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**Feasibility Report**

**to the**

**Minister of Municipal and Provincial Affairs**

**Government of Newfoundland and Labrador**

**Under Section 6(1) of the City of Mount Pearl Act**

**to Determine**

**Whether the Development Known as Southlands**

**Should Remain Within the Municipal Jurisdiction**

**of the City of St. John's or Whether**

**it Should be Municipally Administered**

**by the City of Mount Pearl.**

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## **SOUTHLANDS FEASIBILITY STUDY COMMISSION**

**Third Floor, 2 Canada Drive**

**P.O. Box 220**

**St. John's, NF A1C 5J2**

**Telephone (709) 724-3000**

**Facsimile (709) 724-3240**

### **COMMISSIONER**

**The Honourable Frederick W. Russell CM CD LLD**

### **SECRETARY**

**Gordon C. Barnes CD BA MSc**

Honourable Arthur D. Reid, M.H.A  
Minister  
Department of Municipal & Provincial Affairs  
Main Floor, West Block  
Confederation Building  
St. John's, NF  
A1B 4J6

Dear Minister:

In accordance with your order, dated September 27, 1997, appointing me as Commissioner, pursuant to Section 5 of the City of Mount Pearl Act, to prepare a feasibility report to consider whether the development known as "Southlands" should remain within the municipal jurisdiction of the City of St. John's or be transferred to the jurisdiction of the City of Mount Pearl, I am pleased to enclose my feasibility report.

This feasibility report has been prepared in accordance with the provisions of the City of Mount Pearl Act and the terms of reference established by you.

Brigadier General (Retired) Gordon C. Barnes, as Secretary to the Commissioner, collaborated with me in writing the report and provided valuable assistance. As well, I acknowledge, with grateful thanks, the efficient and competent assistance of Mrs. Moya Hewlett, Secretary to the Chairman of NLHC, in compiling the report. I also thank NLHC for providing office space for the Commission.

At your convenience, I will make myself available to discuss, in detail, the recommendations contained in the report.

Yours sincerely,

Frederick W. Russell  
Commissioner

## **TERMS OF REFERENCE**

### **FEASIBILITY STUDY ON THE FUTURE OF THE MUNICIPAL JURISDICTION OF SOUTHLANDS**

The Commissioner appointed by the Minister of Municipal and Provincial Affairs, pursuant to Section 5 of the City of Mount Pearl Act, will consider the proposal put forward by the City of Mount Pearl, that its municipal jurisdiction be expanded to include the development known as Southlands and, in doing so, will consider the following:

11. The impact on the future development and viability of the City of St. John's of the removal of the Southlands development from its municipal jurisdiction.
12. The impact on the future development and viability of the City of Mount Pearl of the addition of the Southlands development to its municipal jurisdiction or the retention of the status quo.
13. Any negative or positive impacts in the areas of finance, economic development, the co-ordination of development and servicing, and social equity in the urban region resulting from the retention of the status quo or the removal of Southlands from the municipal jurisdiction of the City of St. John's.
14. The views of the respective City Councils and the public at large on the future municipal jurisdiction of the Southlands development.
15. Any other relevant information that, in the opinion of the commissioner, will assist the Minister in making a recommendation to the Lieutenant Governor in Council.

## HEARING - MOUNT PEARL

A public hearing was held at the Reid Community Centre in Mount Pearl at 7:00 p.m. on Wednesday, October 22, 1997.

At this hearing, two (2) written presentations were submitted by the City of Mount Pearl. These were orally delivered by Mayor Dave Denine and Dr. Wade Locke.

Fourteen (14) other written and oral presentations were made at the Mount Pearl hearing. As well, six (6) other written presentations were submitted to the Commission but the authors did not appear before the Commissioner.

At the Mount Pearl hearing, the Commissioner also received a petition signed by 7,539 residents of Mount Pearl urging the Government to return Southlands to the municipal jurisdiction of Mount Pearl.

As well, the Commissioner received a petition signed by approximately 100 residents of Southlands in support of Southlands being returned to the jurisdiction of Mount Pearl. It was stated that this petition was signed by 95% of the adult residents of Southlands.



## HEARING - ST. JOHN'S

Two (2) public hearings were held in the Foran Room, City Hall, St. John's. One (1) at 2:00 p.m. and one (1) at 7:00 p.m. on Thursday, October 23, 1997.

At the 2:00 p.m. hearing, eleven (11) submissions were made by members of the House of Assembly, City Councillors, the St. John's Board of Trade and members of the public. As well, three (3) other written presentations were submitted to the Commission but the authors did not appear before the Commissioner.

At the 7:00 p.m. hearing, a written submission was presented by Acting Mayor Marie White on behalf of the City of St. John's. As well, submissions were presented by Mayor (Elect) Andy Wells and by three (3) councillors of the City of St. John's.

The Commissioner was also presented a book containing the submissions of approximately 100 residents of St. John's which were sent to the City of St. John's in support of Southlands remaining under the municipal jurisdiction of St. John's.

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In all, therefore, your Commissioner was pleased to receive a total of forty-one (41) submissions which is indicative of the high level of interest in this matter.

## 2. BACKGROUND

### The Southlands Development

**General Location** - Southlands is a comprehensive development area located in the west end of the City of St. John's. It is on the south side of Pitts Memorial Drive at Ruby Line and it is also south of the City of Mount Pearl.

**Gross Area** - The gross area of Southlands is approximately 400 hectares (1,087 acres).

**Ownership** - The major land owner in Southlands is the Newfoundland and Labrador Housing Corporation (NLHC). There are privately owned lands in the northeast portion.

**A Planned Community** - Southlands was **conceived, funded and is being developed by NLHC as a planned community**; the design and building of a community with all appropriate amenities. A comprehensive range of community facilities have been provided for in the overall plan of Southlands and these facilities will be constructed and developed in concert with the growth and needs of the existing and future residents of Southlands as each stage of the development proceeds.

Southlands will consist of residential, educational, religious, community and commercial facilities including a community-scale shopping centre along with provision for extensive recreational open space, recreational facilities and conservation areas.

**Overall Population** - When fully completed in fifteen to twenty years, the Southlands Development is expected to have a population of approximately 16,000 persons and it will

contain approximately 4,373 single housing units. It is estimated that there could also be 1,000 subsidiary apartments for a total of around 5,400 housing units.

**A Brief History of the Southlands Development Process** - The following is a summary of the major events in the planning and approval of the Southlands Development.

- ▶ NLHC began the planning process in 1987 with a detailed site analysis to determine environmentally sensitive and developable areas. **The Southlands area at that time was contained within two municipal jurisdictions. Approximately two-thirds of the area was within the City of Mount Pearl and one-third was within the former St. John's Metropolitan Area Board.**
- ▶ After discussions among NLHC, the City of Mount Pearl and the St. John's Metropolitan Area Board, NLHC prepared the Southlands Development Scheme.
- ▶ On May 14, 1991, the Province announced proposed changes to municipal boundaries for the Northeast Avalon region with the result that Southlands was transferred from the dual jurisdiction of the St. John's Metropolitan Area Board and the City of Mount Pearl to the City of St. John's. The changes in municipal jurisdiction came into effect officially on January 1, 1992.
- ▶ In 1992, detailed discussions began between NLHC and the City of St. John's regarding the development of Southlands.
- ▶ In May of 1994, the Minister of Municipal and Provincial Affairs announced that the Southlands project would be commenced by NLHC in 1994.

- ▶ On May 25, 1995, the St. John's Municipal Council granted approval for Stage 1A of the Southlands Development which comprises one hundred and ten (110) building lots for single detached homes.
  
- ▶ On August 4, 1997, the St. John's Municipal Council granted approval for Stage 1B of the Southlands Development consisting of one hundred and twelve (112) building lots for single detached homes.
  
- ▶ As of October 22, 1997, there are sixty-two (62) single detached homes in Southlands. Eleven (11) of these are under construction or not presently occupied. There are a few basement apartments.

### 3. THE CASE BY MOUNT PEARL

#### Future Development

The City of Mount Pearl maintains that Southlands was an integral part of their long range development plans up to the time of the 1992 boundary adjustment when that area was removed from their jurisdiction. In addition, they argue that the whole planning process for Southlands was a joint effort of theirs and NLHC. Therefore, it makes an historical claim to Southlands, and they maintain the loss of Southlands in 1992 seriously impaired the future development of the City.

A report prepared by the Mount Pearl Planning Department indicates that the current land holdings of the City will permit residential growth for up to 5 years, commercial growth up to 10 years, and industrial growth up to 30 years. In its brief to the Commissioner, the City maintains that when other variables are considered, the realistic view is that residential development will cease within 3 years, commercial within 10 years, and industrial within 14 years. Based on this, the return of Southlands to Mount Pearl's boundaries is the only way the City will be able to experience any significant residential growth.

