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Halifax Regional Council
August 7, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in black ink, appearing to be "C. O'Toole", written over a horizontal line.

For Cathie O'Toole, CGA - A/Director of Finance

DATE: July 27, 2007

SUBJECT: Revenue Adjustments Due To Assessment Appeals

INFORMATION REPORT

ORIGIN

Request of HRM Regional Council.

BACKGROUND

Per the Assessment Act, property owners have the right to appeal their real property assessment within 21 days of the date on their Notice of Assessment, which are issued each year in January.

DISCUSSION

Schedule 1 shows trends in residential and commercial assessments for the years 2002 - 2006. Over the last five years HRM property assessments has been sharply increasing year over year due to the fact that the real estate market has been experiencing growth due to economic drivers such as low unemployment and low interest rates. In the period 2002 - 2006 residential property assessments increased 45% while commercial and business occupancy assessments increased 16%. The Province of Nova Scotia is responsible for assessing properties in HRM, and use a market based approach. Thus, as market real estate values increase, municipal real property assessment values increase.

As municipal property assessments increase, it would be logical to assume that the number of appeals would increase. In 1998, the first year the province implemented annual assessments, there were 5,400 residential assessment appeals and 1,115 commercial and business occupancy appeals. In the period 2002-2006 the average annual number of residential and commercial and business occupancy appeals each year were 2,876 and 746 respectively. Per schedule 2, the average assessed value of residential assessments appealed was \$726,786,266 in 2002-2006 with an average revenue adjustment of -\$413,952. On the commercial and business occupancy side, the average assessed value of assessments appealed was \$1,247,912,615 in 2002-2006 with an average revenue adjustment of -\$864,441.

In 2006, the assessed values appealed and adjusted were high in relation to other years as 2006 had the highest percentage increase in residential assessment at 11.77% and the province did not generate a 2006 preliminary roll in 2005. As a result, 2006 values that would have been brought under review as a result of the province's consultation process on the preliminary roll were resolved on the appeal process. Also in 2006, commercial and business occupancy assessment decreased -1.51% from 2005 due to a assessment decrease of \$300 million associated with the phase out of business occupancy tax.

With the tabling of legislation by the province that would see 2008 residential assessments capped by the consumer price index (CPI), it would seem reasonable to project that residential appeals and hence subsequent revenue adjustments will decrease in the future. A report on the Assessment CAP prepared by Deloitte & Touche projects that 75% of residential and resource properties within HRM will be eligible for the CAP.

BUDGET IMPLICATIONS

There are no budget implications per this report. Revenue adjustments due to assessment appeals are accounted for by staff each year when budgeting tax revenues. The 2006-07 budget for residential and commercial and business occupancy appeals was \$410,000 and \$590,000. Actuals for 2006-07 were \$690,000 for residential appeals and \$959,000 for commercial and business occupancy appeals. For the 2007-08 budget year staff have budgeted \$410,000. for residential appeals and \$590,000 for commercial and business occupancy appeals.

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.

ATTACHMENTS

Schedule 1: Residential and Commercial Assessment/Appeal Analysis 2002-2006

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/agenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by : Jerry Blackwood, CGA - Operations Manager, Revenue 490-6470



Report Approved by: Catherine Sanderson, CMA - Senior Manager Financial Services 490-1562

SCHEDULE 1: Residential and Commercial Assessment/Appeals Analysis 2002 - 2006

Residential	2006	2005	2004	2003	2002	2002 - 2006 Averages
Assessment Value Per Roll (Taxable)	\$ 20,191,012,102	\$ 18,064,664,500	\$ 16,360,952,900	\$ 15,130,709,700	\$ 13,966,524,900	\$ 16,742,772,820
Assessment % increase over prior year	11.77%	10.41%	8.13%	8.34%	6.13%	8.96%
*Appeals Filed	3,150	3,405	2,558	2,544	2,722	2,876
*Total Assessment Value \$ Appealed	\$ 1,184,066,800	\$ 710,461,854	\$ 572,024,093	\$ 557,981,533	\$ 609,397,048	\$ 726,786,266
*Total Assessment Value \$ Adjusted	-\$ 57,586,472	-\$ 27,376,052	-\$ 31,411,625	-\$ 25,591,533	-\$ 24,982,391	-\$ 33,389,615
Average General Tax Rate	\$ 1.1977	\$ 1.2570	\$ 1.2570	\$ 1.2884	\$ 1.2463	\$ 1.2493
Average Revenue \$ Adjustment	-\$ 689,721	-\$ 344,117	-\$ 394,844	-\$ 329,715	-\$ 311,364	-\$ 413,952

Commercial & Business Occupancy	2006	2005	2004	2003	2002	2002 - 2006 Averages
Assessment Value Per Roll (Taxable)	\$ 5,304,412,110	\$ 5,385,748,483	\$ 5,005,457,735	\$ 4,836,296,931	\$ 4,547,544,863	\$ 5,015,892,024
Assessment % increase over prior year	-1.51%	7.60%	3.50%	6.35%	7.69%	4.73%
*Appeals Filed	600	754	693	733	948	746
*Total Assessment Value \$ Appealed	\$ 1,271,467,864	\$ 1,325,324,075	\$ 971,378,405	\$ 1,156,696,448	\$ 1,514,696,284	\$ 1,247,912,615
*Total Assessment Value \$ Adjusted	-\$ 27,204,598	-\$ 23,482,812	-\$ 17,555,178	-\$ 27,426,633	-\$ 28,098,674	-\$ 24,753,579
Average General Tax Rate	\$ 3.5249	\$ 3.4399	\$ 3.4630	\$ 3.5653	\$ 3.4512	\$ 3.4888
Average Revenue \$ Adjustment	-\$ 958,928	-\$ 807,779	-\$ 607,936	-\$ 977,828	-\$ 969,732	-\$ 864,441

* Data provided by Assessment Services