

# What We Heard

## Commercial Tax Workshop

### Introduction

Staff from the Halifax Regional Municipality's Finance department invited interested members of the business community to a Commercial Tax Workshop on January 18, 2018 to collect feedback and information regarding the commercial property tax system in the municipality.

Regional Council and community stakeholders have expressed interest about this topic and, as such, staff commissioned an economic analysis, along with internal analysis and research. This was shared with workshop attendees to help inform the discussion.

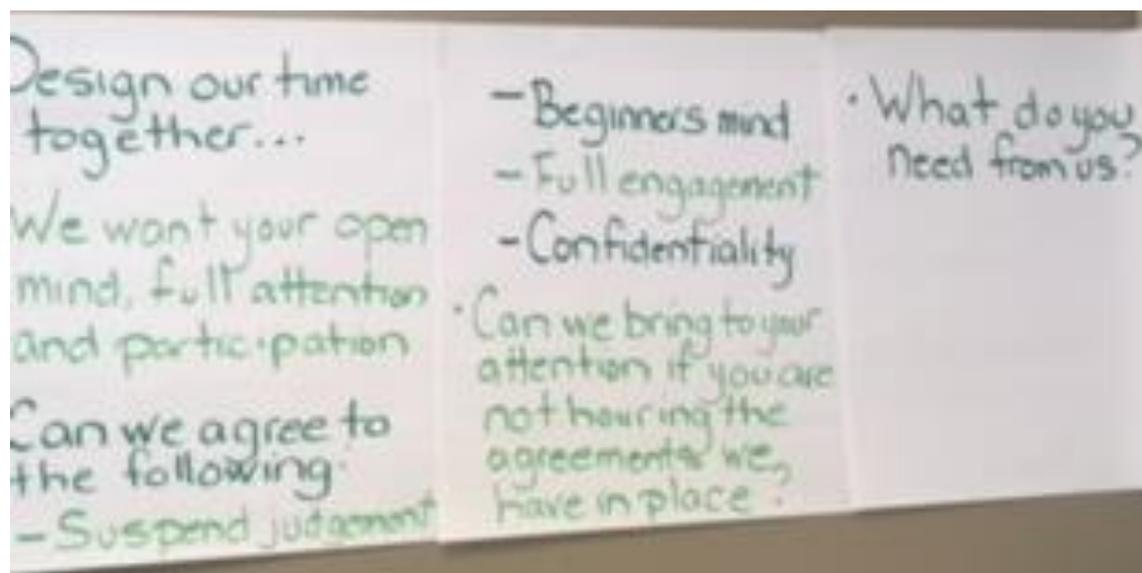
As outlined in the [Commercial Tax Policy Information Package](#), there has been significant work done on this topic by staff, consulting economists and interested business groups.

As business sentiment and confidence are key to building a robust regional economy, the workshop was designed to encourage information sharing and meaningful discussion on the topic of commercial tax policy.

Three key goals of the workshop:

1. Understanding of concerns
2. Safe, open space for conversation and dialogue
3. Identification of options

The agenda for the day was a mixture of information sharing through presentations and questions interspersed with facilitated exercises and open discussion. Attendees agreed to the design of the time together as follows:



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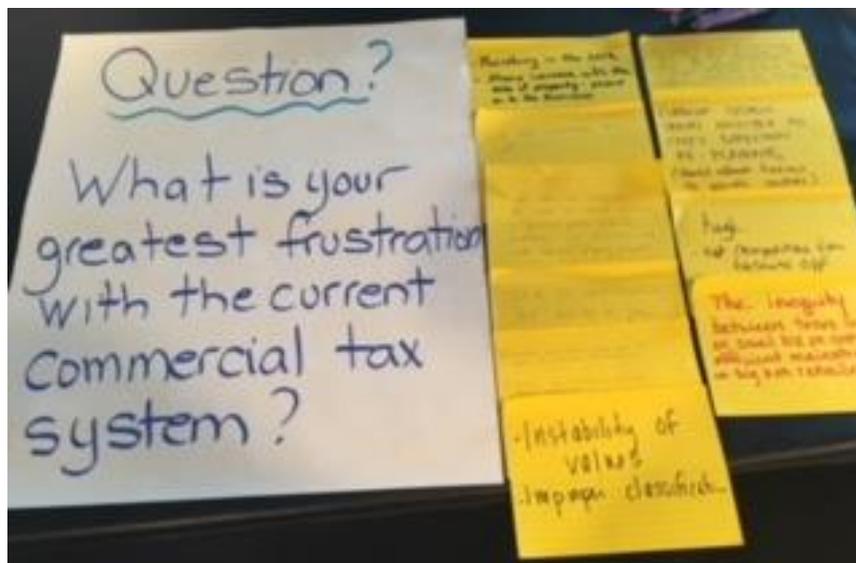
## Commercial Tax Workshop

