

Statement on the necessity for property tax revision:

September 18, 2015
Paul Dec on behalf of

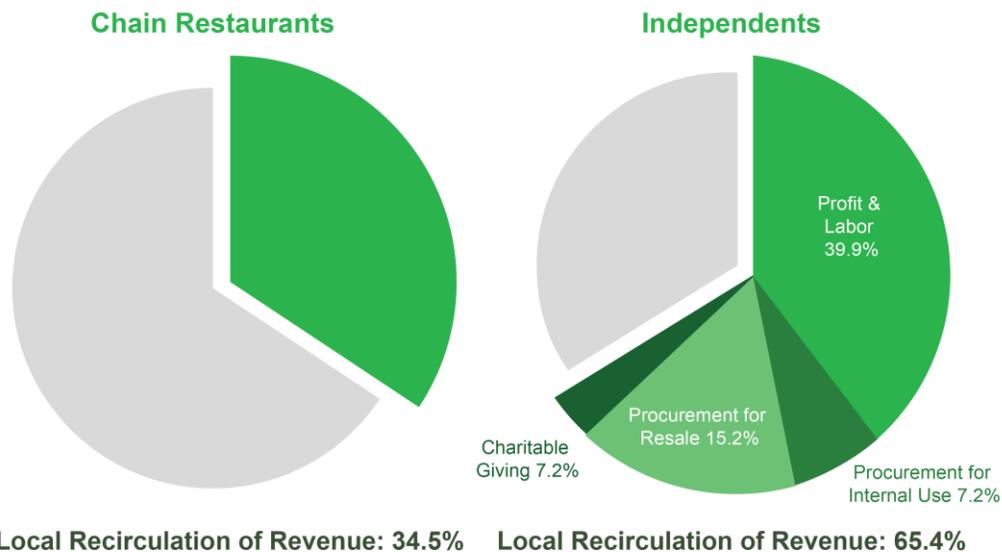


Background and importance

Building a strong economy in Nova Scotia begins with local businesses. “Small businesses contribute to local economies by bringing growth and innovation to the community in which the business is established” (Brown, 2015). Locally owned and operated businesses play a significant role in keeping capital and revenue in the province, and create benefits to the community by securing the long term tax base. Small and medium enterprises from Nova Scotia that are rooted in an area they call home are more likely to reinvest profits into local business start-ups or expansions than national or international corporations.

A study conducted in the US State of Maine found that local businesses spend 55.3 % of their revenue within the state and 44.6 % of the total revenue remain at the business’ location or in a neighbouring county. Large enterprises were found to leave only 14.4 percent within the State (Institute for Self-Reliance, 2003). A similar study in Texas revealed almost an almost identical situation (Writing, 2015).

Local Benefit of Indie v. Chain Restaurants



*Compiled results from nine studies by Civic Economics, 2012: www.civiceconomics.com
Graph by American Independent Business Alliance: AMIBA.net

Chart 1: Research on Individual and Chain Restaurants from the US (AIBA, 2012)

Even in the restaurant business there is a significant difference between locally and nationally/internationally operating chains, as illustrated in the above depicted chart from the American Independent Business Alliance.

Considering the demographic situation in our province, it is certain that the population of Nova Scotia is at its turning point from growth to decline. Even if the Halifax Regional Municipality would be spared from population loss for another 15-20 years, according to current projections the provincial growth is expected to turn negative within a few years (Ivany et al, 2014). If no game changing events occur, Halifax will experience the same phenomenon with some delay in the 2030s.

With a shrinking economy on the horizon, the importance of supporting local business owners cannot be understated. In a global market economy, large corporations will be the first ones to withdraw from the provincial markets if they do not seem profitable enough anymore. Regionally rooted enterprises, however, are more likely to be the backbone of our economy in difficult times. And the role of the Halifax Regional Municipality as the only urban agglomeration in the province is paramount in supporting local businesses.



The challenge for Business Improvement Districts

The Business Improvement Districts (BIDs) in the Halifax Regional Municipality are a backbone of local services and retail and accommodate a significant share of these rooted businesses. This is traditionally one of the core roles of BIDs: The first Canadian organizations of this kind emerged in Toronto during the 1970s when local business owner decided to team up in response to growing competition from suburban shopping malls (Yang, 2010). BIDs across Halifax have already achieved meaningful results in promoting local businesses across the municipality.

