, Mohawk College and Brock University will continue to receive full exemptions. To date, Hamilton has a long history of treating its higher education institutions in an equitable manner in recognition of the similar funding frameworks and core missions of universities and colleges.

This potential disparate treatment contradicts precedents established by other Ontario municipalities that consistently enforce equal exemption from, or application of, development charges among universities and colleges. Most recently, the City of Guelph considered applying development charges to the University of Guelph. After considering the impact this would have on the institution's competitive ability, as well as equitable treatment compared to the local college, Guelph's Council voted to maintain its development charge exemptions.

### **McMaster's Competitiveness as an Institution will be Severely Disadvantaged**

Removing McMaster's exemptions from development charges will disproportionately hurt the University's ability to remain a competitive institution. Universities compete intensely for research and capital funding. Of the research-intensive Ontario universities (known as the U6) all but one currently receives at least some form of exemption, and our regional competitor universities also receive exemptions at 100%.

### Ontario Research Intensive Universities (U6)

University	Do Not Pay DCs	Pay Partial DCs	Fully Pay DCs
McMaster University		Fully Exempt Except Transit Component / 50% on Student Residences	
Queen's University			100%
Western University		50%	
University of Toronto	100%		
University of Ottawa	100%		
University of Waterloo		100% Municipal Exemption / No Regional Exemption	

### Other Ontario & Regional Universities

University	Do Not Pay DCs	Pay Partial DCs	Fully Pay DCs
University of Guelph	100%		
York University	100%		
University of Windsor	100%		
Ryerson University	100%		
Brock University	100%		

Subjecting McMaster to development charges will have a negative impact on its ability to secure government funding in capital competitions – bids will have to factor in these additional fees to which McMaster's competitor institutions are not subject. If McMaster is not able to compete on an equal basis, Hamilton will lose funding opportunities to other municipalities.

McMaster is asking that Hamilton maintain the status quo so that the University can continue to effectively compete and contribute to the City's long-term prosperity.

#### **McMaster is an Economic Driver for the City of Hamilton**

McMaster is a critical partner in Hamilton's economic development. A recent report prepared by KPMG found that nearly \$3.9B in annual GDP in Hamilton is linked to McMaster. This is as a result of the University's operating and capital expenditures, innovation and entrepreneurial initiatives, productivity gains, and human capital development.

These gains are achieved through attracting world-class talent. McMaster's researchers are some of the best at what they do – which is why they consistently outpace their peers in research funding. For the past two years, McMaster has been named Canada's most research-intensive university. Collaborating with industry over the last five years, McMaster has outpaced its peers in industry-sponsored research. These partnerships act as magnets and further attract businesses to Hamilton. The University also provides unique opportunities for Hamilton businesses to partner with researchers.

McMaster contributes significantly to the local economy, purchasing goods and services from local vendors. Over \$100M in annual revenues to local businesses can be directly attributed to the University's capital and operations spending. McMaster students are also active members of the Hamilton community, and spend an estimated \$192M each year in the City. And McMaster attracts

thousands of non-enrolled visitors to the Hamilton region, including thousands of professionals who attend conferences, symposia, and events hosted by the University.

Perhaps most importantly, the University plays a critical role in developing human capital for the region and is a source of skilled labour for Hamilton and its businesses. McMaster itself is one of Hamilton's largest employers with more than 7,500 faculty and staff. Most of these are high-skilled positions, and the University attracts candidates to Hamilton from across the country and around the world.

### **McMaster is a Publicly Funded Not-for-Profit Educational Institution**

Each year, McMaster welcomes more than 30,000 students, attracting thousands of domestic and international students to the Hamilton region. The University's core mission is to provide an enriching and transformative learning experience for its students, to integrate its world-class research enterprise into teaching and learning, and to advance human and societal health and well-being.

By law, publicly funded elementary and secondary schools are exempt from paying development charges. This is in recognition of the public nature of the educational services they provide, and the reality that these services are made possible through government funding.

As a not-for-profit institution, McMaster – like other postsecondary institutions – is largely funded through public grants, student tuition, and private donations. Much of this revenue is tied to specific outcomes, projects, and deliverables and cannot be reallocated to other priorities. This is also true of the research dollars raised by researchers that must be applied to specific projects. These funds cannot be shifted to other programs or projects.

McMaster has few tools at its disposal to absorb the impact that new development charges would have on its operations. Even student tuition is largely controlled by the Government of Ontario as evidenced by recent provincial policy decisions that have forced McMaster to absorb nearly \$22M in lost revenue in the fiscal year alone.

Without the existing exemption, currently planned academic building projects will need to be reassessed. This in turn will impact academic decisions and overall costs and may put several funded projects in jeopardy.

McMaster also takes seriously its responsibility to manage and service its institutional spaces that sets it apart from other developments that expect the City to provide such services and infrastructure. The University provides and manages its own campus garbage pickup, security, water, wastewater, energy, and other critical infrastructure that would otherwise significantly impact City coffers.

The Government of Ontario annually provides around \$2.1M to the City of Hamilton in lieu of taxes and fees to which the institution would otherwise be subject. McMaster recognizes that this does not adequately account for inflation since this mechanism was last adjusted in 1987. As a partner and anchor institution, McMaster is willing to work with the City in its bid to convince the province to increase the 'heads-in-beds' grant.

The status quo on development charges must be maintained for academic institutions if McMaster is to continue operating as an effective not-for-profit publicly funded educational institution.

## **McMaster is Deeply Embedded in the Community and Committed to Engagement**

McMaster has maintained a long-lasting relationship with the community and works to support the City's economic and social development goals. As an institution it is dedicated to public service and is focused on fostering collaboration. This has been achieved by leading and partnering on a variety of local and global initiatives, including organizing and engaging in community-based research. These activities align strongly with the City's economic development goals and provide leadership in the community.

McMaster attracts some of the best and brightest students and faculty to the Hamilton region, and its research capabilities are applied for the benefit of the community. Through the Office of Community Engagement and a variety of initiatives, such as the McMaster Research Shop and our Scholar-in-Community Program, McMaster connects faculty members with organizations in the Hamilton community that benefit from the knowledge and skillsets that McMaster has to offer. The University serves as an agent of knowledge transfer and is committed to providing the community with accessible research and expertise in order to tackle the challenges Hamilton faces.

McMaster has also formed partnerships with local organizations to improve the student experience and strengthen community engagement. In the 2015-16 academic year, 569 undergraduate and graduate students were placed in work placements in Hamilton, including in City offices.

The University provides shared spaces and resources to support the needs of our community, including access to sport, fitness, camp and recreation facilities. McMaster's free public art gallery, the Museum of Art, attracts thousands of visitors, contributes to our cultural scene, and provides learning and research opportunities for our community.

## **Conclusion**

Hamilton's development and the University's success are intertwined.

McMaster's historic successes belong to Hamilton as much as they do to the University. When many organizations were moving away from the downtown area, McMaster was the first, and until recently the only, major public institution that responded to the City's call to help revitalize the downtown core.

A development charge is paid once – the positive economic impacts and community contributions made by the University are constant and far reaching.

McMaster urges Council to consider the negative impacts that will result from the proposed changes and instead ensure a level playing field, both within our city limits and beyond, with our competitors in other jurisdictions.