### Workshop Results

#### Feedback – Session 1

The first feedback provided was a written response provided before the workshop began. As attendees were gathering they were asked to respond to the following question: “What is your greatest frustration with the current commercial tax system?”. Responses included:

- Instability of values (property assessment value)
- Improper classification
- It does not recognize the costs to locate businesses in business parks and it penalizes our downtown and small independent property owners.
- High rate exacerbated by (residential) cap
- The inequality between taxes imposed on small business on cost-efficient main streets and big box retailers
- High taxes, not competitive for business opportunity
- The inequity of the tax system and the fact that small businesses in the core are assessed higher than the business parks such as Bayers Lake and Dartmouth Crossing; as a result, we are seeing a hollowing out of our main streets
- Punishing the core
- Sharp increase with the sale of property and it being passed on to the business
- Current system seems counter to city’s direction regarding planning (should attract business to growth centres)
- Variable assessments from year to year, no certainty for business
- Unfair tax burden on business versus residential
- Lack of consideration for ability to pay



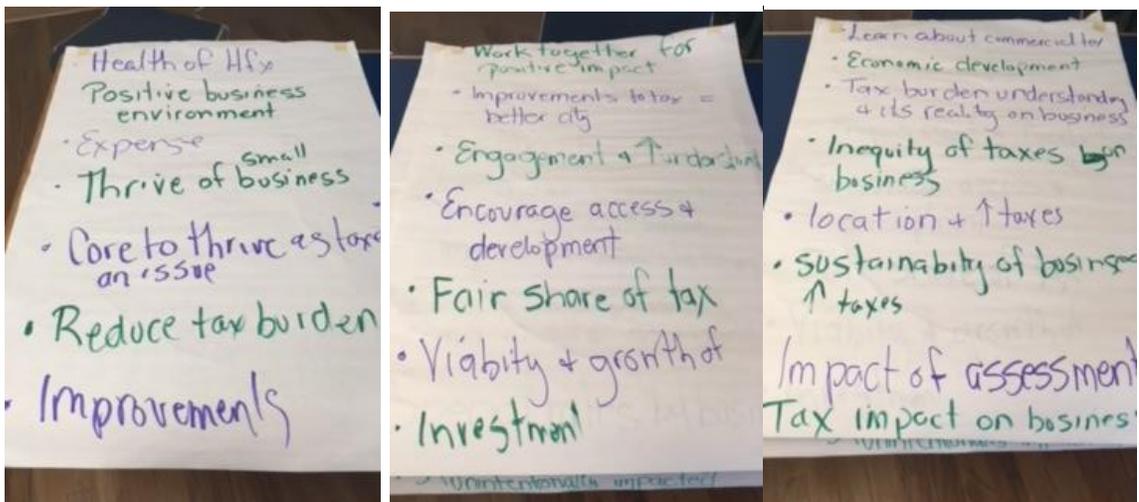
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### Feedback – Session 2

During the introductions, workshop attendees were asked to indicate what motivated them to attend – specifically in terms of the outcome they wanted to influence. Responses included:

- Health of Halifax
- Positive business environment
- Expensive taxes
- Thriving small business
- Helping the urban core thrive as high taxes are a concern
- Reduce tax burden
- Create improvements
- Learn about commercial tax
- Economic development
- Tax burden understanding and its reality on business
- Inequity of taxes on business
- Location and increasing taxes
- Sustainability of business with increasing taxes
- Impact of assessments
- Tax impact on business
- Work together for positive impact
- Improvements to commercial tax = better city
- Engagement and increased understanding
- Encourage access and development
- Fair share of tax
- Viability and growth of business
- Investment



