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Item No. 03
Committee of the Whole
July 21, 2015

TO: Mayor Savage and Members of Halifax Regional Council

Original Signed by

SUBMITTED BY:

Mike Labrecque, Acting Chief Administrative Officer

Original Signed

Jane Fraser, Acting Deputy Chief Administrative Officer

DATE: June 30, 2015

SUBJECT: Condo Assessment and Tax Incentives for Density

ORIGIN

Regional Council, April 9, 2013:

MOVED by Councillor Karsten, seconded by Councillor Nicoll:

"that Regional Council direct staff to analyze and review why condominium buildings generally have a higher assessment compared to apartment buildings equal in size, quality and virtually similar in all other factors. To consider methods used in other Canadian Municipalities to address this issue, including providing a reduced tax rate and/or other incentives to increase density, review with Property Valuations Services Corporation and bring recommendations back to Regional Council".

Regional Council, October 22, 2013:

Regional Council adopted "the Framework for Area Rates as outlined in Attachment 1 of the October 15, 2013 staff report" and directed staff "to prepare a report(s) applying the Framework for Area Rates on the following outstanding issues:

- a. The Suburban-Rural Tax Boundary,
- b. Recreation Facilities,
- c. Right-of-way Stormwater,
- d. Deep Stormwater, and
- e. Condominiums and Density."

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, excerpts below.

Section 93 (Estimates of Required Sums)

(1) The Council shall make estimates of the sums that are required by the Municipality for the fiscal year.

(8) The tax rates must be those that the Council deems sufficient to raise the amount required to defray the estimated requirements of the Municipality.

Section 94 (Tax Rates)

The Council shall set separate commercial and residential tax rates for the area of the Municipality determined by the Council to be:

- a. a rural area receiving a rural level of services;
- b. a suburban area receiving a suburban level of services; and
- c. an urban area receiving an urban level of services.

Section 97 (Reduction of Tax Increase)

The Council may, by policy, to the extent and under the conditions set out in the policy, provide for the reduction of the taxes payable in respect of a residential property in a fiscal year set out in the policy, including being retroactive to the beginning of the fiscal year if the percentage increase in the assessed value of the property averaged over the fiscal year and such number of immediately previous fiscal years as prescribed by the policy is greater than the percentage prescribed by the policy for the fiscal year.

RECOMMENDATION

It is recommended that Halifax Regional Council direct staff to prepare the 2016-17 budgets using the current tax structure, without any specific changes for multi-unit properties.

EXECUTIVE SUMMARY

Regional Council has asked staff to review the taxation of condos and, also, to look at tax incentives for density. Many larger condo buildings are very similar to apartment buildings but are often assessed at much higher values by the Property Valuation Services Corporation (PVSC). While an apartment building has an average assessed value of \$87,000, condos are assessed much higher. In 2015, the average condo was assessed at \$226,000, which is slightly more than the average single family home. While the PVSC uses different methods to assess apartments than condos, the ultimate cause of the difference in values comes from the market itself. Even though they are often similar types of buildings, condos exist in a different segment of the real estate market than apartments and are worth more than similar apartment buildings. A review of available sales data shows that in 2013, nearly one-third of condo units that sold went for a price that was more than 10% above their assessed value; roughly 60% of condos sold within 10% of the value assessed by PVSC.

In its "Framework for Area Rates" Regional Council accepted the premise that "property values are a proxy for income and that municipal services are not a key driver of property values". As with many homes in the municipality, comparisons of the assessed values of condos to other properties can be challenging. While frustrating to the taxpayer, such "unfairness" is subjective in nature and cannot easily be solved without a wholesale reform of the property tax system.

With respect to the broader issue of tax incentives for density, the available information suggests that the driving force behind the market for multiple units is lifestyle, economic need, interest rates and individual finances. Property taxation plays a secondary role in the real estate market. Regardless, by placing higher taxes on newer units and those recently sold, the assessment cap does create significant disincentives for the sale and construction of dwelling units. Hence, limiting that disincentive may provide some economic benefit. While it is unlikely to result in major shifts in the real estate market, it may encourage some individuals, who do not have an immediate reason to relocate, to move into multi-unit buildings sooner than they would otherwise. There will also be some advantage for individuals moving into the Province and to first-time buyers. Without a policy change, the disincentive from the assessment cap may become more acute over time and could, in the future, have a much greater impact on the real

estate market. This suggests that it may be beneficial to act now, before any problems from the assessment cap become more pronounced and more difficult to solve.

BACKGROUND

In April of 2013, Regional Council asked staff to review condo taxation and determine if the tax system is biased against condominiums and whether other cities provided specific property tax relief to condominiums. During the debate on that motion it became clear that Council also had broader concerns with density across the region and, as part of its report, staff was also directed to also consider incentives that might promote density.

DISCUSSION

Housing density is an important focus of the Regional Plan. There are many types of housing units and approaches to density including such forms as row houses with reduced frontage, mobile homes and multi-unit dwellings such apartments and condominiums. As Density is such an extremely broad topic, the focus of this report is limited to multi-unit dwellings and their relationship to the property tax system.

Within Halifax there are approximately 57,700 apartment units and 10,300 condominiums all of varying size and location. Apartments range in size from 3 unit buildings to multi-story dwellings which are often owned and rented by corporations. Condominiums are not actually a type of property but are a form of legal ownership whereby a property can be split into multiple owners. Most condos are owned by the occupant, although they can be rented out. Almost 20% of condominiums are single unit properties, and, for all appearances, are not physically different from a townhouse or detached home. The remainder are located in multi-unit buildings. In a few cases, there are condo and apartment buildings that are identical in form, the only difference being that one is registered as a condo and one is not.

In Halifax, most condos are newer than are most apartments or single family homes. The average age of a Halifax condo is 24 years. Apartments tend to have a wider range of age and quality than condos. There are many smaller, older apartment buildings, as well as many large properties. There is also a trend towards "condo-quality" apartments, which are higher end properties with many of the amenities typically associated with Condos.

Table 1
Condominium Properties and Dwellings by Size

	Number of Properties	Number of Units	Percent	Average Assessment	Typical Property Tax
Single Unit	1,818	1,818	18.5%	\$188,686	\$2,285
2-3 Units	58	128	1.3%	226,770	2,746
4 - 6 Units	43	195	2.0%	226,087	2,738
Over 6 Units	<u>188</u>	<u>7,699</u>	<u>78.2%</u>	<u>221,166</u>	<u>2,678</u>
Total	2,107	9,840	100.0%	\$215,425	\$2,609

Note: Excludes properties with no units, tax includes the general property tax rate for the urban area and area rates for transit, provincial costs, supplementary education and fire protection.

The Property Tax Rates on Condos and Apartments

Condos and Apartments are both considered residential properties and the same residential tax rates apply to single family homes, apartments and condos regardless of whether they are rented or occupied by the owner. Distinctions made in the tax rate relate mostly to transit service, sidewalks or area rate issues but not to the type of building or form of ownership. For clarity, the *Halifax Charter* does not legally permit different tax rates for differing types of homes.

The services that are available to the various types of residential properties are largely identical except for solid waste collection. Single family homes and condos both receive solid waste collection but larger apartment buildings (with more than 6 units) do not get collection. Rather, the apartment owner must arrange at their own cost to have solid waste removed and the cost, presumably, is built into the monthly rent payments. Despite this, the apartment receives no reduction in their tax rate for the lack of service and the tenant is not compensated in any way.

There are two features of the property tax system that differ between single family homes and condos versus apartments.

- First, owners who occupy a single family home or a condo are eligible for the Municipality's low-income homeowner tax relief programs. Those with family incomes under \$32,000 are eligible to apply. Those who rent apartments (or rent any dwelling) are ineligible for tax relief, even though the majority of low income individuals are renters.
- Secondly, the Provincial cap on assessment is provided to owners of single family homes and owner-occupied condos but is not available to apartment buildings (with more than 3 units). This second distinction is a result of provincial law and is beyond the control of Regional Council.
- A cross Canada review (see attachment #8) could not find any tax programs or rates targeted specifically at Condos.

Assessment on Condos and Apartments

In Nova Scotia, as in many jurisdictions, every property is assessed and assigned a market value for tax purposes. The property taxes that are the result of the municipally set tax rate being applied to the assessed value for that property.

Assessed values for property vary greatly across the municipality. Homes next to each other can have dramatic differences in value which then translate into higher or lower tax bills. A broad range of factors (such as property age, condition, location, size, quality) affect the real estate market and hence assessment and property taxes. The availability of municipal services may have an impact on values but it would mostly be secondary to other factors. Moreover, the assessment system is not meant to reflect any differences in municipal services. Rather its sole purpose is as a proxy for wealth. The assumption of property tax systems is that someone with a more expensive property has a much greater ability to pay tax, and hence should be taxed higher. This assumption was examined by Council's Tax Reform Committee which concluded that any such statistical link was weak. For tenants, the data does show that most tenants have lower incomes than home and condo owners (see Appendix 5, 6 and 7). This is an average and as with owners there may not be a strong statistical link at the individual level.

Most homes (including owner-occupied condos and apartments with three units or less) have their assessed market values "capped" so they do not rise faster than the consumer price index (CPI). Homes that are sold or newly constructed, as well as new renovations, are valued at full market values and then get the CPI cap thereafter. While 85% of single family units are capped, only 61% of condos are capped and the overwhelming majority of multi-unit dwellings (mainly apartments) are not capped.

Table 2
Dwelling Units Capped and Not Capped by Size

	<u>Capped Properties</u>			<u>Not Capped Properties</u>		
	Number of Units	Percent	Average Assessment	Number of Units	Percent	Average Assessment
Single Unit	105,285	85.2%	\$207,613	18,244	14.8%	\$217,526
2-3 Units	12,864	78.7%	112,867	3,490	21.3%	135,779
4 - 6 Units	196	3.9%	149,961	4,888	96.1%	98,321
Over 6 Units	<u>5,307</u>	<u>7.9%</u>	<u>197,050</u>	<u>62,002</u>	<u>92.1%</u>	<u>87,407</u>
Total	123,652	58.3%	197,211	88,624	41.7%	116,710

The system of capping is critical when looking at home values. Uncapped properties tend to have higher assessments and higher taxes than similar properties that are capped. (Uncapped properties include apartments, homes that are newly built, renovated or sold, and properties not owned by Nova Scotia residents.)

Condo Values relative to Apartment Values

The assessed values of condos tend to align much more closely to those of single family homes than to apartment buildings. The average market value for a condo is \$246,100, roughly 95% that of the average single home. However, the average taxable (or capped) value of a condo is about \$2,000 more than the average single family home. As well, that average condo is about 17% smaller than the average single family home. This means that the average tax per square foot on condos is higher than that for single family homes. Due to the way that the assessment cap functions, it is more than possible that one could downsize from a single family home to a condo and yet have a higher property tax bill. (See Appendix 11 for an example of this).

2015 Tax Roll Data	Single-Family Home	Home or Apt (2 or 3 units)	Condominium	Apartment (4+ units)
Average Market Value	\$258,200	\$144,800	\$246,100	\$86,800
Average Taxable Value	\$223,600	\$124,700	\$225,700	\$86,700
Reduction from CAP	13.4%	13.9%	8.3%	0.2%

Condos tend to be consistently worth more than apartments. Partly this is due to the varying types of apartment buildings that are out there. However, even when condos are compared to “condo quality” apartments, the assessed value can be 65% higher, although the location, age and construction are similar, or even identical. (See Appendix 12 for more info).

