

## **Elimination of industrial development charges**

**Submitted by** the Greater Barrie Chamber of Commerce, Sault Ste. Marie Chamber of Commerce, Orillia Chamber of Commerce, Oro-Medonte Chamber of Commerce

### **Issue**

Development charges add additional and unnecessary costs to new industrial building construction. This puts Ontario businesses at a competitive disadvantage.

### **Background**

Development charges are usually collected by municipalities at the time of building permit issuance. They are typically set at different amounts for commercial, industrial and residential property classes and are intended to assist municipalities pay for infrastructure and services associated with each property class. In the case of industrial development charges, they are either a pass-through cost to tenants in the form of increased rents or paid directly by business owners. Many other jurisdictions in North America either do not have industrial development charges or they are negligible.

Industrial development charges do not consider the economic benefits that municipalities enjoy from industrial development. Effectively they are an industrial business tax that directly affects operating costs for new and expanding businesses and indirectly affects operating costs for existing industrial businesses.

Many industrial businesses require newly constructed space because old industrial stock does not have the required attributes such as AODA compliance, ceiling height, energy efficiency and access to transit infrastructure. Industrial development charges distort the industrial real estate market in an unintended and harmful way. Directly, they drive up development costs for industrial buildings creating a cost barrier to new industrial construction. This means fewer industrial buildings are constructed and results in decreased availability of industrial space in the marketplace. Indirectly, they drive up rent costs in existing industrial buildings due to this lower availability of industrial space. These factors not only negatively affect new or expanding industrial business seeking new premises but also existing industrial businesses that lease premises because rent charges are typically adjusted to market rates at regular intervals during the term of an industrial tenancy.

The net effect of industrial development charges is that all industrial businesses bear increased costs to operate in Ontario because they must pay more rent.

### **Recommendation**

*The Ontario Chamber of Commerce urges the Government of Ontario to:*

Exempt all industrial development from all development charges under the Development Charges Act to strengthen Ontario's competitiveness in the industrial sector.