



Subject: Deed Transfer Tax Report # 2
To: Corporate and Residential Services Committee
Date Prepared: February 8, 2024
Related Motions: C23(38), CRS24(5)
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Approved by: Kim Ramsay, CPA, CMA, Chief Administrative Officer

Summary

Staff prepared an initial Deed Transfer Tax Report in response to the February 2023 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”*. This initial report was presented to Corporate and Residential Services Committee on January 16th, 2024.

At that meeting motion CRS24(5) was made *“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.”

This second report and the attached draft policy revisions are response to that motion.

Financial Impact Statement

The recommended motion will increase the 24/25 budget assumption for Deed Transfer Taxes from the current amount of \$2.123 million to 3.0 million. It will also provide for a portion of the Deed Transfer Tax to be set aside during the annual budget process to a general tax reserve. As well, the USR Grant would remain and grow annually by CPI.

Recommended Motion

Move that the draft budget be set at \$3 million for Deed Transfer Tax with a transfer to reserve of \$450,000, leaving \$427,000 to general revenue.

Move that the Corporate and Residential Services Committee recommend to Council that Council give notice of intent to approve the revisions to the Budget Management Policy, as presented at the February 8, 2024 Corporate and Residential Services Committee Budget meeting.

February 20th, 2024 Council (Policy & In-Camera Meeting):

Move that Council give notice of intent to approve the revisions to the Budget Management Policy, as presented at the February 8, 2024 Corporate and Residential Services Committee Budget meeting.

February 28th, 2024 Regular Meeting of Council:

Move that Council approve the revisions to the Budget Management Policy, as presented at the February 8, 2024 Corporate and Residential Services Committee Budget meeting.

Discussion

Three primary issues arose as a result of the initial report and the discussions Council had on January 16th. They are:

1. How should a policy address the annual issue of determining an amount of Deed Transfer Tax to initially include in the draft budget document presented to Council. And, as the initial draft budget document has already been presented to Council for 24/25 - what amount should it be changed to.
2. How should a policy address the issue of setting aside an amount each year, from deed transfer tax revenues, to an appropriate general tax reserve.
3. How should the issue of the Urban Service Rate grant be addressed in the 24/25 budget and future years.

Amount To Budget for Deed Transfer Tax

Council already has a Budget Management Policy. Adding a new section (10) to this Policy entitled “Specific Budget Amounts” is an efficient manner to address all three issues. The attached draft revisions to the existing Budget Management Policy address the issue of the initial amount (section 10.1) to budget in the annual draft budget. As the 24/25 initial draft budget has been presented to Council, staff recommend the current assumption be changed from \$2,123,000 to \$3,000,000. The average of the actual past two full fiscal years and the projection for the current year of 23/24 is \$3,230,000. There is also Deed Transfer Tax Reserve of \$289,000 should it be required.

Of this \$877,000 increase, approx. half would be set aside in reserve (\$450,000 - 15% of \$3 million) and \$427,000 would be used to reduce the general tax rate proposed in the draft 2023-2024 budget. This is the equivalent of 1.7 cents per \$100 of residential and resource assessment.

Draft Policy Revisions:

10.1 Deed Transfer Tax

The initial draft of the Operating Budget shall use an estimate of the annual Deed Transfer Tax revenue between 80% and 90% of the average past two full fiscal years and the projected current years actual revenues. The amount to be used as the final budget figure for the Deed Transfer Tax shall be decided in consultation with Council.

Amount of Deed Transfer Tax to Set Aside in A General Reserve.

The attached draft revisions to the existing Budget Management Policy address the issue of setting aside an amount of the Deed Transfer Tax in each budget. This in section 10.2.

Draft Policy Revisions:

10.2 Portion of Deed Transfer Tax Allocated to Reserves

The initial draft of the Operating Budget shall include an allocation of 15% of the Deed Transfer Tax budget to Reserves for Municipal Buildings and Property. This reserve will provide funding for a variety of general tax rate purposes including land purchases, tourism sites, building construction, building repairs, office space, and business park developments. These annual contributions will continue until such a time as Council believes the reserve balance is adequate. Council will then revise the policy to choose another reserve fund to transfer funds.

Urban Service Rate in 24/25 and Following Years.

The initial report provided to Council on January 16, 2024 provided information a variety of financial information. This included budgeted and actual amounts of Deed Transfer Tax, general tax revenue, assessment growth, and capital expenditures.

