



# MUNICIPAL ISSUE NOTE

September 22, 2016

**Presented To:** Mayor Mike Savage and Councilors of the Halifax Regional Municipality

## Who We Are

The Halifax Chamber of Commerce, representing 1,600 companies with over 65,000 employees, is a best-practice, business advocacy organization that continuously strives to make Halifax an even more attractive city in which to live, work, and play. Our volunteer board of directors and Chamber staff, undertake initiatives on behalf of the Chamber's diverse membership.

With origins dating back to 1750, we are recognized as the first Chamber established in North America. The Halifax Chamber is certified to the ISO 9001:2008 international quality standard, the first and only Chamber in North America to receive this accreditation.

The Halifax Chamber of Commerce offers over 100 events annually, countless numbers of opportunities for exposure through member services, advertising, and sponsorship.

### **2013-2018 STRATEGIC PLAN**

The Halifax Chamber of Commerce is committed to enhancing the prosperity of its members and to realizing Halifax's potential to be among the top 3 highest growth city economies in Canada by 2018.

#### **Goals**

1. To create a positive business environment to be reflected by being among the top 3 highest growth city economies in Canada by 2018.
2. To increase the skilled workforce by 20% from 2012 to 2018.
3. To accelerate the prosperity of Chamber members by providing first class networking events, benefit programs, advocacy to governments, education, information and by making connections.

As part of our 2013-2018 Strategic Plan, the Halifax Chamber of Commerce Board of Directors created two Task Forces to implement the Plan. The members of these Task Forces are a diverse group of individuals with significant expertise on key policy issues.

#### Task Force Leads

- Create a Positive Business Environment – Paul Bent, retired, formerly Grant Thornton
- Grow and Nurture the Skilled Workforce – Don Bureaux, President, NSCC

## Recommendations

### Fiscal Management

- The 2016/17 municipal budget did not raise average tax bills which was good for businesses.
- Regional Council will face a growing fiscal gap in the future, rising to \$55.6 million in 2018-19.
- The commercial sector already bears a disproportionate share of the property tax burden.

**Recommendation:** Close the municipality's fiscal gap without further burdening businesses.

### Reduce the Tax Burden

- The Chamber supports Council's request for more taxation powers.
- We do have reservations about the changes to property assessments, but the benefits of additional tax flexibility outweigh the potential negatives.
- Raising taxes on certain businesses in order to lower them on others however, would be a step in the wrong direction.

**Recommendation:** Ensure that changes to the commercial tax system do not increase costs for businesses.

### Champion Common Sense Regulations

- Reducing regulation is an important priority for businesses in Halifax.
- The Chamber supports the partnership between municipal and provincial staff on regulation.
- Releasing an action plan on regulation and customer service would be a positive step forward.

**Recommendation:** Release a plan with clear targets to reduce red tape and improve customer service.

### Help Build a Vibrant Downtown Core

- The Chamber supports the Regional Centre Plan and is looking for a planning system that is predictable, timely, transparent, and accountable.
- Council should avoid reducing the effectiveness of the Moving Forward Together Plan and continue investing in technology and transit priority measures.

**Recommendation #1:** Approve a final version of the Regional Centre Plan that is consistent with the Chamber's principles.

**Recommendation #2:** Address the amendments to the Moving Forward Together Plan without diluting the Plan's effectiveness and continue investing in technology and transit priority measures.

# The Issues

## INTRODUCTION

An effective municipal government is a critical part of any successful city. While road repair, water services, policing, transit, and development approvals may not dominate the public conversation, they play a crucial role in facilitating economic activity.

While economically Halifax has much to be proud of, this is no time for complacency. Halifax is not immune from the demographic and economic challenges facing the rest of Nova Scotia, and Regional Council will need to do its part to ensure that our city is at its best in the years to come.

After October 15<sup>th</sup>, our new Council will face significant decisions on the city budget, the commercial tax system, regulation, transit, and planning and development. These will not be easy issues to address but we will be looking for our Mayor and Councilors to be leaders and to consider the best interests of Halifax as a whole when making decisions.