While BIDs and other mechanisms on a provincial and municipal level provide a wide a range of policy instruments that are available to support local businesses, much of this effort is contradicted and undermined by the currently mix of taxation and land use policy, which implicitly subsidizes suburban retail sprawl – a form of development largely geared to serve the interests of large corporations rather than small and medium businesses. The movement of retail to large business parks is detrimental to local businesses that operate at a small and medium scale. The mechanism that makes it hard for small and medium businesses in BIDs to compete on the market is twofold:

1. Mechanism: The inflationary property assessment based taxation



Area	Assessment per sqft
Bayers Lake	16.35
Downtown Dartmouth	31.84
Village on Main	34.56
Dartmouth Crossing	38.43
North End	67.04
Quinpool Rd	98.70
Downtown Halifax	273.22
Spring Garden	292.48

Table 1: Average Property assessments per sq ft

The current taxation policy derives the taxable amount for each property directly from the assessment value. As pointed out in table 1, the majority of BIDs in Halifax are well above the average taxation of properties in business parks. This is a questionable practice, as several studies about the land use patterns in the Halifax Regional Municipality have proven that suburban development creates higher servicing cost: most notably the Stantec report as well as the Sustainable Prosperity Study (see chart 2)

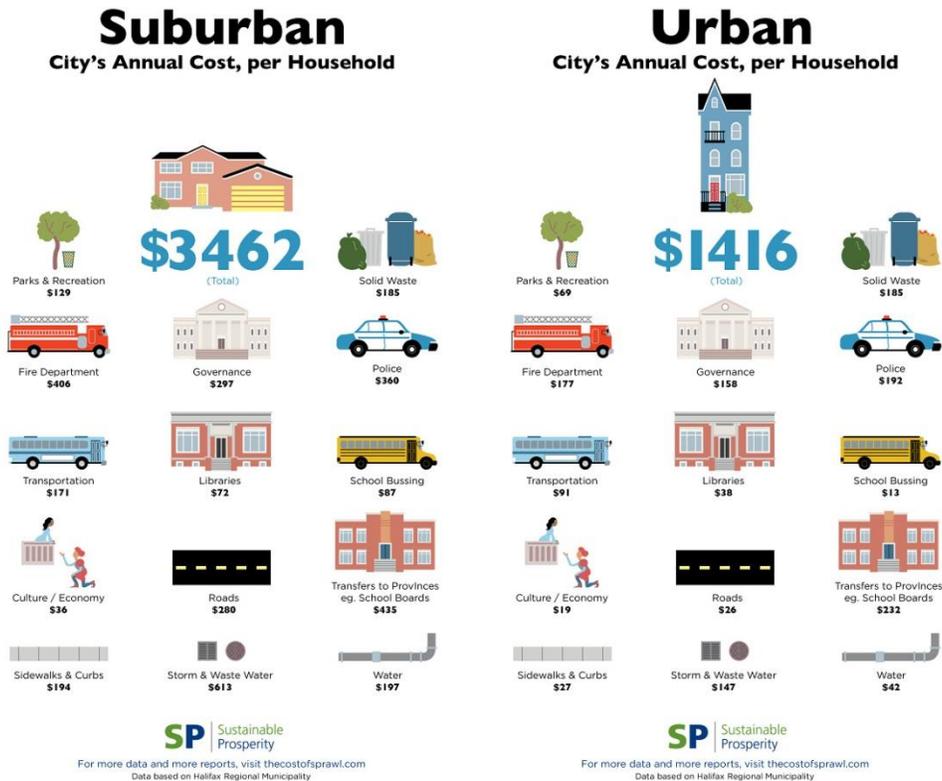


Chart 2: Comparison of Municipal Expenses in the Halifax Regional Municipality

The problem is exacerbated by the inflationary increases of property assessments in developing districts. The role of BIDs is to strengthen the position of local businesses by enhancing the overall attractiveness of the area and to promote development. BIDs are often created in former 'problem neighbourhoods', which makes urban regeneration a typical objective for BIDs. As soon as the transformation of a BID materializes, property taxes for all local BIDs increase rapidly. This phenomenon takes place because property assessments are influenced by sale prices of the surrounding property. Local business owners however, are more interested in keeping their businesses running than capitalizing their theoretically higher property values at the real estate market.

How this is relevant for the Village on Main BID

In consequence, it appears member businesses of BIDs are penalized for enhancing their properties and districts in inner city (higher density) locations. Since Regional Council has approved a major amendment to the Dartmouth Land Use By-law and MPS concerning development in the Main Street Area in 2013, we expect a wave of development to occur in our BID over the next ten years. The new density regulations in our area allow for a 326% increase of commercial floor space. Sadly this means in the context of current taxation policy, that small business owners who have driven and fought for this change for many years, may be driven out of the district due to exorbitant tax increases. There is clear evidence that the BIDs on Quinpool Rd and in North End Halifax have already experienced the consequences of such tax implications after successful improvements to their areas.



