

HALIFAX REGIONAL MUNICIPALITY

HALIFAX REGIONAL COUNCIL
COMMITTEE OF THE WHOLE
MINUTES

January 26, 2010

PRESENT: Mayor Peter Kelly
Deputy Mayor Brad Johns
Councillors: Steve Streach
Barry Dalrymple
David Hendsbee
Lorelei Nicoll
Gloria McCluskey
Darren Fisher
Bill Karsten
Jackie Barkhouse
Jim Smith
Mary Wile
Jerry Blumenthal
Dawn Sloane
Sue Uteck
Jennifer Watts
Russell Walker
Debbie Hum
Linda Mosher
Robert Harvey
Tim Outhit
Peter Lund
Reg Rankin

REGRETS: Councillors: Stephen Adams

STAFF: Mr. Dan English, Chief Administrative Officer
Mr. Wayne Anstey, Acting Chief Administrative Officer
Ms. Mary Ellen Donovan, Municipal Solicitor
Ms. Christen MacDonald, Acting Municipal Clerk
Ms. Melody Campbell, Legislative Assistant

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1. CALL TO ORDER

Mayor Kelly called the meeting to order at 1:02 p.m.

2. APPROVAL OF THE MINUTES - None

Deletion:

Item #5 - Transit Financing Strategy

MOVED BY Councillor McCluskey, seconded by Councillor Sloane, that Item #5, Transit Financing Strategy be deleted from the agenda. MOTION PUT AND PASSED.

3. TAX REFORM

- An Information Report dated January 8, 2010 was before Council.
- An extract of the September 22, 2009 Committee of the Whole minutes was before Council.
- A Tax Reform Committee report dated June 17, 2009 was before Council.

Correspondence was received from the following regarding Tax Reform: Mr. Dan Galletti, Canadian Condominium Institute Nova Scotia Chapter and Mr. Larry Haiven.

The following motion was on the floor from the June 23, 2009 Committee of the Whole:

MOVED BY Councillor Rankin, seconded by Councillor Outhit, that Halifax Regional Council approve that:

- 1. The current property tax system no longer reflects ability to pay and that Council continue to explore moving off of assessment-based residential property tax as the current property tax system no longer reflects ability to pay.**
- 2. Confirm that it supports taxation that reflects the recovery of the cost of providing municipal services, ability to pay and supports the following taxation principles:**
 - **Equity, Economic Competitiveness, Efficiency, Respect for other Governments, Simplicity, Stability, Transparency and Accountability.**
- 3. That the Deed Transfer Tax be retained.**

Clarification was provided to Council regarding the motion from the June 23, 2009 Committee of the Whole meeting. It was noted that at the September 22, 2009

Committee of the Whole a motion was passed to suspend debate until a workshop was held.

MOVED BY Councillor McCluskey, seconded by Councillor Karsten that Halifax Regional Council suspend the Rules of Order and the question on the motion now be put. MOTION DEFEATED.

The following discussion ensued among Council:

Councillor McCluskey stated that Harbour East Community Council, in its decision to not support tax reform, has listened to its residents. She advised that she has had many discussions with and received many emails from concerned residents regarding tax reform. She advised that the proposed tax reform would move the tax burden to those in the medium to low income range. She added that when a person decides where to live consideration is given to value and taxes. She noted that the tax assessment model is used across the Country, stating that taxation based on assessment is not perfect but it is the best HRM has. She added that she is not in favour of the proposal before Council.

Councillor Sloane questioned why commercial taxes were not addressed prior to residential taxes. She added that she cannot vote for the current proposal as she lives in a mixed community comprised of both high and low income levels. She stated that people often choose where they live based on location.

Councillor Streach expressed his appreciation to the Tax Reform Committee and HRM staff for their time and efforts on the proposal. He noted that when the issue of looking at tax reform came before Council, everyone was in favour of it. He added that for some residents' taxes will go down, other residents will have a tax increase. He stated that his rural area would be negatively impacted. The Councillor advised that not one area in Canada has revised their taxes according to the proposal before Council. He suggested that reform go back to the drawing board and work toward decreasing taxes for everyone.

Councillor Outhit raised concern regarding a Community Council commenting on issues before Regional Council. He added that debate is needed on the tax reform issue. He stated that some people have to sell their homes or are unable to move into certain areas due to high taxes. He noted that by not supporting tax reform, Council will be supporting the Provincial assessment cap. The Councillor stated that the that the cap assessment is not fair. He added that this is a chance for HRM to look at creating a better tax system.

Councillor Uteck raised concern regarding misconceptions in relation to tax reform adding that misconceptions have been a key failure in this exercise. She added that

reform is not for the wealthy but is about HRM's seniors in the districts where assessments have increased substantially. She noted that zoning will not correct the issues. She added that many of the residents in her district are wealthy on paper only, ie. based on market value of their homes. She noted that her district has had the lowest increase in house buying in the past few years. The Councillor advised that HRM is in the state it is in today due to the Provincial assessment cap. She urged Mayor Kelly to address the tax reform issue. She stated that the issues of misinformation and mistrust have to be addressed.