The addition of Southlands to Mount Pearl would ensure that sufficient residential land is available for the next 20 to 25 years and would give a more balanced residential development in relation to commercial and industrial development. The addition of Southlands would allow the City to present a "package" to prospective businesses and industries that would include, in addition to commercial and industrial sites, a residential area with the amenities that would be attractive to employees. Mount Pearl feels that the quality of life of employees is an important consideration in the decision by companies to locate in a

particular area, therefore, Southlands would be an important part of their economic development plan.

Mount Pearl believes that the loss of Southlands would not be a serious impediment to the future development of the City of St. John's. It argues that St. John's has a substantial amount of land within its boundaries (exclusive of Southlands) that could be developed and therefore does not need Southlands to secure its future development.

### **Viability**

Mount Pearl states that the addition of Southlands would enhance its viability in the long term. The estimated gross revenue of \$7,000,000, would allow Mount Pearl to maintain a competitive mill rate and improve services to its citizens. The City also argues that as the revenues from Southlands would be about the same for St. John's or Mount Pearl, and as Mount Pearl's budget is significantly smaller than St. John's budget, the impact on viability is greater for Mount Pearl. Therefore, it is argued the effect of Southlands on the viability of St. John's is minimal.

Mount Pearl makes much of the fact that St. John's views Southlands as compensation for taking over less developed areas in 1992, "*whereas Mount Pearl views Southlands as a previously planned natural extension of its community*".<sup>1</sup> Notwithstanding this, however, the revenue from Southlands and the increase in population that would result are seen as important components of the future viability of Mount Pearl.

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<sup>1</sup> Brief of the City of Mount Pearl, *Mount Pearl Southlands in Perspective*, Executive Summary, October 1997.

In summary, Mount Pearl views Southlands as an integral part of its future viability and maintains that the financial benefits of Southlands are more important to that City than they are to St. John's.

### **Retention of the Status Quo**

The retention of the status quo would mean that the City of Mount Pearl could not expand beyond its present borders. Over the past number of years, Mount Pearl has enjoyed steady growth in its population. However as population growth is mostly dependent on residential growth, if there is a lack of residential building lots then population growth will be restricted. This, in turn, will have an effect on the economic development of the City in that the decision by some businesses to locate in Mount Pearl could be influenced by the City's limited residential capability. Thus the status quo could have a significant impact on the future development of Mount Pearl.

Mount Pearl would remain viable if Southlands remains within the municipal jurisdiction of St. John's and this point was made in its brief to the Commission. The report of the Mount Pearl Task Force on Economic Development, when commenting on the development of Southlands as part of St. John's states, "***Notwithstanding this, the development of Southlands will most likely have a positive impact on Mount Pearl. Southlands' residents will shop in Mount Pearl, use the city's recreation facilities and take advantage of the services available to them***".<sup>2</sup> Its tax base would not expand greatly, but the fact that Southlands is adjacent to it would be of economic benefit to the City.

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<sup>2</sup> Report of the Mount Pearl Task Force on Economic Development, *Changing Strategies: Mount Pearl's New Economic Opportunity*, October 1995, p. 16.  
Attached as Appendix 10 in the City of Mount Pearl's Brief.

**Impacts on the Urban Region**

**The Region:** Mount Pearl has a much different view of the Urban Region than does St John's. *Mount Pearl is of the view that "two strong Cities in this Region will ensure an efficient and cost effective municipal regional structure".<sup>3</sup>* Mount Pearl argues that with the addition of Southlands, it will be stronger and that will strengthen the Urban Region. In fact, Mount Pearl believes that the competition between it and St. John's is healthy and benefits the Region. It states that competition will be reflected in minimal tax rates and, in addition to providing effective and responsible local government and efficient municipal services, *"would create a barometer for government, business and residents to compare the tax structure and level of services between the two cities".<sup>4</sup>*

**Finances:** Mount Pearl argues that it is in a good financial position and therefore is a contributor to the Urban Region. However, it says that the impact of Southlands on the Region is not as great as stated by St. John's and that the projected growth rates of Southlands are overestimated. It states that whatever the net revenues from Southlands are, it will only be a small proportion of the St. John's budget, as compared to Mount Pearl's budget, and therefore Southlands is of greater benefit to Mount Pearl, and the addition of Southlands to its jurisdiction will strengthen Mount Pearl's position in the Urban Region.

**Economic Development:** Mount Pearl's position is that the addition of Southlands is vital to its future economic development. It points out in its brief that it has attracted 211 new companies to Mount Pearl in the 19 months up to 15 September 1997. This has created over

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<sup>3</sup> Brief of the City of Mount Pearl, *op.cit.*, pp. 48-49.

<sup>4</sup> *Ibid.*, p. 68.



1000 new jobs which are shared with residents of other areas. Therefore, if Mount Pearl can expand its economic development efforts it will be of benefit to the entire region. When negotiating with new businesses to locate in Mount Pearl, the amenities available including good residential building lots for executives and employees is an important consideration. As Mount Pearl has at present a finite number of lots available for residential development, the addition of Southlands would be a great boost to its economic development plans.

Mount Pearl argues that its success in the area of economic development is of benefit to that City, St. John's, the Region and the Province, as it has brought investment and money that is spread over all areas. The addition of Southlands to Mount Pearl will allow it to continue its efforts to promote economic development which, if successful, will make for a more viable Urban Region. The status quo it is argued will restrict Mount Pearl in its pursuit of economic development.

**Co-ordination of Development and Servicing:** Mount Pearl states that it has always supported the concept of regionalization as it allows for a wider range of services and gives the municipalities involved a voice in how regional services are provided. It disagrees with St. John's position that the provision of regional development and services can be more efficiently and economically handled by a single regional government. Mount Pearl is of the view that the best model for an urban region is one that is made up of strong municipalities. In the case of the Northeast Avalon, this would definitely mean two cities, Mount Pearl and St. John's. The provision of regional services is more efficient if it is done as it is at present, with each party paying an agreed share of the costs.

**Social Equity:** Mount Pearl views social equity as “*equal opportunities for access to the necessities of life - work, shelter, education, medical care, and so on - and the fair distribution of benefits and costs of development actions*”.<sup>5</sup>

Mount Pearl feels that in terms of social equity, the residents of Southlands would be better served if they lived in Mount Pearl. It states in its brief that Southlands is isolated from any urban region of St. John’s, and will remain so given that it is bounded on three sides by restricted agricultural land (located in St. John’s) and on the other side by Mount Pearl. Therefore, the residents of Southlands feel an affinity with Mount Pearl and consequently avail of its amenities. It is believed that the addition of Southlands to Mount Pearl will strengthen this relationship, while Southlands removal from St. John’s will have little effect on social equity as the residents of Southlands currently feel remote from St. John’s in any case.

Mount Pearl is of the view that a greater sense of community and community identity will be experienced by the residents of Southlands if they are part of Mount Pearl. They also argue that this will not be the case if Southlands remains as part of St. John’s. Therefore in terms of social equity, Southlands should be returned to Mount Pearl.

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<sup>5</sup> Ibid., p. 62.

#### 4. THE CASE BY ST. JOHN'S

##### Future Development

In its brief, the City of St. John's states that the population decline the City was experiencing over the past years has ceased. The brief says "*This decentralizing movement since the early 1970's was sparked by a particular set of circumstances which are no longer as influential as they once were*".<sup>6</sup>

This is explained by arguing that the factors that attracted people to the suburbs in the past are now less of an influence on the decision of home buyers. In other words the advantages of ready availability of land, the lower price of land, and the lower tax rates have all but disappeared, and this coupled with the increasing cost of transportation and traffic congestion have started to bring people back to St. John's. Therefore, "*St. John's requires Southlands in order to meet these continuing growing and housing demands*".<sup>7</sup>

At present St. John's has only 267 developed residential lots available for sale. There is a potential for 2000 additional lots in various stages of development (exclusive of Southlands). Most of these lots are located in the east end of the City. It is estimated that this will allow for future development for 7 years. Southlands, with its approximately 3200 single residential building lots, together with the lots already available in the City, will allow for the development of St. John's well into the foreseeable future.

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<sup>6</sup> Brief of the City of St. John's, *Southlands Strengthening the Urban Region as Part of the City of St. John's*, October 1997, p. 13.

<sup>7</sup> Ibid., p. 13.

The only remaining lands that St. John's could develop (other than Southlands) are, 2780 lots in the Kenmount and Thorburn Roads area, 410 lots in Kilbride, and 2120 lots in the Goulds. These areas require major capital financing to construct water reservoirs, transmission lines, trunk sanitary sewers, and other upgrades, at an estimated cost of approximately \$36,000,000. The loss of Southlands would mean that St. John's would have to develop these lands at great expense to St. John's taxpayers.