Central to the arguments of the Condos Owners Association of Nova Scotia (CONS) is an assertion that condos are unfairly taxed relative to both apartments and single family homes. This argument is two pronged. The first argument is since apartments and condos are similar-type structures the taxes should be comparable. Considerable emphasis tends to be placed on technical arguments related to how each is assessed. Apartments are assessed using the “income” method while condos are assessed using the “sales” approach. Each of these methods is a valid approach to property appraisal that is used to estimate market value. Both are widely used in both the public and private sector. The income method is chiefly used for apartments because that data is easier to acquire and it is similar to the method used by companies that actually buy and sell such properties. As both methods are designed to estimate market value, the fact that one method is used for condos and another for apartments does not prove that condos are overtaxed. A more detailed explanation of these methods is available in Appendix 9.

Staff did undertake its own analysis of condo assessments independent of PVSC, in order to determine if the assessed values assigned by PVSC were generally reasonable. To do this, it looked at the assessed values of those condos which sold in 2013 and compared their 2013 assessed value to their 2013 sales price. What it found was that 60% of condos had an assessed value that was within 10% of their sales price; 30% sold for more than their assessment; and, 10% sold for less than their assessed value. This analysis is not a professional market valuation and since the 2013 assessed valuation is intended to reflect 2011 sales data, one should see some variation. But in general, it does suggest that the majority of condo assessments tend to reflect their market value and that a smaller number of properties may even be under assessed by the PVSC.

Table 3

2013 Sales Price of Condos relative to their 2013 Assessment Market Value

	Number	Percent	Average Sales Price	Average Assessed Value	Variance \$	Variance %
Sales Price is within +/-10%	377	56.7%	253,995	252,429	1,566	0.6%
Sale Price is 10%+ above	219	32.9%	304,540	231,886	72,654	31.3%
Sale Price is -10%	69	10.4%	159,924	249,814	-89,890	-36.0%
	665	100.0%	260,880	245,393	15,488	6.3%

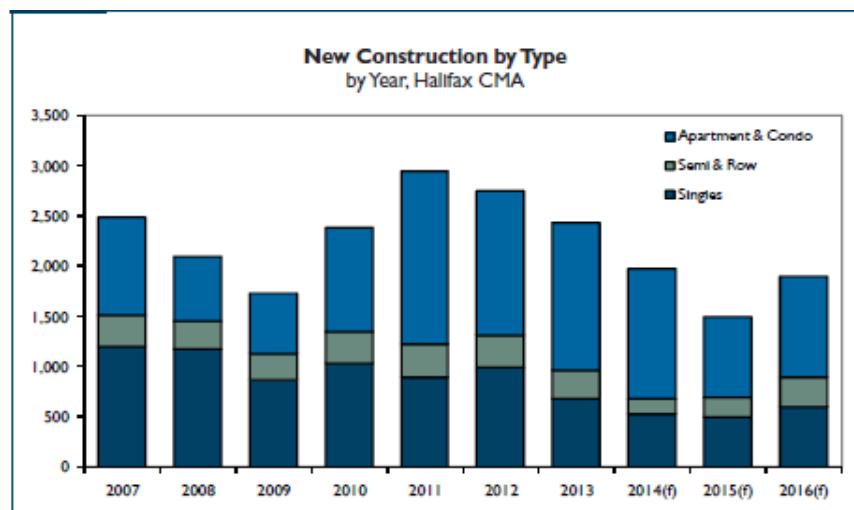
While it may appear odd that similar buildings have completely different values, there are key differences in the marketplace that affect the values of apartments and condos. Condos are sold in an entirely different market segment than are apartment buildings. There are only a limited number of companies that buy and sell apartment buildings. Large apartment buildings are bought and sold primarily for their long term rental income. Condo sales, however, are bought and sold by individuals in a much broader marketplace. Moreover, many condo purchasers are looking to build equity, not produce rental income. Both these factors help produce higher prices even when the physical structures are very similar.

Taxation on Multi-Unit Properties and Economic Incentives

Multi-unit buildings are important to Halifax under its Regional Plan. Higher density buildings (regardless of where in Halifax they are located) can be much more efficient to service than low density homes with considerable road frontage. Moreover, some services are more difficult to provide when population density falls. As such, it is important to know whether incentives could encourage additional density.

To understand incentives, we first have to understand what drives the demand for multi-unit housing. This is an area where a number of key factors affect the demand for housing. The Canada Mortgage and Housing Corporation (CMHC) tracks six key factors that drive its housing forecasts:

- Mortgage Rates
- Employment
- Income
- Net Migration
- Natural Population Increase
- Resale Market



Source and Forecast: CMHC

Although housing starts are projected to be subdued in Halifax for the next several years, apartments and condos are expected “make up the lion share of all starts for the next three years”. In explaining the rising popularity of condos in Halifax, CMHC notes:

Two market realities can explain the rise in condominium construction. Condominiums are typically located downtown and provide superior access to amenities and services. Such appeal coupled with elevated design standards makes the condo units a palatable choice for first-time homebuyers, owner-investors or empty nesters.
(Housing Market Outlook – Halifax CMA, Fall 2014.)

Much less is known about the influence of property tax on market conditions. CMHC suggests that homebuyers keep their monthly housing costs to below 32% of principle, interest, taxes and housing. There is, however, not much information to show how tax levels alone might affect buying patterns. In many cases homeownership would be primarily driven by lifestyle issues (e.g. downsizing) with taxes as a secondary consideration.

In Halifax, residential tax revenues average just under 1.5% of income in 2014 so on the surface the tax would not appear to be a significant factor in a home purchase. To significantly reduce that 1.5% amount would require substantial budget reductions but may have only a slight impact on home affordability. The percentage of income by housing type is more difficult to determine. However, it is probable that there are small pockets of individuals who have some moderate difficulty mortgaging homes due to the rising property tax levels on newer homes.

It is the high tax levels on newly built or newly purchased homes that is becoming one of the greatest disincentives facing potential homebuyers. The introduction of the assessment cap has changed the way that homes are taxed. Homes that have just been built, modified or sold do not receive the cap during that year. Condos that are rented and apartments with more than 3 units never get the assessment cap. It's of note that the average taxes in planned growth areas such as Bedford South, Bedford West and Russell Lake (see Attachment 4) are 35% to 85% greater than elsewhere in the region.

While it is clear that this is a disincentive for purchasing newer condos or apartment properties, the extent to which this affects purchase decisions is unclear. The assessment cap would disadvantage people in many specific situations. For example, it is quite possible that a senior downsizing out of single family homes may pay higher taxes in a condo that they did in the home they are leaving. Likewise, younger people buying their first home or those looking to relocate to Halifax may pay substantially higher property taxes than they would without the cap. The tax loads, however, are unlikely to alter the behaviour of most homeowners who feel a critical need to move for lifestyle reasons (e.g. health, family size) but may change the behaviour of those who are considering a move but have no such critical need to move.

Tax fairness is a subjective question that different individuals will approach differently. Some will argue that an individual should have known what the taxes would be when they purchased a home. (All homes become “uncapped” when they change hands, except between certain family members.) The key question here is not fairness. Rather, it is whether these high taxes have the potential to alter behaviour and discourage people from investing in multi-unit residential properties. To help provide some context to this, a public opinion survey was undertaken to determine how people viewed property taxes and the assessment cap and what role those taxes played in their decisions to consider buying a home. (The full survey is attached as Appendix 10). The survey indicates that “Property tax considerations have prevented only a minority of homeowners from considering selling their home and purchasing a new one”. The survey found that:

- 20% of respondents said paying higher property taxes on a new home prevented them from considering selling their current home and purchasing a new one.
- 13% said the prospect of losing their assessment cap prevented them from selling their home and purchasing a new one.

Conclusions

Assessment systems are designed to tax those with greater ability to pay. The prevailing premise of such systems is that those with higher value properties have greater ability to pay. In Council's Tax Reform initiative there was considerable evidence gathered that the link between property values and ability to pay was weak. Regardless, Council chose not to reform the property tax system and in its recent Framework for Area Rates accepted as a "premise" that there was a link. Several of the specific questions raised by the Condo Owners of Nova Scotia (whether the value is correct or not, and the link to services) are not substantially different from the questions raised by many other taxpayers. In addition, many of the possible condo-only solutions (e.g. a condo tax rate) would require amendments to the Halifax Charter. It is difficult to see how the public good is served by fixing these condo issues but not addressing other similar taxpayer issues. This is especially true since a condo solution can only be found by shifting taxes onto other property owners.

More troubling, however, is the potential impact of the assessment system upon the construction of new homes and new multi-unit properties, whether they are apartments or condos. Two factors here are of concern. First, the tax system does not consider whether multi-unit properties provide a fiscal saving to the municipality or not, it simply taxes them based on their value. Hence, the assessment and tax system can and often does contradict the objectives of the Regional Plan. Secondly, the functioning of the Assessment Cap has shifted the tax burden onto newly built and newly sold homes and onto apartments. While there is no conclusive evidence that the higher taxes are currently discouraging homes sales and construction, it appears that the situation is gradually worsening.

Possible Options and Incentives for Density

There are a number of options for Council depending on how it views the underlying issues. Some of these options require legislative amendments by the Province. The options are:

- Condo Tax Rate – Council could ask for authority to set a separate condominium tax rate on multi-unit condos. If the Province allows this, a new tax rate could be set that is below the tax rate for single family homes and apartments. This would provide an incentive to purchase a condo. For it to effectively change the behaviour of individuals, there would need to be a significant reduction in the Condo tax rate. For instance, right now condo taxes average 3% of condo income. If condo taxes were reduced by 50% (to 1.5% of income), then condos would become more affordable for 1.2% of Halifax households. The challenge unfortunately is that such an approach means providing a benefit to many who already own a condo, not just those looking to purchase a condo. As well, any significant reduction in condo taxes will lead to higher taxes on other homeowners. The 50% reduction would lead to a 3.6% increase in other residential taxes. As a tool to encourage condo investment, a condo tax rate would be expensive and likely not very effective for the foregone tax revenues. While a condo tax rate (for multi-unit condos) would align well with the Regional Plan it does not make the tax system more "fair". The property tax system presumes that wealth aligns with home values. When looked at in total, condo owners have 80% higher incomes than renters
- Multi-unit Tax Rate – Council could ask for authority to set a separate multi-unit tax rate for both apartments and multi-unit condo buildings. This would be similar to the condo rate only it would encourage all multi-unit buildings, not just multi-unit condos. As with the Condo Tax Rate, this would likely be an expensive option which may not encourage investments that aren't occurring regardless. An additional complication is that, while it may reduce any pressure to increase rents, in the short term apartment owners are unlikely to pass on the value of any tax relief to renters.
- Tax Credit for Investment – In Regina, reduced taxes are provided to new home buyers for 5 years after their move-in. In Saskatoon, the city partners with local developers to provide a 5% down-payment for new homeowners. These programs have household income limits and tend to target modest (new) homes, which are often condos in denser, downtown areas. Programs such as these would require Legislative changes and extensive design work to be successful.

