


Item No. 10.1.10 (i)
Halifax Regional Council
April 17, 2012

TO: Mayor Kelly and Members of Halifax Regional Council

Original signed by 

SUBMITTED BY:

Richard Butts, Chief Administrative Officer

Original Signed by 

Mike Labrecque, Deputy Chief Administrative Officer

DATE: March 14, 2012

SUBJECT: Federal and Provincial Area Rate Levies

SUPPLEMENTARY REPORT

ORIGIN

October 4, 2011 – Regional Council motion, MOVED by Councillor McCluskey, seconded by Councillor Walker, to approve the amended BID Contributions Policy.

October 4, 2011 Regional Council motion, MOVED by Councillor Nicoll, seconded by Councillor Walker that Regional Council approve the disbursement of BID contributions as listed in Table 2 of the July 14, 2011 staff report; and that the BIDS included in the Federal “Grant in Lieu of Taxes” would be over and above the current HRM grant allocation, i.e. excluded from the proportional allocation of HRM funding, pending a staff report outlining financial implications.

Staff determined that a supplementary report is required to address the financial implications of excluding Federal and Provincial area rate levies from the proportional share formula and to secure authorization from Regional Council to remit area rate levies payable by the Federal and Provincial governments.

RECOMMENDATION

It is recommended that Halifax Regional Council

1. Authorize staff to remit to the BIDs area rate levies, payable by the Federal and Provincial governments for fiscal 2011-2012, in accordance with Table 1 of this report.
2. Authorize staff to remit to the BIDs Provincial & Federal area rate levies, such remittance to be made annually pursuant to the schedule for BID area rate levy disbursements.

BACKGROUND

A draft Business Improvement District (BID) Contributions Policy, submitted by HRM staff by way of a recommendation report dated May 5, 2011, was reviewed by HRM's Grants Committee on June 13, 2011. Following discussion, the policy was referred, without amendment, to the Audit and Finance Standing Committee for consideration at its meeting on June 27, 2011. Several amendments were recommended by the Audit and Finance Standing Committee. The draft BID Contributions Policy was then referred to the Community Planning and Economic Development Standing Committee. Following deliberation, the Community Planning and Economic Development Standing Committee passed a motion to present the draft Contributions Policy to Regional Council (with amendment as recommended by the Audit and Finance Standing Committee).

At the October 4, 2011 sitting of Regional Council, a motion was put and passed in relation to the adoption of the amended draft BID Contributions Policy. The Regional Council motion reads as follows:

11.2 HRM Discretionary Funding to Business Improvement Districts – Proposed Business Improvement Districts Contributions Policy

MOVED by Councillor McCluskey, seconded by Councillor Walker that Regional Council:

1. Adopt the HRM Business Improvement District Contributions Policy as detailed in Attachment 1 and the proposed amendments of the Audit and Finance Standing Committee as described in the Background section of the July 17, 2011 staff report;
2. Implement the proposed HRM Business Improvement District Contributions Policy effective April 1, 2012; and,
3. Allow for greater transparency, the HRM Business Improvement District Contributions Program be identified as a separate line item under Fiscal Services in future HRM budgets.

MOTION PUT AND PASSED.

The *BID Contributions Policy*: (1) defined applicant eligibility criteria; (2) expanded the scope of eligible projects; (3) introduced clear guidelines concerning eligible expenditures; (4) expanded the scope of permitted collaboration; (5) introduced procedures for project approval and reporting; and (6) introduced a proportional share formula to govern the allocation of HRM's BID discretionary funding.

On October 4, 2011 Regional Council also considered the disbursement of BID discretionary funding for the 2011-2012 fiscal year. This discussion was further to a staff recommendation

report dated July 14, 2011 submitted to the Community Planning and Economic Development Standing Committee. At its September 15, 2011 meeting, the Community Planning and Economic Development Standing Committee put and passed a motion to approve disbursement of funds, as set out in the staff report, and referred the matter to Regional Council for its final approval. Following debate, Regional Council passed a motion, on October 4, 2011, as follows:

11.3.1 Discretionary Funding for Business Improvement Districts

MOVED by Councillor Nicoll, seconded by Councillor Wile that Regional Council approve the disbursement of Business Improvement District Discretionary contributions as listed in Table 2 of the July 14, 2011 staff report; and that the BIDS included in the Federal “Grant in Lieu of Taxes” would be over and above the current HRM grant allocation, i.e. excluded from the proportional allocation of HRM funding, pending a staff report outlining financial implications.

