HALIFAX CHAMBER OF COMMERCE

Halifax Regional Municipality Pre-Budget Submission 2008-2009

Executive Summary

Each year the Chamber presents a pre-budget document to Council, as it undertakes one of its primary roles of approving the annual budget. Highlights of the recommendations to City Council from this year's submission fall under five main headings:

1. **Tax Reform**

- Continue to work with the Province to push for access to various tax revenue tools
- Continue to move towards "benefits based taxation system"
- Implement broad-based tax cuts to the commercial rate, as opposed to sector specific rate cuts, such as a small business rate
- Develop or indicate what measure that is acceptable to HRM as a tax benchmark, so that we can ensure that HRM's tax rate is competitive, relative and comparable to other cities
- Improve 2008 Scorecard result on the measure of Competitive Tax Rates

2. **HRMByDesign and Development Permit Processing Times**

- Set targets for development permit processing times that are at least better than benchmark cities in the Economic Scorecard
- Investigate incentives for the private sector to comply with HRMbyDesign for budget 2009-2010

3. **Infrastructure Investment**

- Invest in Metro Transit
- Align HRM Strategies with those of the Atlantic Gateway initiative
- Allocate necessary funding and human resources to Gateway initiatives

4. **Municipal Expenditures and Debt Repayment**

- Refresh on the Multi-year Financial Strategy, aligning with current fiscal realities
- Maintain focus on Council approved Municipal priorities
- Ensure that debt repayment targets are met
- Ensure there is a long term financing plan in place to replace and renew infrastructure
- Formalize a thorough, annual review of programs and services

5. **Other**

- Develop an annual Community Satisfaction Survey
- Improve efforts towards HRM brand recognition

2008-2009 HRM Pre-Budget Submission

<u>Introduction</u>

For over 250 years, the Halifax Chamber of Commerce has been the leading voice for business in Halifax. The first established in North America, the Chamber strives to make Halifax an ever more attractive city in which to live, work and conduct business. Maintaining this balance is essential to a vibrant and competitive future. Today, the Halifax Chamber represents approximately 1700 member companies employing more than 90,000 people - over half of the city's workforce.

> ***"Careful planning and control over expenditures will be required in order to balance pressing infrastructure needs and debt repayment requirements"***

The Chamber's Municipal Government Relations plan states that it is a goal of the Chamber "to increase communication with HRM Council, to share information and to build on relationships with HRM." The pre-budget submission is one way in which the Chamber fulfills these goals.

Halifax has taken significant steps in recent years towards planning for the future. The Regional Plan of 2006 outlines how "future sustainable growth should take place in the HRM, in a way that preserves the environment while, at the same time, maintaining a strong economy." [1]

The Chamber applauds Council's recent approval in principle of HRMbyDesign, which will fulfill many of the goals set out in the Regional Plan. Also, the City's Tax Reform Project also has the potential to bring substantial, positive and sustainable change.

The theme of the Fiscal Framework 2008-2009 presentation to City Council's "Committee of the Whole" on February 19th 2008 was "Stronger, Safer, Better..Planning for Now and for the Future".

> ***"This year's Economic Scorecard, is an important tool for future planning…"***

Indeed, careful planning and control over expenditures will be required to balance pressing infrastructure needs and debt repayment requirements. Although we currently enjoy a strong economy, Halifax must invest in new infrastructure now, in order to maintain our competitive position as one of the best cities in which to live and to do business.

2008's Economic Scorecard, an important tool for future planning, highlighted areas of strength and weakness[2]. Points to keep in mind when setting this year's Municipal budget include: enhancing brand recognition, public investment levels, increasing population

---

[1] Regional Municipal Planning Strategy, page 10

[2] Report on Economic Scorecard 2008 http://www.halifaxchamber.com/default.asp?mn=1.9.545

growth, community satisfaction, setting competitive commercial tax rates and improving decision times for construction projects

These areas of emphasis all received red or double red scores in 2008's Scorecard, indicating they're either off target, deteriorating, or not being addressed. Many factors influence Scorecard results, however, the Municipality has the potential to make a great impact, by strategically applying its efforts and budget dollars.

In keeping with the goals of the Regional Plan, the Economic Strategy and the challenges highlighted by the Economic Scorecard, the Chamber has identified the following as key priority areas that HRM should focus on when setting the budget for the coming year:

- Tax Reform
- HRMbyDesign
- Infrastructure Investment
- Municipal Expenditure Control and Debt Repayment

Key Priority Areas

Tax Reform

The Chamber of Commerce fully supports the principles put forth by the City's Tax Reform Project, which are: equity, economic competitiveness, economic efficiency, respect for other governments, stability, simplicity and transparency and accountability.

The mission of the Project, to "base the tax system on charges for services provided and ability to pay", is something that the Chamber has been advocating for, as currently the commercial sector is subsidizing the residential, by paying more than the value of services received. Currently, commercial tax payers pay three to four times for municipal services, than residential tax payers.