The land that is contiguous to Southlands, that is part of St. John's, is presently restricted for development. Even if this land was to be released from restriction in the future, Southlands would still have to be developed first as it would be the source of services for these areas. St. John's argues that if Southlands were given to Mount Pearl, it would give that City a strong case for the control of the lands contiguous to Southlands as well. In St. John's view this would compound the problem of competition for residential development space.

St. John's agrees that the physical growth potential of Mount Pearl is finite and that the acquisition of Southlands would have a positive impact on the future development of the City. However, the serious negative impacts that the transfer of Southlands would have on St. John's far outweigh that positive impact. St. John's maintains that "***Mount Pearl has an adequate tax base to meet its needs and adequate housing for its current population. Its continuing prosperity depends not on growth, but on providing the lifestyle, amenities and lower tax rates wanted by its residents***".<sup>8</sup>

In summary, St. John's forecasts a serious impediment to its future development if it does not retain Southlands. As Southlands already has infrastructure in place, it would impose

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<sup>8</sup> Ibid., p. 22.

an unfair burden on St. John's taxpayers to have to undertake the development of other lands to replace Southlands.

### **Viability**

St. John's estimates that when Southlands is fully developed it will gross about \$7,000,000 a year in tax revenues. The City is depending on these revenues as it is built into its long range financial planning. The loss of this revenue would mean increased taxes or service cuts. In addition, as Southlands' infrastructure is new the cost of servicing this area would be minimized, thus allowing for additional funds to be spent on areas of the City with deteriorating infrastructure and conditions that lead to expensive servicing costs, such as some of the areas that were incorporated with St. John's in the 1992 amalgamation process. The loss of Southlands would diminish the ability of St. John's to adequately service these areas. It is in this regard that *"the City of St. John's has viewed Southlands as a form of compensation from the Province for assuming the responsibility for development control and installation of major capital works for the rural areas placed under its jurisdiction by the Province"*.<sup>9</sup>

This statement was reinforced by Councillor Shannie Duff, who was Mayor of St. John's at the time of the 1992 boundary adjustments. In her brief to this Commission she states that the City's efforts to get some form of transfer payment from the Province to assist St. John's in servicing the newly acquired areas met with no success, *"However it was implied in these meetings and certainly understood by me and the city officials present that the Province*

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<sup>9</sup> Ibid., p. 19.

*considered the transfer of the area known as Southlands to be a form of long term compensation to the City for the responsibilities which we had undertaken”.*<sup>10</sup>

St. John's believes that the tax base of Southlands would be more fully utilized, more equitably shared and more universally applied, if Southlands is part of that City. The loss of Southlands would have a negative impact on the ability of St. John's in the provision of capital construction and infrastructure, both of which benefit those who commute to St. John's from outlying areas. The need for these services, therefore, is greater than that created by St. John's residents and the loss of Southlands would have a negative effect on the financial ability of the City to provide them.

St. John's argues that the status quo would not have a negative impact on Mount Pearl's viability. Mount Pearl is viable now and has been since Southlands removal from its jurisdiction in 1992. Mount Pearl has a lower tax rate than St. John's and the addition of Southlands to its boundaries would allow Mount Pearl to further lower that rate.

In addition, Mount Pearl, in a publication by its Task Force on Economic Development clearly stated that the development of Southlands would more than likely have a positive impact on Mount Pearl, notwithstanding that it was being developed by St. John's.

St. John's believes that its viability would be threatened by the loss of Southlands, while the status quo would have little or no effect on Mount Pearl's viability.

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<sup>10</sup> Duff, S., Brief to the Southlands Feasibility Study Commission, October 23, 1997, p. 2. (See Appendix A).

**Impacts on the Urban Region**

**Social Equity:** St. John's states that when residents of Southlands purchased their homes, they did so with the full knowledge that they would be residents of St. John's, and their purported desire to now be a part of Mount Pearl may be attributable to Mount Pearl's lower tax rate than to community identity. Southlands is in a very early phase of development and consequently does not have the amenities that residents require, and quite naturally they turn to Mount Pearl. It is felt that as Southlands is a planned community, once it is fully developed it will have the amenities that are found within a normal community of its size and type. Therefore, Southlands will have a community identity and that will not be lost because it is part of St. John's. It is pointed out that Kilbride, the Goulds, Shea Heights and other annexed areas have not lost their community identity. It is also noted that Mount Pearl has not lost its identity since losing jurisdiction over Southlands.

**Financial Impacts:** The residential tax rate in Mount Pearl is approximately 9% lower than St. John's. This is attributed to Mount Pearl never having the responsibility of providing services to undeveloped or poorly planned areas. It is argued that planned development in Mount Pearl from the 1960's is due to the efforts of NLHC and Canada Mortgage and Housing Corporation (CMHC) with very little capital investment by Mount Pearl, and this has helped keep tax rates lower. St. John's supports its case by pointing out that when the amalgamation program was being discussed in 1990, Mount Pearl submitted a brief regarding the feasibility of annexing the Town of Paradise and parts of the Metro Board area. In its brief Mount Pearl said it would have to raise taxes from 8.7 mills to 10.7 mills or 11.5 mills, depending on which amalgamation scenario it had to adopt, in order to bring the annexed areas up to standard. At that time the mill rate in St. John's was 11.0 mills and with amalgamation there was no increase in taxes for St. John's residents, only for residents of

the newly annexed areas. St. John's states that it may have to raise its mill rate if Southlands is removed from its jurisdiction.

**Service Impacts:** One of the reasons put forward by St. John's for the retention of Southlands is that its removal would further exacerbate the situation whereby St. John's pays a disproportionate share of the costs of the installation and maintenance of municipal services and facilities used by residents of St. John's and by residents of neighbouring municipalities.

St. John's operates and maintains the trunk sanitary sewage mains and disposal points that in addition to St. John's serves Mount Pearl and a part of Paradise. These municipalities do not bear any share of the cost of this service downstream of their own boundaries. The Robin Hood Bay Sanitary Landfill is used by a number of municipalities in the Urban Region, including Mount Pearl. While they pay tipping fees, they have no responsibility for the cost of closing the site and developing a new one. St. John's would have to provide a large area of land for a new landfill site while at the same time having to develop, at great expense, land for residential and other uses should Southlands be removed from its jurisdiction. Therefore, the loss of Southlands would further weaken St. John's ability to provide shared services.

St. John's position is that the Northeast Avalon area is the most urbanized region in the Province and should have a political structure that will allow for effective governance of the entire region. As St. John's is already the centre for a number of regional services it is, and should remain, the dominant area in the Region. A recent KPMG<sup>11</sup> study of business costs,

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<sup>11</sup> KPMG, *The Atlantic Canada Advantage*, October 1997.



for forty-two locations in North America and Europe, has found St. John's to be the lowest cost location for each of the eight industrial sectors examined. St. John's should be strengthened, to permit it to retain this competitive advantage, not only for the sake of St. John's but for the Region. The removal of Southlands from St. John's would have the opposite effect and go against the case for a strong Region that has been proposed in a number of studies.

In summary, it is the position of the City of St. John's that a strong urban region is inextricably linked to a strong St. John's.

5. **IMPACT ON THE FUTURE DEVELOPMENT AND VIABILITY OF THE CITY OF ST. JOHN'S OF THE REMOVAL OF THE SOUTHLANDS DEVELOPMENT FROM ITS MUNICIPAL JURISDICTION**

The future development of St. John's depends on its having a supply of residential and other use land available that can be provided at a reasonable cost. At present the City has 26 approved building lots with 2000 additional lots in various stages of development, exclusive of Southlands. This is estimated to be sufficient for about 7 years. The lots that are available at present, together with those lots in Southlands, would look after the residential development needs of St. John's into the foreseeable future. The removal of Southlands from the jurisdiction of St. John's would mean that the City would have to develop other land. As noted in the City's brief, with the only land that is available, it would cost approximately \$36,000,000 to install water reservoirs, transmission lines, trunk sanitary sewers, and other upgrades. There is no reason at this time to expect that this development would be carried out by NLHC or other developers. This would impose an unfair burden on the taxpayers of St. John's, particularly so since Southlands already has the necessary infrastructure in place. This unfairness would be compounded if Southlands were placed under the jurisdiction of Mount Pearl as most of the development of Mount Pearl was carried out by NLHC or CMHC, at no expense to the taxpayers of Mount Pearl.

Given that Southlands was placed under the jurisdiction with St. John's as a form of compensation for taking over less developed areas with the 1992 boundary adjustment, the removal of Southlands from St. John's would be contrary to this arrangement. (The issue of compensation was confirmed in the brief by former St. John's Mayor Duff and in a letter from former Premier Wells,<sup>12</sup> and is addressed elsewhere in this report.) Therefore the

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<sup>12</sup> Wells, Clyde, Letter to Commissioner, November 4, 1997. See Appendix B.

removal of Southlands could result in the Province having to find another means of compensating St. John's. When St. John's took over the less developed areas in 1992 it inherited a debt of \$10.5 million, and since that time has spent \$7.5 million on capital works in those areas.<sup>13</sup> This would indicate that the revenue from Southlands would be an important factor in the ability of St. John's to continue to upgrade these areas as Southlands, with its new infrastructure would have lower servicing costs relative to the older areas of the City, thereby giving St. John's additional revenues to meet these upgrading costs.