MOTION PUT AND PASSED.

DISCUSSION

Staff determined that a supplementary report is required to address the financial implications of excluding Federal and Provincial area rate levies from the proportional share formula and to secure authorization from Regional Council to remit area rate levies payable by the Federal and Provincial governments.

For purposes of clarity, this report has been broken into Part I and Part II, as follows:

Part I: Federal and Provincial Levies

This section of the report traces the history of Federal and Provincial area rate levies. Federal and Provincial area rate levies payable to BIDs in 2011-2012 are detailed. BID budgetary details are provided to account for expenditure of this Federal and Provincial area rate levy revenue in 2011-2012.

Part II: Discretionary Funding Proportional Share Formula

Per Regional Council’s motion of October 4, 2011, requesting a staff report outlining financial implications, this section of the report outlines the implications of excluding governmental area rate levy revenues from the proportional share formula used to determine the allocation of discretionary funding among HRM BIDs.

Part I: Federal and Provincial Levies

On April 28, 2011, Halifax Regional Council passed the 2011/12 Operating and Capital/Project budgets for Halifax Regional Municipality. That budget included provision for payment of Federal and Provincial area rate levies to HRM Business Improvement Districts.

Federal and Provincial Governments & BID Area Rate Levy Payments: Property owned by the provincial and federal government is exempt real property tax if owned and operated for a government purpose (i.e. not sub-let to a third party). As such, BID area rate revenues were not historically distributed to the respective BIDs.¹ Beginning in 2011-2012, however, both the Federal and Provincial government have agreed to pay area rate levies to HRM's BIDs.²

Property Valuations: Governmental levies payable are dependant on the valuation of the Provincial and Federal properties. Valuation of Provincial properties is simplified since the property values used are those assigned by Property Valuation Services Corporation (PVSC). Valuation of Federal properties, however, is done by the Federal government as part of the payment in lieu of tax (PILT) process and is not tied to PVSC valuations. Once the Federal and Provincial commercial properties within the BID catchment area have had a property value assigned, area rate levy amounts can be determined (using approved area rate, minimums and maximums applied on a property-by-property basis). These values could then be used to determine the total levy amount payable by the Federal and Provincial governments.

Payment Timing: Neither the Federal nor Provincial governments are billed as part of the commercial properties interim and final tax billing cycle. Inter governmental (payment in lieu of tax - PILT) agreements are negotiated annually and govern the amounts transferred and the timing of transfers. Interim and final PILT payments are made by both the Federal and Provincial governments, however, these payments do not coincide with the non-governmental commercial property taxation payments.

For 2011-2012, Federal and Provincial governments' area rate levy payments to HRM's BIDs will be paid out to the BIDs separately from the non-governmental area rate levy disbursements. This is due to the timing of the agreement to pay these levies. Staff secured Federal and Provincial agreement to pay the area rate levies after having disbursed 2011-2012 interim and final levy payments to the BIDs.

On a go-forward basis, interim and final payments to BIDs will reflect both Federal and Provincial area rate levies and area rate levies applied against non-governmental commercial properties.³ These payments will be rolled together for administrative efficiency.

¹ When government leases property in the private sector, commercial property taxes are 'paid' by the governmental lessee in the form of a premium folded into the rental rate. In these circumstances, government is not tax exempt and would pay a proportional share of any BID levy applied to the rental property.

² New Brunswick BIDs have been receiving levy revenues in relation to Federal and Provincial properties for several years. The change in practice for NS brings the two provinces into alignment vis-à-vis governmental BID levy payments. HRM's Finance staff secured the Federal/Provincial undertakings to pay area rate levies after having been informed of the inter-provincial discrepancy.

