



City of Saint John – Municipal Heavy Industry Property Tax Reform

Background:

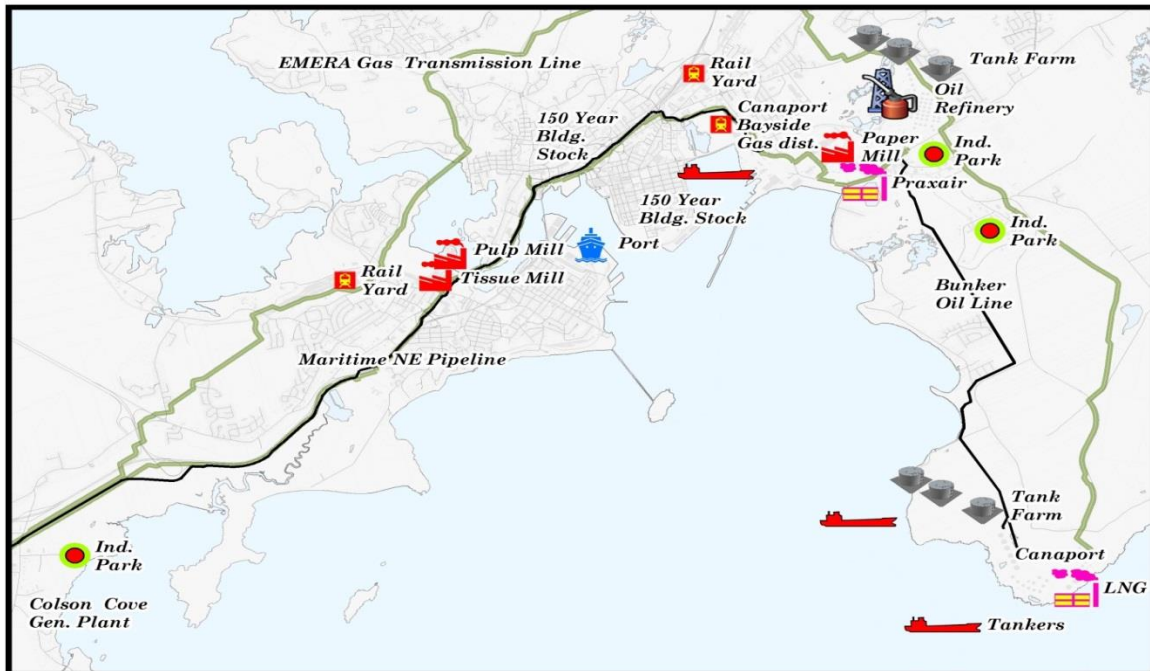
A foundational component of the GNB – City of Saint John Sustainability Working Group has been the recognition of the unique impact and burden that heavy industry has on the City of Saint John.

From an industrial profile perspective, Saint John is home to Atlantic Canada's highest concentration of heavy industry, including the largest oil refinery in Canada, the country's only LNG receiving terminal and regasification plant, a pulp and paper mill, two paper processing facilities, multiple power generation plants and associated electricity transmission infrastructure, two major natural gas pipelines, an active international deep water Port, a crude oil marine receiving terminal, a refined petroleum products export terminal, a crude oil rail receiving facility, two major rail carriers and rail yards (east and west), and multiple smaller industrial operations located in three major industrial parks and within the Port of Saint John. The City is also in close proximity to a nuclear power plant, with emergency response capabilities provided by the City of Saint John.

Given the City's industrial footprint, Saint John's roadway infrastructure is impacted by heavy truck traffic on a daily basis. Wear caused to the roadway by heavy trucks are proven to be significantly more than an average passenger vehicle. Depending on the weight of the vehicle, heavy truck to car impact on roads ratio can as high as 1,000 to 1. As an industrial city, the City is also exposed to a much higher risk of industrial accidents that require access to trained first responders and significant municipal public safety resources, as evident by the two major industrial EMO activations in 2018 (pipeline incident and a major explosion at the oil refinery).

