

Westmount Quebec, 2 February 2021

Rosemère Vert,
Rosemere, Quebec

Subject: Residential Development in Rosemere

You asked my opinion, as a former mayor, whether the property tax revenue contributed by new residential development in Rosemere would result in a net financial gain for the Town.

After looking into the matter, I conclude that such a development in Rosemere will result in a net financial loss for the Town. And this is true *even if* the promoter (or a local improvement tax) pays for the complete cost of building new infrastructure such as roads, watermains, and sewers.

There are three reasons for this:

1. Because Rosemere's residential tax rate is low (thanks to a commercial sector that heavily subsidizes the residential), the increase in tax revenue will be modest.
2. An automatic increase in contributions to regional shared services – triggered by such an increase in Rosemere's aggregate property values when compared to its fellow contributors – could slice off *up to* one-half of the new tax take. These contributions are mostly charged to Rosemere based on its property values – which are high – not on actual consumption.
3. The effect of these two factors will be that the cost of the new residents' demand on local municipal services will be greater than the newly found property tax revenue.

All these reasons have to do with the frustrating fact that municipal services in Quebec are largely *paid for* according to assessed values but are *consumed* per capita. It is people who use municipal services, not buildings. As I'm fond of saying, ghost towns cost nothing to operate. The logic that municipal services should be charged per capita applies to local costs under the management of the local municipality *and* to the regional costs that are managed by another body while billed to the local municipality in the form of apportionments (*quotes-parts*).

These *quotes-parts* of the costs of regional services (such as police, mass transit, the CMM, and waterworks) are billed based on the proportion of each municipality's total real estate value rather than on their population – although there are a few exceptions to this rule. Because of this, Rosemere is already paying more than its share for regional services thanks to its higher property values per capita. For example, Rosemere's average single-family and condo assessment is 30 per cent greater than in the rest of the municipalities of its MRC. Rosemere's 4,442 single-family houses and 254 condos together represent three-quarters of the town's entire assessment roll.

Because Rosemere's commercial sector consumes very little in terms of municipal services, and thanks to it being saddled with tax rate 3.2 times greater, it is heavily subsidizing the residential sector. Unless the town increases the commercial tax rate even more, any new residential development will have the effect of diluting this subsidy. The result will be increased taxes for the entire residential sector.

Financial analysis

For well over a decade, Quebec has insisted that financial statements reflect a municipality's *périmètre comptable*; that is, all amounts shown in them are consolidated by integrating all regional shared costs – just as if the municipality spent the items itself. This reporting method means that it is difficult to tease out a municipality's true local costs; they are masked by regional costs controlled by others.

The following analysis is derived from Rosemere's 2019 Financial Report. This analysis is crucial in understanding how much – or how little – spending Rosemere actually controls directly and how much money is siphoned off to *régies*, the MRC, the CMM, the ARTM, etc. to pay for regional rather than local costs via *quotes-parts*. Why is it important? Well, any new tax revenue will be clipped by the extra amount required to pay for such regional costs.

	Charges Locales	Quotes-parts	Contributions à des Organismes	Total - Administration Municipale
Administration générale	4,494,999	106,922		4,601,921
Police	121,374	4,310,286		4,431,660
Sécurité incendie	896,600			896,600
Autres – sécurité publique	539,254			539,254
Réseau routier	5,461,568			5,461,568
Transport collectif	335,188	2,207,652		2,542,840
Autres – transport		2,163		2,163
Eau et égout	4,702,812	1,004,041		5,706,853
Matières résiduelles	1,675,950			1,675,950
Autres – hygiène du milieu	671,750	12,069		683,819
Santé et bien-être	122,778	176,660		299,438
Aménagement, urbanisme	867,773			867,773
Développement économique	-35,877	76,297		40,420
Loisirs et culture	4,416,388	163,628		4,580,016
Frais de financement	935,444			935,444
Autres	-465,436		465,436	0
TOTAL	<u>24,740,565</u>	<u>8,059,718</u>	<u>465,436</u>	<u>33,265,719</u>

The town of Rosemere was consequently responsible for only \$24,740,565 of spending in 2019, even though their financial statements show \$33,265,719. Therefore, \$8,525,154 of spending was controlled by others and simply flows through unremarked to the Rosemere taxpayer. In other words, while the lion's share of revenues was controlled by Rosemere, the town was obliged to hive off \$8,525,154 to give over to the various regional bodies. *This* is the amount that will increase with any substantial additions to Rosemere's assessment roll.

In 2019, Rosemere collected \$20,848,644 in property taxes¹ based on total aggregate assessments of \$2,679,554,341. (This taxation amount represented 64.5% of all its revenues.) Now let's say a new residential development added, just as an example, \$175,000,000 – say, 350 dwellings with \$500,000 assessed value each² – to the assessment roll. Such a 6.5 per cent increase in total assessments would imply an increase in property tax revenues of \$954,000 ($\$175,000,000 \times 0.5452/100$, the tax rate for 2020). But this would be offset by an increase in *quotes-parts* to regional bodies of up to \$554,000³ ($\$8,525,154 \times 0.065$). The net benefit could be as low as a paltry \$400,000. Whatever the number, it would be nowhere near enough to cover the increase in local service demand.