Councillor Uteck noted that neither the rural area nor the suburban core are creating the issues nor have they caused the problems in HRM. She stated that the issues are regarding services received and the ability to pay.

Councillor Dalrymple advised that of the residents in his district, eighty percent have no water, ninety percent have no sewer, there are no rinks, pools, libraries, sport fields, and his area has a shortage of gymnasiums. He stated that his district has no transit service, no police office, that the fire department is manned by volunteers and that one third of this district has snow plowing service provided by the Province. The Councillor added that his district has more area rates, second only to District 23. He advised that his district pays massive taxes with no services in return.

Councillor Mosher raised concern that the tax burden will shift to the middle class. She advised that she cannot support the proposal. She stated that the public consultations regarding tax reform were not adequate. She suggested that assessments be frozen with a tax rate increase of approximately two percent per year. She stated that there are different options that can be utilized rather than the recommendation before Council.

Councillor Karsten stated that the Harbour East Community Council had a meeting of the minds when the decision to not support tax reform was reached. He advised that each Councillor made up his/her own mind. He stated that he understands the frustration of some Councillors adding that the current tax system is flawed but HRM cannot switch one flawed system for another.

Councillor Walker stated that the tax reform workshop provided no consensus or conclusion. He noted that only one reporter attended as a member of the public. He raised concern that the numbers used when presenting the proposal are 2007 numbers, noting that it is now 2010 and the 2010 numbers are not close to the 2007 numbers. He also stated that he was never in favour of the Provincial assessment cap.

Councillor Rankin expressed his disappointment in the possibility of rejecting the whole proposed tax approach. He stated that there is no way that everyone will receive lower taxes. The Councillor noted that Winnipeg, Manitoba, has reformed its tax system.

Councillor Smith stated that he would not agree to move tax the burden to those financially less well off. He added that it is time to take a break from tax reform and for HRM to review and consider what the next steps should be. He stated that the system HRM has is not perfect noting that the current system does not support seniors who own high value homes.

Councillor Hum advised that Council decided to begin tax reform knowing there were inequities in the system. She added that there will never be a perfect tax system. She noted that the tax reform proposal addresses some of the inequities including taxing of multi-unit buildings and property taxes for many seniors.

Councillor Watts stated that she had researched the topic of tax reform before making her decision. She stated that it may have been beneficial for the Committee to come back to Council with more than one option. She advised that she has heard from many residents and that she attended many of the public consultations. She expressed concern that members of the public felt that their voices were not heard during the public consultation process. She added that this proposal shifts the tax burden which is something she cannot support.

Councillor Lund stated that taxes are one of the four largest issues in District 23. He stated that the reform presented is too complicated. He suggested blending assessment based taxes with a services tax as a second tier. He added that the Provincial assessment cap is not fair or sustainable. He stated that in areas where the area rate is added on to the rural rates, rates can be higher than the general area rate. He advised that he does not support the proposal on the table, but he added that HRM needs to consider the impact of the Provincial assessment cap and the area rates.

Mayor Kelly suggested that due to time constraints that Council consider addressing Item #4, Metro Transit Five Year Strategic Operations Plan at a future date. **Council agreed to defer Item #4 to a future Committee of the Whole.**

Councillor Harvey stated that the Tax Reform Committee should not have been disbanded before the Committee's report was presented to Regional Council. He expressed concern that Council will endorse the status quo noting that the status quo is a regressive tax system. He stated that the reform process should continue with HRM working on a model to bring equity and fairness. The Councillor suggested that a municipal income tax model could be considered.

Committee of the Whole recessed at 2:40 p.m.

Committee fo the Whole reconvened at 3:02 p.m.

Councillor Uteck advised that she was a member of the Tax Reform Committee as it was a number one issue in her district. She stated that it is not fair for seniors who

have been in their home for years to have to move to offset taxes. Councillor Uteck urged Council to look at the big picture in HRM. She urged Council not to reject the proposal but to continue to work on the fundamentals of reform.

Councillor Mosher stated that there are currently forms of tax assistance, such as an eight hundred and fifty dollar funding tax assistance to those whose incomes are \$29,000 or less, and there is an option for tax deferral until such a time the as the property is sold. She also noted that currently reverse mortgages can be used for tax assistance to residents. She stated that the Regional Plan is directing growth in HRM. She advised Council that the assessments in District 17 have gone up significantly. She added that one issue that needs to be addressed is the level of funding to each level of the government with the need for increased fairness in funding for the Municipality. She suggested that if HRM is proposing changes to the tax system, that it hold a plebiscite to elicit public feedback. She expressed concern that only one recommendation came forward, with no additional options, from the Tax Reform Committee. She added that the workshops nor the public consultations worked. She noted that in future HRM has to work with the Province and continue gathering information through appropriate public consultation.

