

15 May 2006

His Worship Peter Kelly
Mayor, Halifax Regional Municipality
P.O Box 1749
Halifax, N.S. B3J 3A5

Dear Mayor Kelly,

The Municipal Affairs Committee of the Halifax Chamber of Commerce is dedicated to working with the municipal government to promote a competitive environment for business growth. Accordingly, the Committee follows the tax strategies of the government and provides feedback and commentary where necessary.

With the highly publicized release of property assessment figures in January, the forthcoming setting of tax rates later this spring, and the impending completion of the Regional Plan; Halifax is at a critical juncture.

The ongoing deliberation on commercial and residential tax rates in the municipality provides an excellent opportunity for the business community to weigh in on the subject of taxation and, more specifically, on commercial taxation. As the leading voice of the Halifax business community, it is our sincere hope the corporate citizens of Halifax will enjoy a competitive tax climate in which to conduct business.

The implications of maintaining a competitive tax structure for the commercial sector are far reaching. Businesses operating in a competitive tax structure are better able to create jobs, invest in new technologies, expand much-needed infrastructure and ride out inevitable downswings in the economy.

Halifax city staff have shared with the Chamber a comparative tax study undertaken by the City of Edmonton. This study shows Halifax as ranking well with other Canadian municipalities respecting residential taxes.

It is important though that Council not just look at residential taxes. In fact, we know that not only are residential taxes low relative to business taxes, the commercial sector receives relatively few services for the taxes it pays. We have assembled data that present a very different picture when it comes to the Commercial sector in Halifax. Comparative taxes per square foot for the following types of commercial space were assembled:

- Industrial
- Class A office
- Class B/C and suburban office.

For each class of space, property tax levels per square foot are highest in Halifax compared to other jurisdictions in Atlantic Canada. While we acknowledge that any comparison of taxes in different jurisdictions is a complex issue, it is tax rates that inform businesses' decisions with respect to where to locate and operate. In this respect, Halifax is obviously not faring well.

The table below shows, for a sampling of businesses, the average per square foot tax rates for Industrial properties in Dartmouth, Halifax* and Bedford at \$2.42, \$2.48 and \$2.71 respectively - well above the Atlantic Provincial average. This table also shows Class A Office space where, with taxes at \$4.50 per square foot, Halifax is also the highest in the Atlantic Canadian market.

Assessment and Property Tax Comparison, Atlantic Provinces

	Average Assessment / ft²	Average Tax / ft²	Year
INDUSTRIAL			
<i>Halifax Region</i>			
Halifax*	\$ 50.68	\$ 2.48	2006
Dartmouth	\$ 48.63	\$ 2.42	2006
Bedford	\$ 57.04	\$ 2.71	2006
<i>New Brunswick</i>			
Fredericton	\$ 35.90	\$ 1.58	2006
Moncton	\$ 41.93	\$ 1.99	2006
Saint John	\$ 35.24	\$ 1.75	2006
<i>Prince Edward Island</i>			
Charlottetown	\$ 44.65	\$ 1.72	2005
Median	\$ 44.65	\$ 1.99	
OFFICE			
<i>Halifax Region</i>			
Halifax	\$ 90.44	\$ 4.50	2006
<i>New Brunswick</i>			
Fredericton	\$ 86.02	\$ 3.78	2006
Moncton	\$ 50.07	\$ 2.38	2006
Saint John	\$ 54.23	\$ 2.69	2006
<i>Prince Edward Island</i>			
Charlottetown	\$ 52.55	\$ 2.08	2005
<i>Newfoundland</i>			
St. John's	\$ 94.44	\$ 3.49	2005
Mount Pearl	\$ 44.16	\$ 1.44	2006
Median	\$ 54.23	\$ 2.69	

Source: Turner Drake and Partners - Property Tax Division

Additional tables are attached showing examples of taxes for Industrial, Class A Office Space and Class B/C Suburban Office Space across the Atlantic Provinces. All tell a similar story - that commercial property taxes in Halifax are consistently, and frequently significantly, higher than commercial property taxes in neighbouring areas.

It is also important to recognize that, excluding Business Occupancy Tax, our commercial tax base has risen from 2005 to 2006 from \$6.955 Billion to \$7.348 Billion. This increase of more than \$390 Million in assessed value could translate into almost \$13 Million in additional tax revenue.

While we recognize that business occupancy tax (BOT) will begin to decline this year, we urge you to drop the commercial tax rate by at least 2% to offset increased assessments, in particular for those businesses that will not see BOT reductions for years to come. A decrease in the tax rate is essential to keep Halifax from becoming even less competitive. As well, keeping all commercial rates competitive is the key to not having individual commercial establishments seek special tax deals such as the grants in lieu of taxes paid by government agencies and tax agreements for large companies such as NSPI and Aliant.

We trust that you will consider carefully the figures we have provided and hope that the information will guide Council in its consideration of commercial tax rates for the coming year.

The Chamber is committed to working with you to make Halifax's business environment the best in Canada. If you require further information or clarification on the information provided, please do not hesitate to contact me at 468-7111 or Valerie@halifaxchamber.com

Sincerely,



Valerie A. Payn
President

Encl.

Cc: Councillors, Regional Council, Halifax Regional Municipality
Mr. Dan English, CAO, Halifax Regional Municipality
Ms. Cathie O'Toole, Acting Director of Finance, Halifax Regional Municipality
Mr. Bruce Fisher, Manager, Financial Planning-Halifax Regional Municipality