It is crucial to understand that the above argument is equally valid *regardless* of the assumed increase in overall assessments created by a new development.

One further point. If Rosemere had no commercial sector (don't forget it contributed 45.6 per cent of all taxes in 2019) and the residential rate were therefore no longer subsidized by it, the residential rate would rise to roughly \$1.00⁴ in order to pay for the essentially unchanging local costs. In this purely theoretical case, the net impact of a residential development for Rosemere would be positive, not negative. This is why all completely-residential "bedroom communities" in Quebec have such high tax rates. And this is why attracting commercial development as a milch cow is a desideratum for every municipality. And this is why Rosemere is ill-advised to start an adventure with residential development and should look to the commercial sector instead.

Yours very truly,

(Signed)

Peter F. Trent

¹ They also collected an additional \$3,575,886 in user-fees (*tarification*) for water and garbage removal. These amounts at least represent a form of taxation based on consumption in that they are charged to each dwelling; but, because the garbage removal charges are flat fees and do not reflect consumption *volume*, they are a very rough form of user-fees. Even though the water bill also charges a flat fee, at least high consumption is metered. As far as I am aware, such user-fees are not taken into consideration when establishing *quotes-parts* for shared regional services for any of the supramunicipal bodies that Rosemere contributes to.

² The latest figures show a permissible range of 21-40 dwellings per 10,000 m² on the former golf course, or 250 m² to 476 m² of land per dwelling (2,700 ft² to 5,124 ft² per dwelling). It should be noted these surprisingly small lots are atypical of Rosemere and suggest the average dwelling value will be lower than dwellings built on a more normal size of lot. Therefore, \$500,000 is a conservative (i.e., quite high) estimate.

³ \$554,000 is the "worst case": it assumes no increases in the assessment rolls of all the other municipalities making up each regional body. Contrariwise, if they all had equally massive new developments, there would be no increase in *quotes-parts* for Rosemere. But in that case, if Rosemere went for their own development, they would see a substantial reduction in their *quotes-parts*. The most likely scenario would be small increases for others and a big increase for Rosemere. Therefore, an amount of \$475,000 is defensible; this represents one-half of the new tax take.

⁴ Minus the reduction in *quotes-parts* occasioned by the loss of commercial assessments.

Annex A

Assessment of Taxable Property by Category⁵

CATÉGORIE (Utilisation)		VALEURS IMPOSABLES 2019, RFU ⁶			
		NOMBRE	TERRAINS	BÂTIMENTS	IMMEUBLES
1-- TOTALE DE LA CATÉGORIE RÉSIDENTIELLE		4,835	914,608,227	1,167,999,552	2,082,607,779
10 -- Totale Logements		4,810	912,005,053	1,166,780,785	2,078,785,838
	1 logement « condominium »	254	18,071,021	54,705,640	72,776,661
	1 logement « sauf condominium »	4,442	864,027,528	1,072,585,155	1,936,612,683
	2 logements	53	14,140,505	10,256,651	24,397,156
	3 logements	38	6,858,001	11,524,302	18,382,303
	4 logements	12	2,396,831	4,124,335	6,521,166
	5 logements	3	556,914	1,013,939	1,570,853
	6 à 9 logements	3	932,129	2,768,713	3,700,842
	10 à 19 logements				
	20 à 29 logements				
	30 à 49 logements	4	3,975,663	8,030,106	12,005,769
	50 à 99 logements	1	1,046,461	1,771,944	2,818,405
	100 à 199 logements				
	200 logements et plus				
11 -- Chalets, maisons de villégiatures		4	623,574	259,671	883,245
12 -- Maisons mobiles, roulottes					
15 -- Habitations en commun		6	465,307	821,736	1,287,043
16 -- Hôtels résidentiels					
17 -- Parcs de roulottes et de maisons mobiles					
18 - 19 -- Autres immeubles résidentiels		15	1514293	137360	1651653
2 - 3 --TOTALE DE LA CATÉGORIE INDUSTRIES MANUFACTURIÈRES					
2 - 3 -- Industries manufacturières sauf « condominium »					
2 - 3 -- Industries manufacturières « condominium »					
4 --- TOTALE DE LA CATÉGORIE TRANSPORTS, COMM., SERVICES PUBLICS		260	6,183,523	353,500	6,537,023
	4111 Chemin de fer	1	6,106,056		6,106,056
46 -- Terrains et garages de stationnement					
5 --- TOTALE DE LA CATÉGORIE COMMERCIALE		58	113,025,363	393,748,298	506,773,661

