



**Subject:** Deed Transfer Tax Report  
**To:** Corporate and Residential Services Committee  
**Date Prepared:** January 11, 2024  
**Related Motions:** C23(38)  
**Prepared by:** Wade Tattrie, CPA, CA, Director of Finance  
**Approved by:** Kim Ramsay, CPA, CMA, Chief Administrative Officer

### Summary

Staff have prepared this report in response to Council motion C23(38) - ***“Moved that Council direct staff, at a time staff have an opportunity (before next budget), to bring a report to begin discussions how the Deed Transfer should be allocated. ”***

### Financial Impact Statement

Based on the contents and recommendations of this report, two policies would be drafted. One of which would indicate the actual amount Deed Transfer Tax in excess of the annual amount budgeted, to the maximum extent of the actual year end surplus, shall be allocated to a GTR Reserve - such as the Roads Reserve. The other policy will determine how much of an annual grant will be allocated to the Urban Service Rate. Consideration could also be given to increase the DTT budget in 2024-2025, while mitigating risk by setting aside the 2023-2024 DTT Surplus.

### Recommendation

Staff recommend that the Corporate and Residential Services Committee recommend to Council that they direct staff to prepare a draft policy on Deed Transfer Tax Surpluses and a draft policy on Annual Grant to the Urban Tax Rate. These draft policies are to be based upon the recommendations of the staff report dated January 11, 2024. It is also recommended that the DTT budget be highlighted during the 2024-2025 budget discussions with a full discussion on risk relating to that budget.

### Recommended Motion

***Move that the Corporate and Residential Services Committee recommend that Council direct staff to prepare a draft policy on Deed Transfer Taxes, and a Draft Policy on Annual Grant to the Urban Tax Rate. These draft policies are to be based upon the recommendations of the staff report dated January 11, 2024.***

***And, that once the draft 2024-2025 budget is tabled with Executive Committee, staff bring a report on Deed Transfer Tax options to alter the budget based on information in this report.***

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## Background

### Deed Transfer Tax

An amount of DTT is budgeted each year as revenue, which has the effect of reducing the General Tax Rate (GTR). A portion of this amount is then allocated to reduce the Urban Service rate (USR). Actual amounts received each year have exceeded the budgeted amount. With the exception of a few other transfers, this excess (to a maximum of the annual surplus) has been allocated to a GTR contingency reserve during the annual audit and year end processes.

#### **\$ Amount of DTT Assumed in Budget (this reduces the General Tax Rate)**

	Year 21/22	Year 22/23	Year 23/24
Totals	\$ 1,575,000	\$ 1,600,000	\$ 1,875,000

#### **Actual \$ DTT In Excess of Budgeted Amount recorded to year end GTR Surplus.**

	Year 21/22	Year 22/23	Year 23/24
Totals	\$ 1,664,156	\$ 1,763,546	\$ 1,325,000

The following table reports on the actual DTT (by three areas) for 21/22 and 22/23 fiscal years as well as the projected 23/24 DTT. Over the last 3 years the Urban area contributed 62%, Mount Uniacke 25% and Rural East Hants, 13%.

<b>East Hants Deed Transfer Taxes (DTT)</b>				
<b>DTT \$ Received Districts</b>	<b>Actual \$ 21/22</b>	<b>Actual \$ 22/23</b>	<b>Projected \$ 23/24</b>	<b>3 Yr % of Total \$</b>
Urban (1,2,3,4,7,10)	1,920,010	2,114,946	2,044,140	<b>62%</b>
Uniacke (8,9)	808,415	842,025	776,404	<b>25%</b>
Rural (5,6,11)	510,731	406,575	379,456	<b>13%</b>
Totals	3,239,156	3,363,546	3,200,000	<b>100%</b>

The Deed Transfer Tax is a unique source of revenue in that can vary significantly from year to year as it is based on property sales transactions during the year. The amount budgeted in the past few years has been less than what the municipality actually realized at the end of each of the fiscal years. This might be interpreted by some as being a conservative budget process. However, it must be remembered that the MGA indicates the municipality is not allowed to have a deficit. Therefore, being conservative is prudent and is cognizant of the financial risks associated with budgeting the Deed Transfer Tax.