- Frontage Charge for Road Costs – Council could replace a portion of the general tax rate with a frontage charge. Under s.104(3)(a) of the Charter, such a charge could be used to pay for the operating and capital costs of roads and streets. A charge such as this would shift the taxes paid away from denser forms of housing (multi-unit properties, mobile homes, row houses) towards those which have much greater frontage. For example, a replacement of \$40 million of property tax with \$40 million in a new frontage charge could reduce average condo taxes by \$200. However, there would be wide ranging implications for many other residential and commercial taxpayers with some paying more tax and charges while others pay less. The advantage to this type of approach is that it positions the tax system away from being a wealth-based system and aligns it with density. However, it is a change that has much broader implications for reform of property taxes and, while a viable option, requires additional costing and discussion.
- Maximum Tax on Multi-Unit Properties – Council could ask for the authority to set a maximum tax per dwelling unit for multi-unit properties. For example, Council could consider a maximum tax of \$3,500 per dwelling unit for multi-unit condos and apartments. If Council wished it could exclude high end properties from this maximum. There are several practical advantages to this type of approach. While it does not provide a direct incentive for multi-unit properties it helps limit a growing disincentive. Buyers of new condos are facing higher and higher property taxes due to the way the assessment cap is functioning. As opposed to capping the growth in assessment, this approach would put an absolute maximum on the amount of tax paid, thus providing certainty to those considering a change in housing. For those downsizing, this may prevent their property tax from rising, even though they have moved into a smaller home. It would also provide better comparability between apartments and condos. Most beneficiaries of this approach would be condo owners although higher end “condo quality” apartments might benefit should their values continue to rise. What this approach does is limit the distortions that are growing in this segment of the real estate market. It does this without causing major shifts in the tax burden. The cost for this is approximately \$2 million in lost revenues. It reduces taxes for roughly 13% of condo owners. The lost revenues might be achievable thru cost reductions without shifting the tax burden to other residential taxpayers.
- Limit the Tax Increase on Multi-unit Properties – Many multi-unit properties are ineligible for the assessment cap or temporarily lose it when sold. Under the Charter, the municipality could limit the increase in taxes on a multi-unit property to a percentage increase regardless of whether it sells or is improved, thus losing its cap. This could reduce or eliminate the disincentive that exists for individuals to purchase existing multi-unit homes. It would not alter the disincentive that exists for newly constructed multi-unit homes. This proposal would require the Administrative Order to list eligible properties. Depending on the percentage chosen, the revenue loss could be substantial.
- Reduced Deed Transfer Tax rate for multi-unit purchases – In 2014, condos sold 45% more frequently than other single-family homes, increasing their relative Deed Transfer Tax burden. Council could ask for authority to set a reduced Deed Transfer Tax for the purchase of condos or all multi-unit buildings. This might encourage the construction of additional multi-unit properties.
- Request the Province Modify the Assessment Cap legislation – One of the causes of the growing gap between existing homes and others rests in the cap legislation. Recently sold homes lose their cap and have their values reset to market and are then recapped. Apartments (over 3 units) are not eligible to be capped. Newly constructed homes come onto the assessment roll at a higher value than already existing properties and then become capped. Renovated and modified homes lose their cap on a portion of the capped value.

If the capped program were modified to include all homes (e.g. apartments and rented condos) and amended so that homes that sell do not lose their capped values, then the assessment gap between these and the capped homes would be reduced. In addition, some mechanism would need to be created to determine an appropriate capped value for newly constructed homes.

While this approach could eliminate or reduce the growing gap between capped and non-capped properties, it would not provide a long term sustainable solution to the problem.

FINANCIAL IMPLICATIONS

There are no financial implications. There are no proposed changes to current taxation policy.

COMMUNITY ENGAGEMENT

No community engagement has been undertaken, although information has been received from the Canadian Condominium Institute (CCI).

A survey of Halifax residents was conducted in August 2014 on the Provincial CAP on residential assessments. The survey results are shown in Attachment 10.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications.

ALTERNATIVES

1. Direct staff to return with the analysis and changes, including potential amendments to the Halifax Regional Municipality Charter, required to implement a maximum property tax per dwelling for multi-unit residential properties.
2. Direct staff to prepare options for an Administrative Order that would limit the percentage increase in taxes on multi-unit residential properties.

ATTACHMENTS

Attachment One	Average Taxable Assessment per Dwelling Unit
Attachment Two	Distribution of Assessment and Property Taxes on Condos and Homes
Attachment Three	Distribution of Property Taxes on Condos and Homes Built since 1994
Attachment Four	Master Plan Area Assessment Data
Attachment Five	Average and Median House Incomes by Tenure and Building Type
Attachment Six	Household Income Distribution by Tenure and Building Type
Attachment Seven	Household Income by Type of Dwelling
Attachment Eight	Comparative Condo and Apartments Taxation across Canada
Attachment Nine	Methods of Assessing Condos versus Apartments
Attachment Ten A	Halifax Urban Report 2014: Capped Assessment Program (Survey on Property Tax)
Attachment Ten B	Capped Assessment Program Urban Results August 2014
Attachment Eleven	Example of Downsizing leading to Higher Property Taxes
Attachment Twelve	Comparison of Selected Condos and Condo-Quality Apartments
Attachment Thirteen	Excerpt from Section 97 of the Halifax Charter

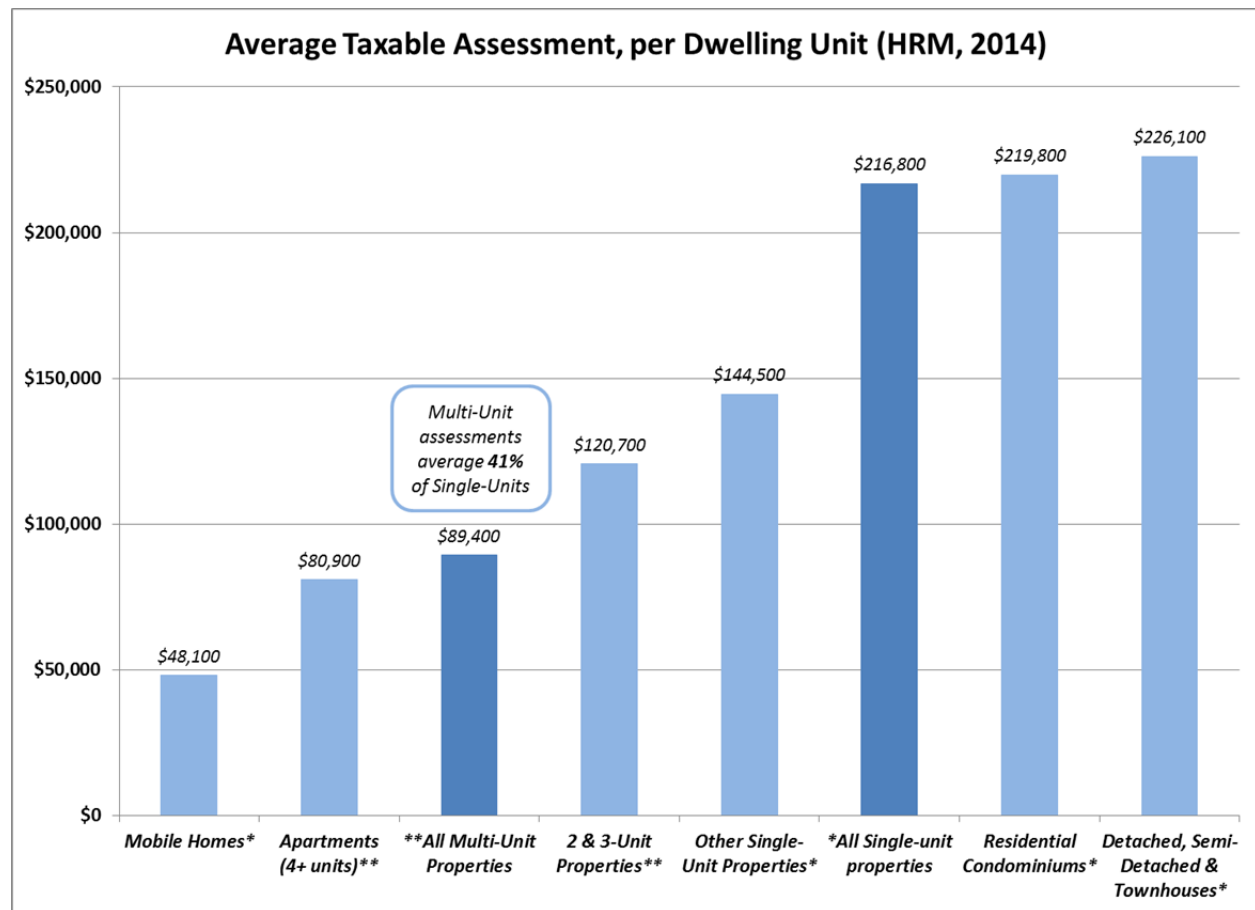
A copy of this report can be obtained online at <http://www.halifax.ca/commcoun/index.html> then choose the appropriate Community Council and meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Andre MacNeil, MBA, CMA, Sr. Financial Consultant, 902 490 5529

Report and Financial Approval by: Bruce Fisher, Acting Director of Finance & ICT/CFO, 902.490.6308

Attachment One

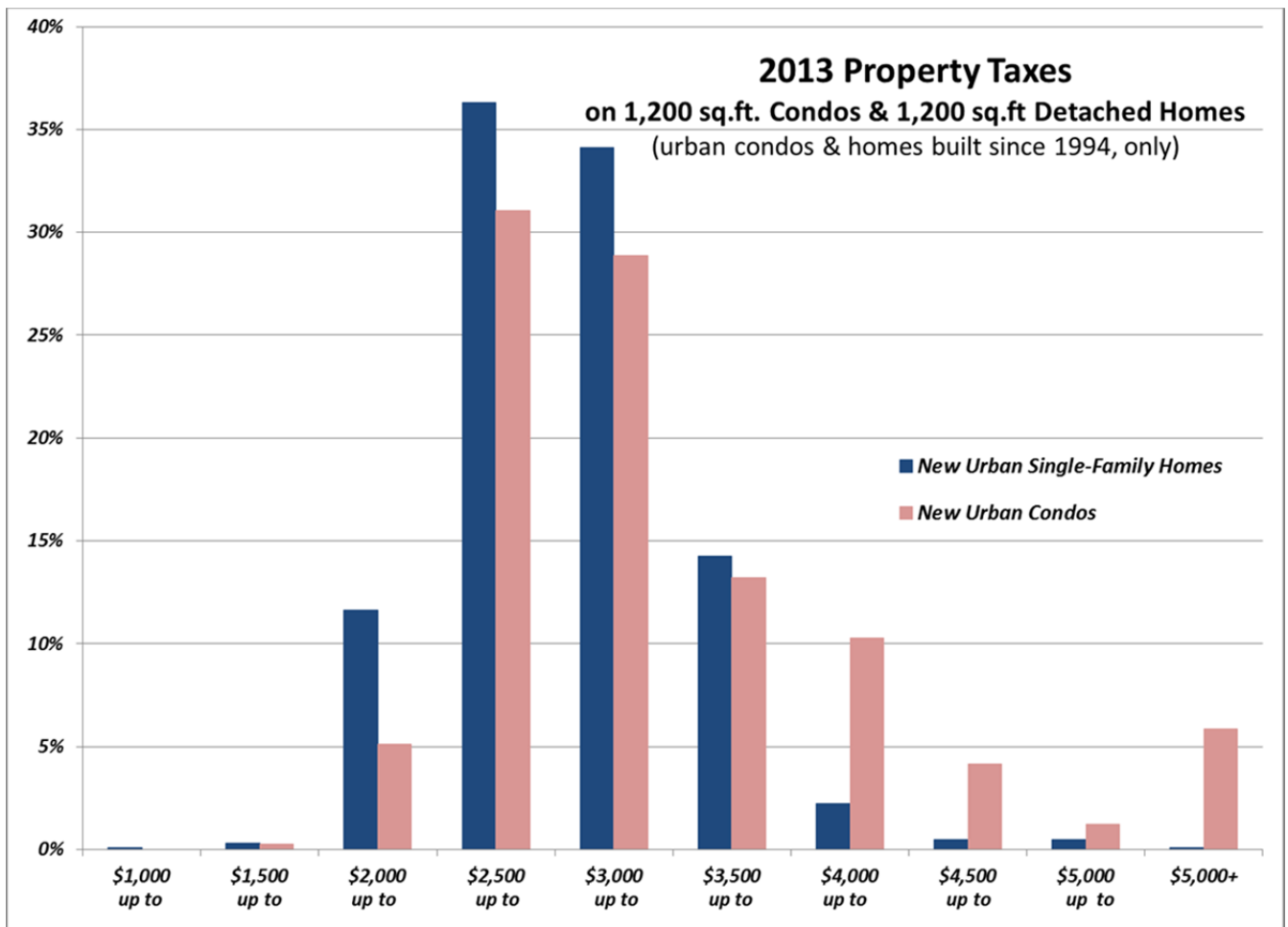
Average Taxable Assessment per Dwelling Unit



