

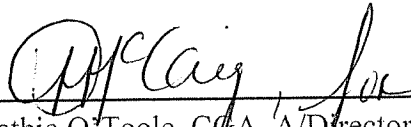


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Halifax Regional Council
May 15, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


Cathie O'Toole, CMAA, A/Director, Finance

DATE: May 8, 2007

SUBJECT: Sidewalks and Taxation

INFORMATION REPORT

ORIGIN

At the Regional Council meeting held on December 5, 2006 Councillor Smith requested a staff report on using area rates to fund sidewalks. Several other Councillors indicated questions regarding taxation of sidewalks. How property taxes relate to sidewalks is currently being reviewed by Council's Tax Reform Committee.

BACKGROUND

Under HRM's current tax structure there are a wide variety of ways to fund sidewalks.

- The Urban General Tax Rate pays for the maintenance and upkeep of sidewalks including the plowing of sidewalks next to arterial roads. In the Suburban and Rural areas, an area rate must be levied to pay for these costs.
- Local Improvement Charges (LICs) often pay for the construction costs of new sidewalks. The LIC typically pays for 50% of the cost in the urban area and 100% in the suburban and rural areas.
- A special area rate pays for the cost of plowing sidewalks next to local roads in Dartmouth, Bedford, parts of Halifax and the urban areas of the former County.

DISCUSSION

In HRM sidewalk costs are generally paid for through the urban general tax rate, an area rate or a local improvement charge (LICs).

There is often considerable confusion between what constitutes an area rate and a Local Improvement Charge. A LIC is simply a charge levied under Section 81 of the Municipal Government Act. Such charges have to be made through a by-law and are restricted to a list of specific costs such as sidewalk or the paving of municipally owned gravel roads. The LIC may be levied in various ways including as a frontage charge or an area rate. LICs are normally associated with the right to petition or a survey of property owners, however, there is no legal requirement to do so.

Under current practice, LICs in the urban core receive 50% cost sharing while those in the suburban and rural areas must be paid in full. The sidewalk rating system is applied to all possible sidewalk projects located in the urban area in order to provide an objective means of determining which sidewalks should be completed next. However, suburban and rural sidewalk locations are not normally rated as these locations are not funded through the general tax rate. If Council wished to levy a 100% LIC for a sidewalk in the urban core it could do so through a relatively simple amendment to the LIC by-law.

What is often referred to as an "area rate", however, is a charge levied under various other sections of the Act especially Section 75. Unlike LICs, no by-law is required. Area rates may be used for essentially any capital or operating cost the municipality may incur including those for which it may use a LIC. Under Council policy, new area rates are subject to public consultations under the Interim Area Rate Guidelines. LICs, however, are exempt from these requirements. Currently, the only area rate for sidewalks are in the communities of Fall River and Waverley. These area rates are used to fund ongoing maintenance and repairs as well as to save for the construction of new sidewalks. It is anticipated that ongoing maintenance and repairs would be included in any future area rates that

might be implemented for sidewalks.

In HRM, the tax structure and the Local Improvement Policy were developed in isolation leading to some confusion in the way the two interact. For instance, LICs are often used by Municipalities through a survey of property owners, hence encouraging local choice in whether a sidewalk is desirable and discouraging unnecessary sidewalk work. In practice, however, most HRM sidewalks have not been surveyed. Rather, the practice has been to levy a district wide LIC through an area rate or a mapped area. The Interim Area Rate Guidelines do not apply to LICs, hence eliminating any formal element of local input. Conversely, Waverley and Fall River (both Suburban) use area rates under Section 75 to fund both the construction and ongoing maintenance of sidewalks. They do not, however, have LICs. This approach is allowable under the MGA. Waverly and Fall River area rates exclude the cost of sidewalk plowing. This cost is paid for by the Urban General Rate, a charge not levied in the area.

There have been inconsistencies in the way some suburban taxpayers pay for sidewalks. Under the tax structure sidewalk maintenance and upkeep is included in the urban tax rate and not in the suburban or rural general tax rates. LICs, however, have often been levied as a district-wide rate. In a few instances suburban taxpayers have been included in such district wide-rates. Hence, while they do not pay for sidewalk maintenance, in some instances they have contributed to for sidewalk construction in the urban core.

The different mechanisms that exist have led to a patchwork system of who pays for what. For example, one stretch of sidewalk might be built by the taxpayers of one district (including suburban areas), maintained by the urban general tax rate and plowed through an area rate levied across most of the urban core. In essence, different groupings of taxpayers might be paying for different services, yet all on the same sidewalk. Other features of the adjoining road infrastructure might be paid for through a combination of the urban tax rate (concrete curbs), general tax rate (road maintenance, streetlights, plowing of roads, plowing of sidewalks in front of HRM buildings), LICs (paving of municipally owned gravel roads) or Environmental Protection Charge (ditches). All of this has lessened the transparency of the tax system.

The manner in which sidewalks are funded has broad implications not only for tax equity but also for the ability to fund and provide services. For instance, because sidewalk construction and maintenance must be funded by those seen as receiving the service, areas with weaker tax bases often have greater difficulty funding their extension. For example, areas such as Musquodoboit Harbour or Sheet Harbour would likely find it more difficult to afford sidewalks than would larger urban areas.

The various LIC policies and by-laws that exist are in need of review as are the overall policies on sidewalk funding and boundaries. All of this is under examination by Council's Tax Reform Committee in cooperation with Transportation and Public Works.

BUDGET IMPLICATIONS

There are no budget implications.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

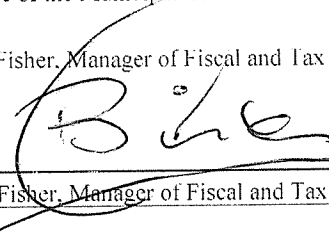
This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ATTACHMENTS

N/A

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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