2. Mechanism: Zoning of Industrial Parks allows for uses that these places are not meant for

Business Improvement Districts have not only to cope with rapidly increasing taxes if they create a strong business climate in their area, they also have to withstand competition from implicitly subsidized competitors in business parks. A recent debate from Council demonstrated preference of business park retailers over such in central locations:

The Municipality has previously created an Expansion Area of the Burnside Business Park in order to “retain an adequate supply of industrial lands within HRM to ensure a continued mixed and diversified economy of the region” (HRM, 2015). We want to keep industry in our region for good reason, and large tracts of affordable land are vital for industrial companies with machine parks, warehouses etc. to settle down. However, in order to fill in vacant lots in the park, Council decided to loosen zoning restrictions and allow interested large retail chains to move into the business park (Patil, 2015).

The consequence of such a decision allows retail into extremely low valued land, resulting in a situation where they pay a fraction of property taxes than a comparable store in a BID. In essence, the city has a double-loss; it makes a capital investment in creating a business park with expanded use than was originally intended (allowing for retail) and loses tax revenue due to missed opportunity from driving business out of the downtown and BIDs. This practice stimulates a vicious circle as illustrated in the following chart:

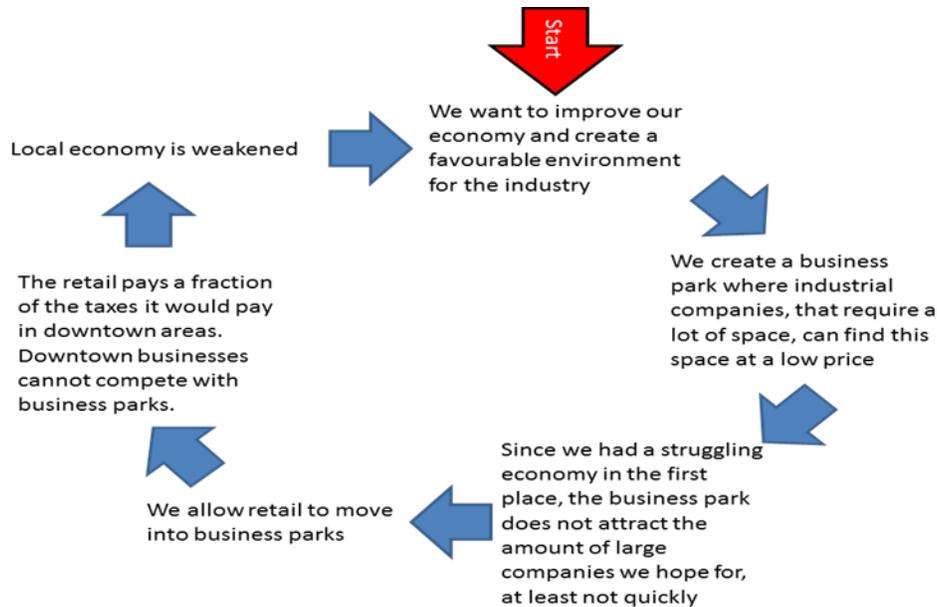


Chart 3: Circle of retail promotion in industrial parks

The recent major expansion of the Bayers Lake business park during a time of two digit commercial vacancies in downtown areas, is another example of land use policy supporting large (often foreign) corporations over small and medium local enterprises. All business parks in Halifax are located in industrial “I” zones. It is our recommendation that they be restricted to this original purpose to break the cycle of retail sprawl that weakens the tax base of the Municipality.

Conclusion and suggestions

The Stantec report has clearly shown the advantages of development in central locations and triggered an important change of policy in the city. The Regional plan has confirmed these findings and established clear growth targets for development in central locations. Furthermore, centrally located BIDs accommodate more local enterprises than outlying areas and, as initially explained in this report, play a crucial role for both Halifax and the province. The One Nova Scotia report clearly stresses the role of local entrepreneurs in improving their communities (Ivany et al., 2014). If status quo remains, we fear that our local owners successfully improving their properties and the district, would have legitimate concern that they be taxed out of the district that they have helped to improve. Furthermore, competitors that operate on cheap industrial land have an unfair advantage; and these large businesses are rseldom local.

In conclusion, the Main Street Dartmouth Business Improvement District requests that the city revise its current taxation practice and consider:

- a) A higher taxation rate for commercial properties and especially retail that occupies cheap industrially zoned land
- b) A tax break for small businesses
- c) A freeze of tax assessments for small business property owners in times of redevelopment, as long as they do not sell their property for profit.

References

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