The Chamber supports principles of the Tax Reform Project, applauds elimination of the Deed Transfer Tax and supports broad - based cuts to the commercial rate, as opposed to sector specific rate cuts, such as a small business rate.

The Chamber applauds HRM's approval in principle of not passing over the burden of the Cap Assessment Program (CAP) to the commercial sector and the elimination of the Deed Transfer Tax.

The Deed Transfer Tax is, indeed, an outdated tax tool that does not have a transparent benefit. We encourage HRM to continue consideration of using various taxation tools, such as user fees, so that those that benefit from the services pay for the services. Along the same vein, the Chamber supports broad-based tax cuts to the commercial rate, as opposed to sector specific rate cuts, such as a small business rate. It is felt that a broad based approach will adhere to the principle of equity and economic competitiveness, benefiting all commercial tax payers with a lower rate, rather than one specific sector.

It is important that HRM develop or indicate what measure it accepts as a commercial tax benchmark, so that we can ensure that our commercial tax rate is competitive, relative and comparable to other cities. In the absence of better data, the Economic Scorecard has been using KPMG's study on competitive commercial tax levels as a measure for commercial tax competitiveness[3]. In 2008, the score was double red on the measure "Set Competitive Commercial Taxes". According to KPMG, Halifax has higher than average commercial tax rates. The 2007 Economic Scorecard agreed that Halifax was not competitive with other Canadian cities and commercial tax rates exceeded the average Canadian city by almost 20%. This situation must be remedied, as businesses in Halifax compete, not only regionally, but also nationally and internationally.

The Chamber encourages HRM to work in tandem with the Province, to explore legislative changes that may be required to permit municipal access to a variety of user based taxation tools. The demands placed on HRM in the near future from infrastructure deficits, increasing service costs and necessary debt repayments will, without a doubt, be significant and may require exploration beyond the current assessed market value method of taxation. It is imperative that the principles of the City's Tax Reform Project be adhered to, in order to ensure that HRM remains a competitive place to do business and an attractive place to live.

HRMbyDesign

The Chamber congratulates the Urban Design Task Force and Council on approval in principle of the Downtown Vision proposed by HRMbyDesign on February 26th 2008.

The approval of HRMbyDesign may prove to be one of this Council's most important achievements, as it promises to "improve decision times for construction projects", which is a measure that received two red lights in the 2008 Economic Scorecard.

Of particular importance to the Chamber, is HRMbyDesign's proposal to replace the Development Agreement process with Site Plan Approval, Variances and Incentive Zoning in the downtown, along with a 60-day administrative review (as compared to the current 6 months plus) for Development Agreements. The 60- day time line should be extended beyond the Downtown Vision, to all of HRM development.

__The approval of HRMbyDesign may prove to be one of this Council's most important achievements…__

The report presented to Council on February 12th, 2008 titled "Planning Application Processing Times" recognized that changes need to be made to streamline processing time for development applications. The report states that a 30% improvement in processing time is targeted.

However, the 30% reduction target is not nearly aggressive enough. Processing time for development agreements is currently 8 months. A 30% reduction in time still means that the processing time is more than 5 months long. That is far a far cry from the 60 days proposed in the Downtown Vision. It is also a far cry from most other cities in Canada. The Chamber urges Council to do what needs to be done, in order to streamline the approval process throughout HRM. At a minimum, we should strive to be better than our benchmark cities.

[3] KPMG's Study available at www.competitivealternatives.com

In addition to processing time of development applications, other HRMbyDesign areas of concern to the business community include height restrictions and heritage protection requirements.

Once HRMbyDesign receives final approval, incentives for the private sector to comply with the plan should be considered for budget 2009-2010, as many of the downtown streetscape improvements proposed, will depend on private sector investment. The plans set out in HRMbyDesign and the work of the "Quality of Place Council" should work to enhance HRM's brand recognition, a Scorecard measure which received a score of two red lights in 2008. Council should place increasing HRM brand recognition on the radar screen for 2008.

Infrastructure Investment

The Chamber commends HRM which is, for the first time this year, including a detailed presentation on infrastructure and asset needs in the overall Business Plan and Budget process. With this detail, Council will be empowered to make better informed capital budget decisions. Long term planning is essential and this is a positive step in the right direction.

There is a clear link between competitiveness and investment in infrastructure.

There is a clear link between competitiveness of an economy and investment in infrastructure. According to the Conference Board of Canada's document "Implement Sustainable Funding for Canadian Cities, January 2008", "Our competitive edge depends on our cities which are under pressure to attract skilled individuals and firms." [4] It is imperative that a municipality balance the needs of the residential community and the commercial sector in order to attract both people and businesses. After all, without a strong commercial sector, the residential population declines.

The infrastructure needs of the commercial sector in HRM stem from transportation issues and the opportunities presented by the Atlantic Gateway. According to the Halifax Chamber of Commerce's Transportation Committee, Metro Transit is in severe need of investment. The commute needs to be improved, or businesses will choose to move out of the downtown core. The Transportation Committee states that Metro Transit needs a new bus storage and maintenance facility for 300 buses. To be in a position to meet current route needs, Transit needs a "one time" influx of 38 buses, on top of their usual replacement buses. A vibrant city requires an efficient transit system and HRM is failing in this regard.