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### Feedback – Session 3

After the presentation of the municipality's tax history, attendees were asked to consider the following question for small table discussion: "What is the greatest challenge faced by business that must be taken into consideration?". This inquiry was made to better understand the problem being faced by businesses (that the commercial tax system is creating) that needs to be solved. Responses included:

- Ability to pay ever increasing taxes based on escalating assessments not tied to local economic growth and services (particularly in main street areas)
- The current assessment system limits options (need to talk to Province) to create a competitive tax system to new/ all businesses. Particularly considering the relationship between cost of services received for the value of taxes paid through an approach to incent behaviour aligned with the city's Economic Strategy – as assessment increases lead to increase in ground floor vacancies (sale of building triggers assessment reset).
- Are not necessarily debating property/ building value but because building is worth more and revenue hasn't grown with property value increase. Commercial sector is paying a disproportionate amount of tax which does not account for ability to pay, the relationship between residential and commercial, that revenue does not grow in proportion to property value increases, and cost of services continues to increase
- Philosophical discussion about ability to pay, cost of services received, vibrant downtowns, ration of commercial to residential tax rates.

### Feedback – Section 4

After discussions were completed for Feedback – Session 3, there were two further presentations provided. First was the CanMac Report presented by Mike Foster with some discussion within the group around questions that arose and in seeking clarification. This was then followed by a presentation from Bruce Fisher, Manager of Fiscal Policy and Planning, regarding the existing commercial tax system and options for consideration and discussion. Based on the information provided in Feedback – Session 3, insights were used to create a draft problem statement which was discussed and verified as encompassing the points raised to further the discussion about tax system objectives.

#### **Problem Statement:**

The Halifax Regional Municipality seeks to apply a tax system that works; however, the current commercial tax system does not adequately consider:

- Value for cost of service
- Ability to pay
- Escalating assessments
- Ratio commercial to residential
- City economic growth and drivers

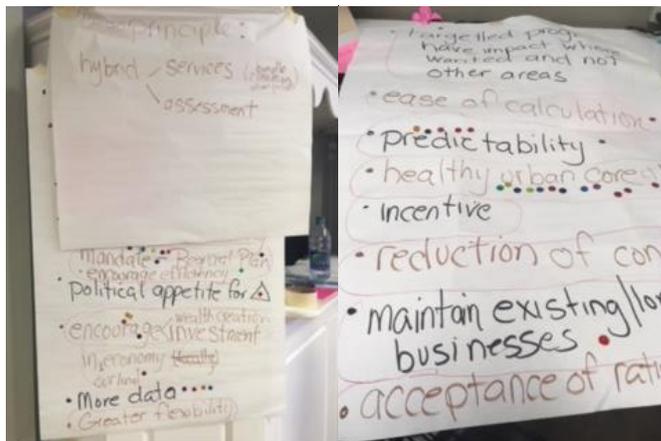
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### Feedback – Session 5

Based on engagement of the defined problem noted above, the following feedback was provided as to the objectives of a successful commercial tax system:

- Requires an agreement on the base principle (e.g. property value, cost of service, etc.)
- Clarify what may be appropriate to equity
- Costs basis considered
- Base principle: hybrid model that applies tax on both services (bundle common services and tie to rate) and assessment value (applied to the residual for those areas that are not easily bundled)
- Tie to an overarching mandate – Regional Plan and encourage service efficiencies
- Political appetite for change
- Encourage wealth creation and investment in our local economy
- More data
- Greater flexibility
- Targeted programs have impact where wanted and not in other (unintended) areas
- Ease of calculation (and, by extension, ease of understanding to apply)
- Predictability
- Healthy urban core and main streets
- Incentive
- Reduction of conflicts
- Maintain existing/ long term businesses
- Acceptance for ration of commercial to residential (differential)



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Attendees were requested to indicate, by personal vote, the objectives that resonated the most with them. Each attendee was provided with five (5) votes that they could place on any one of the key objective areas indicated above. The results are as follows with those items receiving no votes removed (please note that all votes may not have been cast):

