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Item No. 3
Committee of the Whole
February 12, 2013

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed by Director

SUBMITTED BY: _____

Greg Keefe, Director of Finance & ICT/CFO

DATE: February 6, 2013

SUBJECT: Sidewalk LICs and Taxes – Supplementary #2

INFORMATION REPORT

ORIGIN

On July 5, 2011, Regional Council directed staff to "review the current LIC By-Law and policy requirements for possible improvement to the process, and to present to Council varying options for discussion."

On August 14, 2012, Regional Council directed staff to prepare a 2013-14 taxation system that would include all sidewalks costs in the general rate, and to provide details – for comparison purposes, including potential tax rates – on the selected option and an alternative (with local sidewalks funded by a local sidewalk area rate) prior to the 2013-2014 budget presentation.

LEGISLATIVE AUTHORITY

Section 94 of the HRM Charter, Tax Rates, provides that "Council shall set separate commercial and residential tax rates for... a suburban area receiving a suburban level of services, and an urban area receiving an urban level of services."

As well, Section 96, Area Rates and Uniform Charges, provides that "Council may recover annually from [an] area the amount required or as much of that sum as the Council considers advisable... [for] money [spent] in an area, or for the benefit of an area."

BACKGROUND

The construction of new sidewalks, curbs and gutter is only one service provided by HRM and the total cost represents about three percent of HRM's total budget. Despite this, a confusing array of taxes and charges are used. The construction of a sidewalk is often funded through local improvement charges, its maintenance through the Urban General Tax rate and its snow plowing through a separate area rate. Different taxpayers may pay for different parts of the sidewalk service. This system has become increasingly complex, confusing and inconsistent. It is not clear that the various rates and policies used to levy and collect sidewalk funds are meeting the original objectives of Council or that they can be said to represent a fair way to tax for a service.

The Urban General Tax Rate was originally designed to include the costs of maintaining sidewalks and operating the transit system. In 2009-10 the transit system was moved into separate transit area rates. The only current difference between the Urban and Suburban General Tax rates is that Urban includes the costs for sidewalks. However, about 4,000 homes within the urban tax boundary are not within walking distance of a sidewalk, while 2,000 homes outside the urban tax area are within walking distance of a sidewalk.

On February 28th, 2012, staff presented a report to Regional Council that identified four options to change the way property owners pay for HRM sidewalks. At that time, Regional Council asked that the discussion continue at Committee of the Whole and that a supplementary staff report respond to a number of questions.

Regional Council was provided with the supplementary staff report and discussion of the issues continued at Committee of the Whole on August 14th, 2012. Following discussions, Regional Council directed staff to:

1. Develop a new sidewalk, curb and gutter LIC and taxation system for 2013-2014 that recovers the costs of all sidewalks in HRM through the general rate;
2. Provide additional details for the selected option and for option 3 of the February 28, 2102 staff report for comparison purposes, including potential tax rates; and
3. Provide direction as to whether similar solutions should be considered for LICs on other roads features such as paving of gravel road upgrades.

This report provides detailed information in response to the first two items, above. Staff direction on the applicability of similar solutions “for LICs on other roads features such as paving of gravel road upgrades” will follow Regional Council's decision on sidewalks.

DISCUSSION

Selected Option – All Sidewalk Costs funded from General Rate

In the 2012-13 budget, \$2.8 million was allocated to Transportation and Public Works for sidewalk maintenance (not including snow removal). As well, \$4.5 million of new and replacement sidewalk projects were approved, \$888,000 of which was funded from LICs. The majority of these costs are currently funded from the urban residential and the urban/suburban commercial general rates.

If sidewalk LICs were eliminated and sidewalks funded through all general rates, the effect would be that urban and suburban rates would merge to one rate. The rural general rate – which does not include funding of recreation facilities or crosswalk guards – would remain lower than the urban/suburban rate. The impact of this selected approach on the 2012-13 general rates is shown in the table below.

