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Audit & Finance
August 17, 2011

TO: Councillor Gloria McCluskey, Chair and Members of Audit & Finance
Committee

A handwritten signature in black ink, appearing to read "B. Fisher", with a circular flourish around the first letter.

SUBMITTED BY: _____
Bruce Fisher, Acting Director of Finance, CFO

DATE: July 22, 2011

SUBJECT: 2011 Assessment Roll Appeals

INFORMATION REPORT

ORIGIN

Request from Audit Committee.

BACKGROUND

Under the Assessment Act section 52, the Provincial Valuation Services Corporation (PVSC), must deliver the assessment roll to HRM by December 31st, each year.

52 (1) On or before the thirty-first day of December in each year, the Director shall complete the roll and

(a) complete and sign a certificate in Form A in the Schedule to this Act and attach it to the roll; and

(b) forward the roll and certificate to the clerk.

The property values on the roll are reflective of the market values of a property per the base date of the roll. Section 42 of the Assessment Act states:

42 (1) All property shall be assessed at its market value, such value being the amount which in the opinion of the assessor would be paid if it were sold on a date prescribed by the Director in the open market by a willing seller to a willing buyer, but in forming his opinion the assessor shall have regard to the assessment of other properties in the municipality so as to ensure that, subject to Section 45A, taxation falls in a uniform manner upon all residential and resource property and in a uniform manner upon all commercial property in the municipality.

Assessment values on the 2011 roll reflect the physical state of properties as at December 1, 2010, based on market value as of January 1, 2009. Subsequent to delivering the roll, PVSC mails notices of assessment to the individual property owners usually in the later part of January. Property owners that may be dissatisfied with their assessment have 21 days from the date on the assessment notice to appeal the value. Municipal units can also appeal property assessments under the Assessment Act.

DISCUSSION

Appendix A is an appeal summary report from PVSC that breaks down appeals by the categories residential/resource, apartments, commercial and exempt. Schedule 1 compares appeal stats for 2011 to 2010. Overall the number of appeals filed for 2011 compared to 2010 has increased 22%. The overall value under appeal has increased 36%.

Contributing factors to the increase in appeals are:

- Increase in residential assessment of 6.6%, compared to 3.8% in 2010
- Residential CAP rate increased to 2.9% in 2011 compared to 0% in 2010
- Commercial assessment increased 6.9% in 2011 compared to 3.5% in 2010

As assessment appeals increase revenues are susceptible to risk with respect to revenue losses. Schedule 2 depicts high value assessment appeal ranges. For the 2010 assessment roll HRM had to absorb a \$13M value adjustment on the Halifax Casino. PVSC did inform staff in advance of

the probable value loss. For the 2011 roll staff has not been informed of any substantial losses such as the 2010 Casino adjustment.

Mitigating risk of revenue loss due to appeals is similar to mitigating risk with respect to bad debt. Each year based on appeal data received from PVSC, staff budget for revenue loss from appeals. For the 2010-11 fiscal year net loss to appeals was \$1,649,000. The budget for 2010-11 current year appeals was \$1,697,000. Schedule 3 depicts the current year appeal budget for 2011-12 fiscal year. The increase in appeals this year has resulted in a total budget for revenue losses of \$2,639,945, which is \$940,000 higher than 2010-11.

Appeals Filed by HRM

HRM as a municipal unit also has the right to appeal the value of properties. Finance has developed a system of compiling and analyzing market sales data and deed transfer affidavits. Staff currently has approximately \$21M in assessed commercial value under appeal. Appeals filed on the 2010 assessment roll have netted incremental revenue of approximately \$100,000. Staff is currently working on the Port of Halifax values, and are planning to do some analysis on commercial assessment.

BUDGET IMPLICATIONS

See attached schedule 3 for current year budget for appeals.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

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

COMMUNITY ENGAGEMENT

N/A

ATTACHMENTS

Schedule 1: 2010 HRM Appeal Statistics
Schedule 2: High Value Appeals
Schedule 3: 2011-12 Appeals Budget
Appendix A: Internal Appeal Report PVSC

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

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



Report Approved by: Bruce Fisher, MPA, CMA, Acting Director of Finance, CFO

SCHEDULE 1: 2011 HRM APPEAL STATISTICS

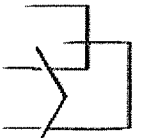
	2010	2011	Variance
Total Residential Appeals	\$ 466,110,700	\$ 720,323,200	55%
# of Appeals Filed	2,130	2,588	22%
Ave. Residential Appeal Value	\$ 218,831	\$ 278,332	27%
Total Apartment Appeals	\$ 993,596,600	\$ 1,244,105,300	25%
# of Appeals Filed	299	400	34%
Ave. Apartment Appeal Value	\$ 3,323,066	\$ 3,110,263	-6%
Total Commercial Appeals	\$ 1,545,579,400	\$ 2,118,542,537	37%
# of Appeals Filed	800	940	18%
Ave. Commercial Appeal Value	\$ 1,931,974	\$ 2,253,769	17%
Grand Total - Appeals	\$ 3,005,286,700	** \$ 4,082,971,037	36%
Grand Total # of Appeals Filed	3,229	0 3,928	22%

