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Item No. 3 (i)

Committee of the Whole

August 7, 2012

August 14, 2012

TO: Mayor Kelly and Members of Halifax Regional Council

Original Signed by Director

SUBMITTED BY:

Greg Keefe, CFO & Director, Finance & ICT/CFO

DATE: July 24, 2012

SUBJECT: Sidewalk LICs and Taxes – Supplementary

INFORMATION REPORT

ORIGIN

On February 28, 2012, a report was provided to Regional Council on Sidewalk Local Improvement Charges (LIC) and Taxes. Regional Council referred the discussion to a future Committee of the Whole.

BACKGROUND

On February 28th, 2012, Regional Council requested that a staff report respond to a number of questions. These issues are addressed in this report.

DISCUSSION

The comments and questions from Regional Council on February 28, 2012 were related to: existing policy, future policy options and the implications of these potential changes. For discussion, the comments and questions have been sorted into these three categories.

Comments and Questions on Current Policies and Practice

- concern with the LIC system – at no time should residents or business owners on an arterial road be expected to absorb an upgrade;
- review of rates; certain districts in HRM have limited municipal services but are charged urban tax rates;
- snow removal (inconsistencies in maintenance);
- identify the set distance under the Transit Tax (residents along Peninsula are charged transit tax but many do not use the service);
- report should capture that developers are required to put this infrastructure in place for new developments;
- that prior to coming to a Committee of Whole session, staff from Active Transportation be able to comment on how sidewalks are contributing to meeting the objectives of the active transportation plan (i.e. bike lanes, trail development and pedestrian safety, movement and amenity);
- definition/criteria of arterial roads and collector roads;
- list of arterial roads that would be considered part of the practice for sidewalk improvements and upgrades, as well as the condition of sidewalks (i.e. category, functionality and degree of sidewalk);
- how HRM distinguishes the standards for sidewalks (i.e. one side of the road or both sides of the road);
- identify the number of LICs HRM currently has for sidewalks and their status.

Staff Responses

The current policy on the local Transit Tax is that all properties within a one-kilometer (15-minute) walking distance of a bus stop pay the local rate (on assessment). Unlike a bus pass, the transit tax is not a user fee; it reflects the ability to access the service. Since people can also drive to a transit stop, 25% of local transit is funded through the Regional Transportation rate.

For around ten years, developers have been required to put a sidewalk on one side of the street for new (suburban) developments. In some cases, based on street classifications, sidewalks must be provided on both sides of the street. In addition, where sidewalks are constructed near new developments, Capital Cost Contributions (CCC) may be required from the developer to pay their share of service's capital costs.

Finance staff has met with Active Transportation staff (Planning and Infrastructure). The reduced complexity and improved ability to plan that the new funding model proposes, could improve the connectivity of sidewalks and active transportation in HRM.

Arterial and collector roads are defined in Table 5.1 – Characteristics of Street Classes, in HRM's "red book". Key features, by street classification, are summarized in the following table.

Street Class	design traffic (average daily flow)	average running speed (off-peak conditions)	Characteristics of traffic flow
Arterial	more than 20,000	50-70 km/h	uninterrupted flow except at signals; with pedestrian overpasses
Major collector	more than 12,000	40-60 km/h	uninterrupted flow except at signals and crosswalks
Minor collector	up to 12,000	30-50 km/h	Interrupted flow

On sidewalk improvements and upgrades, all existing sidewalks are eligible for upgrades based on the condition rating of the sidewalk as compared to other locations across HRM. The location or class of the sidewalk (arterial, collector or local) has no impact on the rating. However, for new sidewalks, the classification of the street (arterial, collector, local) is a criterion used in rating potential new sidewalk projects. Whether there is a sidewalk on the “opposite” side is considered in the rating. If one side of the street has a sidewalk, there is lower demand for a sidewalk on the opposite side. However, on arterials – where there is significant traffic and accessibility to the opposite side is limited – a second sidewalk would score higher than on a local street.

HRM will have seven sidewalk LICs for 2012-13. All but two of these are area rated. See the table below for a summary of current sidewalk LICs, sorted by date when the LIC charge is scheduled to end.

LIC Method	Conclusion of LIC Payment	# of projects	# of properties	Value of Unpaid LICs (as of March 31, 2013)
Area Rated	2012-13	4	12,507	\$0
Area Rated	2013-14	1	1,186	\$145,500 (1 of 3 years)
Abutter* - frontage	2013-14	1	2	\$500 (1 of 10 years)
Abutter* - frontage	2021-22	1	2	\$5,000 (9 of 10 years)

** Note: Abutters may opt to pay over a ten-year period or may pay earlier, if preferred.*

Questions and Requests for Information on Potential Future Policy

- the map showing the urban boundary should have a legend to identify a kilometre;
- what the urban boundary would look like;
- clarification on the redesign of urban tax boundary or general tax rate and whether it is just for Halifax;
- how business parks will be included in relation to payment for sidewalks;
- consideration of adding a sidewalk rate to the cost of new subdivisions/homes;
- how the new LIC will be assessed with the upgrades to the new concrete standard for sidewalks; a suggestion was made that the maintenance cost of all sidewalks be area rated, and the inventory for the arterial road category be under the general rate;

- if Council went with the general tax rate with a one kilometre distance, who gets to decide when and where sidewalks are installed in the future and what is the decision making process;
- [consider] having LICs under the general tax rate.