In recognition of the significant cost of infrastructure, outside of the household specific costs of development and maintenance, Council has for many years included an amount in the operating budget for an Urban Service Rate Grant. This amount was \$400,000 in the 22/23 budget, and then in the 23/24 operating budget this amount was increased by the annual CPI factor to \$430,800.

Discussion by Council at the January 16th meeting produced from a few Councillors on a variety of issues including:

- Council members commented on the history of the Urban Service Rate Grant and how it arose many years ago as a means to address concerns when moving away from a three-tier tax system.
- Council members commented as to the appropriateness of showing information based on geographical groupings.
- Council members commented on what they felt was an unfair allocation of tax that benefitted some residents.
- Council members indicated that residents who do not have services (sewer and water) do incur substantial installation, operating and maintenance costs.
- Council indicated the number of years the annual grant had been in existence multiplied by the annual grant amount was very significant.

A decision by Council on how to proceed on this budget matter is needed to complete the 24/25 Operating budget. The current draft budget contains an amount of \$444,855. The attached draft Budget Management Policy revision addresses this issue under section 10.3. Four options Council may wish to choose from after further discussion/debate are listed below.

Option 1: \$430,800 plus the previous years CPI %, equaling \$444,585. Each year thereafter it shall increase by the previous year's CPI factor.

This is the recommended option as the costs to spur growth and build infrastructure, unrelated to an individual’s home services, continue to rise and continue to be born by a the few USR ratepayers to the benefit of the many general tax rate payers.

The full USR tax payers (fully serviced, does not include those paying 2-4¢) generated 39% of the residential growth in East Hants and 46% of the commercial growth this year (Table 1). They contribute \$10,185,869 (40%) of the general tax budget (Table 2).

All of the USR services and the proximity to Halifax make the Corridor an attractive place to live and work and are attributable to the growing commercial and residential tax base in East Hants. To provide this growth, the USR rate payers also carry the burden of debt charges for things like waste water treatment plants, forcemains, lift stations, etc. These same property owners have had a Sportsplex area rate for 30 years and have escalating water bills and an anticipated water rate review in 2024-2025. Other areas in East Hants are desirable places for development and are seeing significant growth, in general this growth is happening without the additional tax burden to the existing tax payer.

Table 1:

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%
TOTAL	\$ 246,426,300		\$ 33,040,800	

Table 2:

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%
TOTAL	\$ 2,408,428,400	\$ 71,547,600	\$ 199,803,400	11,218	\$ 25,222,753	

Option 2: \$430,800. Each year thereafter it shall stay at the same amount.

This option will not address the continued growth of the area nor will it keep up with costs. Council will find itself, like all other non-escalation policies, catching up at some point in the future.

Option 3: \$344,650. Each year thereafter this amount will reduce by \$86,160. The last year that an amount will be included in the budget will be 28/29.

This option is a phase out of the grant. The cost to the USR rate payer in the serviced area will be approx. 1 cent per year on their rate and it would be recommended that ratepayers in Districts 1, 2, 3, 4, 5, and 7 (R4,

R5, R6) who contribute towards the USR rate would increase by $\frac{1}{4}$ or $\frac{1}{2}$ of a cent per year. The General Tax Rate over the 5 years could reduce by approx. 1.7¢ (this would decrease over time as the amount raised per cent increases).

USR rate payers are expecting a 1.5¢ increase this year in Milford and the equivalent increase in other areas with an increase to the WWMF.

Option 4: Zero. Each year thereafter it will remain at zero.

This option is a cancellation of the grant. The cost to the USR rate payer in the serviced area will be approx. 5 cents on their rate in 24/25 and it would be recommended that ratepayers in Districts 1, 2, 3, 4, 5, and 7 (R4, R5, R6) who contribute towards the USR rate would increase by a cent or two. The General Tax Rate in 2023-2024 could reduce by 1.7¢.

USR rate payers are expecting a 1.5¢ increase this year in Milford and the equivalent increase in other areas with an increase to the WWMF.

The recommendation of staff on this matter is:

Recognizing that the continued growth of the urban areas of East Hants supports the overall financial health of the entire Municipality, Council should continue to provide an annual Growth Management Grant to the serviced areas of the Municipality to support the need for infrastructure that drives growth in the urban area. This grant should grow by CPI each year.

Alternatives

Council may choose to alter the draft revised policy in a variety of ways.