⁵ See <https://www.mamh.gouv.qc.ca/evaluation-fonciere/donnees-statistiques/> Données statistiques sur l'évaluation foncière pour les exercices financiers 2008 à 2020, tableaux par municipalité 2019):

⁶ Standardized property value

50 -- Centres et immeubles commerciaux	29	84,206,932	357,694,227	441,901,159
51 -- Ventes en gros				
52 à 59 -- Ventes au détail (sauf 583 -)	27	27,104,461	31,258,187	58,362,648
583 -- Hôtels, motels et maisons de touristes	2	1,713,970	4,795,884	6,509,854
5 --- Commerciale sauf « condominium »	58	113,025,363	393,748,298	506,773,661
5 --- Commerciale « condominium »				
6 --- TOTALE DE LA CATÉGORIE SERVICES	47	18,783,879	25,069,715	43,853,594
60 -- Immeubles à bureaux	11	5,174,331	9,051,620	14,225,951
6 -- Services sauf « condominium »	45	18,396,039	24,839,132	43,235,171
6 -- Services « condominium »	2	387,840	230,583	618,423
7 --- TOTALE DE LA CATÉGORIE CULTURELLE, RÉCRÉATIVE ET DE LOISIRS	6	9,775,891	10,613,080	20,388,971
7411 - 7412 Terrains de golf	1	8,534,500	2,538,433	11,072,933
76 -- Parcs	1	101		101
8 --- TOTALE DE LA CATÉGORIE PRODUCTION, EXT. DE RICHESSES NAT.				
81 -- Agriculture				
83 -- Exploitation forestière				
85 -- Exploitation minière				
9 --- TOTALE DE LA CATÉGORIE IMMEUBLES NON EXPLOITÉS, ÉTENDUES D'EAU	149	19,318,371	74,942	19,393,313
91 -- Terrains vagues	118	19,169,194		19,169,194
9220 -- Forêts inexploitées qui ne sont pas des réserves				
TOTAL DU RÔLE D'ÉVALUATION FONCIÈRE	5,355	1,081,695,254	1,597,859,087	2,679,554,341

This analysis tells us that, currently, Rosemere has residential land and buildings together (*immeubles*) assessed at \$ 2,082,607,779. All non-residential *immeubles* are assessed at \$596,946,562, for a total 2019 assessment of \$2,679,554,341. There are 4,442 single-family dwellings worth \$1,936,612,683, which number alone represent 93% of the entire residential property base and 72% of all assessments. The average single-family dwelling (SFD) in 2019 was assessed at \$435,978.

Annex B

Peter F. Trent, CQ, CD

Municipal (especially financial) experience

Mr Trent was the Mayor of the City of Westmount from 1991 to 2001 and from 2009 to 2017.

In 1994, Mayor Trent introduced a policy of *pay-as-you-go* for capital spending on infrastructure. Westmount is probably the only municipality in Quebec to have such a policy. Thanks to *pay-as-you-go*, six years later Westmount's debt was down to only \$10 million.

Some of the external positions Mayor Trent held from 1991 to 2001:

- 1993-1997: Member of the Executive Committee of the *Union des municipalités du Québec*.
- 1994-1998: President of the Conference of Montreal Suburban Mayors.
- 1994-2001: Member of the Executive Committee of the Montreal Urban Community.
- 1994-1998: Vice-Chairman of the Montreal Urban Community.
- 1998 Member of the Board of the MUC Transit Commission.
- 1999-2001: Vice-chairman of the Administration and Finance Commission of the MUC.

From 1999 to 2001, Mayor Trent led the fight against the forced municipal mergers on the Island of Montreal. After being "de-elected" 31 December 2001 by the mergers, Mr Trent worked *pro-bono* full time – initially alone – to make demergers happen. Thanks in large measure to his efforts, thirty Quebec municipalities demerged in January 2006, including Westmount.

Some of the external positions Mayor Trent held on returning as Mayor of Westmount in 2009:

- 2009-2017: President of the Association of Suburban Municipalities of the Island of Montreal.
- 2010-2016: Vice-chairman of the Finance and Administration Commission of the Montreal Agglomeration Council.

2012: Mr Trent's book, *The Merger Delusion*, a history of the Montreal mergers, was published by McGill-Queen's University Press. In 2013, his book was one of five finalists for the Shaughnessy Cohen Prize for Canada's best political book of the year.

2017: Westmount's average tax bill, after inflation, was the same that year as it was in 2009, except for increased infrastructure investment. In 2017, for the first time ever, the City of Westmount had no net debt. In 2009, its net debt was \$27 million.

From 1990 to 2017, as Finance Commissioner and then as Mayor of the City of Westmount, he was personally involved in putting together a total of 19 yearly City budgets.

When he stepped down in April 2017, Mayor Trent had served five terms as Mayor, always being elected without opposition.