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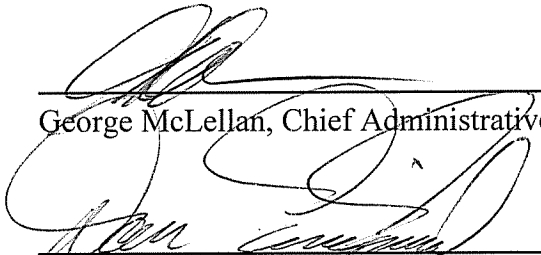


PO Box 1749
Halifax, Nova Scotia
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Halifax Regional Council
March 22, 2005

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


George McLellan, Chief Administrative Officer


Dan English, Deputy Chief Administrative Officer

DATE: March 17, 2005

SUBJECT: **Municipal Grant-in-Lieu for Residential Properties of Post Secondary Institutions and Hospitals**

ORIGIN

Request of UNSM to send a letter to support a change to the Municipal Grants Act.

RECOMMENDATION

It is recommended that :

1. Council request that the Mayor send the attached draft letter to all Members of the Legislative Assembly who represent areas within the HRM.

BACKGROUND

In Nova Scotia, municipalities are unable to tax residential properties of post-secondary educational institutions or hospitals. These would include residential properties used for study purposes associated with universities, community colleges and hospitals. Under the Municipal Grants Act, the Province provides a 40 per cent grant-in-lieu of the full taxes that would be payable if these residential properties were not tax exempt. The total amount of the grant allocated in 2004 was approximately \$1 million. This grant is funded by Service Nova Scotia and Municipal Relations and given directly to municipalities. It does not impact the funding received by post-secondary institutions from the Department of Education; nor will any of the increased grant-in-lieu received by municipalities be passed on to students.

Ten municipalities currently host such properties—Halifax Regional Municipality, Cape Breton Regional Municipality, County of Clare, County of Colchester, Town of Antigonish, Town of Pictou, Town of Port Hawkesbury, Town of Truro, Town of Wolfville and the Town of Yarmouth. Their demand for a 100 per cent grant has been supported by the UNSM over the last several years and has been the subject of resolutions adopted by the membership at recent Annual Conferences.

DISCUSSION

The UNSM has made this request in previous years and was rejected by the Province who argued at the time that there simply was not enough Provincial dollars available to fund such a program. During the 1999-2001 Joint Municipal/Provincial Roles and Responsibilities Review, the Province supported UNSM's request for a 100 per cent grant-in-lieu. However, the matter was not addressed once the Province "parked" all financial components of the Review.

In March 2002, former SNSMR Minister Angus MacIsaac wrote to then UNSM President Jerry Blumenthal indicating that:

Severe budget pressures, unfortunately, prevent us from being able to address the university residences grant-in-lieu of taxes inequity at this time. I can assure you that, should our budget situation change in the future, the Department will look seriously at addressing this issue.

The argument that the Province is facing severe budget pressures is no longer applicable in light of the recent influx of cash to the Province from the Federal Government including healthcare funding, equalization and offshore royalties. As a result, the Province is in a much stronger fiscal position to heed this reasonable request.

Financial Impact

Moving to a 100 per cent grant-in-lieu represents significant revenue for a number of the ten municipalities. Table 1 outlines the current 40 per cent grant received by those municipalities hosting

post secondary or hospital residential properties (as of March 31, 2004). It also shows the amount that would be received if the grant was increased to the full 100 per cent.

**Table 1: Grant-in-Lieu for Post-Secondary Educational Institutions and Hospitals
Year End March 31, 2004**

Municipality	40% Grant (Actual)	100% Grant (Proposed)
HRM	470,344.62	1,175,861.55
CBRM	50,768.61	126,921.53
County of Clare	21,300.21	53,250.52
County of Colchester	25,628.32	64,070.80
Town of Antigonish	126,846.00	317,115.00
Town of Pictou	2,730.23	6,825.58
Town of Port Hawkesbury	2,658.24	6,645.60
Town of Truro	10,582.16	26,455.41
Town of Wolfville	284,765.34	711,913.36
Town of Yarmouth	9,357.00	23,392.50
TOTAL	\$1,004,980.74	\$2,512,451.85

As Table 1 shows, the Town of Wolfville in moving from 40 to 100 per cent grant-in-lieu would receive payments totaling over \$700,000, an increase of over \$400,000 annually. HRM would be allocated over \$700,000 in additional revenue while the Town of Antigonish would receive over \$190,000 in additional revenue. These are significant numbers.