If Southlands were removed from St. John's, the City would still have to provide the regional services for which it is currently responsible. Southlands would pay its prorated share, as part of Mount Pearl, but as in the case of most of the shared services, St. John's costs are greater as the receiving municipalities bear no responsibility for capital cost and maintenance.

The removal of Southlands from the jurisdiction of St. John's would have serious consequences for the future development and viability of the Capital City.

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<sup>13</sup> City of St. John's, Letter to the Commission of the Debt Incurred and Capital Expenses due to Amalgamation, December 4, 1997. See Appendix C.

**6. IMPACT OF THE SOUTHLANDS DEVELOPMENT  
ON THE CITY OF MOUNT PEARL**

**(a) With the Addition of the Southlands Development**

Mount Pearl currently has sufficient residential lots available for 5 years. The addition of Southlands would provide for the residential development of Mount Pearl into the foreseeable future. In fact if the projections for Southlands prove to be correct, Mount Pearl would increase its population by 60% by the end of the development period. The addition of Southlands would give Mount Pearl a greatly expanded taxbase and would allow the City to retain its favourable tax rate, if not actually lower its mill rate. As Mount Pearl's infrastructure ages the revenue from Southlands would be a great asset in keeping servicing costs in the City at a reasonable level. The addition of Southlands would also enhance the future economic development of Mount Pearl as the Southlands area would be attractive to prospective businesses from the point of view of amenities for their employees.

The future development and viability of Mount Pearl will be greatly enhanced by the addition of Southlands to its jurisdiction.

**(b) With the Retention of the Status Quo**

The future residential development of Mount Pearl will be restricted by the retention of the status quo. The available residential building lots will be virtually depleted in 5 years; however, it has sufficient commercial land for 10 years and industrial land for 30 years. The impact of this will be that Mount Pearl's residential tax base will not expand greatly and it will have to depend on its commercial and industrial sectors to increase its tax revenues over the coming years. In addition, the population growth that Mount Pearl currently enjoys will be curtailed.

The retention of the status quo will mean that Mount Pearl will remain essentially as it is today. However, it will be a viable city and in fact it is clear from the **Report of the Task Force on Economic Development** that it plans to continue its aggressive development policies. This plan was prepared after Southlands was removed from its jurisdiction and stated very clearly that notwithstanding the fact that Southlands was part of St. John's, the impact of that development on Mount Pearl would be positive.

## 7. IMPACT ON THE URBAN REGION

### (a) With the Retention of the Status Quo

(1) **Finance:** The governance of the Northeast Avalon Urban Region has been the subject of much discussion and study. The consensus would seem to be that for economies of scale, particularly in the area of financing capital expenditures, there should be one strong regional centre within the entire Urban Region. The 1976 **St. John's Urban Region Regional Plan** as amended, a document prepared by the Provincial Government, recognizes St. John's as the Region's dominant, business, trade, administrative, and cultural centre. The City of St. John's is of the view that there should be one city encompassing most of the Northeast Avalon, including Mount Pearl. The City of Mount Pearl is of the view that the Urban Region would be stronger with two senior municipal governments.

In its brief the City of Mount Pearl stated, "*Government's 1991 decision to continue to maintain two Cities in this region was in keeping with Government's program. Such a decision recognized that the continued existence of two senior municipal governments within this Region would be more beneficial in strengthening the municipal structure than if they were amalgamated into a large City*".<sup>14</sup> The evidence does not support this statement. Prior to the actual amalgamation proposal to the House of Assembly in May of 1991 it was clearly Governments' intention to amalgamate Mount Pearl with St. John's. This was not implemented due to political and public pressure. This is confirmed in a letter from former Premier Wells,<sup>15</sup> and from the Government documents leading to the 1992 boundary adjustment decision. It would appear then, that Governments' policy was for a strong Urban

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<sup>14</sup> Brief of the City of Mount Pearl, *op.cit.*, p. 68.

<sup>15</sup> Wells, Clyde, *op.cit.* See Appendix B.

Region centred on an enlarged St. John's that included Mount Pearl within its boundaries. Further, it would appear Government believed that, from a financial point of view, this would give the Northeast Avalon a strong regional government that would be better able to serve the needs of the citizens of the Urban Region.

**(2) Economic Development:** Each municipality within the Urban Region currently pursues its own economic development agenda. Therefore the retention of the status quo would not change this in any way.

**(3) The Co-ordination of Development and Servicing:** Each municipality within the Urban Region is responsible for development and servicing within its own jurisdiction. St. John's however is unique in the Region in that it is responsible for certain regional services that are shared by other municipalities. Examples are Fire Fighting Services, water supply, landfill service, and sewage services. The sharing municipalities pay for the services received based on an agreed formula. It should be pointed out that the amount paid does not include capital costs associated with most of these services, therefore the St. John's taxpayers pay a higher share of the actual cost of the provision of the regional services. The retention of the status quo would give St. John's the revenue from Southlands and this will assist the City in the provision of regional services. In addition by retaining Southlands, St. John's would not have to develop lands other than what it currently has, including Southlands, for residential lots, thereby avoiding the necessity to place an undue burden on taxpayers.

**(4) Social Equity:** The retention of the status quo would not have a significant impact on social equity. The residents of Southlands would continue to use the amenities in Mount Pearl until such time as they were available in Southlands, and even then would probably

continue to shop and engage in other activities in Mount Pearl along with using the amenities in St. John's. This is no different than the relationship that exists between St. John's and the residents of the municipalities adjacent to its boundaries. As far as community identity is concerned, Southlands will always be identified as Southlands just as the Goulds, Kilbride, Shea Heights and the other amalgamated areas are still referred to by their pre-amalgamation names.

(b) **With the Removal of Southlands from the Municipal Jurisdiction of the City of St. John's**

(1) **Finance:** The removal of Southlands from the jurisdiction of St. John's would take from the City the tax revenue of Southlands. This could lead to higher tax rates for St. John's residents and businesses. St. John's would still have to provide the regional services for which it is responsible, without the addition of the Southlands tax revenues to its treasury. St. John's will also have to finance the development of land from its own resources to meet the demand for residential building lots and other land uses. This again will be borne by the City's taxpayers. This would most likely lead to St. John's losing its favoured position as outlined in the KPMG report. If this were to happen, St. John's position as the leader in the Urban Region would be weakened, thereby weakening the whole Region.

The removal of Southlands from St. John's to the jurisdiction of Mount Pearl would greatly enhance the financial position of that City relative to its budget and population. However in terms of the Urban Region, the merit of the benefit to Mount Pearl has to be weighed against the impact on the Urban Region. If St. John's is recognized as the dominant, business trade, administrative and cultural centre of the Region, it can be concluded that anything that weakens the position of St. John's is not of benefit to the Region. Therefore, as the removal of Southlands from the municipal jurisdiction of St. John's would have a negative impact on



St. John's, it would also have a negative impact on the Urban Region. On balance then, the benefits to Mount Pearl of the removal of Southlands from St. John's are outweighed by the negative impact on the Region.

**(2) Economic Development:** The removal of Southlands from St. John's could lead to an increase in the cost of doing business in that City. This being the case, new businesses and industry will be attracted to areas with lower tax rates such as Mount Pearl, Paradise, and Conception Bay South. This would further exacerbate the competition for economic development that exists in the Urban Region. While this competition may be good for a particular business or industry it is not good for the Region. The Region is better served if the focus is on attracting business and industry to the Region. This would lead to more relevant decisions being made on tax and other financial incentives and the energy focused on competition could be directed to Regional economic development.

If the cost of doing business in St. John's goes up this will lead to a weakened Capital City and impair its ability to pursue economic development, and will consequently lead to a weakened Urban Region.

**(3) The Co-ordination of Development and Servicing:** The removal of Southlands from the jurisdiction of St. John's would not negate its responsibility to provide regional services. As St. John's has to provide and maintain the infrastructure for these services, it requires all the revenue it can generate to make this burden as light as possible. The removal of Southlands from St. John's will impair its ability to finance regional services and will consequently have a negative impact on the Urban Region. It is recognized that all municipalities that use the regional services pay an agreed share of the operating costs

however, the capital costs are usually not included in this. A good example of this is the shared sewer service.

The sewer infrastructure of St. John's is aging, but only St. John's taxpayers will have to pay for maintenance and replacement of the system. The maintenance and/or replacement of the sewer system has a direct effect on the Urban Region. A similar case can be made for other services.