³ A draft BID By-law has been developed which would, if approved by Council, introduce changes to the disbursement formula that will enable HRM to disburse Provincial and Federal levies in conjunction with levies payable from commercial property owners.

Breakdown of Revenues by BID (2011-2012): Table 1 sets out the governmental area rate levy payments anticipated for each of the BIDs, for fiscal 2011-2012, expressed both as a dollar value and as a percentage share.⁴ Note that not all BIDs receive additional governmental levy monies since entitlement is based on the existence, or lack thereof, of governmentally owned commercial properties within the BID catchment area.

Table 1: BID Share of Overall Gov't Levy(2011-2012)		
BID	Dollar Value Gov't Levy	Percent of Gov't Levy
Downtown Halifax	\$107,975	73.36%
Spring Garden	\$23,946	16.27%
Downtown Dartmouth	\$9,937	6.75%
Sackville	\$1,514	1.03%
North End	\$3,818	2.59%
Spryfield	\$0	0%
Main Street Dartmouth	\$0	0%
Quinpool Road	\$0	0%
Total	\$147,190	100.00%

Use of Federal and Provincial Area Rate Levies (2011-2012): Under the terms of the current Service Agreement, BIDs are required to submit budgets to HRM (in support of their BID area rate recommendations). BID budgets detail how area rate levies are to be expended. Federal and Provincial area rate levies did not, however, appear in the 2011-2012 BID budgets (Federal and Provincial agreement to pay these levies had not yet been secured). Staff have, therefore requested that the BIDs advise Council how these unaccounted for area rate levies will be applied to their respective 2011-2012 budgets.

The BIDs will be expending the 2011/12 Federal and Provincial area rate levies as follows:

Spring Garden Area Business Association (SGABA) – \$23,946: Capital costs for a phased-in seasonal decoration program, which will include consulting fees for a strategic plan, new hardware (bands and strapping for mounting lighting and banners) and new lighting displays.

Sackville Drive Business Association (SDBA) – \$1,514: Computer system (to be used by a newly hired staff member).

North End Business Association (NEBA) – \$3,818: Branded signage to define business district entry points.

⁴ Provincial and Federal area rate levy revenues will fluctuate annually in response to: (1) changes in applicable BID area rates; (2) changes in assessed property values (Provincially and Federally owned properties); (3) changes in ownership (disposal or acquisition of properties by the Federal and Provincial governments).

Downtown Dartmouth Business Commission (DDBC) – \$9,937: Design and printing of marketing materials in support of a re-branding initiative for downtown Dartmouth.

Downtown Halifax Business Commission (DHBC) – \$107,975: DHBC will be holding over the \$107,475 until 2012/13. DHBC's 2012/13 budget will show the 2011/12 Provincial and Federal levies as additional revenue, and details of expenditure will be shown in the 2012/2013 budget submitted to HRM.

Go-Forward Treatment of Provincial and Federal Levies

If staff's recommendation is approved, beginning in 2012-2013, BID budgets will include non-governmental commercial area rate levies and Federal and Provincial area rate levies. BID Budgets substantiate BID area rate levy recommendations (rates, minimums and maximums) – recommendations that are reviewed annually by staff and by Regional Council. Council review takes place in June in response to a comprehensive area rate Recommendation Report submitted by Finance.

Part II: Discretionary Funding Proportional Share Formula

Per Council's request of October 4, 2011, Part II of this report outlines the implications of excluding governmental area rate levy revenues from the proportional share formula used to determine the allocation of discretionary funding among HRM BIDs.

Individual BID Entitlement to Governmental Revenue: The decision to exclude governmental levy revenue from the discretionary funding proportional share formula does not impact the amount of Federal and Provincial area rate levy revenue received by an individual BID. A BID receiving \$10,000 in governmental area rate levy revenue will receive \$10,000 regardless of how Provincial and Federal area rate levy revenues are factored into the HRM discretionary funding proportional share formula.

