City of Hamilton, Office of the Auditor General
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Chair and Members Audit, Finance and Administration Committee,

For several years, Slate Asset Management ("Slate") has been an active landowner and developer in the City of Hamilton. With over 700 residential suites and 11M square feet of employment area under development, the unprecedented increase in Development Charges ("DCs") will shock the market and have immediate negative economic impact. Should the proposed rates be implemented, Hamilton will have one of the most expensive industrial DCs in the GTHA, posing a significant barrier to new investment.

Slate shares concerns with many of our industry peers regarding the unprecedented increase in DC's that will have a dramatic impact on future investment and jeopardize the feasibility of our projects. Market data provided by the City's consultant to inform the proposed DC changes is based largely on trailing historical data and has not accurately captured today's market dynamics. In reality, 2023 residential sales were the worst in a decade for Hamilton and the GTA. Waves of residential inventory coupled with persistent affordability challenges are leading to delayed or cancelled projects and pushing purchasers to walk away from their homes.

While the GTHA's industrial market remains relatively healthy, it too is experiencing the pressures of vacancy rates increasing back to pre-pandemic levels and a slowing of rental growth rates from their peaks in 2021 and 2022. Hamilton's relative affordability leaves the City well positioned to attract employment opportunities, however, this momentum is delicate and the proposed DC changes would dramatically erode the advantages presented today. Facing these headwinds, the City of Hamilton is adding undue pressure to already difficult conditions – now is not the right time for a dramatic increase in DCs.

Slate urges the City to consider the long-term opportunity of growth and development, focusing on the tax productivity of land. A conservative estimate shows that, at full buildout, the Steelport lands will generate $71M in additional annual property taxes – offering a long-term stable revenue stream for the City. This does not include an extensive list of additional benefits associated with adding over 23,000 construction and permanent jobs. Under the proposed DC rate changes, the City could realize the one-time benefit of an additional $210M in DC payments over the course of Steelport's development. However, this policy severely threatens the viability of development and risks delay or diversion of investment leaving the Steelport lands underutilized for a longer period of time. At completion, it would take less than three years of incremental additional tax revenues to off set the one-time benefit of the proposed increased DC's.

The proposed DC increase totals approximately $25 per square foot of new development (a 148% increase). To put this in perspective, $25 per square foot represents 20% or more of the typical construction hard cost for development of traditional industrial buildings. This increase would be the equivalent of raising land prices by almost $500,000 per acre. These increases will put Hamilton at a significant disadvantage when compared to most markets in the GTHA pushing investments into neighboring municipalities such as Burlington, Brantford and Milton.

Enacting a policy that more than doubles the industrial DC will undoubtedly weaken Hamilton's ability to attract jobs and investment. Furthermore, this short-sighted policy risks delaying productivity of existing lands and infrastructure and dis-incentivizes development and investment throughout the City. No additional DCs or tax revenue will be collected by the City if no development occurs as a result of the policy. This will impact the City's brownfields in particular which are more costly to redevelop and present a greater overall investment risk. Such an approach is inconsistent with the economic development policies in the City's official plan which indicate that the City will provide the necessary financial assistance to make redevelopment of brownfield sites a viable option (Policy B.3.1.6 c)).

The City should also consider how such drastic increases in industrial DCs will affect the ability to achieve the vision in the recently approved Bayfront Industrial Area Strategy. This Strategy envisions transformational change in the Bayfront Industrial Area that sees the area transition into a cleaner, greener area which embraces the City's rich industrial heritage while attracting modern, high-tech industry and high paying jobs. The Steelport proposal is a timely development located right in the centre of the Bayfront Industrial Area that will catalyze this transformation. However, it is difficult to comprehend how the City intends to realize this vision in the absence of a competitive DC framework. The proposed policy will have a dramatic negative impact on the City and its potential revenue stream, stifling investment, development, jobs, and ultimately municipal revenues.

Slate is calling on Hamilton Staff and Council to revisit this policy. The City and those helping to build it need realistic and sustainable policies to continue growing a strong and stable economy.

Sincerely,

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Steven Dejonckheere
Senior Vice President
Slate Asset Management
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