The taxpayers of the other municipalities in the Region have no responsibility for the capital cost of services in St. John's even if they share those services. In fact Mount Pearl is opposed to this and states in its brief, "*It is Mount Pearl's position that is inherently unfair to request residents of other parts of the Region to pay for the servicing costs of St. John's*".<sup>16</sup>

The removal of Southlands from the jurisdiction of St. John's would result in St. John's having to finance land development on its own as it is most unlikely that this would be done by NLHC or private developers, therefore, the burden would fall to the City's taxpayers. This could result in higher land prices and thus further weaken St. John's population growth and tax base. This would of course enhance Mount Pearl's population growth and tax base.

The net effect on development and servicing in the Urban Region on the removal of Southlands from the jurisdiction of St. John's would be a weakened Urban Region. If one accepts the principle that the Urban Region is best able to serve all residents if there is one

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<sup>16</sup> Mount Pearl Brief, *op.cit.*, p. 48.

strong government in the Region, then to weaken St. John's would weaken the Urban Region.

**(4) Social Equity:** There is no evidence to support any concern about social equity if Southlands is removed from the jurisdiction of St. John's. The residents of a particular area identify with that area, therefore the residents of Southlands will consider Southlands as their community whether it is part of St. John's or Mount Pearl, or for that matter Conception Bay South. Even if community identity is strong, residents will use the amenities in adjacent areas as well as in their own area. This is true if you live in St. John's, Torbay or any other community, people shop and play wherever they want. Therefore social equity is not an issue in this case.

## 8. FINDINGS AND RECOMMENDATION

### (1) Amalgamation Policies of the Government of Newfoundland 1990-1992 - Impact on Southlands

It would be remiss of me to address the question of the dispute between Mount Pearl and St. John's which is before this Commission with respect to the future jurisdiction of the Southlands development without first of all revisiting the actions of the Wells' Government in 1991 when it decided to place Southlands under the municipal jurisdiction of St. John's.

The Wells' Government, acting on the recommendation of a commission and a number of feasibility studies, while not prepared to create a single municipality for the whole northeast Avalon, did propose to amalgamate all of the contiguous areas around St. John's, to be part of the City of St. John's, but leave the more rural areas to continue as separate municipalities, or where they were contiguous to amalgamate them into single municipalities. The proposal was that the new capital city area, administered by a single City of St. John's Council, would be constituted of all of the areas then within the boundaries of St. John's plus the area presently within the boundaries of Mount Pearl.

The preliminary decision of the Government of the day, therefore, was to proceed with a single municipal administration in what was generally accepted as the "capital city", the area within the then boundaries of St. John's and Mount Pearl, in the hope that it would result in greater overall efficiency of municipal administration, fair and equal tax burden for all citizens who chose to live and work in the capital city area and produce a unified effort to compete economically with other cities, particularly in Atlantic Canada.

This approach met with very strong resistance from the Council and a large portion of the citizens of Mount Pearl. Consequently, Government decided to proceed with all of the remainder of its proposed capital city area amalgamation but exclude the existing developed area of Mount Pearl, at least for the time being.

That decision necessitated transferring Southlands (only raw land at the time) from Mount Pearl to St. John's as the policy was to leave only the developed areas with Mount Pearl because leaving Southlands in Mount Pearl could only promote continued separation of Mount Pearl and St. John's contrary to Government policy of promoting amalgamation.

As a result of Government's policy decision on May 14, 1991 the Minister of Municipal and Provincial Affairs at the time convened a meeting of mayors of the Northeast Avalon Region where he read the following statement:

"There was a great deal of public participation in the feasibility hearings and the public rightfully took advantage to make their views known both in writing and verbally. The results of these hearings were provided to me and Government. I have received advice from the Commissioners for the feasibility studies, from Planning officials in my Department, and from various Members of the House of Assembly. Based upon all this input and after reviewing the financial criteria relating to each municipality as well as assessing the future longer term needs of each, I am recommending a number of amalgamations within the Northeast Avalon Region".

".... It is proposed that an urban core municipality based upon the existing City of St. John's and including the totally encompassed Town of Wedgewood Park, along with the developing Town of Goulds, the watersheds servicing the urban core (namely Windsor Lake, Broad Cove River and Bay Bulls Big Pond) along with adjacent territory presently within the St. John's Metropolitan Area Board be constituted as one City, to be known as the City of St. John's".

“Furthermore, it is proposed that the new urban core municipality also include some lands presently within the City of Mount Pearl and the Town of Logy Bay-Middle Cove-Outer Cove which are capable of service from the City of St. John’s. That is to say, the area known as Southlands which presently falls partially within the City of Mount Pearl and partially within the St. John’s Metropolitan Area is proposed to be included within the City of St. John’s along with a portion of the Town of Logy Bay-Middle-Cove-Outer Cove in the vicinity of Snow’s Lane and Logy Bay Road, which is currently serviceable from the systems within the City of St. John’s”.

The existing developed area of the City of Mount Pearl will remain as a separate municipality”.

“... All assets of the St. John’s Metropolitan Area Board including the Provincially owned Bay Bulls Regional Water System will be transferred to the City of St. John’s to be managed and operated. In addition, St. John’s will be given the assets of the St. John’s Fire Department and the Canada Games Park Commission. In the case of the Fire Department, St. John’s will operate a regional system including the Mount Pearl Fire Station. The station in Mount Pearl will be opened as soon as a suitable arrangement is worked out with the City of Mount Pearl”.

“... It is proposed to expand the size of the Council for the new enlarged City of St. John’s and to hold by-elections this November in time to effect the proposed consolidation on January 1, 1992. Two new Wards will be created with one Councillor from each of Goulds and Wedgewood Park for the duration of the existing Council term”.<sup>17</sup>

From the above it is hoped that the reader will now understand the rationale of the Provincial Government of the day when it decided to transfer Southlands to the municipal jurisdiction of St. John’s.

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<sup>17</sup> Statement of Minister of Municipal & Provincial Affairs to Mayors of Northeast Avalon Region, May 1991.

As is detailed in the “Background” section of this Report, work on the first phase of the development of Southlands did not commence until 1994 and in 1997 work commenced on the second phase.

It appears that for some four years following the January, 1992 change in the municipal jurisdiction of Southlands to St. John’s there was no public outcry or agitation in Mount Pearl over that decision. In fact, it appears that the City Council of Mount Pearl, in spite of the loss of Southlands, went about its business with great initiative and in 1995 it structured a Task Force on Economic Development. This Task Force filed its report in October, 1995 and the following excerpts from the report will be of interest:

“The Task Force organized a series of focus group sessions with citizens representing city businesses, organizations, youth, seniors and public administration”.<sup>18</sup>

“... Participants expressed high levels of confidence in the city’s future despite the limitations on the amount of land available for development. They felt that the city can achieve new and exciting forms of business and economic development within its existing boundaries”.<sup>19</sup>

“... participants in the focus groups felt that Mount Pearl’s future growth is more directly associated with the imagination and leadership of City Council and the business community than with hectares of undeveloped land”.<sup>20</sup>

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<sup>18</sup> Report of the Mount Pearl Task Force, *op.cit.*, p. 4.

<sup>19</sup> *Ibid.*, p. 4.

<sup>20</sup> *Ibid.*, p. 5.

“Residents raised concerns about the development of Southlands as part of St. John’s and the impact that this will have on Mount Pearl’s future land and tax base. Notwithstanding this, the development of Southlands will most likely have a positive impact on Mount Pearl. Southlands’ residents will shop in Mount Pearl, use the city’s recreation facilities and take advantage of the services available to them”<sup>21</sup>

The above very positive excerpts seem to indicate that the Council and the citizens of Mount Pearl, to a large extent, were prepared to carry on an aggressive residential development policy based on the amount of land available to them without any reference to Southlands.

However, it is now apparent that smouldering resentment against the Southlands decision must have been prevalent in some circles of Mount Pearl for this issue surfaced again with some vigour during the 1996 Provincial election and apparently promises were made to have the 1992 Southlands decision reviewed which ultimately resulted in this Commission being appointed.

The antecedents of this dispute, therefore, go back to the decision by the Wells’ Government in January, 1992 to transfer Southlands to the municipal jurisdiction of St. John’s. Mount Pearl feels it was wronged at that time and that Southlands, because of its close proximity to Mount Pearl, enabling ease of interchange between them, should be an integral part of Mount Pearl.

Exacerbating this concern for Mount Pearl is the fact that within its existing boundaries the residential land available for development is estimated to only last for about five years

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<sup>21</sup> Ibid., p. 16.



However, if Mount Pearl acquired Southlands it would answer its residential development needs for many years to come.

Viewed simplistically and in isolation, therefore, if one ignores the long term policy of Government in favour of amalgamation and also ignores the interests of St. John's and the Urban Region, it appears desirable that Mount Pearl should be given jurisdiction over the Southlands development.

