



HALIFAX CHAMBER  
OF COMMERCE

# **HRM 2007-2008 Budget Submission**

3 April 2007



## **2007-08 HRM BUDGET RESPONSE**

### **INTRODUCTION**

For over 250 years, the Halifax Chamber of Commerce has been the leading voice for business in Halifax. The first chamber established in North America, the Halifax Chamber strives to make Halifax an ever more attractive city in which to live and conduct business. Maintaining this balance is essential to a vibrant and competitive future. Today, the Halifax Chamber represents approximately 1,700 member companies employing more than 90,000 people, or over half of the city's workforce.

Halifax represents a \$10 Billion economic engine for the region, and is Atlantic Canada's largest and most vibrant urban economy. Its continued success is vital to the entire region. Recent research by the Conference Board of Canada has demonstrated that boosting the economic growth of major cities is the best way of producing spin-offs for surrounding communities. Our economic strategy provides us with a roadmap to a vibrant economy and flourishing city – now it is up to us all to incorporate this strategy into our action plans.

Halifax has undergone significant growth in recent years and the Regional Plan, adopted by Council last year, is indicative of how the city intends to approach future development. We believe Halifax has the potential to become a world-class place to do business, and fostering business – whether as a global port, a center of academic excellence, or a hub for knowledge based industries should be a key priority for HRM.

HRM policies must recognize that Halifax businesses compete globally, often with businesses operating in much lower cost environments, and need every possible advantage if they

are to realize success both nationally and internationally.

Based on the latest census figures released by the National Research Council it is evident that Atlantic Canada is experiencing a disproportionate decline in population growth, with negative population growth on the horizon if this trend continues. Clearly, the lower birth rate and the recent dramatic migration of Atlantic Canadians westward in search of better employment opportunities are contributing factors to this population decline. By creating and fostering a climate for business, it may be possible to slow, and even reverse, the migration westward.

In keeping with this goal and our desire to promote sustainable economic growth for the municipality we have identified the following key priority areas which we strongly believe that HRM should consider when shaping policies over the coming year.

### **KEY PRIORITY AREAS**

#### **TAXES**

Business climate – including the tax and regulatory environment - is one of the fundamental tenets of the economic strategy and having competitive commercial taxes is a key outcome measure of the strategy. Currently our achievement in these areas is inadequate.

In past correspondence the Chamber has demonstrated that Halifax has lower residential taxes than the Canadian average but higher commercial taxes. As an example, the average occupier of office space in Halifax pays 22-50% more than counterparts in St. John's, Fredericton, Moncton, Saint John and Charlottetown. Further, while we applaud the phasing out of the Business Occupancy Tax (BOT), it will

be several years before it is completely removed and in the interim the BOT continues to place an additional burden on Halifax businesses. Additionally, the Chamber's economic strategy scorecard points to data from KPMG that shows Halifax's commercial taxes per square foot of building space at twenty per cent higher than the national average. It is the Chamber's contention that a decrease in commercial taxes is essential to improve the competitiveness of Halifax businesses. The city's historical dependence on the commercial tax base for revenue must be examined in the context of the importance of stimulating the commercial sector to allow it to expand and compete nationally and internationally for labour.

The Chamber continues to follow the very important tax reform initiative of the municipal government with great interest as an equitable tax structure is a critical aspect of creating a business climate that is conducive to growth. Businesses operating in a competitive tax structure are better able to create jobs, pay nationally competitive wages, invest in new technologies, expand production lines and ride out inevitable downswings in the economy.

The proposed budget moves in the right direction with the on-going elimination of the business occupancy tax and the application of BOT 'savings' to ease the commercial sector tax burden, and also in so far as it slightly shifts the relative burden of taxes from the commercial sector. However, the commercial sector represents just under twenty per cent of the assessment base and yet still accounts for just over forty per cent of the property tax revenue projected in the budget. Also, the average business will still see an increase in taxes this year.