Councillor Dalrymple noted that his district contains urban, suburban and rural areas. He stated that residents in his district pay more in taxes, when considering the additional service rates, although his area has a lack of services. He advised that a compromise was achieved regarding District 2 residents paying for transit tax on service they do not receive. He advised Council that if tax reform is defeated, HRM has to start supplying services where they are not currently present.

Mayor Kelly retired from the meeting and Deputy Mayor Johns assumed the Chair at 3:16 p.m.

Councillor Outhit advised that today's motion does not commit Council to the system proposed by the Tax Reform Committee. He expressed concern that if the motion is defeated, that Council is endorsing the flaws of the existing system.

Councillor Blumenthal advised that he is not against tax reform but he cannot support a proposal which has no options. He stated that no residents came forward to express to him that reforming tax is an issue.

Councillor Rankin advised that the status quo is not sustainable and there are problems with the assessment system. He added that new homeowners and condo owners are currently being negatively affected and these inequities are widening. The Councillor noted that the Tax Reform Committee did not suggest that HRM impose all of the changes at once noting that it could be phased in through five to ten years.

Mayor Kelly returned to the meeting and assumed the Chair at 3:25 p.m.

Councillor Karsten stated that three years ago he voted for Council to review the current tax system; he will not vote for the tax reform proposed now before Council. He added that although he voted for the review three years ago, he does not have to vote in favour of the Committee's recommendation. He noted that those building four hundred and five hundred thousand dollar homes are aware of their tax bill and, knowing that, still choose to live there. He noted that if Council chooses the recommended approach, residents who will be impacted by the tax burden shift will not have a choice.

Councillor Hendsbee expressed his appreciation and defended the work of the Tax Reform Committee. He expressed concern that if the motion is defeated, that tax reform will not be back to Council during this mandate. He agreed that a plebiscite would be beneficial as the people could dictate the future of tax reform.

Councillor Wile advised that there are many residents who are in favour of tax reform. She stated that she has a residential mix in her community. She added that those in multi-unit dwellings would benefit from tax reform. In response to questions by Councillor Wile, Mr. Fisher, Manager Fiscal & Tax Policy, advised that condominium tax rates would go down due to density efficiency. Mr. Fisher stated that services, such as HRM solid waste pickup at a condominium building, would be paid by those who receive the service. He further advised that there would be relief for those with lower income as the income cut off would increase to \$36,600. Mr. Fisher advised that tax deferrals would apply at \$29,000.

Councillor Barkhouse stated that in the best interests of her residents, she does not support the proposal in front of Council. She added that tax reform is not a plebiscite issue as there is a lot of information that has to be considered before a decision can be made.

Councillor Walker expressed concern for middle income households which may be affected by tax reform. The Councillor noted that the Municipality of Cape Breton has one hundred and five tax rates while the Halifax Regional Municipality only has three. He stated that he did vote to look at tax reform but the proposal before Council is not what he envisioned.

Councillor Nicoll expressed her appreciation to the Tax Reform Committee and staff for their dedication and their work. She advised that she is not supporting the recommendation at this time. She added that changes to the assessment system have to be considered.

Councillor Lund advised that the current tax system is unsustainable. He suggested that HRM explore revised assessment based taxes, tax rates, or a combination thereof.

Councillor Watts stated that, in her conversations with residents, a significant number

advised that they prefer to stay with the property assessment system.

Councillor Outhit questioned whether HRM has seen evidence of assessments increasing three to four fold. Mr. Fisher replied that if this is the case, it implies that taxes being paid on these properties was extremely low to begin with. In response to a question by the Councillor, Mr. Fisher advised that if this proposal is accepted, there will be additional support for low income earners. Councillor Outhit noted that Council is voting either to continue the process or to continue with the status quo.

Councillor Rankin stated that, based on experience and research, assessment based tax is not an indicator of ability to pay. He added that in over seventy percent of cases income has nothing to do with the value of a home. He advised residents with the upper levels of assessments would provide the assistance to those in the lower income range. He added that this proposal will contribute to readjustments in the middle income bracket noting that the proposal is not at the detriment of the poor.

Councillor Hum added that other cities in Canada have reformed taxes. She raised concern that if Council votes for the status quo, Council may not have the fortitude to deal with a form of tax reform again. The Councillor stated that it is important for Mayor Kelly to speak to the issue.

Mayor Kelly advised Council that this decision must be the will of Council not of an individual. He stated that this decision cannot create division and needs to be supportive with a systematic approach.

Mayor Kelly clarified that if the motion is defeated, the deed transfer tax will stay in place.

MOTION DEFEATED.

4. METRO TRANSIT FIVE-YEAR STRATEGIC OPERATIONS PLAN

Due to time constraints, this item was deferred to a future Committee of the Whole.

5. TRANSIT FINANCING STRATEGY

This item was deleted from the agenda.

6. ADJOURNMENT

The meeting was adjourned at 4:07 p.m.

Cathy Mellett
Acting Municipal Clerk