<i>Current & Proposed General Rates</i>	<i>Urban (no LIC)</i>	<i>Urban (with LIC)</i>	<i>Suburban</i>	<i>Rural</i>
2012-13 general rates	0.661	0.661	0.645	0.639
Typical LIC area rate*		0.035		
2012-13 general rate + LIC	0.661	0.696	0.645	0.639
Remove sidewalks from urban rate	-0.016	-0.016	n/a	n/a
Add sidewalks/LICs to general rate	0.015	0.015	0.015	0.015
New General Rates	0.660	0.660	0.660	0.654
Overall Difference	-0.001	-0.036	0.015	0.015

* see the impacts on the individual 2012-13 LIC area rates in Attachment 1.

Impact on average home (assessment of \$210,000)	-\$2.10	-\$75.20	\$31.50	\$31.50
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With this taxation approach, all sidewalk, curb and gutter work would be funded from the general tax rate, similar to most all streets and road work. The general tax rate would raise sufficient funds to replace LIC revenues, so capital budgets would not be altered due to the tax structure change.

**Alternative – Local Sidewalk Costs funded by a Local Sidewalk Area Rate
 and Arterial/Collector Sidewalk Costs funded by the General Rate**

For this alternative, the same budgeted amounts are used; however the costs are split between “local sidewalks” and those sidewalks along busier collector and arterial roadways. Based on the 2012-13 budget, almost 40% of tax funding would come from the proposed Local Sidewalk area rate, paid by all those near (within 1 km of) an HRM sidewalk. The remaining tax funding for arterial and collector sidewalks would be general-rated across HRM.

Local sidewalks make up 48% of the total length of sidewalks, by street classification. See Attachment 2 – kms of HRM Sidewalk, by Street Type. Also, local sidewalks accounted for 30% of capital costs in 2012-13. Between operating and capital costs the “local” share is a little less than 40% of total sidewalk costs, excluding winter maintenance.

These allocations would translate into a new “Local Sidewalk” area rate of 0.9 cents or \$0.009 per \$100 of assessment. [Note: This rate is based on using the same commercial multiplier (of 1.0) as the current Sidewalk Plowing area rate.] The impacts of the new Local Sidewalk area rate are shown in the table, below.

Current & Proposed General Rates	Urban (with sidewalk)	Urban (with LIC & sidewalk)	Urban (no sidewalk)	Suburban (with sidewalk)	Suburban (no sidewalk)	Rural (except Sheet Hbr)
2012-13 general rate	0.661	0.661	0.661	0.645	0.645	0.639
Typical LIC area rate		0.035				
2012-13 general rate + LIC	0.661	0.696	0.661	0.645	0.645	0.639
Remove sidewalks from urban rate	-0.016	-0.016	-0.016	n/a	n/a	n/a
Add regional sidewalks/LICs to general rate	0.008	0.008	0.008	0.008	0.008	0.008
Add Local Sidewalk area rate*	0.009	0.009	n/a	0.009	n/a	n/a
New general + sidewalk rates	0.662	0.662	0.653	0.662	0.653	0.647
Overall Difference	0.001	-0.034	-0.008	0.017	0.008	0.008

*proposed area rate boundary is included as Attachment 3.

Impact on average home (assessment of \$210,000)	\$2.10	-\$71.40	-\$16.80	\$35.70	\$16.80	\$16.80
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The area rates planned for 2013-14 are shown in Attachment 4. The recent sidewalk projects were done across HRM, including Halifax, Dartmouth, Bedford and Sackville.

Currently, the community of Sheet Harbour and surrounding areas pay a Sheet Harbour Streetscaping area rate of \$11.84 per property. Under the alternative tax structure, that area rate would disappear and the Local Sidewalk and Sidewalk Plowing area rates would apply, but for a much smaller geographic area. The impacts in the Sheet Harbour area are summarized in the table below. Since the current Sheet Harbour area rate includes both an LIC and snow plowing charge, the sidewalk plowing rate is included in the “before and after” comparison.