## CREATE A POSITIVE BUSINESS ENVIRONMENT

### Fiscal Management

Regional Council's 2016/17 municipal budget represents an admirable effort to keep costs under control. The average tax bill for commercial and residential taxpayers did not increase which was a welcome change from recent years. This was achieved due to spending restraint by Council, as municipal expenditures were budgeted to fall by \$2 million compared to 2015/16. Commercial property tax revenue as a percentage of total revenue also edged lower, falling to 38.6%.<sup>1</sup>

Despite these positive developments, Council will likely face a more difficult situation in the years to come. While staff were able to keep overall average tax bills flat this year, they projected that continuing this policy in future years would cause a significant revenue shortfall for the municipality, reaching \$55.6 million in 2018-19.<sup>2</sup> Closing this gap will likely mean that Council will be presented with a combination of spending cuts and tax increases to consider.

While we fully support putting the Municipality on a sustainable fiscal footing, we do want any changes to be reflective of the current tax burden. A 2012 estimate by municipal staff suggested that businesses pay almost 150% of the cost of their services, while residents pay only 85%.<sup>3</sup> While commercial tax revenue as a percentage of total property tax revenue has declined somewhat in recent years, it has not changed enough to remedy this situation.<sup>4</sup> Council should avoid placing a higher tax burden on the commercial sector when considering how to close this fiscal gap.

## **Reduce the Tax Burden**

Commercial tax reform has been a priority for Chamber members for many years. The Chamber was actively involved in the municipal tax reform effort back in 2010 and recently supported Regional Council's request to the Provincial Government for greater flexibility in designing its tax system. Council's motion requested a number of changes, including:

- Averaging-in changes to property valuations over three years;
- Updating the assessment roll every 3-4 years;
- Letting Council create different tax rates and charges based on geographic area, business size and category, and building size; and
- Allowing Council to set charges based on frontage, a uniform per-property charge, a maximum and minimum amount of tax, and a surtax or graduated rates.<sup>5</sup>

The Chamber expressed its full support for this motion in a letter to the Minister of Municipal Affairs, Zach Churchill, back in March.<sup>6</sup> We also advocated for the motion's approval in this year's Provincial Issue Note. While we do have reservations about the changes to property assessments, the benefits of additional tax flexibility outweigh the potential negatives. While Council's request has not yet been approved, it is not too early to think about how Council might use these new powers if granted.

The Chamber represents businesses from all parts of the Halifax area which gives us a unique perspective on how these changes might affect businesses of all types and sizes. Promoting a vibrant downtown core is an important part of the Chamber's 2013-2018 Strategic Plan and we support further action to promote vibrant urban areas. That said, raising taxes on businesses in non-urban areas to fund tax reductions for businesses in the urban core would be a step in the wrong direction. We will be looking for any proposed changes to the commercial property tax system to avoid hurting some businesses in an attempt to help others.

## **Champion Common Sense Regulations**

Reducing unnecessary regulation at all levels of government has been a major goal of the Chamber for many years and it is an important part of our 2013-2018 Strategic Plan. With that in mind, we were very pleased to see that Halifax's 2016-2021 Economic Strategy lists "Develop an approach to red tape reduction for HRM" and "Develop HRM's customer service strategy to improve service to businesses and residents" as goals for year's one and two of the Strategy.<sup>7</sup>

We have also been very supportive of provincial efforts to reduce regulation through the Office of Regulatory Affairs and Service Effectiveness and are supportive of Council's proposal to second a municipal staff member to the Office. Given the Office's head start in this area, it is an excellent idea to build off of their efforts.

While intergovernmental cooperation is certainly important, Council should not lose focus of what it is able to achieve on its own. Many areas of regulation and almost all aspects of customer service are fully within the city's purview and Council should not hesitate to address them.

The staff report to Council on the secondment lists a number of ongoing initiatives staff are undertaking to streamline the regulatory burden already. Releasing quarterly or biannual updates on ongoing regulatory reduction initiatives would be an effective way of keeping the business community updated on the city's progress and sharing changes. Setting clear targets and goals for red tape reduction and making departments accountable for achieving them will be critical if this is to be a long lasting initiative.