[4] Conference Board of Canada Briefing January 2008 http://sso.conferenceboard.ca/e-Library/LayoutAbstract.asp?DID=2377

The Atlantic Gateway opportunities will require an investment from the city and must be planned and budgeted. The Economic Scorecard gave a score of two green lights on the measure of "Implementing the Gateway Strategy" in 2008. We have done a lot of planning work; now action is required. In a January 22, 2008 report to Council submitted by CAO Dan English titled "Atlantic Gateway – The Role of Halifax Regional Municipality", the recommendation was that Council align HRM strategies and initiatives, in order to provide strategic support to the following priority areas:

- Development of an Air Cargo Facility
- Development of the Home Port Cruise Strategy
- Multi-transportation corridor to Halifax's Ocean Terminal
- Gateway Logistics Park (adjacent to Burnside)
- Burnside Connector

Quoting the report "The success of this strategic support will depend on how well HRM's priorities are aligned with those of the Atlantic Gateway Initiative". The Chamber urges Council to align priorities and funding to support these priorities.

An added, but often overlooked, benefit of investment in infrastructure is increasing community satisfaction. The 2008 Economic Scorecard gave two red lights to the measure of "Attaining Higher Community Satisfaction". The target is to reach 80% community satisfaction and to have HRM establish a yearly survey to measure this target. This year would be an ideal year for HRM to create such a survey, as 2008 could be used as the benchmark year, before more major investments in infrastructure are made.

Municipal Expenditure Control and Debt Repayment

Just as in the business sector, it is not enough for Council to set priorities. Time, funds and focus must be placed on them in order for priorities to remain priorities. Council has many demands placed on it and it is crucial in these uncertain economic times that the major issues take the majority of Council's time. It is only through planning and focus on priorities that expenditures will be controlled and debt repayment plans maintained.

"The success of this strategic support will depend on how well HRM's priorities are aligned with those of the Atlantic Gateway Initiative."

An important tool that the Chamber recommends for expenditure control is a structured program and service review process. In December 2005, Council's Program and Service Committee was disbanded, and its responsibilities placed on the entire Council. With all of Council's responsibilities, it is easy for this important task to be placed low on the priority list. It is imperative that Council ensure that a formal process of service and program review be strictly adhered to. With sunset clauses and a formal, annual program and service review process in place, unnecessary expenditures on obsolete or repetitive programs and services will be avoided.

Council should ensure that debt repayment targets are met and that expenditure increases are controlled and measured. The Chamber is pleased to see that HRM has proposed to create a tool to manage expenditure growth. It is important that components of the measurement tool are transparent.

The Multi-Year Financial Strategy should be given the highest priority by both Council and staff.

If the expenditure tool is tied to the Consumer Price Index and to a Municipal Price Index, then the components of MPI must be clear and measurable.

As the Chamber stated in its 1998 pre-budget submission to HRM, the Multi-Year Financial Strategy should be given the highest priority by both Council and staff. The current Multi-Year Financial Strategy has served us well to date. However, it is time to refocus attention on financial planning. As stated in HRM's 2008-2009 Fiscal Framework presentation "Neither the 5-year debt plan, nor the policy had any growth provision". It is imperative for success of the Regional Plan, that the Multi-Year Financial Strategy be revisited and recalculated, with a growth provision incorporated.

Conclusion

The Chamber advises HRM to stick to its debt repayment plan, to explore partnerships with other levels of government and to look to tax reform, as methods of meeting capital cost demands. HRM has exceeded its debt reduction targets set out in the Multi-Year Fiscal Strategy in 2007-2008 and should be commended on this. However, the Chamber is concerned about competing pressures from capital replacement costs, especially in an election year. Debt must continue to be paid down in order to keep tax rates competitive in the long term. HRM cannot lose sight of this, when making difficult budget decisions.

The important issues we have outlined in this document: tax reform, HRMbyDesign, Infrastructure Investment and Expenditure Control are critically important to the city's future. The Chamber asks that Council keep this issues top of mind, when making the difficult decisions ahead.

We thank you for the opportunity to present this pre-budget submission, and we look forward to working with you in the future.

Halifax Chamber of Commerce Municipal Affairs Committee

Chair, Alan Richardson, Vice President, Commercial, Nova Scotia Power

John Kitz, President, Burnside Realty
Gary Drummond, Jacques Whitford
Brian Curry, Associate, Burchell Hayman Parish
Andrew Inch, Manager, Corporate Affairs, Municipal Dexter
Giselle Kakamousias, Manager, Property Tax Division, Turner Drake & Partners Ltd.
Andy Lynch, Lydon Lynch Architects
Rob MacPherson, Vice President, Developments, Kimberly Lloyd Developments
John Heseltine, Senior Planner, EDM Environmental Design & Management Company