In adherence to my Terms of Reference, it would be inappropriate to make such a decision in isolation and therefore I must consider the interests of St. John's and the Urban Region in this dispute.

Back in 1990/91 when the Wells' Government was considering the amalgamation question, meetings were held with the Mayors and key staff of various councils to inform them of Government's intention. A number of such meetings were held with St. John's City Council and these were attended by the then Mayor of St. John's, Shannie Duff. She is now a St. John's City Councillor and she appeared before this Commission at the hearing held in St. John's on October 23, 1997 and, in part, she made the following statement:

“... I was, as you know, Mayor of the City of St. John's at the time of the 1992 boundary adjustments in the Northeast Avalon Region. In that capacity I was involved, with members of City staff, in a number of follow up meetings with then Minister of Municipal Affairs The Honourable Eric Gullage and officials of his department.

It was a major concern to the City at that time that the boundary changes and the decision to download responsibility for regional water and fire services and the Aquarena would involve some very serious financial consequences for the City of St. John's.

Our largest concern was our financial ability to deal with the serious infrastructure problems existing in the newly annexed areas. Many of these problems required immediate attention because of the potential health risks involved.

.... the City entered into a number of meetings with the Province with a view to negotiating some form of transfer payment to assist with bringing the services in the newly amalgamated areas to an acceptable minimum standard to address some of the most urgent problems.

I would like to state for the record, that the City met with very little success in its appeal for financial assistance. However it was implied in these meetings and certainly understood by me and the City officials present that the Province considered the transfer of the area known as Southlands to be a form of long term compensation to the City for the responsibilities which we had undertaken. In other words, although we were largely on our own in addressing the servicing issues we would receive long term financial benefits from the development potential of a planned community with all the major servicing already in place".<sup>22</sup>

When I heard the above I asked Mrs. Duff at the October 23rd hearing if there is anything in writing to support the position taken by the City of St. John's at the time. Councillor Duff indicated that the transfer of Southlands was, at least in part, deemed by the Wells' Government to be compensation to St. John's in recognition of the high estimated cost of upgrading services in some of the new areas to be acquired, Mrs. Duff replied that she knew of nothing in writing to confirm this assumption.

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<sup>22</sup> Duff, S., *op.cit.*, p. 2.

Because of the possible importance of this issue I later felt it advisable to write to Mr. Clyde Wells, Premier of the Province in 1991, to seek his input on this matter. I wrote him on October 27, 1997.<sup>23</sup>

Mr. Wells replied to me on November 4, 1997.

Some relevant excerpts from Mr. Wells' letter are as follows:

“... I can say at the outset that the Southlands area was not transferred to St. John's specifically for the purpose of providing to St. John's compensation for the additional municipal responsibility of administering additional towns and areas. However, that simple statement would almost certainly lead to an erroneous conclusion as to “any compensatory aspects of the decision to transfer Southlands to the municipal jurisdiction of St. John's”. A complete answer to the question that you have raised necessitates some explanation of the amalgamation policy being implemented by the Government at the time”.

“... The transfer therefore was not done specifically to compensate St. John's for the additional burden being imposed as a result of adding areas such as Goulds and Airport Heights to the City of St. John's. It was the inevitable result of our decision not to proceed with the amalgamation of Mount Pearl into St. John's but instead to exclude, for the immediate future, the developed area of Mount Pearl. That, of course, took in all of the people who were expressing such strong opposition to amalgamation at the time.

However, in virtually all subsequent discussions with representatives and officials of the City of St. John's, whenever the city representatives argued that the city should receive substantial subsidy for having to bear, in the future, the financial burden of providing city services to the new areas such as Goulds and Airport Heights, it was always argued by Government that, in addition to the financial assistance being provided by the province, the city would in the future benefit financially from development of the Southlands”.

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<sup>23</sup>

Commissioner, Letter to Mr. Clyde Wells. See Appendix D.

“... I would have to acknowledge that while the province did not transfer the Southlands specifically to be “a form of long term compensation to the city”, Mrs. Duff is quite correct to say that the province argued that the justification for compensation was greatly diminished by reason of the benefit the city could expect to receive, when development occurred in the Southlands in the future, as a result of the Southlands now being included in the greater capital city area”.<sup>24</sup>

From the above it is quite apparent that the Government of the day used the fact that Southlands had been transferred to St. John’s as a reason to avoid paying any direct financial compensation to St. John’s because of the liabilities they were obligated to assume in the new areas (other than Southlands) they were taking over under the Government’s proposed plan for amalgamation.

As well, it can be surmised from the testimony of Mrs. Duff that the City of St. John’s was more reconciled to accepting the financial liabilities associated with some of the new areas to be acquired specifically because of the perceived long term benefit to be derived from the acquisition of Southlands.

### **General**

From the above it is quite clear that the policy of the Government of Newfoundland in 1990/92 was for the amalgamation of St. John’s and Mount Pearl. However, this policy was frustrated by the public outcry in Mount Pearl against amalgamation and by political considerations. Thus, the policy of Government for amalgamation of the two cities did not change but it was simply set aside in the belief that in time the two cities would come together.

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<sup>24</sup> Wells, Clyde, *op.cit.*

In its brief to this Commission the City of Mount Pearl, stated the following:

“Government’s 1991 decision to continue to maintain two cities in this region was in keeping with Government’s program. Such a decision recognized that the continued existence of the two senior municipal governments within this region would be more beneficial in strengthening the municipal structure than if they were amalgamated into a large city”<sup>25</sup>

In view of the letter of former Premier Wells of November 4, 1997 to this Commission, it is obvious that the above statement is not correct as the clear policy of the Wells’ Government was for the amalgamation of the Cities of St. John’s and Mount Pearl, and not for continued separation.

(2) **The Financial Impact on the City of St. John’s  
Resulting from the January 1, 1992 Amalgamation  
Decisions of the Government of Newfoundland**

From Finding #1 it is clear that in 1991 the City of St. John’s had serious concerns over the anticipated adverse financial consequences of taking over some of the more rural areas included in the January 1, 1992 amalgamation decisions of the Government of Newfoundland.

According to former Mayor Shannie Duff, in her submission to this Commission, the St. John’s City Council was somewhat mollified in assuming this additional financial burden because of the perceived long term financial gain of acquiring jurisdiction over the proposed Southlands development.

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<sup>25</sup>

Brief of the City of Mount Pearl, *op.cit.*, p. 68.

In retrospect, it is now clear that the St. John's City Council in existence in 1991 had good reason to be apprehensive over the potential financial liabilities and capital expenditures they would incur as a result of the January 1, 1992 amalgamation decisions.

The letter<sup>26</sup> dated December 4, 1997 from the Manager of Planning and Development, City of St. John's to this Commission, tabulates that the City of St. John's assumed \$10,539,424.94 of new debt as a result of the 1992 amalgamation decision. As well, the City of St. John's has, since 1992, undertaken \$7,461,319.00 in capital expenditures in the new areas acquired.

Although the City of St. John's, and to some extent the Government of Newfoundland (see letter of November 4, 1997 from former Premier Wells<sup>27</sup> to this Commission) it viewed the transfer of Southlands to the jurisdiction of the City of St. John's as a form of compensation for St. John's taking over the more rural areas included in the 1992 amalgamation, it seems certain that neither contemplated the magnitude of the new debt to be assumed or the capital expenditures required. It is now quite apparent that it will be many years before the return from Southlands will be at all significant in offsetting the additional costs incurred by St John's.

Nevertheless, it would clearly be unjust to now remove Southlands from the municipal jurisdiction of St. John's and deprive it of the long term opportunity to offset some of these additional capital expenditures and the cost of carrying the additional debt incurred.

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<sup>26</sup> City of St. John's, *op.cit.* See Appendix C.

<sup>27</sup> Wells, Clyde, *op.cit.* See Appendix B.

The development of the infrastructure of Mount Pearl was largely carried out by CMHC and NLHC and consequently there was no requirement for capital expenditures on infrastructure by that City. Therefore, it would be unfair to now transfer to the jurisdiction of Mount Pearl, another development, Southlands, which has been financed by NLHC as this would result in St. John's having to carry the new debt assumed with the 1992 amalgamation decision and the cost of the capital expenditures made since that time without any offsetting revenue from Southlands. In addition, St. John's would have to arrange financing for the infrastructure of new residential developments to meet its needs in place of Southlands.

### **(3) The Impact on the Urban Region**

The clear intention of the Wells' Government prior to the 1992 Amalgamation process, was to have a strong Urban Region in the Northeast Avalon with St. John's as the centre. In fact, had the Government proceeded as planned, the Northeast Avalon Region would now have only one city, St. John's. It was apparent that Government believed that a strong Urban Region would be more efficient in the delivery of services and in competing for business and industry for the area, and to allow for residential development to proceed in a more orderly manner. The proposed amalgamation did not occur with the result that the Urban Region is left with two cities that continue to compete for population and business.