Staff Responses

Future sidewalk maps will include a legend. Depending on the scale of the map and the size of the print-out, the scale may differ. On large maps, scaled down to a letter-sized sheet of paper, it may be difficult to detect one-kilometre segments.

The only remaining difference between the Urban and Suburban tax areas is sidewalk funding. (Transit was the other difference, but is now funded by specific area rates.) Adoption of a sidewalk tax would result in urban and suburban tax rates becoming equal. Individuals would then pay additional taxes based on whether they are within 1 km of a sidewalk (sidewalk tax) or bus stop (local transit tax). Usage of the term “urban” and “suburban” rates should be discontinued. As with the transit tax, any properties in the “rural” area that are within 1 km of a sidewalk would pay the rate for that sidewalk. Those farther than 1 km would not pay.

There are several options as to how businesses could pay their share of sidewalk expenses. Either, they could pay the new sidewalk tax rate, similar to the way residents would pay, or their share of sidewalk taxation could remain in the Commercial Urban/Suburban General Tax rate. Currently, there is no difference between the urban and suburban commercial tax rates.

New subdivisions/homes pay the capital costs of local sidewalks (including CCC charges, where applicable) through the purchase price of their property. Just like other HRM homes, new homes near sidewalks would pay the proposed sidewalk area rate (if approved). The current CCC program is not expected to change, as a result of the proposed sidewalk LIC/tax policy.

Staff’s approach for recommending new sidewalk projects and sidewalk repairs to Council would not change, due to any change in the tax system. The current approach is designed to ensure public safety and active transportation are appropriately considered. It will continue to be periodically reviewed. Final decisions on sidewalk funding remain with Regional Council.

Regional Council could fully fund the operating and capital costs of HRM sidewalks under the general tax rate, without LICs or a sidewalk area rate, if it so chooses.

Questions on Implementation and Potential Impacts

- there are a number of questions and the lack of clarity on the potential cost;
- identify the current LICs compared to what they would be under the general tax rate;
- provide information on the per lot basis for local as opposed to frontage;
- if option passed, when would the current LICs end (i.e. when the new option is passed or when they are paid off);
- identify how LICs would be removed.

Staff Responses

The proposed changes to LICs and sidewalk taxation would not affect HRM's costs for sidewalks. The level of funding in any year is a decision of Regional Council. Any new local sidewalk tax simply aligns that cost to those with greater access to the sidewalks.

Exact tax rates and impacts under a new system have not yet been calculated as staff are awaiting Council's direction on what type of system to design. Impacts will depend on the exact assessment, proximity to a sidewalk and current tax status. Most property owners would see very little impact on overall taxes with changes being plus or minus \$10 per home. There are several instances where impacts could be higher:

- Those Suburban taxpayers who are within 1km of a sidewalk will likely pay more (eg \$35), as they have not been paying for adjacent sidewalks. There are about 2,000 such properties;
- Those Urban taxpayers who are farther than 1km from a sidewalk will likely pay less (eg \$35), as they have been paying for sidewalks in the Urban tax rate. There are about 4,000 such properties;
- Those taxpayers who are or could be paying LIC charges will now avoid those charges. In 2011-12 sidewalk LIC area rates were in the range of 1 to 8 cents (\$20 to \$160 per property), while abutter-paid sidewalk LICs could be in the range of \$3,000 per single-family home (with frontage of 75 to 80 feet).
- Existing area rates for sidewalks may disappear in favour of a new local sidewalk tax. Those farther than 1 km from the sidewalk may no longer pay the area rate.

In 2012-13, LICs will provide an estimated \$880,000 in funding for new sidewalks. Approximately, 70% or \$640,000 of these LICs is for sidewalks along collector or arterial streets. The remaining \$240,000 is for new "local" sidewalks.

The new sidewalk tax proposal could be put in place for 2013-14, so all new sidewalks could be paid from the combined general rate and new local sidewalk tax. On previously approved LICs, Staff would return with advice on how these would be concluded. Council could decide to eliminate all LICs at that time and identify a funding source to pay off the remaining LIC balances, estimated to total \$150,000 as of March 31, 2013.

BUDGET IMPLICATIONS

There are no budget implications to this report.

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

Any changes to LIC or sidewalk tax policy will be communicated to HRM taxpayers.

ATTACHMENTS

Attachment 1 – Proposed Local Sidewalk Area Rate Boundary

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.

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