2014 Assessment Ranges				Single-Family Homes			Condominiums		
				# Homes	Percent	Avg Tax*	# Condos	Percent	Avg Tax*
Up to		\$50,000		5,309	4.5%	\$348	13	0.1%	\$550
\$50,000	to	\$100,000		8,782	7.5%	\$864	616	6.1%	\$1,006
\$100,000	to	\$150,000		19,972	17.1%	\$1,515	2,259	22.3%	\$1,549
\$150,000	to	\$200,000		28,620	24.5%	\$2,061	2,436	24.0%	\$2,107
\$200,000	to	\$250,000		20,727	17.7%	\$2,637	1,985	19.6%	\$2,690
\$250,000	to	\$300,000		13,139	11.2%	\$3,192	1,074	10.6%	\$3,284
\$300,000	to	\$400,000		11,930	10.2%	\$3,990	1,071	10.6%	\$4,121
\$400,000	to	\$500,000		4,676	4.0%	\$5,191	358	3.5%	\$5,354
\$500,000	to	\$600,000		1,947	1.7%	\$6,378	179	1.8%	\$6,590
\$600,000	to	\$700,000		872	0.7%	\$7,546	76	0.7%	\$7,793
\$700,000	to	\$800,000		398	0.3%	\$8,756	33	0.3%	\$8,936
\$800,000	to	\$900,000		195	0.2%	\$9,969	18	0.2%	\$10,260
\$900,000	to	\$1,000,000		116	0.1%	\$11,218	5	0.0%	\$11,603
Over		\$1,000,000		270	0.2%	\$16,831	13	0.1%	\$15,663
Total # Dwellings				116,953			10,136		
Average Tax Bill						\$2,543			\$2,661
<i>* Overall Annual Tax Bill, including mandatory and all other area rates (October 2014)</i>									

Attachment Three

Distribution of Property Taxes on Condos and Homes Built since 1994



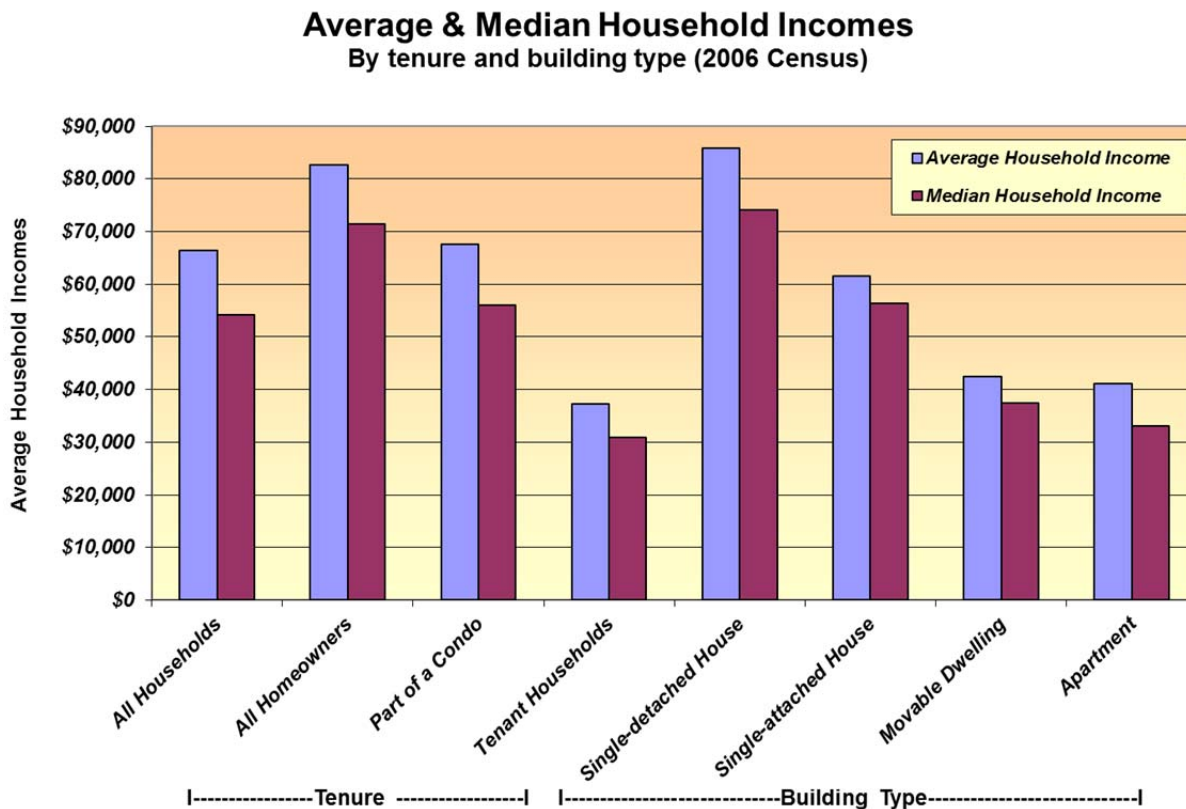
Attachment Four

Master Plan Area Assessment Data

Location of S.F. Homes	# Homes	Average Market Assessment (2015)		Average Taxable Assessment (2015)	
Outside Master Plan Areas	113,755	\$254,543	100%	\$219,870	100%
Bedford South	914	\$442,500	174%	\$405,951	185%
Bedford West	507	\$367,455	144%	\$347,440	158%
Morris Russell Lake	2,453	\$336,057	132%	\$301,985	137%