- Healthy urban core and main streets: **12 votes**
- Tie to an overarching mandate – Regional Plan and encourage service efficiencies: **8 votes**
- Predictability: **6 votes**
- Encourage wealth creation and investment in our local economy: **5 votes**
- More data: **4 votes**
- Political appetite for change: **1 vote**
- Ease of calculation (and, by extension, ease of understanding to apply): **1 vote**
- Reduction of conflicts: **1 vote**
- Maintain existing /long term businesses: **1 vote**

Options that were identified to be possible for consideration included:

- Main street tax plus downtown
- Incentive zones – control costs

At this point, the discussion shifted to the challenge about identifying options without understanding the impact of the base principle and whether decisions about options may have unintended impacts.

Those in attendance began to discuss how important this work is and that rushing forward without due consideration of impact – intended or unintended – may not be the best way to continue given the importance of the topic and the information that has been shared today. The request was to continue to have another workshop discussion to get into this more detailed work around options.

There was then a discussion about whether there are current options that could be considered and applied in the short-term as a way to address the concerns that have been percolating forward since this investigatory work began in late 2015.

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### Feedback – Session 6

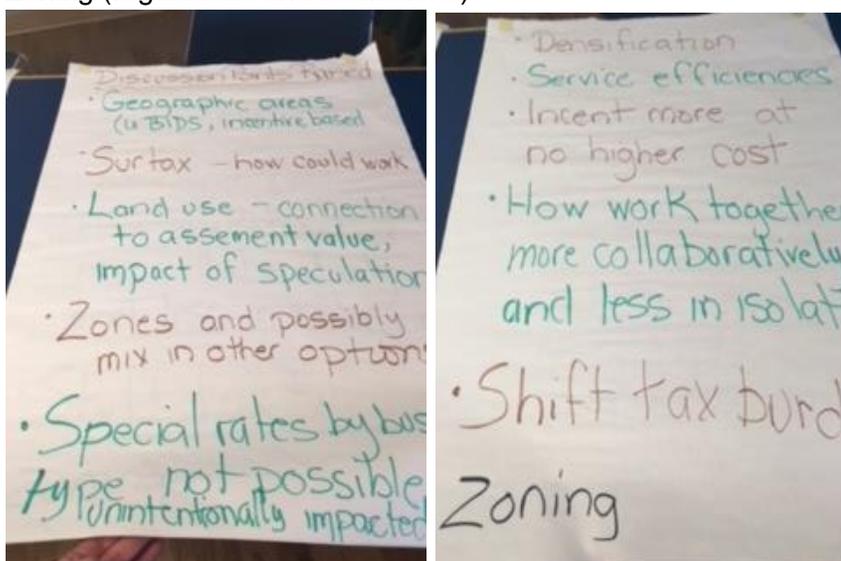
When considering short-term options, attendees indicated that the following would have the most impact:

- Mechanism to address spikes (e.g. averaging of last year's tax @ Y times the rate)
- Lowering tax rates for those paying higher taxes
- Cap on the commercial rate similar to residential
- If the property value increases, apply a mechanism to help offset the rate
- For averaging – need transparency and understanding

### General Feedback from throughout Workshop

Additional general points raised to be taken into consideration through further discussions and considerations of options:

- Geographic areas (e.g. BIDS, incentive based, etc.)
- Surtax – how could this work?
- Land use – connection to assessment value; impact of speculation (of property value)
- Zones and possibly mix in other options
- Special rates by business type? Though need to consider if there are unintentional impacts
- Densification
- Service efficiencies
- Incent more (businesses) at no higher cost (of taxes)
- How to work together (business community and municipality) more collaboratively and less in isolation
- Shift tax burden (off of business as heavily as it is)
- Zoning (regulations and restrictions)



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General comments that were raised throughout all the discussion that may not be noted in a specific section and are relevant for consideration:

- Differences between 'what it has been' to 'what it can'
- Positive business environment
- What defines 'small business'
- Federal rules to identify definition – OHS defines

Points raised that are outside of the municipality's control:

- Assessment value increases and impact on viability and sustainability
- Value of property – tax is paid on the new value but if not sold stays the same
- Landlords shifting burden, business education