As a result of the amalgamation process, St. John's was enlarged by the addition of other areas, including Southlands. At the same time St. John's was tasked with providing a number of regional services to other municipalities in the Region, including Mount Pearl. The result of these decisions was that St. John's took over about 10.5 million dollars of debt from the areas annexed to it, and in the intervening years has spent some 7.5 million dollars on capital works towards the goal of bringing the services in these areas up to an acceptable standard. In addition, St. John's has to construct and maintain the necessary infrastructure

to provide the shared services for which the City is responsible. The Government of the day did not create one city in the Urban Region as it had planned, however, St. John's was given special responsibilities for the provision of certain services in the Region, and that together with the annexation of some poorly developed areas on its boundaries, placed extra financial burdens on the taxpayers of St. John's.

I accept that Southlands was, at least in part, given to St. John's as compensation for assuming the additional financial burdens as outlined above. Over the long term the revenues from Southlands would assist St. John's in meeting its regional commitments, as well as easing the burden of the extra debt load and necessary capital expenditures, resulting from the 1992 boundary adjustment. In view of these potential offsetting revenues Southlands is an important component of the future financial viability of St. John's.

I believe that in order to have a strong Urban Region we must have one strong regional centre within the Region. I agree with the **St. John's Urban Regional Plan** that St. John's is the Urban Region's dominant business, trade, administrative, and cultural centre. This being the case, anything that would weaken St. John's position of dominance in the Region would weaken the Region. Therefore, if Southlands were to be removed from the jurisdiction of St. John's, it would weaken St. John's and consequently have a negative effect on the Urban Region.

Section 7 of this report outlines in detail the impact on the Urban Region of the retention of the status quo and the removal of Southlands from the jurisdiction of St. John's. The status quo and removal were considered with reference to **Finance, Economic Development, the Co-ordination of Development and Servicing, and Social Equity**. With the exception of social equity, which I determined to have no significant effect one way or the other, I have



concluded that the removal of Southlands from the jurisdiction of St. John's will have a negative impact on St. John's in the areas of finance, economic development and coordination of development and servicing. This, in turn, will have negative consequences for the Urban Region. On the other hand the retention of the status quo will have a positive impact on St. John's, and thus will have positive consequences for the Urban Region. I have concluded, therefore, that in terms of the Urban Region, the retention of the status quo is the best course of action.

### **RECOMMENDATION**

As a result of this Feasibility Study and specifically these findings, I have concluded that it is desirable for Southlands to remain within the municipal jurisdiction of the City of St. John's and I so recommend.

## **9. THE CURRENT RESIDENTS OF SOUTHLANDS**

The Commission received a very valuable submission from Mrs. Sharon King<sup>28</sup>, a resident of Southlands. Her submission was on behalf of the majority of the current residents of Southlands, approximately 100 in all.

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<sup>28</sup>

King, Sharon, Brief to the Commission, October 22, 1997.

In her brief, Mrs. King readily admits that she and her husband knew full well when they bought their house that it was under the jurisdiction of St. John's. However, it was not until they were settled into their house that they came to realize that the fact that they came under St. John's did make a difference. She and her husband, and presumably others living in Southlands, now have a feeling of not belonging anywhere - that is, of not belonging either to St. John's or Mount Pearl.

This feeling of not belonging to either city is particularly apparent now because at the present time there are no amenities in Southlands that help to create a community - no stores, no schools, no churches, etc. However, these are all contained in the Master Plan for Southlands and, as Mrs. King admits, in time they will be constructed.

In the meantime, it is the present situation that concerns the current residents. They have adopted Mount Pearl because it is a natural thing to do. I see nothing wrong with this, it is to be expected because of the close proximity of Mount Pearl. However, as more houses are constructed and more residents move in and amenities are added, it will gradually take on all the attributes of a cohesive community.

When the planned development of Southlands is completed, it will have a population of around 16,000. This is over two-thirds of the current population of Mount Pearl and there is no doubt in my mind that in Southlands a natural pride in their well planned and modern community will arise, and eventually it will not be of significant consequences which municipality they come under.

In the meantime, there are steps which could be taken which would improve the morale of the current residents of Southlands. Accordingly, *I recommend the following:*

- (1) Until the population of Southlands increases to the point when they have their own amenities, it is very important that no prejudice is shown by the residents of Mount Pearl against the residents of Southlands. Statements were made at the hearing in Mount Pearl which indicated that, at times, there may be a prejudice against Southlands residents in the matter of sports and in their ability to serve on Mount Pearl teams. I understand, however, that this occurs due to provincial sports rules, and is only a problem with residents of one city or town playing in an all-star sport of another city or town, that is participating in a provincial tournament. Mount Pearl City Council should be aware of this and do what they can to ease the situation.
- (2) St. John's City Council should construct a small depot building in Southlands large enough to hold a standard snow plow and when a heavy snow storm is forecast, a plow should be dispatched to the Southlands depot so that it will be on location to immediately start plowing when the storm hits.
- (3) A survey should be carried out in the near future by St. John's Metrobus with the residents of Southlands to determine if there would be sufficient volume of traffic to justify extending the Metrobus to Southlands.
- (4) The St. John's Ward Councillor for the Southlands area should be deputized to be the main liaison between the residents of Southlands and the St. John's City Council, and he should be given the responsibility of bringing the concerns of the Southlands residents to Council or to Council staff. He should call a meeting at least twice a year to update the residents of Southlands on

Council plans for the area and to give the residents an opportunity to voice their concerns.

## 10. THE IMPORTANCE OF ST. JOHN'S TO THE URBAN REGION AND TO THE PROVINCE

The St. John's Urban Region is, in effect, one economic and cultural entity now artificially divided by municipal boundaries. A strong Capital City is essential to the continued growth and stability of the Region, its member municipalities and the entire Province of Newfoundland and Labrador. Any further fragmentation of the St. John's Urban Region will impact negatively on the ability of St. John's to perform its essential and historic roles as the Capital City and Regional Center.

A recent extensive survey carried out by the world renowned accounting firm of KPMG entitled, "**The Atlantic Canada Advantage**", found that St. John's was the lowest cost business start up city among 42 cities examined in Canada, the United States and Western Europe.

This highly significant finding was received with a short burst of media attention and it has since dropped from sight. This announcement gained little comment from the Provincial Government and it is impossible to gauge whether it was received generally by the citizens of St. John's, and, indeed, by the citizens of the St. John's Urban Region, with a feeling of intense civic pride.

All of Newfoundland and all Canadians should have rejoiced over this finding. Here we are the poorest province of Canada with the highest unemployment rate and yet we have our capital city coming up number one with the lowest business start-up costs of any included in this extensive survey.

What an opportunity this survey finding presents to the City of St. John's, to the St. John's Urban Region and to the Government of Newfoundland and Labrador to capitalize on this achievement. One would expect that almost every day we would hear a reference to this accomplishment but instead a great silence has descended.

As an indication of the national prominence this KPMG survey has received in Canada, I attach a copy of the article by Diane Francis in **MacLean's Magazine** of November 17, 1997.<sup>29</sup> In this article she analyzes the KPMG survey and states that while other nations take national pride in economic success Canadians tend to hide their light under a bushel basket.

Diane Francis states further that, "*We are a very educated, entrepreneurial and efficient economy with a high standard of living. Canadians must stop whining and start spreading the word more enthusiastically and with more conviction through our governments and industrial organizations.*"

I agree fully with the views expressed by Diane Francis. In my opinion it is time this historic seaport city of St. John's took its proper pride of place as one of the outstanding cities of North America. St. John's, even now, has a lot going for it and with the oil boom offshore, the exciting mineral developments in the Province and the evolution of the high-tech sector it is time St. John's truly prepared itself for a confident launch into the 21<sup>st</sup> Century.

The Government of Newfoundland and Labrador will have a significant role to play in ensuring that St. John's assumes its preeminent place among the outstanding cities of North America. For too long governments in this Province have used St. John's (and to a lesser

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<sup>29</sup> Francis, Diane, *Why Manufacturers Should Love Canada*, MacLean's Magazine, November 17, 1997, p. 63. See Appendix E.

extent, Mount Pearl) as convenient scapegoats when it required additional funds to balance its budget. If any doubt exists as to the truth of this statement an examination of the municipal operating grants since 1992 will set the record straight:

**Municipal Operating Grants, Revised and Forecast  
for St. John's and Mount Pearl 1992-2000**

Year	St. John's	Mount Pearl
1992	\$11,544,411.00	\$2,169,948.00
1993	\$10,806,226.00	\$2,183,595.00
1994	\$10,023,911.00	\$2,087,312.00
1995	\$9,800,360.00	\$2,092,600.00
1996	\$7,195,440.00	\$1,546,738.00
1997	\$6,120,175.00	\$1,333,935.00
1998	\$5,341,718.00	\$1,164,265.00
1999*	\$4,006,288.00	\$873,199.00
2000*	\$2,670,858.00	\$582,133.00

\*Forecast.