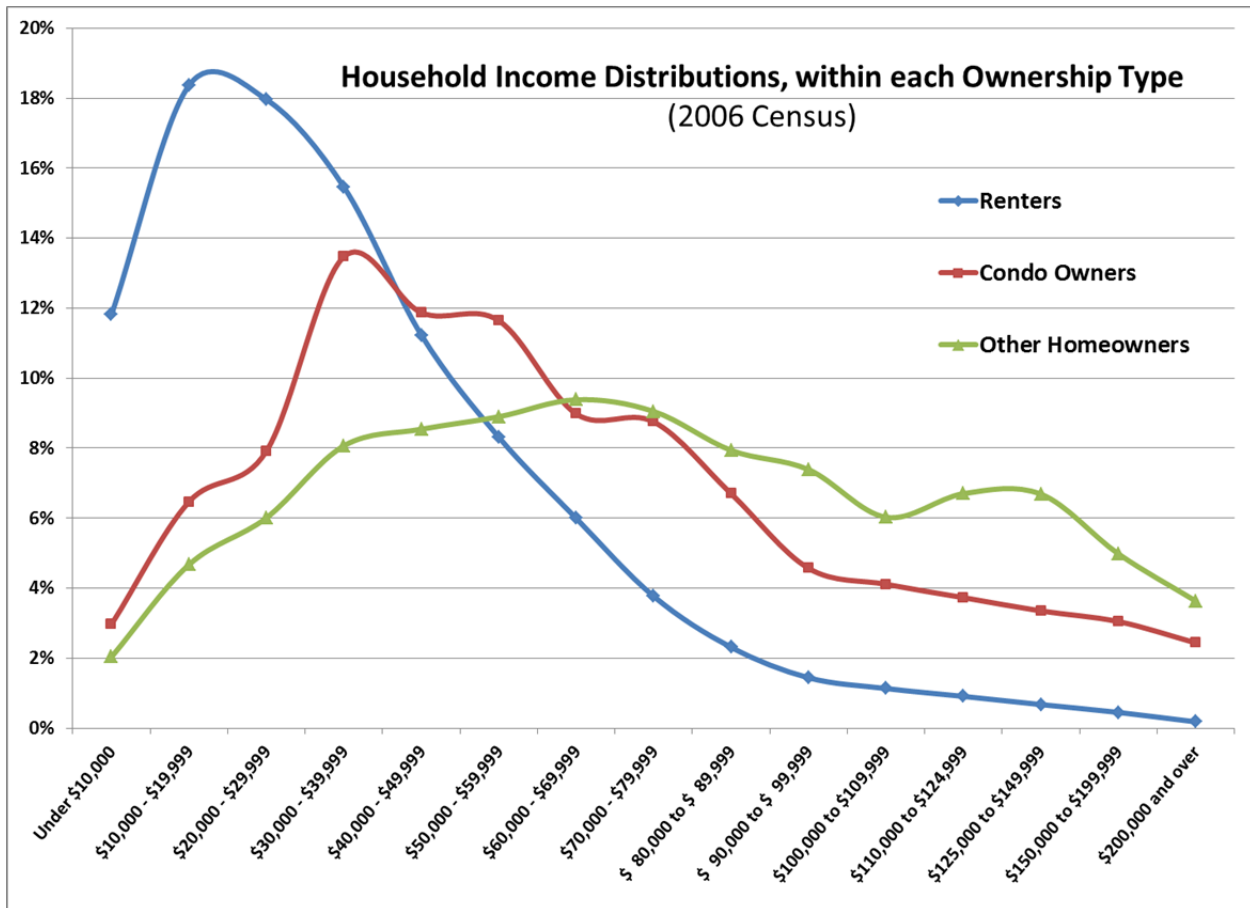
Attachment Five

Average and Median House Incomes by Tenure and Building Type



Attachment Six

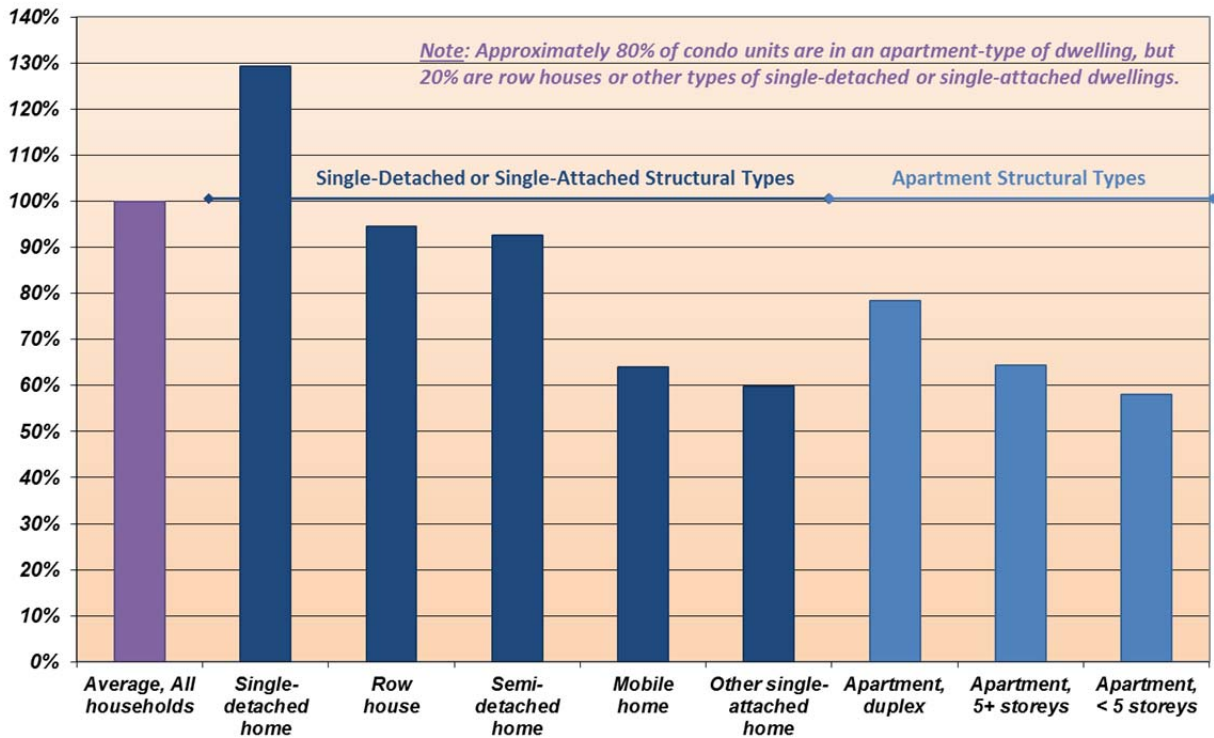
Household Income Distribution by Tenure and Building Type



Attachment Seven

Household Income by Type of Dwelling

Relative Household Incomes
by Structural Type of Dwelling (2006 Census)



Attachment Eight

Comparative Condo and Apartments Taxation across Canada

Across Canada, the assessment approach to determining the “market” or “current” value (of condos and apartments) are quite similar to what is done in Nova Scotia. PVSC found some differences in the way rented condo buildings were handled across Canada, but not much difference in how individual condos were assessed.

In Ontario, condominium corporations have a special appeal process, through which they can appeal the assessment on the building, overall, on behalf of all the owners they represent.

On the tax rate side, there was anything but consistency. Many jurisdictions had higher rates for apartments than condos, some boroughs of Montreal had lower apartment rates (in part to compensate for the flat water charge included on the tax bill). However, in no cases was a condo rate found to be lower than the single-family home rate. Here are some examples of rates found:

2013 Tax Rates (municipal + education)	Single-Family Home	Condominium	Apartment
St. John's, NL (no educ.)	\$0.810	\$0.810	\$0.810
Halifax, NS	\$1.228	\$1.228	\$1.228
Moncton, NB	\$1.659	\$1.659	\$3.107
Quebec City (no educ.)	\$0.928	\$0.928	\$1.011
Outremont, QU	\$0.797	\$0.797	\$0.718
Toronto, ON	\$0.746	\$0.746	\$1.910 \$0.746 (new)
London, ON	\$1.368	\$1.368	\$2.579
Winnipeg, MB	\$1.410	\$1.410	\$1.410
Regina, SK	\$0.926	\$0.926	\$0.926
Edmonton, AB	\$0.782	\$0.782	\$0.782
Victoria, BC	\$0.688	\$0.688	\$0.688

Attachment Nine

Methods of Assessing Condos versus Apartments

What are the three methods used to assess properties?

One criticism of the taxation of condos relates to the actual methods used to estimate the assessed value. The Property Valuation Services Corporation (PVSC) which undertakes the assessment of all properties in Nova Scotia uses three different methods to arrive at an estimate of market value. These methods are cost, comparative approach and income. All three methods are commonly accepted by appraisers both in the public and private sector. The income method looks at the annual revenues that the owner of an income producing property, such as an apartment building, earns and subtracts certain key operating expenses.

In the case of condos, PVSC uses the “comparative approach”. This method uses property sales data to compare condo sales to sales of comparable properties. It is essentially the same method that is used for single family homeowners. Both the income and the comparative approach are designed to estimate the market value of a property. Apartment buildings are also valued by assessors using market sales data. Apartment buildings trade in the marketplace based on the income that they generate. Hence, it can be said that apartments are valued for assessment purposes using the income method, as this reflects the marketplace for apartment buildings. Apartment buildings and condominiums transact in different markets (i.e. large investment purchasers vs. individual homeowners) and reflect a different bundle of rights for the occupant. These factors explain the difference in market value between a condominium unit vs. a similar apartment unit.

How do the Methods Work?

The overall approach to determining market assessments for condominiums and apartments differ, because they operate differently in the marketplace. Condominiums are typically assessed using the “direct comparison” approach. With this approach, sales are reviewed and are deemed qualified or unqualified. Arms-length transactions are deemed qualified and are used in the sales analysis. Non arms-length sales (e.g., within a family) are deemed unqualified and are not used in the sales analysis. This approach is appropriate when the market is active and many properties with similar characteristics are selling; it is used for single-family homes and condominiums, as well as most residential properties with fewer than 4 dwelling units.

However, apartments, which are typically investment properties, are assessed using the “income” approach. This approach is based on the assumption that the value of a property is directly related to the income it will generate over its economic lifetime. Income is estimated as:

$$\text{Net Operating Income} = \text{Potential Gross Income} - \text{Vacancy/Bad Debt} - \text{Operating Expenses}$$

A PVSC assessor determines the potential gross rental income that the property could produce by analyzing rents paid for the subject property, as well as those paid for comparable properties located in the same geographic area. An allowance is then made for vacancy and collection losses (which varies depending on the type and location of property). Operating expenses are then deducted to determine the annual net operating income.

Based on expectations a typical investor would have for the property, the annual net income is converted to a capital value using a market-derived “capitalization rate”. That is to say, the capitalization rate in the income approach is where the “market” is incorporated into the approach. It operates as follows:

$$\text{Value} = \text{Net Operating Income} / \text{Capitalization Rate}$$

The assessor analyzes sales that occurred in the marketplace to determine what rate of return investors are seeking for various types of properties. The capitalization rate increases proportionately with any risk. The capitalization rate for apartments is typically between 5% and 6.5% in HRM.

Are Condos worth more or Are they Assessed using the Wrong Method?

This begs the question as to why identical buildings have different market values. Two critical factors will cause the value of an apartment building to be less than a comparable condominium in the market. First, condominium ownership brings with it homeowners equity. Individuals will pay more to own than they will to rent a comparable property. The creation of equity in itself makes a condo more valuable in the market. Secondly, there are only a limited number of companies that buy and sell large apartment buildings. Conversely, there are a far greater number of buyers and sellers for individual condos. The smaller price of an individual condo makes for a much larger number of purchasers, leading to more competition in the condo market than in the apartment market. Hence, all else equal, it is not surprising that condos should be more assessed as more valuable than comparable apartments.

Attachment Ten A

Halifax Urban Report 2014: Capped Assessment Program (Survey on Property Tax)

HALIFAX URBAN REPORT 3RD QUARTER 2014

Attachment 10 A

Halifax: Capped Assessment Program

TABLE H1:

Do you currently rent or own your home?

	OVERALL %	COMMUNITY				GENDER		AGE			EDUCATION				HOUSEHOLD INCOME			HOME OWNERSHIP	
		HFX	DART	BED/ SACK	OTHER HRM	M	F	18-34	35-54	55+	L.T. H.S.	Grad H.S.	Some P.S.	Grad P.S.	< \$50K	\$50K- \$74.9K	\$75K+	Rent	Own
Rent	29	53	25	13	9	27	30	52	15	26	68	28	45	22	61	23	14	100	0
Own	67	43	67	83	89	66	67	38	83	70	26	68	45	75	36	76	82	0	100
Other	4	3	7	4	1	6	2	10	1	3	6	3	10	3	2	1	4	0	0
Don't know	1	1	1	0	1	0	1	0	1	1	0	1	0	1	1	0	0	0	0
WEIGHTED SAMPLE SIZE (#)	400	140	95	53	112	191	209	110	161	129	25	67	49	256	107	72	188	115	267
UNWEIGHTED SAMPLE SIZE (#)	400	134	97	61	108	181	219	47	169	184	26	77	46	248	115	75	174	98	288

TABLE H2:

[IF 'OWN' IN H1] Thinking of property taxes, are you aware of the Capped Assessment Program?

Interviewer note to be read if respondent says 'Don't know': The Capped Assessment Program is a province-wide program that limits annual increases for most homeowners' property assessments to the consumer price index.

	OVERALL %	COMMUNITY				GENDER		AGE			EDUCATION				HOUSEHOLD INCOME			HOME OWNERSHIP	
		HFX	DART	BED/ SACK	OTHER HRM	M	F	18-34	35-54	55+	L.T. H.S.	Grad H.S.	Some P.S.	Grad P.S.	< \$50K	\$50K- \$74.9K	\$75K+	Rent	Own
Yes	69	63	69	66	74	76	63	38	71	80	64	61	67	71	72	62	70	0	69
No	29	37	23	32	26	20	36	52	28	19	36	39	30	26	25	30	30	0	29
Don't know/Not sure	2	0	8	1	0	4	1	10	1	1	0	0	3	3	4	8	0	0	2
WEIGHTED SAMPLE SIZE (#)	267	59	63	44	100	127	140	42	134	91	7	45	22	191	38	54	155	0	267
UNWEIGHTED SAMPLE SIZE (#)	288	70	69	52	97	138	150	23	137	128	8	53	27	198	50	61	155	0	288

HALIFAX URBAN REPORT 3RD QUARTER 2014

Halifax: Capped Assessment Program

TABLE H3:

[DO NOT ASK IF 2/No in H2] Does your current home have a capped assessment for property taxes?