Recognizing this risk, Council made the decision to set aside \$289,000 (Year-end 2020-2021) to have in case the less conservative DTT budget was not realized.

### Property Taxes

While the Deed Transfer Tax is unique, it is also very similar to other property tax revenues in that the majority of it (62%) has come from the Urban area. In general revenue, 63% comes from the corridor (40% from fully serviced properties, 23% from un-serviced properties), 21% from Mount Uniacke and 15% from the rural communities. (Note: With the following data we are able to split the Urban Service Rate properties out from those outside the USR area.)

BREAKDOWN OF GENERAL TAX REVENUE BY AREA						
	RESIDENTIAL	RESOURCE	COMMERCIAL	DWELLINGS	GTR REVENUE	% OF TOTAL GTR REV
CORRIDOR - USR	\$ 901,266,200	\$ 4,225,100	\$ 110,949,000	6,318	\$ 10,185,869	40%
CORRIDOR	\$ 585,052,800	\$ 26,246,600	\$ 37,218,900		\$ 5,908,051	23%
RURAL	\$ 386,666,000	\$ 34,185,200	\$ 15,975,600	2,891	\$ 3,819,468	15%
UNIACKE	\$ 535,443,400	\$ 6,890,700	\$ 35,659,900	2,009	\$ 5,309,366	21%
<b>TOTAL</b>	<b>\$ 2,408,428,400</b>	<b>\$ 71,547,600</b>	<b>\$ 199,803,400</b>	<b>11,218</b>	<b>\$ 25,222,753</b>	

The following table shows where growth between the 2023 and 2024 filed roll has occurred. It should be noted that the commercial growth in the Uniacke area is primarily from the Business Park, which like the Elmsdale Business Park, is fueled by general tax rate dollars as the Municipality acts as the developer of these lands, building any necessary roads and infrastructure. The notable difference in Elmsdale is that any infrastructure outside of the Business Park, but still required to service the Business Park, is paid for by the Urban Service Rate tax payers (i.e. the debt for the Hwy 214 sewer upgrades and lift station upgrades) through infrastructure charges or debt payments.

ASSESSMENT GROWTH FROM 2023 TO 2024 BY AREA				
	Growth Res/Res 2024	% of Growth	Growth Comm 2024	% of Growth
CORRIDOR - USR	\$ 95,103,500	39%	\$ 15,245,400	46%
CORRIDOR	\$ 53,777,400	22%	\$ 6,658,300	20%
RURAL	\$ 36,718,100	15%	\$ 2,252,800	7%
UNIACKE	\$ 60,827,300	25%	\$ 8,884,300	27%
<b>TOTAL</b>	<b>\$ 246,426,300</b>		<b>\$ 33,040,800</b>	

**Infrastructure**

Without investment in infrastructure, this unprecedented growth could not continue to happen. We have several capital projects planned and underway that are required in order to add new growth to the assessment base. This growth will come at a cost to the general tax payer for services like RCMP, Education and Roads. It will also come at a significant cost to the tax payers in the serviced area, where tens of millions of dollars of infrastructure will be required to sustain the long-term growth.

In recognition of the contributions, of the Urban Service Rate rate-payers, required to sustain the growth that benefits all of the general tax rate payers, Council has for 20+ years granted the USR \$400,000 or 40% of the first \$1 million of Deed Transfer Tax collected. It should be noted that the majority of USR customers are also water utility customer. Due to the significant capital expenditures in the coming years, a water rate review is planned for 2024-2025. In 2023/2024, the \$400,000 was increased by CPI:

### \$ Amount of DTT allocated to Urban Service Rate

	Year		Year		Year
	21/22		22/23		23/24
Totals	\$	400,000	\$	400,000	\$ 430,800

The following table reports on the actual capital expenditures (by three areas) for the 20/21, 21/22 and 22/23 fiscal years. Note that it does not reflect any reductions that might have been applicable to external funding (provincial or federal) for these types of capital projects. And it does not reflect the significant investment in the Sportsplex in 21/22. Although not shown in the table below, it should also be noted that during the current fiscal year (2023/2024), significant capital costs have been incurred far in excess of recent years capital expenditures for water and wastewater facilities. This trend is expected to continue. These expenditures will undoubtedly have a significant long-term impact on the USR debt charges and related fees in urban areas.