Rationale

Municipalities provide essential services to these institutional residential properties including infrastructure maintenance, policing and fire protection services. These residences are not power plants or office buildings where people work and go home. They are filled with students who use municipal services equally if not more than local residents. Therefore these buildings should be treated like regular housing stock and taxed at the same rate. The current 40 per cent grant-in-lieu system is insufficient to keep pace with increasing costs associated with providing municipal services to these properties. This has resulted in other municipal taxpayers subsidizing the municipal costs of these residential properties.

It should also be pointed out that neighbouring municipalities (who may offer a lower tax rate) also enjoy the benefits of facilities provided by post secondary institutions.

Other provinces such as New Brunswick provide a full 100 per cent grant-in-lieu to municipalities on *all* university buildings, not just residences. For Nova Scotia municipalities to ask for a 100 per cent grant-in-lieu on only residences is not an unreasonable request.

UNSM Position

UNSM will continue to press the Province to provide a 100 per cent grant-in-lieu to municipalities with post-secondary and hospital residential properties to be phased in over a three-year period at 20 per cent per year. The estimated additional cost for the Province to move from 40 per cent to 100 per cent grant would be \$1.5 million with a total cost of approximately \$2.5 million. Over a three-year phase-in, the total cost to the Province would be approximately \$1.5 million in year one (40 to 60 per cent), \$2 million in year two (60 to 80 per cent) and a final \$2.5 million in year three (80 to 100 per cent). The UNSM feels this is a reasonable request to address this long standing issue.

If legislation is announced in the spring to change the Municipal Grants Act to reflect the 100 per cent grant, UNSM will work with the ten impacted units to make a number of presentations to the Law Amendments Committee in support of the legislation. The UNSM requests that Mayors and Wardens of impacted municipalities write a letter to their MLA in support of this initiative.

BUDGET IMPLICATIONS

The increased Grant will provide an additional amount of about \$235,000 in revenue in each of the three years of phase in. Since the Uniform Assessment for HRM will increase for the additional revenue received there will be a small portion of the additional revenue that will be returned to the province via the mandatory contribution calculation.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

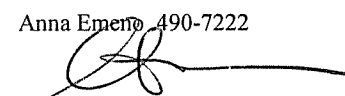
ALTERNATIVES

None recommended.

ATTACHMENTS

Draft letter to HRM MLA's

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Catherine Sanderson 490-1562
Report Reviewed by: Anna Emery 490-7222
Report Approved by: 
FOL Dale MacLennan, CA Director of Financial Services 490-6308

ATTACHMENT

Draft letter from Mayor to Local MLA(s) Regarding Payment of Grants-in-Lieu for Residential Properties of Post Secondary Institutions and Hospitals

Dear MLA:

Re: Municipal Grant-in-Lieu for Residential Properties of Post Secondary Institutions and Hospitals

I am writing to ask for your support in regards to the Union of Nova Scotia Municipalities' (UNSM) request to the Province to move from 40 per cent to 100 per cent grant-in-lieu for municipalities hosting residential properties of post-secondary educational institutions and hospitals.

Under the Municipal Grants Act, the Province provides a 40 per cent grant-in-lieu of the full taxes that would be payable if these residential properties were not tax exempt. This grant, which was approximately \$1 million in 2004, is funded by Service Nova Scotia and Municipal Relations and given directly to municipalities. It does not impact the funding received by post-secondary institutions from the Department of Education; nor would any increased grant-in-lieu received by municipalities be passed on to students.

As one of ten municipalities that host these residential properties, I can tell you that the current 40 per cent grant-in-lieu system is insufficient to keep pace with increasing costs associated with providing municipal services to these properties including infrastructure maintenance, policing and fire protection. These residences are not power plants or office buildings where people work and go home. They are filled with students who use municipal services equally if not more than local residents. Therefore these buildings should be taxed similar to regular housing stock.

The Province of New Brunswick provides a full 100 per cent grant-in-lieu to municipalities on *all* university buildings, not just residences. For Nova Scotia municipalities to ask for a 100 per cent grant-in-lieu on only residences is a reasonable request.

The UNSM is proposing a three-year phase-in at 20 per cent per year to achieve the full 100 per cent grant. The additional cost to the Province would be approximately \$1.5 million or \$500,000 per year over three years with a total cost of approximately \$2.5 million. Given the recently improved fiscal position of the Province, this would not be an unreasonable request.

I thank you in advance for considering our request. If you would like to discuss this issue further, feel free to contact me at the municipal office 490-4010.

Sincerely,

Mayor Peter Kelly