	OVERALL %	COMMUNITY				GENDER		AGE			EDUCATION				HOUSEHOLD INCOME			HOME OWNERSHIP	
		HFX	DART	BED/ SACK	OTHER HRM	M	F	18-34	35-54	55+	L.T. H.S.	Grad H.S.	Some P.S.	Grad P.S.	< \$50K	\$50K- \$74.9K	\$75K+	Rent	Own
Yes	68	76	61	53	74	70	66	45	64	80	43	83	73	65	62	69	67	0	68
No	19	17	21	25	17	15	23	19	25	11	0	12	12	21	19	12	21	0	19
Don't know/Not sure	13	7	18	22	9	15	11	37	12	9	57	5	15	13	19	19	11	0	13
WEIGHTED SAMPLE SIZE (#)	190	37	49	30	74	101	89	20	97	73	4	28	16	141	29	38	108	0	190
UNWEIGHTED SAMPLE SIZE (#)	212	51	53	36	72	111	101	11	98	103	5	33	19	153	38	41	115	0	212

TABLE H4a:

[IF 'OWN' OR 'RENT' IN H1] If you were thinking of purchasing a new home, to what extent would each of the following factors impact your decision. Please use a scale of 1 to 10 where one means no impact at all and 10 means a significant impact.

To what extent would the PRICE OF A NEW HOME impact your decision?

	OVERALL %	COMMUNITY				GENDER		AGE			EDUCATION				HOUSEHOLD INCOME			HOME OWNERSHIP	
		HFX	DART	BED/ SACK	OTHER HRM	M	F	18-34	35-54	55+	L.T. H.S.	Grad H.S.	Some P.S.	Grad P.S.	< \$50K	\$50K- \$74.9K	\$75K+	Rent	Own
10 - Significant impact	43	45	38	43	44	34	51	42	51	33	37	41	37	45	36	35	52	36	46
9	11	12	9	10	12	12	10	11	13	9	8	6	17	12	8	11	13	8	13
8	16	13	23	18	12	19	13	20	15	13	10	9	19	17	13	23	14	18	14
7	8	5	12	1	11	9	7	6	8	9	7	14	5	7	4	18	6	1	11
6	4	5	2	5	4	6	2	7	1	5	4	3	3	4	8	0	4	6	3
5	5	2	3	6	9	7	3	5	4	4	3	8	3	4	5	2	6	5	4
4	1	3	0	1	0	0	2	3	0	1	14	1	0	0	3	1	0	3	0
3	1	0	3	0	0	1	0	0	1	1	0	3	0	0	2	0	0	2	0
2	1	0	0	0	1	1	0	0	0	2	0	1	0	1	1	0	0	0	1
1 - No impact at all	6	7	4	10	4	7	4	1	4	11	7	6	8	5	6	7	4	6	5
Not applicable	4	8	4	2	1	3	5	3	2	7	8	4	5	4	12	2	0	13	0
Don't know/Not sure	2	1	2	4	2	1	2	0	1	4	2	6	2	1	3	1	1	2	2
WEIGHTED SAMPLE SIZE (#)	382	134	87	51	109	178	204	99	159	124	24	64	44	247	104	71	180	115	267
UNWEIGHTED SAMPLE SIZE (#)	386	130	92	59	105	173	213	43	166	177	24	74	44	242	111	74	170	98	288
% TOP 2 BOX (9-10)	54	57	47	53	57	46	62	54	64	42	45	46	55	57	44	46	65	43	59
% TOP 4 BOX (7-10)	78	75	82	72	80	74	81	79	87	65	62	69	79	81	61	87	85	63	84
% BOTTOM 4 BOX (1-4)	8	10	7	11	5	9	7	5	5	15	21	11	8	6	13	8	5	11	7
MEAN	8.2	8.3	8.2	7.9	8.2	7.8	8.6	8.4	8.6	7.4	7.5	7.8	8.2	8.4	7.7	8.1	8.5	7.9	8.3
MEDIAN	9.0	9.0	8.0	9.0	9.0	8.0	10.0	9.0	10.0	8.0	9.0	9.0	9.0	9.0	9.0	8.0	10.0	9.0	9.0

Responses of Don't know/Not sure and Not applicable are excluded from calculation of the mean & median.

HALIFAX URBAN REPORT 3RD QUARTER 2014

Halifax: Capped Assessment Program

TABLE H4b:

[IF 'OWN' OR 'RENT' IN H1] If you were thinking of purchasing a new home, to what extent would each of the following factors impact your decision. Please use a scale of 1 to 10 where one means no impact at all and 10 means a significant impact.

To what extent would the PROPERTY TAXES ON NEW HOME impact your decision?

	OVERALL %	COMMUNITY				GENDER		AGE			EDUCATION				HOUSEHOLD INCOME			HOME OWNERSHIP	
		HFX	DART	BED/ SACK	OTHER HRM	M	F	18-34	35-54	55+	L.T. H.S.	Grad H.S.	Some P.S.	Grad P.S.	< \$50K	\$50K- \$74.9K	\$75K+	Rent	Own
10 - Significant impact	17	18	11	12	23	15	19	10	16	24	29	26	11	14	23	17	13	15	18
9	8	8	10	1	9	6	9	5	9	7	11	5	3	9	9	4	8	7	8
8	19	17	21	26	16	19	19	23	19	15	10	14	33	18	18	18	20	17	20
7	12	9	13	12	15	13	11	9	14	10	7	13	4	13	8	19	11	9	13
6	12	18	8	7	12	11	14	22	12	5	4	12	3	15	4	16	17	13	12
5	12	9	15	15	12	15	10	10	13	13	4	12	27	10	14	6	13	10	13
4	4	4	4	6	4	5	4	6	4	3	14	0	3	4	3	2	6	5	4
3	4	3	8	3	4	8	1	6	5	3	2	1	8	5	1	11	4	1	6
2	2	1	3	4	1	3	1	0	3	2	0	4	0	2	0	3	3	0	3
1 - No impact at all	4	6	2	5	4	3	5	5	2	7	7	5	3	4	6	2	5	6	3
Not applicable	4	7	4	3	1	3	5	3	2	8	8	4	3	4	11	3	0	13	0
Don't know/Not sure	2	1	2	6	0	0	3	0	1	4	4	4	2	1	2	0	0	3	1
WEIGHTED SAMPLE SIZE (#)	382	134	87	51	109	178	204	99	159	124	24	64	44	247	104	71	180	115	267
UNWEIGHTED SAMPLE SIZE (#)	386	130	92	59	105	173	213	43	166	177	24	74	44	242	111	74	170	98	288
% TOP 2 BOX (9-10)	25	25	21	13	32	21	28	15	25	31	40	32	14	23	32	20	21	22	26
% TOP 4 BOX (7-10)	55	51	54	52	63	52	57	48	59	56	57	58	51	54	59	57	52	48	58
% BOTTOM 4 BOX (1-4)	15	14	17	18	13	20	10	17	14	14	23	10	14	16	10	17	18	13	16
MEAN	6.8	6.8	6.6	6.4	7.1	6.5	7.1	6.5	6.9	7.0	7.2	7.2	6.5	6.7	7.3	6.7	6.5	6.8	6.8
MEDIAN	7.0	7.0	7.0	7.0	7.0	7.0	8.0	6.0	7.0	8.0	8.0	7.0	7.0	7.0	8.0	7.0	7.0	7.0	7.0

Responses of Don't know/Not sure and Not applicable are excluded from calculation of the mean & median.

HALIFAX URBAN REPORT 3RD QUARTER 2014

Halifax: Capped Assessment Program

TABLE H4c:

[IF 'OWN' OR 'RENT' IN H1] If you were thinking of purchasing a new home, to what extent would each of the following factors impact your decision. Please use a scale of 1 to 10 where one means no impact at all and 10 means a significant impact.

To what extent would the AVAILABILITY OF HOMES FOR SALE IN YOUR DESIRED LOCATION impact your decision?

	OVERALL %	COMMUNITY				GENDER		AGE			EDUCATION				HOUSEHOLD INCOME			HOME OWNERSHIP	
		HFX	DART	BED/ SACK	OTHER HRM	M	F	18-34	35-54	55+	L.T. H.S.	Grad H.S.	Some P.S.	Grad P.S.	< \$50K	\$50K- \$74.9K	\$75K+	Rent	Own
10 - Significant impact	21	23	18	22	20	19	23	24	17	24	16	24	29	19	23	14	24	20	22
9	15	18	11	15	14	11	18	20	17	7	3	8	6	19	7	16	19	16	14
8	20	16	26	21	18	21	19	15	27	15	8	18	14	22	13	35	18	13	22
7	11	7	15	7	13	15	6	10	12	9	11	10	14	10	11	8	11	6	12
6	7	6	10	7	7	6	8	10	7	5	0	4	14	7	6	5	9	7	7
5	10	10	9	7	13	13	8	10	8	13	41	15	4	7	15	7	8	13	9
4	3	4	0	2	4	4	2	6	2	1	2	2	0	3	1	1	4	5	2
3	0	0	0	2	1	0	0	0	1	1	0	0	2	0	0	1	1	0	1
2	1	0	1	2	2	1	1	0	3	0	0	2	3	1	1	1	2	0	2
1 - No impact at all	6	7	3	10	5	7	5	1	4	12	8	7	9	5	7	8	4	5	6
Not applicable	4	7	4	2	1	2	6	3	2	8	8	4	3	4	11	2	0	13	0
Don't know/Not sure	2	2	3	4	2	1	3	0	1	6	4	7	4	1	5	0	0	3	2
WEIGHTED SAMPLE SIZE (#)	382	134	87	51	109	178	204	99	159	124	24	64	44	247	104	71	180	115	267
UNWEIGHTED SAMPLE SIZE (#)	386	130	92	59	105	173	213	43	166	177	24	74	44	242	111	74	170	98	288
% TOP 2 BOX (9-10)	36	41	29	37	34	30	41	44	34	31	19	32	35	38	31	31	43	35	36
% TOP 4 BOX (7-10)	66	64	70	64	66	66	66	69	73	54	38	60	63	70	54	74	72	55	71
% BOTTOM 4 BOX (1-4)	10	11	4	16	11	12	9	7	9	14	10	11	13	10	8	12	11	10	11
MEAN	7.3	7.4	7.5	7.1	7.2	7.1	7.6	7.7	7.4	6.9	6.2	7.2	7.2	7.5	7.2	7.3	7.5	7.3	7.4
MEDIAN	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	5.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0

Responses of Don't know/Not sure and Not applicable are excluded from calculation of the mean & median.

HALIFAX URBAN REPORT 3RD QUARTER 2014

Halifax: Capped Assessment Program

TABLE H4d:

(IF 'OWN' IN H1) If you were thinking of purchasing a new home, to what extent would each of the following factors impact your decision. Please use a scale of 1 to 10 where one means no impact at all and 10 means a significant impact.

To what extent would the PROPERTY ASSESSMENT CAP ON YOUR CURRENT HOME impact your decision?