<i>Current and Proposed Rates</i>	<i>Sheet Harbour Area (outside 1km)</i>	<i>Sheet Harbour Area (within 1km)</i>
<i>2012-13 general rate</i>	0.639	0.639
<i>Current Streetscaping Charge*</i>	0.020	0.020
<i>Current Overall Rate</i>	0.659	0.659
<i>Adjusted general rate</i>	0.647	0.647
<i>New Local Sidewalk Rate**</i>	n/a	0.009
<i>Sidewalk Plowing Rate**</i>	n/a	0.015
<i>New Overall Rate</i>	0.647	0.671
<i>Overall Difference</i>	-0.012	0.012

* shown as an equivalent rate on assessment, based on the current charge of \$11.84/property and the average assessed value in the area of \$59,900.

** The Local Sidewalk rate and the Sidewalk Plowing rate could be combined to show as one rate on the tax bill.

For simplicity of budgeting and accounting, projects that are primarily sidewalk projects, but include curb and/or gutter work, shall be included as “sidewalk” projects for the purpose of this new rate structure. Curb and gutter work that is not related to a new sidewalk or sidewalk replacement shall be considered a “road” project and funded from the general rate.

Transition Period for Phase out of LICs

Approximately \$580,000 of new LICs (mostly for 2012-13 capital projects) plus \$330,000 of previously approved LICs for earlier sidewalk projects will require one-time funding to immediately eliminate all sidewalk LICs. Details of this transitional cost are shown in Attachment 4.

FINANCIAL IMPLICATIONS

If approved for inclusion in the General Tax rate, the Urban, Suburban and Rural general tax rates would all be adjusted and the Local Improvement Charges for sidewalks would disappear. The same amount of total tax revenues would be raised.

As part of the transition to the new rate structure, \$910,000 of outstanding LICs from past years would not be collected but would instead be written off against the General Tax Rate. The proposed Project Budget for 2013-14 would no longer identify LIC revenue as a funding source for new sidewalks and curb projects. Rather, an additional \$1 million in capital from operating would be added to the Project Budget in order to ensure that the budget has the same financial capacity.

COMMUNITY ENGAGEMENT

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

ATTACHMENTS

Attachment 1 – Impact of New Tax Structure on LIC areas

Attachment 2 – Kms of HRM Sidewalk, by Street Type

Attachment 3 – Proposed Local Sidewalk Area Rate Boundary

Attachment 4 – Past Sidewalk LICs and Transition Costs

Attachment 5 – Commercial Impacts of Selected Option and Alternative

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: Andre MacNeil, Financial Consultant, 490-5529

Original Signed

Report Approved by: _____
Bruce Fisher, Manager, Fiscal Policy and Financial Planning, 490-4493

Attachment 1 – Impact of New Tax Structure on LIC areas

<i>Current & Proposed Residential General Rates</i>	<i>Urban (Dist.20)</i>	<i>Urban (Bay Rd)</i>	<i>Urban (Sackville)</i>	<i>Urban (Beaverbank)</i>
<i>2012-13 general rates</i>	0.661	0.661	0.661	0.661
<i>2012-13 Sidewalk LIC</i>	0.009	0.018	0.051	0.076
<i>2012-13 general rate + LICs</i>	<i>0.670</i>	<i>0.679</i>	<i>0.712</i>	<i>0.737</i>
<i>New General Rate*</i>	<i>0.660</i>	<i>0.660</i>	<i>0.660</i>	<i>0.660</i>
<i>Overall Difference</i>	<i>-0.010</i>	<i>-0.019</i>	<i>-0.052</i>	<i>-0.077</i>

