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Halifax Regional Council  
March 11, 2004

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**

  
George McLellan, Chief Administrative Officer

**DATE:** March 11, 2004

**SUBJECT:** Provincial Commercial Assessment Issue

### ORIGIN

On March 8, 2004, HRM Financial Services discovered an error on the assessment roll made by the Provincial Assessment division of Service Nova Scotia and Municipal Relations. In short, subsequent to providing the roll to HRM, the Province lowered a commercial assessment by \$150 million. The result of the change is a negative impact of \$5.2 million dollars on HRM's expected commercial property and business occupancy tax revenue for the 2004/05 fiscal year.

### RECOMMENDATIONS

It is recommended:

- Tabling of the 2004/05 budget for the Halifax Regional Municipality will be deferred to April 6, 2004. This will provide staff with time to develop alternatives to deal with the \$5.2 million shortfall caused by this error.
- HRM Council request an explanation from the Provincial Assessment division of how this particular change occurred and the documentation supporting the various decisions involved in the change.
- HRM Council request the Provincial Assessment division to provide a list of all changes to the assessment roll (+/- 10% change in assessment value) within HRM, made since the 2003 assessment roll was filed.
- HRM Council request Minister Barry Barnet to allow for an appeal by HRM of the valuation which was in error, if HRM chooses to pursue an appeal.
- HRM Council authorize the Mayor to send a letter to Minister Barry Barnet outlining our ongoing concerns with the integrity and delivery of Assessment services and the relevance of market-based assessment.

## **BACKGROUND**

In December of each year, the Provincial Assessment division delivers an electronic assessment roll to each municipality, which serves as the basis for establishing the commercial and residential tax rates for the coming fiscal year. The integrity of the information on this roll is critical to the accuracy and completeness of financial estimates and budgets prepared for the coming fiscal year; especially in municipalities which are heavily dependent on property tax revenues, as are Nova Scotia municipalities.

In this instance, the assessment value of a large commercial real property account was overstated by \$100 million dollars and of the associated business occupancy account by approximately \$47 million. The information provided to HRM on the assessment roll, showed an assessment value substantially greater than the amount shown on the assessment notice sent to the commercial entity. Additionally, the firm involved was given a preliminary assessment notice with a different amount. If HRM had been provided the correct information on the assessment roll, we would have had the opportunity to appeal the assessment if we chose to do so. Depending upon the results of this issue, staff may suggest that Council appeal this assessment. As the assessment notice has already been sent to the commercial entity, we may have lost the opportunity to appeal. The change effectively wipes out the benefits of the Federal GST rebate.

## **DISCUSSION**

HRM has been consistent in expressing ongoing concerns with the Assessment process. Our intent is not to penalize the commercial entity involved in this instance, but is to state our concern about the ability of the Province to manipulate commercial assessments as an economic development vehicle to achieve their own ends. The current market-based assessment system (both residential and commercial) lacks transparency, consistency, and appropriate controls to ensure the assessment information is correct.

## **BUDGET IMPLICATIONS**

- The 2004/05 budget will have to be adjusted by \$5.2 million dollars to accommodate this decrease in anticipated commercial property and business occupancy tax revenues. This will be accomplished by decreasing new capacity and initiatives, or by increasing taxes. Staff will develop alternatives to bring forward prior to tabling the proposed 04/05 budget with Council.

## **FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

## **ALTERNATIVES**

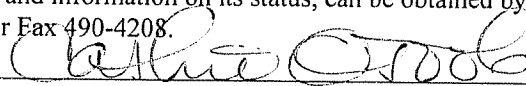
Under the current legislative structure that the Halifax Regional Municipality operates within, there are no alternatives to deal with this situation. We must table a balanced budget, and to do so, rely upon the property tax revenues estimated based on the assessment data provided by the Assessment division of Service Nova Scotia and Municipal Relations.

ATTACHMENTS

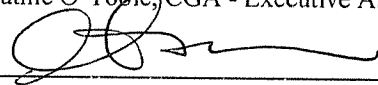
None

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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