	OVERALL %	COMMUNITY				GENDER		AGE			EDUCATION				HOUSEHOLD INCOME			HOME OWNERSHIP	
		HFX	DART	BED/ SACK	OTHER HRM	M	F	18-34	35-54	55+	L.T. H.S.	Grad H.S.	Some P.S.	Grad P.S.	< \$50K	\$50K- \$74.9K	\$75K+	Rent	Own
10 - Significant impact	10	7	4	9	15	7	12	5	6	18	21	20	15	6	25	8	7	0	10
9	3	2	3	4	2	1	4	0	3	4	13	0	3	3	2	4	2	0	3
8	11	14	13	8	10	13	9	3	12	13	27	10	6	11	19	16	8	0	11
7	11	5	15	13	11	9	13	12	14	7	0	13	9	11	4	12	13	0	11
6	6	7	8	4	6	6	6	4	9	3	15	8	8	6	0	10	7	0	6
5	17	19	14	14	19	17	17	16	17	18	9	17	18	17	23	16	16	0	17
4	4	3	11	1	2	5	4	14	3	2	0	0	0	6	2	9	4	0	4
3	4	2	7	0	4	5	2	0	6	2	0	0	6	4	1	3	5	0	4
2	6	8	4	11	4	7	5	5	8	4	0	7	7	6	4	4	8	0	6
1 - No impact at all	17	12	15	17	20	21	13	19	17	15	0	9	22	18	8	15	19	0	17
Not applicable	3	9	1	3	2	6	1	9	1	4	0	2	0	4	2	1	3	0	3
Don't know/Not sure	8	14	5	15	4	4	12	13	6	10	15	15	7	7	10	3	8	0	8
WEIGHTED SAMPLE SIZE (#)	267	59	63	44	100	127	140	42	134	91	7	45	22	191	38	54	155	0	267
UNWEIGHTED SAMPLE SIZE (#)	288	70	69	52	97	138	150	23	137	128	8	53	27	198	50	61	155	0	288
% TOP 2 BOX (9-10)	12	9	8	13	17	8	16	5	8	22	34	20	18	9	27	11	10		12
% TOP 4 BOX (7-10)	34	28	35	35	38	30	38	19	34	41	62	43	32	32	50	40	31		34
% BOTTOM 4 BOX (1-4)	30	24	37	29	31	37	24	38	33	24	0	16	34	34	15	30	35		30
MEAN	5.3	5.3	5.2	5.2	5.4	4.9	5.7	4.4	5.1	5.9	8.0	6.3	5.1	5.0	6.7	5.5	4.9		5.3
MEDIAN	5.0	5.0	5.0	5.0	5.0	5.0	6.0	5.0	5.0	6.0	8.0	7.0	5.0	5.0	8.0	6.0	5.0		5.0

Responses of Don't know/Not sure and Not applicable are excluded from calculation of the mean & median.

HALIFAX URBAN REPORT 3RD QUARTER 2014

Halifax: Capped Assessment Program

TABLE H4e:

[IF 'OWN' IN H1] If you were thinking of purchasing a new home, to what extent would each of the following factors impact your decision. Please use a scale of 1 to 10 where one means no impact at all and 10 means a significant impact.

To what extent would the MARKET VALUE OF YOUR CURRENT HOME impact your decision?

	OVERALL %	COMMUNITY				GENDER		AGE			EDUCATION				HOUSEHOLD INCOME			HOME OWNERSHIP	
		HFX	DART	BED/ SACK	OTHER HRM	M	F	18-34	35-54	55+	L.T. H.S.	Grad H.S.	Some P.S.	Grad P.S.	< \$50K	\$50K- \$74.9K	\$75K+	Rent	Own
10 - Significant impact	26	22	21	27	32	23	29	15	28	29	17	28	31	26	27	25	26	0	26
9	14	20	16	12	9	10	17	11	17	10	13	11	0	16	8	12	16	0	14
8	24	24	28	28	20	28	21	28	26	19	15	16	25	26	25	27	23	0	24
7	8	4	12	13	5	9	7	12	8	6	15	6	0	9	5	16	7	0	8
6	7	2	13	2	7	5	8	17	5	4	0	6	12	7	6	5	8	0	7
5	9	17	2	6	10	11	7	8	7	11	27	11	16	7	4	6	11	0	9
4	0	0	2	0	0	1	0	0	1	0	0	0	0	1	0	0	1	0	0
3	2	4	1	1	2	3	1	5	1	2	0	1	0	3	3	2	2	0	2
2	1	3	1	0	1	1	2	3	0	3	0	2	0	1	1	1	2	0	1
1 - No impact at all	6	3	2	6	10	6	6	0	6	9	0	11	12	4	9	6	4	0	6
Not applicable	0	0	1	1	0	1	0	0	0	1	0	1	0	0	1	0	0	0	0
Don't know/Not sure	2	1	1	5	2	1	3	0	1	6	13	7	4	0	11	0	1	0	2
WEIGHTED SAMPLE SIZE (#)	267	59	63	44	100	127	140	42	134	91	7	45	22	191	38	54	155	0	267
UNWEIGHTED SAMPLE SIZE (#)	288	70	69	52	97	138	150	23	137	128	8	53	27	198	50	61	155	0	288
% TOP 2 BOX (9-10)	40	42	37	39	41	34	46	26	45	40	30	39	31	42	36	37	42		40
% TOP 4 BOX (7-10)	72	69	77	80	67	70	74	67	79	64	60	61	56	77	65	80	72		72
% BOTTOM 4 BOX (1-4)	10	10	6	7	14	11	8	8	8	14	0	14	12	9	13	9	9		10
MEAN	7.6	7.4	7.8	7.9	7.3	7.3	7.8	7.3	7.8	7.3	7.4	7.1	7.0	7.7	7.4	7.6	7.6		7.6
MEDIAN	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0		8.0

Responses of Don't know/Not sure and Not applicable are excluded from calculation of the mean & median.

HALIFAX URBAN REPORT 3RD QUARTER 2014

Halifax: Capped Assessment Program

TABLE H5a:

[IF 'OWN' IN H1] Thinking specifically of property tax, has paying higher property taxes on a new home ever prevented you from considering selling your current home and purchasing a new one?

	OVERALL %	COMMUNITY				GENDER		AGE			EDUCATION				HOUSEHOLD INCOME			HOME OWNERSHIP	
		HFX	DART	BED/ SACK	OTHER HRM	M	F	18-34	35-54	55+	L.T. H.S.	Grad H.S.	Some P.S.	Grad P.S.	< \$50K	\$50K- \$74.9K	\$75K+	Rent	Own
Yes	20	15	27	23	18	21	20	8	21	24	34	32	16	17	21	24	18	0	20
No	76	85	64	73	79	75	76	82	74	75	66	65	80	78	72	67	80	0	76
Don't know/Not sure	4	0	9	4	3	4	4	10	4	1	0	3	4	5	7	9	1	0	4
WEIGHTED SAMPLE SIZE (#)	267	59	63	44	100	127	140	42	134	91	7	45	22	191	38	54	155	0	267
UNWEIGHTED SAMPLE SIZE (#)	288	70	69	52	97	138	150	23	137	128	8	53	27	198	50	61	155	0	288

TABLE H5b:

[IF 'OWN' IN H1] Thinking specifically of property tax, has the prospect of losing your property assessment cap ever prevented you from considering selling your current home and purchasing a new one?

	OVERALL %	COMMUNITY				GENDER		AGE			EDUCATION				HOUSEHOLD INCOME			HOME OWNERSHIP	
		HFX	DART	BED/ SACK	OTHER HRM	M	F	18-34	35-54	55+	L.T. H.S.	Grad H.S.	Some P.S.	Grad P.S.	< \$50K	\$50K- \$74.9K	\$75K+	Rent	Own
Yes	13	10	11	23	11	13	13	8	12	16	15	14	12	12	12	12	12	0	13
No	77	72	78	67	84	75	79	60	81	79	85	80	81	76	73	78	79	0	77
Don't know/Not sure	10	19	11	10	5	12	9	33	7	5	0	6	6	12	15	11	9	0	10
WEIGHTED SAMPLE SIZE (#)	267	59	63	44	100	127	140	42	134	91	7	45	22	191	38	54	155	0	267
UNWEIGHTED SAMPLE SIZE (#)	288	70	69	52	97	138	150	23	137	128	8	53	27	198	50	61	155	0	288

Attachment Ten B

Capped Assessment Program Urban Results August 2014

HALIFAX

Capped Assessment Program Urban Results

August 2014

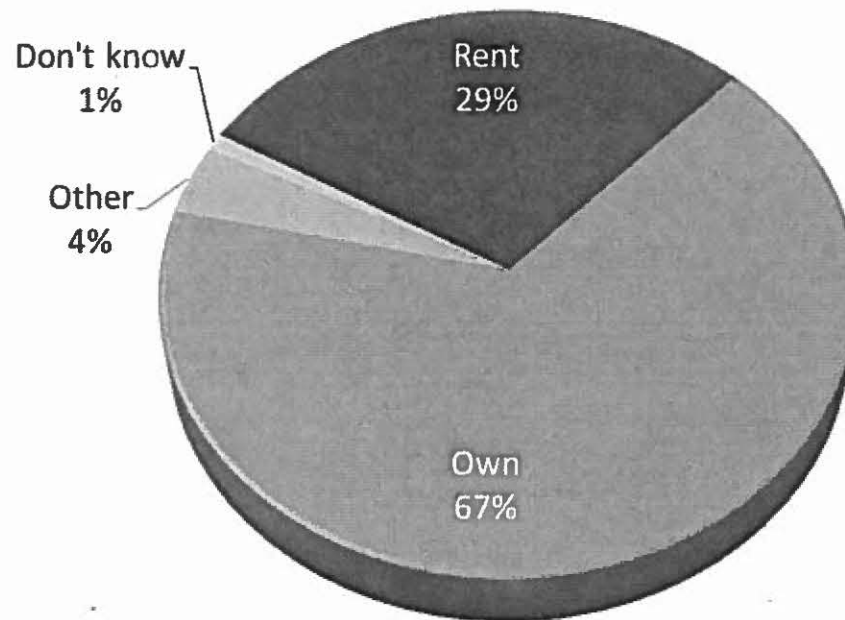
Study Methodology

- Halifax commissioned Corporate Research Associates (CRA) to conduct public opinion research of adult Halifax residents in Q3 2014. CRA included questions on the Halifax Urban Report® survey for a total of 400 telephone interviews with adult residents, 18 years of age or older.
- Results for third quarter 2014 were collected between July 22 to August 21, 2014.
- The overall results are accurate to within ± 4.9 percentage points, 95 out of 100 times.

Rent or Own Home?

Rent or Own?

- 2/3 of those surveyed own their own home (and were asked subsequent questions).
- Renting more prevalent in Halifax (53%) compared with Dartmouth (25%), Bedford/Sackville (13%) or other areas (9%).



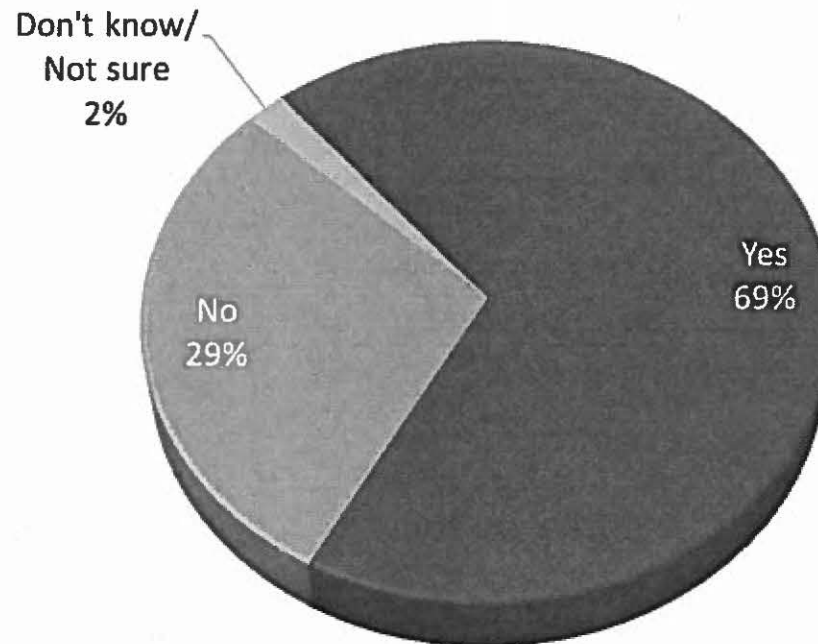
Q.H1: Do you currently rent or own your home? (n=400)

Capped Assessment Program Awareness

Aware of Capped Assessment Program

Among Homeowners

- Awareness of the program is similar across all communities, though there is notably higher awareness among older homeowners compared with younger homeowners.