<i>Current & Proposed Commercial General Rates</i>	<i>Urban Akerley</i>	<i>Urban (Dist.20)</i>	<i>Urban (Bay Rd)</i>	<i>Urban (Sackville)</i>	<i>Urban (Beaverbank)</i>
<i>2012-13 general rates</i>	3.084	3.084	3.084	3.084	3.084
<i>2012-13 Sidewalk LIC</i>	0.005	0.009	0.018	0.051	0.076
<i>2012-13 general rate + LICs</i>	<i>3.089</i>	<i>3.093</i>	<i>3.102</i>	<i>3.135</i>	<i>3.160</i>
<i>New General Rate*</i>	<i>3.083</i>	<i>3.083</i>	<i>3.083</i>	<i>3.083</i>	<i>3.083</i>
<i>Overall Difference</i>	<i>-0.006</i>	<i>-0.010</i>	<i>-0.019</i>	<i>-0.052</i>	<i>-0.077</i>

* proposed New General Rate would cover capital costs for local sidewalks

Description of LIC Projects

Akerley Boulevard, from Isnor Dr. to Joseph Zatzman Dr.
 New Sidewalk Rate: \$0.0053 / \$100 assessment

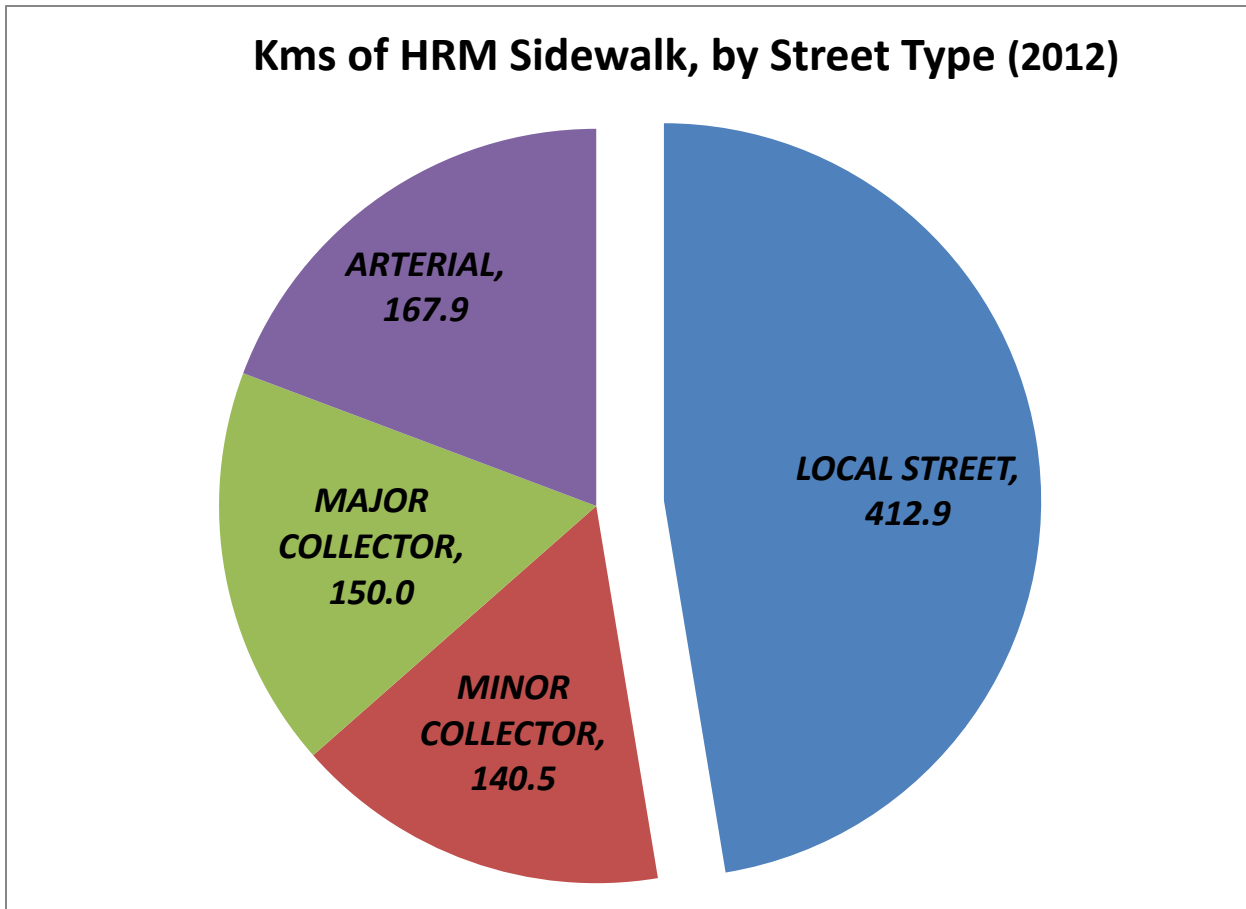
Former District 20
 Cockburn Drive, from McDougall to Mayfair Ave. and
 Mayfair Avenue, from Raymond to Raymond
 New Sidewalk Rate: \$0.0086 / \$100 assessment