### Capital Expenditures

	<u>20/21</u>	<u>21/22</u>	<u>22/23</u>	<u>Total \$</u>	<u>%</u>
Urban (1,2,3,4,7,10)	1,920,272	2,892,057	2,640,999	7,453,327	64.9%
Uniacke (8,9)	919,870	383,401	348,161	1,651,432	14.4%
Rural (5,6,11)	248,955	323,737	337,403	910,095	7.9%
Waste Management Centre	298,987	12,639	29,840	341,467	3.0%
General	151,237	832,241	151,019	1,134,498	9.9%
Totals	<u>3,539,322</u>	<u>4,444,075</u>	<u>3,507,421</u>	<u>11,490,819</u>	<u>100%</u>

## Discussion

As we look to the future of Deed Transfer Tax, specifically to the motion in question as to how the Deed Transfer Tax should be allocated moving forward, Council could look at developing two distinct policies that give Council a predictable and repeatable method of dealing with Deed Transfer Tax surpluses in the future. One policy would give future direction on what to do with any Deed Transfer Tax surplus, and one policy to formalize an Urban Service Rate Grant. By developing two specific policies, these two issues can be clearly defined and addressed separately. Finally, we can look at DTT budgeting options.

### Deed Transfer Tax Surplus Policy

East Hants is not unique in that our Deed Transfer Tax budgets have been far exceeded in the past few years due to the real estate phenomenon that happened during and following COVID. We have been fortunate to have seen surpluses in excess of \$1.3 million for the past three years.

Staff are recommending that a Deed Transfer Tax policy be drafted which would clarify what will happen when actual DTT revenues are in excess of the budgeted amount. Any excess of actual DTT over budget (to a maximum of the annual surplus) would be allocated to a specific GTR Reserve that is recognized as being in need of significant and ongoing funding.

For example, recent work by the MEH Asset Management staff have indicated that funding for Roads is a prime candidate for this funding as any reserve will benefit both the Mount Uniacke and Corridor areas in the long-term, the two larger contributors of the DTT. Currently, Mount Uniacke districts have about 25% of the municipal road inventory and the Corridor has 75%. These numbers will change as development takes place in the respective areas. This can be flushed out more in a future report on such a policy, for Council's consideration.

## Urban Service Rate Grant Policy

As noted above, Council has always recognized the significant contribution the urban serviced area has made to the bottom line for our tax payers. Council has made significant investment in recreation facilities in the Corridor area (from the general and sport area rates) as well as the Elmsdale Business Park. Being geographically situated to be the next logical growth node for Halifax comes with its benefits and its costs.

Staff are recommending an Urban Service Rate Grant Policy be prepared that recognizes the significant financial benefits (via assessment value taxes and DTT) the Urban area (Corridor) brings to all MEH residents, as well as the significant capital costs the Urban area must incur to produce these assessments and DTT. To recognize these benefits and costs, an Urban Service Rate Grant policy would determine an amount to allocate in the budget each year, independent of the DTT collected.

Staff recommend drafting the Policy with the 2023 value plus CPI each year. This will keep the grant in line with CAP assessment value increases, bringing consistency to the number, although it will not reflect the costs associated with infrastructure investment.

## Budget Consideration

As Council looks at a projected DTT surplus of over \$1.3 million in March 2024, Council could use these funds to manage future deficits and be more aggressive in their budgeting. For example, Council could set aside \$1 million in the existing reserve for DTT and budget a higher amount for DTT in 2024-2025. If this were done, Staff would recommend setting a portion of this increase away to a reserve for Roads (\$500,000) and reducing the burden on the General Tax Rate for the difference (\$500,000).

If after a number of years the DTT receipts remain at the higher budgeted amount and the reserve is not needed to manage Council risk, Council can then choose to transfer it to another reserve of their choice.

Staff recommend that once the draft 2024-2025 budget is tabled with Executive Committee, staff bring a report on Deed Transfer Tax options to alter the budget based on information in this report.

## Alternatives

Make no change to the existing method, continuing to evaluate municipal needs at each year end and allocating the DTT surplus accordingly. This method of dealing with the surplus is not recommended as it will weigh funding in favour of the issue of importance at the time and not look to all of Council's short and long-term priorities for funding.