Impact on HRM's Budget & Discretionary Funding Envelope

The inclusion or exclusion of Provincial and Federal area rate levies has no impact on HRM's budget. The total value of HRM's BID contributions funding envelope remains unchanged. Council's decision to exclude Federal and Provincial area rate levies from the discretionary funding proportional share formula does not affect the BID discretionary funding budgetary envelope.

Impact of Governmental Levy on Proportional Shares: HRM's discretionary funding is apportioned based on total levy raised by an individual BID in relation to the total value of all BID levies raised (percent of overall BID levy x value of discretionary funding envelope = proportional share). Inclusion or exclusion of Federal and Provincial area rate levies, therefore, changes each individual BID's relative, and absolute, proportional share of HRM discretionary funding (see Table 2). On October 4, 2011, by way of its motion to exclude Provincial and Federal levies from the proportional share formula, Regional Council approved discretionary

funding as shown in column seven (7) below – “HRM Funding Excluding Gov’t.”

Table 2: Discretionary Funding - Excluding vs. Including Governmental Levies (2011-2012 levy values)								
	BID Levy Including Gov't *	BID Levy Excluding Gov't **	Percent All BIDs Including Gov't	Percent All BIDs Excluding Gov't	HRM Funding Including Gov't	HRM Funding Excluding Gov't	Dollar Change	% Change
Downtown Halifax	\$920,586	\$812,610	46.36%	44.20%	\$46,356.55	\$44,195.15	\$2,161.41	+2.16%
Spring Garden	\$332,913	\$308,966	16.76%	16.80%	\$16,764.00	\$16,803.63	-\$39.63	-0.04%
Downtown Dartmouth	\$225,314	\$215,376	11.35%	11.71%	\$11,345.80	\$11,713.58	-\$367.79	-0.37%
Quinpool Road	\$91,722	\$91,722	4.62%	4.99%	\$4,618.71	\$4,988.45	-\$369.75	-0.37%
Sackville	\$157,376	\$155,861	7.92%	8.48%	\$7,924.74	\$8,476.76	-\$552.02	-0.55%
Spryfield	\$68,005	\$68,005	3.42%	3.70%	\$3,424.42	\$3,698.57	-\$274.14	-0.27%
Main Street Dartmouth	\$82,645	\$82,645	4.16%	4.49%	\$4,161.63	\$4,494.79	-\$333.16	-0.33%
North End	\$107,320	\$103,501	5.40%	5.63%	\$5,404.15	\$5,629.07	-\$224.92	-0.22%
Total	\$1,985,881	\$1,838,686	100.00%	100.00%	\$100,000	\$100,000	-\$0.00	0.00%

* Figure includes commercial property levies, business occupancy levies, Federal government levies and Provincial government levies.

** Figure includes commercial property levies and business occupancy levies.

Levy Table – Financial Impact of Exclusion: As requested by Regional Council on October 4, 2011, Table 2 shows the financial impacts of Council’s decision to exclude Federal and Provincial levies. Table 2 includes two columns for percentage share of discretionary funding (in relation to all BIDs). The ‘Percent All BIDs Including Govt.’ column shows inclusion of the Federal and Provincial levy revenue. The ‘Percent All BIDs Excluding Govt.’ column shows the exclusion of the Federal and Provincial levy revenue. The table also includes two columns for HRM discretionary funding share as a dollar value. The ‘HRM Funding Excluding Govt.’ column reflects discretionary funding share (in dollars) with Federal and Provincial levy revenue is excluded. The ‘HRM Funding Including Govt.’ column reflects discretionary funding share (in dollars) with the Federal and Provincial levy revenue included.

The column titled ‘dollar change’ reflects the difference (positive or negative) in absolute dollars. This uses a comparison of proportional entitlement to discretionary funding assuming exclusion of Federal and Provincial levy revenue versus proportional entitlement to discretionary funding assuming inclusion the Federal and Provincial levy revenue. The ‘percentage change’ column reflects the change in discretionary funding allocation as a percent (positive or negative).