The co-location of heavy industry and residential neighbourhoods is also creating generational land use conflicts, resulting in serious population growth and investment attraction challenges. Specific examples of the impact and challenge of hosting heavy industry adjacent to residential neighbourhoods include the Atlantic Industrial Metal (AIM) facility located on the Port of Saint John, the butane pipeline leak in East Saint John and on-going heavy industrial activity in West Saint John, including resulting truck traffic and localized environmental impacts.

Diagram 1: Large Industrial Footprint – Saint John, NB



Municipal Heavy Industry Property Tax Reform:

100% of the property tax collected from large industry in Saint John stays within the City of Saint John as a reflection of the unique impact that large industry has on the City and the delivery of core municipal and public safety services. This is an interim step in a much broader (comprehensive) review of municipal taxation issues by the Province of New Brunswick.

The Province recognizes that Saint John is unique in the amount of industry located and operating within the City, and does not benefit at an equal level with the Province with respect to the full spectrum of direct and indirect taxes generated by large industry, including utility tax, corporate tax, consumption tax (HST), and income tax collected from their employees.

In addition, the City currently only benefits from a portion of property taxes on heavy industry:

- Based on Service NB data, the City's total industry tax base is currently \$765M (January 2019). This includes both light and heavy industry. Industry accounts for approximately 17% of the City's total tax base (9% heavy industry, 8% light industry).
- Heavy industry located in Saint John pays approx. \$12 million in property tax to the City on an annual basis.
- Heavy industry located in Saint John pays approx. \$9 million in property tax to the Province on an annual basis.

Advantages of Approach:

- Immediately addresses a clear inequity with respect to the distribution of municipal industrial tax revenue within the Province of New Brunswick.
- Effectively allocates large industrial tax revenue to the local level in Saint John, where the impacts of heavy industry are directly felt.
- Reflects a truly unique community situation – Saint John is home to Atlantic Canada’s highest concentration of heavy industry, which is also a huge contributor to the Provincial economy, GDP and exports.
- There are very few municipalities in New Brunswick that have a comparably high concentration of industry – none have the economic impact that Saint John is home to.
- Does not create any immediate new taxes or a new or incremental tax burden for large industry.
- Contributes in a significant way to addressing the City’s pending 2021 “fiscal cliff” and structural deficit.
- Alleviates the Province from future special funding requirements associated with the City of Saint John effective 2020, including year three of the existing “New Deal” funding agreement (up to \$10.4M in 2020).
- Provides an immediate sustainability solution as the City implements a series of sustainability and restructuring Action Items, as well as other strategic recommendations from the Municipal Sustainability Working Group with the Province.
- A reallocation of \$8 million in property tax revenue is transformational for the City of Saint John, but represents less than 1 tenth of 1 percent of projected Provincial revenues in 2019-2020 (\$9.85 Billion).
- Can be positioned as a first (albeit critically important) step with respect to municipal tax reform and a comprehensive review of the municipal tax system by the Province of New Brunswick.
- Does not require new tax assessment capabilities or resources from the Province.

SUMMARY COMMUNITY IMPACT STATEMENT

The Saint John Region generates approximately 20 to 25% of the Province’s gross domestic product (GDP) and 60% of the Province’s exports, largely attributable to the presence of large industry. The Province derives hundreds of millions of revenue on an annual basis from these industries through Provincial Sales Tax, Fuel Tax, Utility Tax and Personal and Corporate Income Tax.

Saint John bears a particularly high proportion of the costs and impacts as the host community for New Brunswick's highest concentration of heavy industrial activities. The City and its residents are responsible for providing core municipal infrastructure and services to these industries, including protective services, and must contend with issues such as 7-24 industrial activity, road wear and deterioration, environmental impacts, EMO activations and related community impacts, and the land use and property valuation issues associated with multiple residential neighbourhoods co-existing adjacent to heavy industry.

*The proposed **Phase 1 – Municipal Tax Reform** provides a mechanism to allow the Provincial portion of the heavy industrial property taxes currently collected within the City of Saint John (approximately \$9 million) to remain in the City as a reflection of the unique impact that large industry has on the City.*