### **Help Build a Vibrant Downtown Core**

If it was not clear before it is definitely clear now, Halifax's urban areas are undergoing a building boom. This is a very positive development which is bringing new residents to our city's central areas, contributing to neighborhood vibrancy and creating jobs. While it is not without its challenges, it is a problem that most municipalities in Nova Scotia would be happy to have.

Fortunately, many of the current problems and complaints caused by development projects can be addressed by the Regional Centre Plan project (RCP). The RCP has the potential to create certainty for residents and developers, and increase density in the Regional Centre in an effective way. The Plan will also help Halifax achieve its population targets, which has the potential to save the city almost \$700 million in future additional costs<sup>8</sup>.

Our next Council will be tasked with finishing the many years of work that have gone into this plan, and we hope that they will maintain its original intent. As a Chamber, we will be looking for the final plan to adhere to the following principles:

- Predictability: Businesses in Halifax are looking for clear, modernized rules about what kinds of development are allowed in different parts of the Regional Centre.
- Timeliness: The Plan needs to establish publicly available timelines for processing development applications in the Regional Centre.
- Transparency: The development approval process should be transparent to businesses, developers, and residents.
- Accountability: The Regional Centre Plan needs to create clear lines of accountability so that it is well known who is responsible for what.

Another major issue Council will have to address is Halifax Transit's Moving Forward Together Plan. Council officially approved the Plan last April, but 23 amendments were added that will be addressed in a future Council session.<sup>9</sup> While we understand that the Plan called for some difficult choices, making too many changes to the Plan at this stage risks diluting its effectiveness. We will be looking

for Council to put the needs of the entire city first when discussing these changes. We also hope that Council will continue Halifax Transit's investments in new technology and transit priority measures that have the potential to improve the overall efficiency of the transit network.<sup>10</sup>

## CONCLUSION

After October 15<sup>th</sup>, there will be little time to settle in before our newly-elected Council's work will begin in earnest. In this submission, we've outlined a number of important policy challenges facing the Municipality and what the business community is looking for, including:

- Closing the municipality's fiscal gap without further burdening businesses.
- Ensuring that changes to the commercial tax system do not increase costs for businesses.
- Releasing a plan with clear targets to reduce red tape and improve customer service.
- Approving a final version of the Regional Centre Plan that is consistent with the Chamber's principles.
- Addressing the amendments to the Moving Forward Together Plan without diluting the Plan's effectiveness and continuing to invest in technology and transit priority measures

The Chamber has enjoyed a productive working relationship with Council in the past and we look forward to continuing this dialogue in the future. We strongly believe in the economic future of our city and will work with our 1,600 members and their over 65,000 employees to continue championing positive change in Halifax.

*This submission has been created in collaboration with the Chamber's Task Forces, and includes input from our many Chamber members. The mandate of the Chamber's Task Forces are to support the development of policies on issues of importance to our members.*

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## References

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- <sup>3</sup> [http://www.halifax.ca/boardscom/SCfinance/documents/FiscalPolicy\\_RevenuesandTaxation\\_December19\\_Final.pdf](http://www.halifax.ca/boardscom/SCfinance/documents/FiscalPolicy_RevenuesandTaxation_December19_Final.pdf) (slide 29)
- <sup>4</sup> <https://www.halifax.ca/budget/documents/OperatingBook16-17.pdf> (page E25)
- <sup>5</sup> <http://www.halifax.ca/council/agendasc/documents/151110ca141.pdf>
- <sup>6</sup> <http://halifaxchamber.com/wp-content/uploads/2016/03/Letter-to-Minister-Churchill-Property-Tax-Flexibility-March-16-2016.pdf>
- <sup>7</sup> [http://www.halifaxpartnership.com/site/media/Parent/11x8,5\\_HP\\_GrowthPlan\\_PRINT.pdf](http://www.halifaxpartnership.com/site/media/Parent/11x8,5_HP_GrowthPlan_PRINT.pdf) (page 14)
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