



St. John's BOARD *of* TRADE

November 7, 2018

Dear Mayor and Council:

As the City of St. John's prepares for Budget 2019, the St. John's Board of Trade respectfully submits the following recommendations for consideration.

The St. John's Board of Trade is committed to helping business succeed. This submission is presented on behalf of our members representing more than 20,000 employees. The recommendations offer opportunities to ensure St. John's remains an attractive place to live, to work and raise a family.

The Board has met with the majority of Councillors at this point as well as the Mayor and City Manager and we applaud those who have taken the time to hear the voices of the business community.

We hope that you can make decisions in the short and long term that will benefit all of St. John's, residents and business alike.

Thank you,

A handwritten signature in blue ink that reads "Andrea Stack".

Andrea Stack, Chair





St. John's BOARD of TRADE

Recommendation #1: Eliminate Development Fees

The St. John's Board of Trade is requesting the elimination of development fees from the 2019 St. John's Municipal Budget.

The development fee was created in 2004 and increased in 2012, with the intention that 100 percent of the revenue was dedicated towards growing and maintaining parks, open spaces and playgrounds. Since its inception the City has collected more than \$7 million dollars in development fees. It would be beneficial for the City to provide a detailed breakdown of where the revenue from development fees has been allocated to date.

Currently the development fees are calculated differently for residential and commercial. Residential development fees are calculated on a flat rate value per lot, however the commercial development fees are calculated based off gross floor area. This results in a significantly higher development fee for commercial as compared to residential. The commercial development fee applies to new developments as well as extensions to existing developments.

As an example of order of magnitude, for a 100,000 square foot commercial development, the development fee alone is \$148,645. The City already collects numerous fees associated with commercial developments. The addition of development fees on top of the already established fees results in a significant increase in developer costs. These current fees include but are not limited to: Application Fees, Use Fees, Building Permit Fees, Site Development Fees, and Assessment Fees. These fees are collected on every commercial development that takes place in the City.

As noted above, the development fee increases the burden on developers and stymies the economy. The results of this are felt in numerous ways:

- Increasing the overall costs of a development translates to increased costs for the end user/tenant, as rental rates/purchase prices have to be increased in order to make the



St. John's **BOARD of TRADE**

development viable. In many cases this increase in rental rates/ purchase prices cannot be supported by the local market and developments do not proceed.

- This increase in costs results in some developments not proceeding, and therefore has an impact on all levels of the economy, including loss of tax revenue, decrease in work available for architects/engineers, contractors/suppliers, and City staff (Building and Engineering Departments).
- This increase in costs has resulted in some developers preferring to take their projects outside of the City, and in some cases outside of the Province.

Eliminating the development fee as a whole will have numerous benefits to the local economy. It would result in developers being able to offer more competitive rental rates and lower purchase prices. It will also result in more projects proceeding passed the concept stage, which would result in more work for the local industry, and an increased tax base for the City. This would also add to the perception that the City is pro-development and aims to provide an inviting and desirable location that will stimulate future developments and in turn stimulate the economy.

Our Ask. The St. John's Board of Trade is requesting the elimination of development fees from the 2019 St. John's Municipal Budget.





St. John's BOARD of TRADE

Recommendation #2: Implement a Tax Fairness Ratio

The Board has advocated in the past that a tax fairness ratio should be implemented in the City of St. John's, and that should still be a priority for our city now. This ratio would narrow the tax gap between commercial and residential property owners. Commercial property owners shoulder a disproportionate tax burden compared to residents. Commercial property owners in St. John's pay three times more property tax than residents and receive far fewer services from the City. The 'Fairness Ratio' concept ties a binding relationship between tax rates levied for different classes of property. A Fairness Ratio, when implemented, is designed to provide protection to certain groups of taxpayers, specifically business, from inequitable shifts in overall municipal property tax burden

Businesses in our City pay their fair share in taxes and fees. Some small business owners pay water tax, business tax, BIA tax, amusement machine tax, ground rent, corporate income tax, NLC license fee, health and post-secondary education tax, beer commissions tax, gas tax, HST, GST, EI, CPP and SOCAN, just to name a few. Ensuring a fair tax regime is critical for businesses to survive and thrive.

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Our Ask. That the City implement a tax fairness ratio in Budget 2019.





St. John's BOARD of TRADE

Recommendation #3: Take Steps to Ensure Municipal Accountability

The St. John's Board of Trade recognizes the need for government at all levels to be accountable. Which is why we are recommending several initiatives that the City of St. John's should undertake to enhance its level of accountability to taxpayers. The first initiative is a **Municipal Auditor General (MAG)**. In many other jurisdictions, MAGs are present and effective at ensuring accountability within their respective local government. Public supporters of a MAG believe the public would be better informed about the inefficiencies, waste and corruption in their municipal governments. Every municipality has its own unique set of circumstances for financial challenges which can include outmigration, declining tax base, fraud, or just poor management. Whatever the circumstances may be, a MAG can help provide valuable insight. The MAG would have the ability to provide annual reports, audit departments and provide updates which would be delivered by a credible, independent, and impartial source.

The St. John's Board of Trade also recommends that the City of St. John's look into an initiative similar to one that is currently in Halifax, Nova Scotia. The **Taking Improvement & Performance Seriously (TIPS) Hotline** was established to capture and evaluate concerns or complaints related to potential inefficiencies (waste) or fraud (illegal/irregular behaviour) involving Halifax Regional Municipality (HRM) resources. By having a TIPS line established in St. John's, preferably under the oversight of a Municipal Auditor General, it would increase the likelihood of both taxpayers and municipal employees reporting inefficiencies

Our Ask. That the City establish the position of a Municipal Auditor General and create an anonymous reporting line to improve efficiencies.