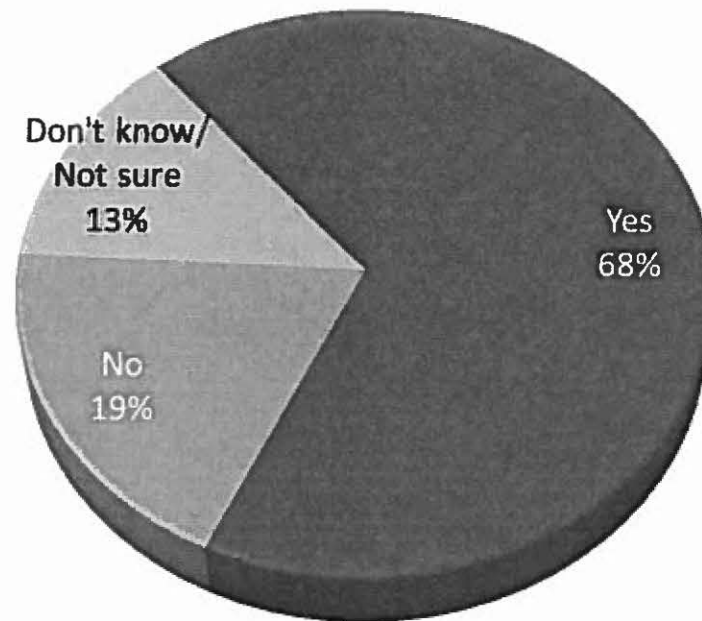
Q.H2: [IF 'OWN' IN H1]Thinking of property taxes, are you aware of the Capped Assessment Program? *Interviewer note to be read if respondent says don't know:* The Capped Assessment Program is a province-wide program that limits annual increases for most homeowners' property assessments to the consumer price index. (n=288)

Capped Assessment Program Participation

Current Home Has a Capped Assessment for Property Taxes

Among Those Aware of the Capped Assessment Program

- 2/3 of those surveyed believe their home has a capped assessment, while two in ten do not. Just over one in ten is unsure.



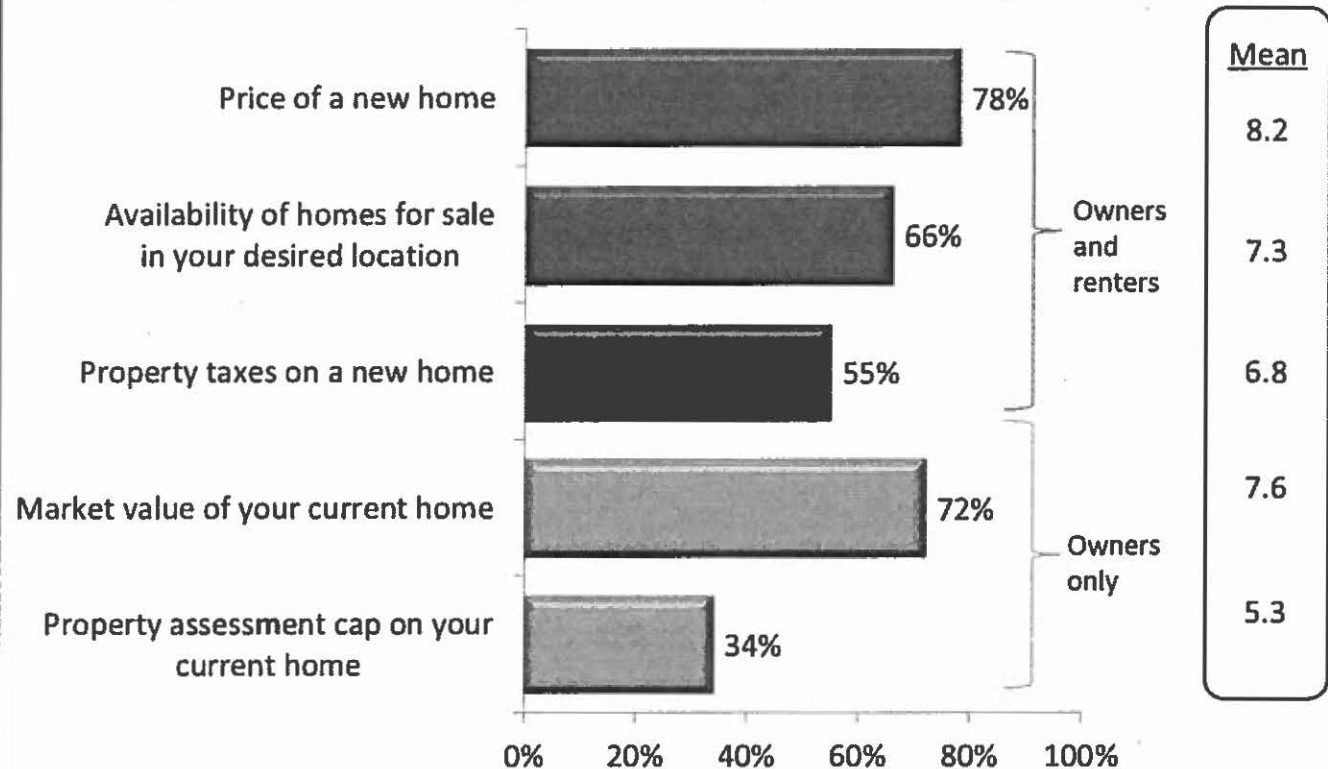
Q.H3: [DO NOT ASK IF 2/NO IN H2] Does your current home have a capped assessment for property taxes? (n=212)

Importance of Factors

- Price of a new home and market value of their current home are deemed to have the most impact in deciding to purchase a new home.
- Property assessment cap is not felt to have nearly the same impact as other factors.
- The perceived impact of the property assessment cap decreases with higher incomes, but rises with age.

Impact of Factors on Decision to Purchase a Home

Top 4 Box on a Scale of 1-10, Where 1='No impact' and 10 = 'Significant impact'



Q.H4: (IF CODE 1 IN H1 (RENT), ONLY ASK H4 a-c. IF CODE 2 (OWN) ASK H4a-e.) If you were thinking of purchasing a new home, to what extent would each of the following factors impact your decision. Please use a scale of 1 to 10 where one means no impact at all and 10 means a significant impact. To what extent would the...impact your decision? (n=288-386)

Impact of Property Tax on Buying/Selling a Home

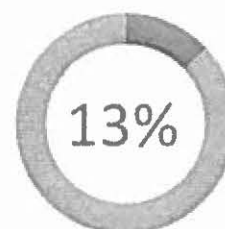
Property Tax

- Property tax considerations have prevented only a minority of homeowners from considering selling their home and purchasing a new one.



% Saying 'Yes'

Has paying higher property taxes on a new home ever prevented you from considering selling your current home and purchasing a new one?



% Saying 'Yes'

Has the prospect of losing your property assessment cap prevented you from considering selling your current home and purchasing a new one?

Q.H5a-b: [DO NOT ASK IF CODE 1,3 OR 4 IN H1.]Thinking specifically of property tax, a) Has paying higher property taxes on a new home ever prevented you from considering selling your current home and purchasing a new one? b) Has the prospect of losing your property assessment cap ever prevented you from considering selling your current home and purchasing a new one? (n=288)

Attachment Eleven

Examples of Downsizing leading to Higher Property Taxes

Although condo owners pay about the same property tax on average as other single-family homeowners, condo taxes are about 5% higher per square foot of living space. So, if someone were to “downsize” from a 1,500 square-foot home (not including basement or garage) to a 1,200 square-foot condo, odds are they would end up paying more property tax. The results are based on average 2014 assessments and rates:

Assessment & Tax Bill Data	Single-Family Home (1,500 sq.ft.)	Condominium (1,200 sq.ft.)	Asses't Diff. or Tax Increase
Average Taxable Value (2014)	\$187,600	\$229,100	22%
Average Tax Bill (2014)	\$2,219	\$2,777	\$558 or 25%

Attachment Twelve

Comparison of Selected Condos and Condo-Quality Apartments

There are a wide range of condominiums and apartments available on the market. Looking at some of the areas around Halifax with new condo and new condo-quality apartments on the market, may be most relevant. New apartment buildings were studied in three areas of the municipality and the average values (per dwelling unit) were compiled.

2014 Tax Roll Data	Condominium (30+ unit building)		Apartment, new (30+ unit building)	
Near Larry Uteck & Jacob Lane, Bedford South	\$256,500 per unit	sample 4 bldgs	\$151,100 per unit	sample 9 bldgs
Near Spring Garden & South Park, Halifax	\$402,300 per unit	sample 6 bldgs	\$190,300 per unit	sample 3 bldgs
Near Baker & Freshwater Trail, Dartmouth	\$241,300 per unit	sample 1 bldg	\$156,900 per unit	sample 5 bldgs

Except in the downtown areas, which can demand a premium price for new condos, the newer higher-quality apartments appear to be valued in the range of 60% to 65% of nearby condo units.

Attachment Thirteen

Excerpt from Section 97 of the Halifax Charter

Policy for reduction of tax increase

97 (1) The Council may, by policy, to the extent and under the conditions set out in the policy, provide for the reduction of the taxes payable in respect of a residential property in a fiscal year set out in the policy, including being retroactive to the beginning of the fiscal year if the percentage increase in the assessed value of the property averaged over the fiscal year and such number of immediately previous fiscal years as prescribed by the policy is greater than the percentage prescribed by the policy for the fiscal year.

(2) Without limiting the generality of subsection (1), the policy may provide that

(a) the reduction in taxes

(i) does not apply to a property, the taxable assessed value of which is less than its assessed value pursuant to Section 45A of the *Assessment Act* in the fiscal year set out in the policy, including being retroactive to the beginning of the fiscal year,

or

(ii) is reduced by the reduction in taxes resulting from the application of Section 45A of the *Assessment Act*;

(b) the reduction in taxes only applies if there has been no change in ownership of the property from the preceding fiscal year other than a transfer or devolution of the property to a spouse, child, grandchild, great-grandchild, parent, grandparent, brother or sister of an owner of the property;

(c) the reduction in taxes only applies if the property is owned by an individual or individuals ordinarily resident in the Province or by corporations that are family trusts or farmers' co-operatives whose head offices are in the Province and in which the majority of the issued and outstanding shares are owned or beneficially owned by individuals who are ordinarily resident in the Province;

(d) the reduction in taxes only applies if the property was assessed as residential for all of the fiscal years prescribed by the policy and used in the calculation of the tax reduction;

(e) the reduction in taxes does not apply to vacant land;

(f) the reduction in taxes does not apply in respect of any improvements to the property to the extent provided by the policy; and

(g) the reduction in taxes is limited to properties owned by individuals who meet the income thresholds provided by the policy.