

FINDING BALANCE

Funding the New St. Catharines Hospital

**A Presentation to the St. Catharines City Council
by the St. Catharines – Thorold Chamber of Commerce**

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Based on a review of the material presented by the Niagara Health System and city staff regarding the funding component of the new state the art hospital for St. Catharines – Niagara, the St. Catharines – Thorold Chamber of Commerce will provide input based on the following facts.

The breakdown in costs of the construction of the hospital not covered by the provincial contribution includes:

- 10 per cent of the construction of the infrastructure
- 100 per cent of equipment, new and replacement, with the exception of major radiation and tertiary mental health equipment
- 100 per cent parking lots/structure
- 100 per cent retail space

According to the NHS, the current local share is estimated at **\$100 million**

The NHS plans to fund the local share as follows:

Regional fund raising campaign	\$25 million
Retail/revenue generation strategies	\$15 million
Tax Levies or grants	\$60 million
	<u>\$100 million</u>

The amount requested by a tax levy or grant is at both the upper (Regional) and lower (City) tier

Upper tier

Niagara Region	\$21.0 million	35 per cent
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Lower tier

City of St. Catharines	\$31.2 million	
City of Thorold	\$4.3 million	
Town of Niagara-on-the-Lake	\$3.5 million	
	<u>\$39.0 million</u>	65 per cent

With the information provided by NHS, city staff has provided three options for council to consider – and the public to provide input on. As the voice of the business community, the Chamber has reviewed the three options, and provided comment on each one.

Option 3. Use of Community Development Reserve Funding

The City’s intent was to treat the Community Development Reserve as a trust account and only use the interest and not the principal amount. **THE CHAMBER SUPPORTS THIS INTENTION.**

The fund accumulates approximately \$2million annually of which:

- a. Transfer to operating budget \$1 million
- b. Direct funding \$545
- c. Indirect funding of CIP program \$575
- d. If St. Catharines City Council were to commit the interest gained from the Community Development Reserve to the hospital project, the City would then have to increase its general levy in the amount of \$2.1 million in order to continue funding the programs currently funded by the Community Development Reserve. Many of the direct and indirect programs funded are prescribed as priorities within the City’s Community Vision Strategic Report.

In additional, the new hospital is not a municipally prescribed facility or service. The Community Development Reserve should be used to fulfill the city’s mandated services and infrastructure responsibilities.

Therefore, the Chamber’s recommendation is that the city should not use funds from the Community Development Reserve to fund the hospital.

Option 1. Tax Levy Across All Property Classes

First, the Chamber would like to acknowledge that all taxpayers should contribute equally to the funding of the hospital project based on a property value tax model. That being said, Option 1 would appear to follow the intent of our position, but the Chamber has concerns about the implications of a tax levy on commercial and industrial properties. They are as follows:

1. Business owners residing within the city with operations in the municipality of St. Catharines will be levied twice – in their respective business property class, and as a homeowner.
2. These same business owners will pay a second time on the industrial/commercial levy of the Regional contribution to the hospital fund.
3. Based on past fundraising experiences in the city, the business community will make the largest donations to the hospital – which is projected at \$25 million.

4. A levy on commercial/industrial properties would reduce the city's opportunity to attract new business, as many other municipalities in Niagara, and across Ontario will not have a 30-year levy. *The Chamber requests that the city council seek input from the city's Economic Development and Tourism Services department to gauge the impact that an "all property class levy" would have on attracting new investment to the community over the span of the levy.*

Therefore, the Chamber's recommendation is that a tax levy across all property classes is not the best option for the city.

Option 2. Tax Levy on Residential Property Classes

As has been mentioned in the previous option, the Chamber supports the idea that all taxpayers should contribute equally to the funding of the hospital project based on a property value tax model. The most equitable model would be Option 2. Applying the levy to the residential property classes ensures that those who will benefit the most from the hospital will be the main contributors to the facility. All homeowners, regardless of employment or business ownership, will contribute based on residential property value. In addition, this option allows St. Catharines to remain competitive in its bids to attract new business over the next 30 years.

Therefore, the Chamber's recommendation is a tax levy be placed on residential property classes.

Further Recommendations:

With regards to funding for the new hospital complex in St. Catharines, the St. Catharines – Thorold Chamber of Commerce recommends:

1. That the City of St. Catharines does not authorize any monies in excess of \$31.2 million without full cost disclosure and justification from the Niagara Health System.

In addition to the recommendations related directly to the funding of the hospital by the city, the Chamber encourages city council to explore the following recommendations to assist in mitigating the increased tax burden on residents due to the levy through alleviation of municipal taxes.

- The City of St. Catharines should inventory all vacant lands within its jurisdiction and sell portions of land for which there are no long-term plans in existence based on the forthcoming Official Plan review. The monies earned from these sales should go to the capital budget to fund future city projects.
- The City of St. Catharines should ask NHS if the parking lot at the new facility will be operated by the hospital with all fees being directed back to the hospital or if a private company will operate the parking lot. If the on-site parking is operated by a private company hired by the NHS, it is the Chamber's recommendation that the parking lot square footage should be taxed at the applicable tax rate charged on other private parking facilities in the city.
- In addition, the City of St. Catharines should ask NHS if for-profit companies will operate the retail component of the hospital. If for-profit companies are operating the retail outlets, it is the Chamber's recommendation that the city should tax the retail square footage at the applicable rate that other commercial properties are charged.
- Finally, the Chamber recommends that the city should expedite a thorough service review assessment and ensure that it is providing services that are core in nature and that fit the mission and the vision of the city. Funding to areas that do not fit within this purview must be reassessed and potentially reassigned.

In summation, the St. Catharines – Thorold Chamber of Commerce fully supports the building of the new state of the art hospital in St. Catharines. It is a much needed health care facility, and it has the potential to attract new economic growth to the community.

Thank you in advance for consideration of our recommendations.