SCHEDULE 2: 2011 HIGH VALUE APPEALS

Assessment Value Range	# of Appeals Filed	Total Value Under Appeal	Ave. Value Under Appeal	Assessment Type
\$50M - \$60M	3	\$ 156,739,300	\$ 52,246,433	Comm
\$40m - \$50M	4	\$ 176,587,300	\$ 44,146,825	Comm
\$30M - \$40M	5	\$ 167,658,100	\$ 33,531,620	Comm
\$20M - \$30M	12	\$ 270,567,700	\$ 22,547,308	Comm
\$10M - \$20M	63	\$ 848,498,900	\$ 13,468,237	Mostly Comm, some condos & Apts
\$5M - \$10M	123	\$ 883,891,700	\$ 7,186,111	Comm, condos & Apts
\$1M - \$5M	462	\$ 1,064,850,337	\$ 2,304,871	Comm, condos & Apts, few residential
Totals	672	\$ 3,568,793,337	\$ 175,431,405	

SCHEDULE 3: HRM 2010-11 Appeals Budget

	Est 2011-12
Grand Total - Residential Appeals	\$ 719,684,500
Est Loss Ratio on Grand Total	-5.00%
Estimated Amended Value	\$ -35,984,225
Grand Total - Apartment Appeals	\$ 1,340,583,300
Loss Ratio on Grand Total	-2.00%
Estimated Amended Value	\$ -26,811,666
Grand Total - Commercial Appeals	\$ 2,246,288,137
Loss Ratio on Grand Total	-3.00%
Estimated Amended Value	\$ -67,388,644
Total estimated Residential Taxes Under Appeal	\$ -35,984,225
Tax Rate	\$ 0.7088
Estimated Residential Tax Loss	<u>\$ -255,056</u>
Total estimated Apartment Taxes Under Appeal	\$ -26,811,666
Tax Rate	\$ 0.7088
Estimated Apt's Tax Loss	<u>\$ -190,041</u>
Total estimated Commercial Taxes Under Appeal	\$ -67,388,644
Tax Rate	\$ 3.2570
Estimated Commercial Tax Loss	<u>\$ -2,194,848</u>
Current Year Appeals Budget 2011-12	<u><u>\$ -2,639,945</u></u>



Property Valuation
Services Corporation

MUNICIPAL APPEAL SUMMARY REPORT

54 - HALIFAX REGIONAL MUNICIPALITY (HRM)
ROLL YEAR: 2011

	NUMBER OF ACCOUNTS	TAXABLE RESIDENTIAL/ RESOURCE	TAXABLE APARTMENTS	TAXABLE COMMERCIAL	TAXABLE BUSINESS OCCUPANCY	ALL EXEMPT
Grand Total	3,928	\$720,323,200	\$1,244,105,300	\$2,070,819,600	\$47,722,937	\$191,955,500
REVIEWS						
Reviews Total	3,928	\$720,323,200	\$1,244,105,300	\$2,070,819,600	\$47,722,937	\$191,955,500
Reviews Completed	3,365	\$481,959,600	\$1,197,418,900	\$1,584,125,900	\$44,069,300	\$123,595,200
Reviews Confirmed	1,182	\$144,912,200	\$392,997,100	\$640,554,300	\$21,018,400	\$89,461,400
Reviews Confirmed Appealed	441	\$44,669,700	\$180,550,500	\$266,675,800	\$12,629,100	\$79,596,900
Reviews Value Amended	1,618	\$285,475,600	\$293,737,300	\$583,455,100	\$9,011,500	\$19,295,900
Reviews Notice of Dissatisfaction	75	\$12,315,200	\$18,632,600	\$35,762,600		
Reviews Withdrawn	565	\$51,571,800	\$510,684,500	\$360,116,500	\$14,039,400	\$14,837,900
Reviews Outstanding	563	\$238,363,600	\$46,686,400	\$486,693,700	\$3,653,637	\$68,360,300
REGIONAL COURT						
RAAC Total	516	\$56,984,900	\$199,183,100	\$302,438,400	\$12,629,100	\$79,596,900
RAAC Completed	47	\$6,234,000	\$18,649,300	\$9,035,100		\$31,200
RAAC Confirmed	7	\$245,300		\$186,700		\$31,200
RAAC Value Amended	5	\$111,700	\$2,400,800	\$1,189,300		
RAAC Withdrawn	35	\$5,877,000	\$16,248,500	\$7,659,100		
RAAC Outstanding	469	\$50,750,900	\$180,533,800	\$293,403,300	\$12,629,100	\$79,565,700
TOTALS						
Total Adjustments*	1,621	(\$31,333,000)	(\$10,374,900)	(\$49,655,000)	(\$671,900)	(\$1,553,200)
Total Completed	2,896	\$431,208,700	\$1,016,885,100	\$1,290,722,600	\$31,440,200	\$44,029,500
Total Outstanding	1,032	\$289,114,500	\$227,220,200	\$780,097,000	\$16,282,737	\$147,926,000

Value reflects CAP if applicable

Taxable Residential does not include Apartments.

* Total Adjustments represents the dollar difference between the beginning of the year value and the current value on the account for the filed roll. This will include changes due to appeal and other filed roll activity.