St. Margaret’s Bay Road, from Devonshire to Sleepy Hollow
 New Sidewalk, Curb and Gutter Rate: \$0.0178 / \$100 assessment

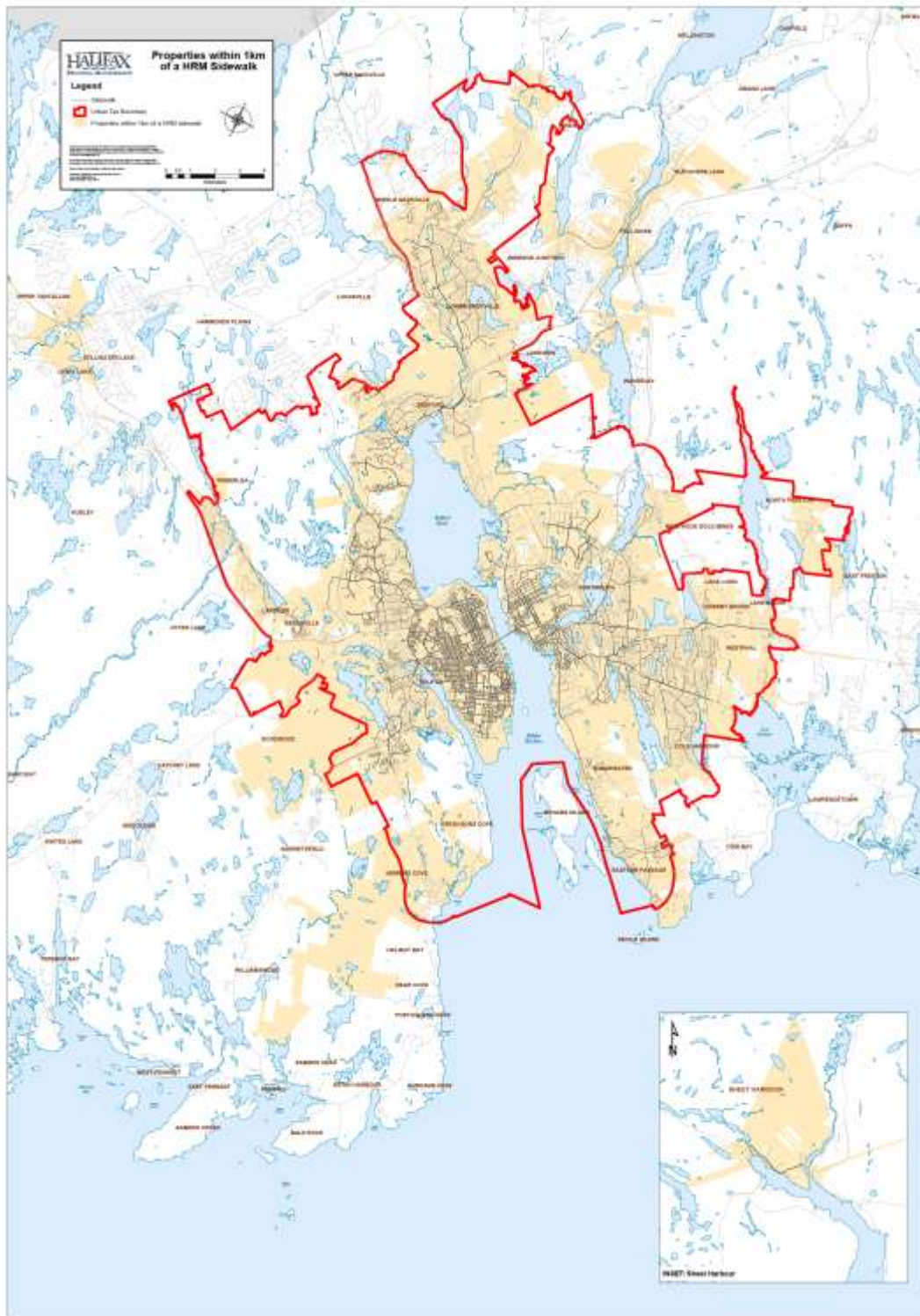
Old Sackville Road, from Lucasville Rd. to Claudia Dr.
 New Sidewalk, Curb and Gutter Rate: \$0.0510 / \$100 assessment