The above table demonstrates that since 1992 and through fiscal 1998 the Municipal Operating Grant to St. John's has decreased by \$6,202,693.00 or by 54%. Similarly, the Municipal Operating Grant to the City of Mount Pearl has decreased by \$1,000,683.00 or 46%.

Coupled with this drastic decrease in funding which has placed a heavy financial burden on the taxpayers of St. John's and Mount Pearl, is the fact the Provincial Government pays no property taxes to the City of St. John's or to any municipality in the Province for Provincial Government properties located in that municipality. Not even Crown Corporations in this Province pay municipal taxes or grants in lieu of taxes to the municipality in which they are located. The single exception to this is the Newfoundland Liquor Corporation which in 1995

paid \$246,206 to the City of St. John's as a grant in lieu of taxes, presumably in respect of its retail liquor stores located in St. John's. In 1996 this grant in lieu of taxes was arbitrarily reduced by Government to \$48,000.

I understand it is the policy of the Federal Government everywhere in Canada to pay grants in lieu of taxes to municipalities where Federal buildings and properties are located.

To better understand this issue, I surveyed 12 larger cities located in each Province across Canada where provincial government buildings or properties are located and in every instance except one property taxes, grants equal to taxes or grants in lieu of taxes are paid to the municipality for all properties owned by the province and located in that municipality, including provincial crown corporations. The sole exception was the response from the City of Saskatoon, Saskatchewan, where the reply was, *“For your information the Province of Saskatchewan does not pay grants-in-lieu on Provincial buildings, but the Province has indicated that this may start in 1998 with some form of phase-in”*.<sup>30</sup>

As an example of what happens in most other provinces with respect to the Province paying taxes, or grant in lieu of taxes, to the municipality in which Provincial Government properties are located I attach a copy of a letter the Commission received from the Director of Finance, Halifax Regional Municipality.<sup>31</sup> I also attach a copy of the first five (5) pages of a Government of Nova Scotia Act entitled “An Act to Provide Grants to Municipalities”.<sup>32</sup>

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<sup>30</sup> General Manager - Finance Department, City of Saskatoon, Letter re Grants in Lieu of Taxes, November 18, 1997. See Appendix F.

<sup>31</sup> Director of Finance, Halifax Regional Municipality, Letter re Grants in Lieu of Taxes and Taxes in Nova Scotia, December 3, 1997. See Appendix G.

<sup>32</sup> Government of Nova Scotia, *An Act to Provide for Grants to Municipalities*, April 1, 1996. See Appendix H.



Even a brief scanning of these excerpts indicates a strong desire on the part of the Government of Nova Scotia to treat their municipalities fairly in respect of remuneration for Provincial Government properties located in a municipality.

On the surface, therefore, this failure of the Government of Newfoundland and Labrador to pay municipal taxes on its properties would seem to be inequitable. However, this is not a straightforward simple matter as in this Province the Government pays for the cost of some infrastructure and a number of services such as policing by the Royal Newfoundland Constabulary in St. John's, Mount Pearl, Corner Brook, Labrador West, and other communities which in other Provinces is generally paid for by the municipality. This issue has been in the public forum of late and has been aggravated by the frequent carping criticism of the Government by the Mayor of St. John's, an example of which appeared in **The Evening Telegram** of December 4, 1997.<sup>33</sup>

While this criticism by the Mayor of St. John's often appears to be onesided and self serving it does point up the desirability of having this matter of the Government paying municipal taxes on its properties resolved for once and for all.

I recommend that the Government undertake an in-depth study to examine all sides of this issue to ensure that municipalities, where Government properties are located, are being treated fairly and in line with the practice in other provinces. Such a study could serve to resolve this issue and remove it from future public debate.

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<sup>33</sup> Sweet, Barb, *Grants in Lieu of Provincial Taxes Would be One Way to Pay Up: Wells*, The Evening Telegram, December 4, 1997, p. 7. See Appendix I.

I make this recommendation because I am convinced that the Province needs a financially strong, well maintained, attractive Capital City if it is to exploit properly the benefits of the oil, mineral and high-tech boom that is on our doorstep.

Given enlightened leadership, the fair and co-operative approach of the Provincial Government and the civic pride and contribution of its citizens, St. John's can become, as it should be, the catalyst for the proper and full development of the Urban Region, when with the important contribution of Mount Pearl, the St. John's Urban Region can become the jewel in the provincial crown and the envy of the many thousands of visitors to this area.

Given this scenario, the Capital City of St. John's, with adequate financial revenue creating a stable tax base, can bring to an end poorly paved streets, unfilled and improperly filled potholes, broken sidewalks, unplowed sidewalks in winter, raised manhole covers, lowered manhole covers, inadequate pedestrian crossings, unsynchronized traffic lights, poor traffic management and a host of other shortcomings that constantly annoy its citizens. Given an adequate revenue base St. John's can also replace and upgrade its aging water, sewer and garbage infrastructure so that its citizens will no longer have to bear the major portion of the tax burden necessary to support the substandard services in many parts of the Urban Region.

Of course, all of this assumes a lean, efficient and effective municipal administration in the City of St. John's.

To properly build St. John's into a great City it must embark on a growth mode so that improved services to its citizens are enjoyed by more people thus enlarging the tax base. The St. John's City Council, therefore, has to pursue a sustained educational and information

campaign to constantly inform its citizens, and potential citizens, of the many advantages of living in the Capital City.

Over the years there have been too many incentives for people to move out of St. John's for their residential, recreational and community needs, and thus avoid contributing to the St. John's tax base, while at the same time being dependent on St. John's for employment and higher educational requirements.

In the above context there is a prevailing view that any material difference in municipal tax rates will be eliminated between Mount Pearl and St. John's, and perhaps other municipalities in the near term. This trend could be exacerbated by steadily decreasing provincial grants to municipalities.

Statistical data indicates that the population growth in St. John's over the past fifteen years has been flat. This, as I have said, is largely due to the perceived attraction of residing in Mount Pearl, Conception Bay South and Paradise, and other adjoining communities. This is clearly indicated by the population profile of the census metropolitan area as follows:

Area	Percentage of Population	Average Annual Growth Per Year 1981-1996
St. John's	58.6%	-0.1%
Mount Pearl	14.7%	2.6%
CBS	11.1%	3.1%
Paradise	4.6%	11.9%

The trend to a flat growth in the population of the City of St. John's presents a serious problem since it means that existing infrastructure will continue to be under utilized while the demand for a further capital investment in new infrastructure in the suburbs will increase.

A study of the residential taxation mill rates for St. John's, Mount Pearl, Paradise and Conception Bay South shows that the property and water tax differences between these cities and towns is now insufficient to offset the heavy costs of commuting to St. John's for employment, recreational and educational requirements. They are as follows:

#### **Residential Mill Rates**

<b><u>St. John's</u></b>	
Property Tax	11.0Mills
Water Rate	\$160/Annum
<b><u>Mount Pearl</u></b>	
Property Tax	10.0 Mills
Water Rate	\$190/Annum
<b><u>CBS</u></b>	
Property Tax	7.0 Mills
Sewer Tax	1.5 Mills <8.5>
Water Rate	\$100/Annum
<b><u>Paradise</u></b>	
Property Tax	8.2 Mills
Water Rate	\$204/Annum

Studies indicate that two powerful forces are most influential when it comes to people selecting their place of domicile. Decision determinants are usually based on:

*Value received from a housing investment eg. amount of home and amenities obtained for the invested dollar, and*

*Importance of quality of life and community image particularly where children are concerned eg. quality and lifestyle of the neighbourhood and community.*

It follows, therefore, that if St. John's is going to hold its citizens and attract others it must continue to provide affordable housing in all parts of the City and in this respect Southlands will be a vital factor for future City growth.

The preceding comments and statistics apply only to residential housing and taxes. When it comes to business taxes it is quite another matter and I note with concern that the City of St. John's has recently felt obliged to increase substantially its business tax rates for 1998.

In view of the preeminent position of St. John's as determined in the KPMG study entitled "The Atlantic Canada Advantage", which I mentioned earlier in this report, this increase in business tax can only be regarded as a retrograde step most likely made by Council out of desperation to find sufficient revenue to balance its budget. With a static or falling residential population, with decreasing municipal operating grants and with no revenue from the Province for Government properties located in St. John's, the Council apparently ignored the KPMG study and the primary need to build on this study and attract new business and industry to the Capital City.

I have taken the liberty of addressing this important question under Term 5 of my Terms of Reference because I consider it to be relevant to the proper conduct of the Feasibility Study and in order to assist the Minister in making appropriate recommendations to the Lieutenant Governor in Council.