Impact on Individual BIDs

If Federal and Provincial levy revenue were included in the discretionary funding formula, then seven of the eight existing BIDs would see a decrease in their share of discretionary funding. This is a by-product of the governmental levy revenue not being equally spread between the BIDs. Only Downtown Halifax Business Commission (DHBC) would experience an increase (+\$2,161.41/+2.16%) in their discretionary funding shares if governmental levy revenue is included. This is because DHBC is the primary recipient of the governmental area rate levy revenue. DDHB would receive \$107,975 (73.36%) of the total \$147,190 in overall governmental levies collected by HRM (see Table 1).

BUDGET IMPLICATIONS

There is no budget impact, on HRM, relative to Federal and Provincial Government payment of BIDC area rates. Payment amounts to the affected BIDC's from these sources have been included in budget calculations for 2011-12.

Council's motion to exclude Provincial and Federal area rate levies has no direct impact on the budget amount in the current BID's Contributions Fund operating account #C771-6919. The total value of contributions funding remains consistent irrespective of the decision to include or exclude governmental area rate levy revenues in the discretionary funding formula.

Individual BID budgets are impacted as outlined in Table 2.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

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

COMMUNITY ENGAGEMENT

Staff met with representatives from all seven BIDs on October 27, 2011. The BID representatives put and passed the following motion:

Moved by Tim Olive and seconded by Bruce Holland that:

Federal and Provincial levy money should be excluded from the BID discretionary contributions policy's proportional share formula.

Seven votes were cast in favour of the motion, one vote was cast against the motion.

ALTERNATIVES

None recommended.

ATTACHMENTS

Attachment 1 - Time Line of Council's Consideration of Payment of Federal and Provincial Area Rate Levies and Discretionary Funds to HRM Business Improvement Districts

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

Report Prepared by: Scott Sheffield, Community Developer, External Relations & Corporate Affairs, 490-3941;
John Marsh, Team Lead – Revenue, Finance, 490-6473

Original Signed

Report Approved by: _____
Jennifer Church, Managing Director, External Relations & Corporate Affairs, 490-3677

Attachment 1

Time Line of Council's Consideration of Payment of Federal and Provincial Area Rate Levies and Discretionary Funds to HRM Business Improvement Districts

Federal and Provincial Area Rate Disbursement

April 28, 2011 – Halifax Regional Council passed the 2011/12 Operating and Capital/Project budgets for Halifax Regional Municipality which included provision for payment of Federal and Provincial area rate levies to HRM Business Improvement Districts.

Contributions Policy

May 5, 2011 – Staff report, HRM Discretionary Funding to Business Improvement Districts: Proposed BID Contributions Policy, submitted to the HRM Grants Committee.

June 13, 2011 – HRM Grants Committee approved in principle the recommendations contained in the staff report dated May 5, 2011, regarding the HRM Business Improvement District Contributions Policy.

June 27, 2011 – Audit and Finance Standing Committee approved in principle the recommendations contained in the Grants Committee report dated June 14, 2011. Minor amendments were recommended by the Committee as detailed in the Discussion section of its report to Community Planning and Economic Development Standing Committee.

September 15, 2011 – Community Planning and Economic Development Standing Committee approved in principle the recommendations contained in the Audit and Finance Standing Committee report dated July 17, 2011.

October 4, 2011 – Regional Council motion, MOVED by Councillor McCluskey, seconded by Councillor Walker, to approve the amended BID Contributions Policy.

Discretionary Funding

July 14, 2011– Staff report, 2011-2012 Discretionary Funding for Business Improvement Districts, submitted to the Community Planning and Economic Development Standing Committee.

September 15, 2011– Community Planning and Economic Development Standing Committee approved in principle the recommendations contained in the staff report dated July 15, 2011, regarding discretionary funding for Business Improvement Districts.

October 4, 2011 – Regional Council motion, MOVED by Councillor Nicoll, seconded by Councillor Wile, to approve disbursement of discretionary funding to BIDs as detailed in the staff report dated July 14, 2011.