Beaver Bank Road, from Meadow Dr. to Danny Dr.
 New Sidewalk Rate: \$0.0759 / \$100 assessment

Attachment 2 – Kms of HRM Sidewalk, by Street Type



Attachment 3 – Proposed Local Sidewalk Area Rate Boundary



Attachment 5 – Commercial Impacts of Selected Option and Alternative

Selected Option

<i>Current & Proposed General Rates</i>	<i>Urban/ Suburban (with sidewalk)</i>	<i>Urban/Suburban (with LIC & sidewalk)</i>	<i>Urban/ Suburban (no sidewalk)</i>	<i>Rural</i>
2012-13 general rates	3.084	3.084	3.084	2.733
Typical LIC area rate*		0.035		
2012-13 general rate + LIC	3.084	3.119	3.084	2.733
Remove sidewalks from urban/suburban rate**	-0.016	-0.016	-0.016	n/a
Add sidewalks/LICs to general rate**	0.015	0.015	0.015	0.015
New General Rates	3.083	3.083	3.083	2.748
Overall Difference	-0.001	-0.036	-0.001	0.015

* see the impacts on the individual 2012-13 LIC area rates in Attachment 1.

** assuming commercial multiplier of 1:1 for local sidewalks.

Alternative (with Local Sidewalk area rate)

<i>Current & Proposed General Rates</i>	<i>Urban/ Suburban (with sidewalk)</i>	<i>Urban/ Suburban (with LIC & sidewalk)</i>	<i>Urban/ Suburban (no sidewalk)</i>	<i>Rural (except Sheet Harbour)</i>	<i>Rural (Sheet Harbour)</i>
2012-13 general rate	3.084	3.084	3.084	2.733	2.733
Typical LIC area rate		0.035			
2012-13 general rate + LIC	3.084	3.119	3.084	3.084	2.733
Remove sidewalks from urban/suburban rate*	-0.016	-0.016	-0.016	n/a	n/a
Add regional sidewalks/LICs to general rate*	0.008	0.008	0.008	0.008	0.008
Add Local Sidewalk area rate**	0.009	0.009	n/a	n/a	0.009
New general + sidewalk rates	3.085	3.085	3.076	2.741	2.750
Overall Difference	0.001	-0.034	-0.008	0.008	0.017

* assuming commercial multiplier of 1:1 for local sidewalks.

** proposed area rate boundary is included as Attachment 3.