

PRESENTATION TO LAW AMENDMENTS COMMITTEE

RE: BILL 177

MAY 16, 2016

My name is Paul MacKinnon and I am here today representing the 1,600 businesses that make up the membership of the Downtown Halifax Business Commission. Commercial taxes of course impact every single property owner and business who rents property in our area. It's high on our radar, as well as the radar of other business improvement districts in the city.

It has been famously said that, "taxes are what we pay for a civilized society" and it is certainly not our desire to shirk our responsibility as the business community, in paying our fair share. In fact, the overall ratio paid by residents vs. businesses is arguably a fair one. The issue lies within the commercial side of the tax system.

Our request is that an amendment be made to the present bill, which would allow Halifax Regional Municipality, through the authority of the Halifax Charter, to be able to set multiple commercial tax rates. This is what HRM Council asked for last fall, and we support them in that ask.

It has been well established that a prosperous Nova Scotia depends on a prosperous Halifax. Fortunately, for all concerned, Halifax has seen stability and even growth as of late, and that is good. However, we believe Halifax's current commercial tax system actually impedes HRM's economic stability.

Many factors go into whether a city is successful and vibrant. However, a city's income statement is a simple one. Revenues consist almost entirely of property taxes paid by citizens and businesses. Expenses consist almost entirely of servicing those citizens and businesses. Therefore what a city allows to be built, and how much it costs to service it is everything.

Halifax for several decades disregarded this simple fact and embraced sprawl – encouraging and even subsidizing development that did not come anywhere close to paying for itself. While other cities in the 1990s and early 2000s were growing up, Halifax was growing out. Halifax's tax system and planning regime made that easy.

However, as of late, Halifax has done much to reverse this trend: The Regional plan in 2006, updated in ²⁰¹⁴~~2012~~; The downtown plan, HRM by Design; The Economic strategies of 2011 and 2016. These are all good documents which point the way to encouraging commercial and residential development in the downtown and on already-serviced main streets. Happily, this has coincided with demographic trends toward higher density living, and the need to recapitalize 40 year old class A office space. Hence we see cranes in downtown Halifax for the first time in decades.

Despite that, because land, and therefore assessments remain cheaper outside of the urban areas, we are still seeing high vacancy rates and high rental rates in our urban cores. The tax system still creates a disincentive for businesses to locate in these areas. The simplest solution, as both HRM Council and UNSM have recognized, is to set a differentiated rate for downtowns and main streets. This small move would do much to align the city's tax system with the goals of the Regional Plan and Economic Strategy.

I'd like to add a final thought on urgency: because we have an assessment-based system, net taxes will always be higher downtown. That's a fact of life in every city. But Halifax has a greater imbalance than most. In a study conducted by the Canadian Urban Institute, across 17 Canadian Cities, it was discovered that Halifax has the lowest proportion of its total commercial office in its downtown core. That same study also offered a cautionary tale, in the case of Edmonton.

Like Halifax, Edmonton embraced commercial urban sprawl, and as a result saw a dwindling downtown tax base and high vacancy rates. Because downtown buildings were on expensive land, the assessment-based tax system worked for awhile. But empty buildings cannot maintain high assessments indefinitely, and this led to a market correction which saw Downtown Edmonton's assessment value plummet. This led to a tax increase in the suburban areas to offset the loss. Suddenly everyone woke up to the state of downtown, and Edmonton has now had a decade-long program of reinvestment to bring its downtown back.

Halifax can avoid this situation if it acts now - with the implementation of differentiated rates. This is not a risky move for the provincial government. It is a minor amendment, which the city would then use judiciously.

We would request that the province amend Bill 177 to allow for differentiated rates to be introduced, through the Halifax Charter. This would allow HRM Council to adjust the tax system so that it was aligned with both the Regional Plan and Economic Strategy, both of which the province has already approved. These changes take time, so we strongly urge the province to make these amendments now.

Thank you for your time and consideration.

Sincerely,

Paul MacKinnon

Executive Director

Downtown Halifax Business Commission