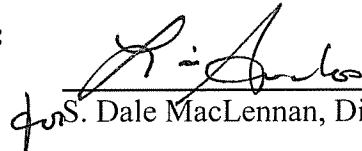


Halifax Regional Council
January 17, 2006

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



S. Dale MacLennan, Director, Financial Services

DATE: December 22, 2005

SUBJECT: **Municipal Services Relationship to Assessed Values**

INFORMATION REPORT

ORIGIN

At the September 28, 2004 meeting of Regional Council, item 11.2, Councillor Snow requested a staff report outlining the amount, if any, of the increase in the assessed value of a property that can be attributed to receiving services through a municipal sewer, water or sewer and water project.

BACKGROUND

It is staff's understanding that some property owners have expressed concern that when their properties receive municipal services that their property assessments are increased as a result. Since servicing projects usually attract Local Improvement Charges the property owners are of the opinion that they are paying more than once for the service.

This report will attempt to address the issue of whether assessments increase as a direct result of servicing.

DISCUSSION

Assessed values of residential properties are based upon market values of those properties. The market values are determined by Service Nova Scotia through reviewing data such as recent sales within an area. When an area becomes attractive, and properties change ownership or there is increased construction activity in the area, this data is reviewed by Assessment Services and may result in increased assessed values. The delivery of central sewer and water services to an area, in and of themselves, do not create an automatic increase in assessed values but may influence the attractiveness of an area.

The link between the provision of municipal services and market value assessment is tenuous at best. While it is difficult to quantify, it would appear that most municipal services do not have a major impact on assessed values. At best, market value assessment can serve as a proxy for the availability of such services. The market, however, generally considers centralized sewer and water services more attractive than on-site servicing (well and septic). In addition to the convenience of central services, such properties are often easier to sub-divide. As such, one would expect this to be eventually reflected in the market value, and therefore the assessed value of a property. In cases where a property has on-site services that are deficient or in need of replacement, the market would likely discount these against the value of the property. Servicing, however, is not the only influence on the market value of a property. It is difficult to conclude what portion of market value assessment is attributable to centralized services versus on-site services or a situation where on-site services require remediation. The exact amount would vary from property to property based upon individual circumstances.

Water service is provided by the Halifax Regional Water Commission and is funded through a separate water bill. The operations of sewers is paid for from the Waste Water Management Charge portion of the Pollution Control Charge on the water bill. The replacement costs of trunk sewers is paid from the Sewer Redevelopment Reserve, and replacement of local sewers is funded from property taxes. Hence, it is difficult to conclude that a property might be paying twice for water and sewer services (i.e., through local improvement charges and property tax). Property tax is used to fund a wide variety of HRM services including police, fire, libraries, recreation and solid waste collection.

Staff is reviewing the current property tax system through HRM's Revenue Strategy. The Revenue Strategy is intended to provide a very broad review of the taxation system including looking at the relevance of the market value system.

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 and the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

N/A

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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