## **EXPENDITURES**

On the other side of the tax coin is expenditures. We were pleased to see Council undertake a process of priority setting and focus sessions as the budget was developed, furthermore, spending appears to be focused on Council's priority areas. However, this year's budget effectively sees an increase of more than 5%. While we recognize the municipality faces some cost pressures that are beyond its control, we urge continued diligence to seek efficiencies and restrain spending.

## **MUNICIPAL INFLATION RATE**

Over the past two years the cost of municipal services has risen faster than the Consumer Price Index (CPI). While cost drivers for HRM may be different than for residential and business consumers, certain costs appear to be increasing at much higher rates than national averages. Both residential and commercial taxpayers must find a way to manage their expenditures within the general inflation rate – currently at 1.9% in Halifax. We challenge HRM consistently to do the same. As has been identified in past pre-budgetary commentary from the Chamber, possible explanations include the time of year tenders are released and the level of competitiveness within the tendering process. We are pleased to see that an audit of procurement policies and procedures has begun and will be completed in this budget year.

## **MUNICIPAL INFRASTRUCTURE**

Proper maintenance of capital infrastructure is required to ensure sustainable growth within communities. Our future as the economic center of Atlantic Canada is threatened by the ongoing decline of infrastructure in our city. This highly visible deterioration creates the perception of a city in decline – a perception which must be corrected. Indeed, our economic strategy calls

upon us to bring “infrastructure spending up to appropriate comparable standards” and for the city’s infrastructure needs to be prioritized and evaluated. We commend Council the prioritization of investment in facilities in general and request that HRM commit to a broad evaluation of infrastructure needs and subsequently to a regular and effective maintenance program for the city’s infrastructure.

## **OTHER ISSUES**

### **RESIDENTIAL ASSESSMENT CAP**

The recent changes to the Assessment Act, including specifically the extension of the residential assessment cap and the setting of the ‘prescribed percentage’ as the percentage increase in the CPI, are a cause of concern to the Chamber. In addition to having a distortionary effect on the market and undesirable effects with respect to equitability, a potential result of these changes is an increased reliance on the business community to support essential municipal services and, ultimately, unless counterbalancing initiatives are implemented, the continuation of the current unfavorable tax climate for Halifax businesses. To reiterate, a provincial assessment cap on selected residential properties in Nova Scotia is not in the best long term interest of the community. We know HRM appreciates this challenge and wish to offer our continued support in working with the Government of Nova Scotia to correct this recent Assessment Act change.

### **FOSTERING DEVELOPMENT**

HRM has a great opportunity to expand its assessment base and tax revenues with relatively low incremental costs by fostering development in the city core. Unfortunately, development in the city core is a lengthy and difficult process. One reason for this is the opportunities

opponents have to stall projects with a variety of appeal tactics. One clear opportunity here is to modify the Nova Scotia Utility and Review Board (UARB) development appeals process by tightening review and decision times and by restricting the definition of aggrieved persons in the Municipal Government Act.

The Board of the Chamber recently voted to work to have the related legislation changed in this regard and hopes that this is an initiative we can work on with HRM in a collaborative manner particularly as we see clear and well-defined development rules as a necessary corollary to a stricter appeals process.

## **CONCLUSION**

In closing, the Chamber would like to offer its congratulations to HRM council and staff on their efforts as they work towards a multi-year financial strategy, building capital reserves and adhering to its debt reduction mandate. This continued business-like approach will ensure our ongoing viability as a leading international place to do business.

## **CHAMBER ADVOCACY WORK**

More information about the Chamber and its advocacy work can be accessed by contacting the office or visiting the Chamber web site:

Halifax Chamber of Commerce  
656 Windmill Road, Suite 200  
Dartmouth, NS B3B 1B8  
Ph: (902) 468-7111  
Fax: (902) 468-7333

info@halifaxchamber.com  
www.halifaxchamber.com