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B3J 3A5 Canada

Halifax Regional Council
Tuesday May 20, 2003

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in dark ink, appearing to read "Dale MacLennan", written over a horizontal line.

Dale MacLennan, CA Director, Financial Services

DATE: May 14, 2003

SUBJECT: Response to UNSM re Rising Assessments

INFORMATION REPORT

ORIGIN

Request from UNSM for response to a Memo dated April 23, 2003 re Rising Assessments.

BACKGROUND

The UNSM wrote to all municipal councils seeking feedback on several recommendations that were made by a sub-committee of the UNSM around the issue of rising assessments. The memo requested feedback on three questions by May 30, 2003.

DISCUSSION

A draft letter has been prepared and is attached for Council review. Any amendments to the letter which Council requires can be made and the response sent before May 30th.

BUDGET IMPLICATIONS

There are no budget implications at this time.

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

Copy of Memo from UNSM
Draft response of HRM Council

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.

Report Prepared by:



Catherine Sanderson, CMA Manager, Revenue 490-6470

DATE: April 23
TO: Mayors/Wardens & Council
FROM: President Don Zwicker
RE: **RISING ASSESSMENTS**

Over the past year, the issue of dramatically rising property assessments has become a topic of much municipal discussion across our Province. There have been a number of media reports suggesting low income property owners may be forced from their homes because of the dramatic increases in their assessments. This issue has been discussed by the Union of Nova Scotia Municipalities Executive. Last February, I met with representatives from District of Chester, District of Lunenburg and County of Victoria to discuss issues relating to increasing property assessments. These three municipalities had each been individually involved in discussions with Service Nova Scotia & Municipal Relations (SNSMR) seeking to identify ways to address the issue. The three municipalities all agreed a more collective approach through the UNSM would be appropriate. Coming out of our discussions was the agreement that the real issue is to insure property owners with low family incomes are not forced from their homes as a result of dramatically rising assessments. From this group, three recommendations were made to the UNSM Executive. They are:

- 1) that the UNSM urge the Provincial Government to allow for an ongoing tax deferred program on principle residences which have experienced dramatic year over year increases (a figure of 8% was suggested) in assessments for low income Nova Scotians. The program would be optional for each municipality. The income eligibility would be determined by the municipality. The program would be structured such that property taxes would only increase by C.P.I. until the eligible property is sold or changes ownership. Increases in assessments due to leasehold improvements would not be exempt from property tax increases. The deferred tax would be a lien on the property and would attract interest at a rate set by the municipality.
- 2) that the Province remove from the uniform assessment calculation amounts equal to the assessments which have been deferred. These amounts would be returned to the assessment rolls once the deferred period ends for the property.
- 3) that the Minister of SNSMR, in cooperation with the UNSM Executive, establish an independent inquiry into assessment services in Nova Scotia. The review would include consideration of the fundamentals of the current market value system, resources allocated to assessment services and the use of technology in

the assessment process. The review would be conducted by an authority totally independent of the Province and municipalities.

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The Executive is aware that Section 70 of the *Municipal Government Act* provides the authority to postpone taxes and that municipalities, for example Halifax Regional Municipality, have established By-Laws relating to tax deferrals. However, there are no provisions to remove from uniform assessment calculations amounts equal to the assessments which have been deferred.

I am writing to advise you of the Executive Committee's discussions on these issues and to seek your Council's feedback. The Executive has agreed, in principle, with the three recommendations outlined in this correspondence and are seeking your feedback. Specifically:

- 1) Does your municipality support local tax deferral programs as a means of dealing with dramatically increasing assessments on principle residences of low income property owners?
- 2) Would your Municipal Council support UNSM requesting the Province to remove from uniform assessment calculations amounts equal to assessments which have been deferred?
- 3) Would your Municipal Council support UNSM requesting a complete independent review of assessment services?

The Executive is requesting your feedback on these questions before May 30. I thank you in advance for providing your input.

Sincerely,

Councillor Don Zwicker
President, UNSM

DZ/tv

enclosure

cc: UNSM Executive Committee Members

May 14, 2003

Councillor Don Zwicker
President UNSM

RE: Rising Assessments

Dear Councillor Zwicker,

Thank you for your memo of April 23, 2003. Halifax Regional Council is pleased to support this initiative as it is clearly a shared concern of all municipalities. We welcome the efforts and recommendations of the group of three municipalities, District of Chester, District of Lunenburg and County of Victoria and appreciate the time spent to consider this serious issue affecting many taxpayers.

With regard to the three specific recommendations and questions which were posed:

1) Does your municipality support local tax deferral programs as a means of dealing with dramatically increasing assessments on principle residences of low income property owners?

Yes, an enhanced tax deferral program would be in keeping with our existing policy to reduce the impact of the tax burden on low income property owners who live in their own homes.

The increased assessment values are a direct result of increased market values as per the current system of determining assessed values and, therefore, in theory, these increased values could be realized by the taxpayer should they decide to sell their property. HRM Council recognizes, however, that many taxpayers want to remain in their current homes and the recommendation of the group of three municipalities consulted by the UNSM would allow that to happen.

A risk assumed by the municipality by deferring property taxes occurs if the property should drop in value and the market value of the property at final disposition would not be sufficient to cover the deferred taxes and interest. This risk is one which is more appropriately carried by the financial services private sector.

As an alternative to deferral of taxes, then, a suggestion might be for the property owner to seek a reverse mortgage through their financial institution and, with those funds, to pay their property taxes each year. This approach would eliminate the risk to the municipality and place it with the financial institution. Nonetheless, HRM recognizes that some of these financial tools are costly re the interest rate and administrative fees charged. In some respects, this reinforces the fact that tax deferral can be a risky and costly program for the municipality to undertake. Perhaps, municipal government should not act as a bank.

One area of concern for HRM Council is for those taxpayers who are not low income earners but who are still adversely affected by disproportionate rising assessment values. Their property taxes become out of line with the services they are receiving, particularly for those situated in desirable locations eg waterfront or downtown core neighbourhoods. HRM Council would support enabling legislation from the Province which could provide municipalities options for a capping mechanism on taxes paid where assessment increases are unequal given service level changes. When individual homes or neighbourhood assessments increase in a manner which is not accompanied by additional municipal services and is disproportionate to assessment increased in other neighbourhoods, tax rate adjustment becomes ineffective. In the reverse situation (declining values), Section 74 of the MGA prescribes a minimum tax can be set at different levels for different areas of the municipality. This section could be expanded to provide options when the problem is disproportionately high values.

2) Would your Municipal Council support UNSM requesting the Province to remove from uniform assessment calculations amounts equal to assessments which have been deferred?

HRM Council would fully support this recommendation. Clearly, if a municipality cannot collect the taxes deferred, the municipality should not be required to pay for services to the Province where the calculation is based on those deferred assessed values. The amounts could be included in uniform assessment when the deferral ends.

3) Would your Municipal Council support UNSM requesting a complete, independent review of assessment services?

HRM Council would fully support this recommendation. HRM depends heavily on the services provided by the SNS&MR Assessment Division and, therefore, would welcome an independent review of the issues faced by Assessment in delivering those services. HRM Council would expect that a mechanism for meaningful input from municipalities and citizens, as promised, would form part of the review process.

In conclusion, the issues surrounding fair distribution of property taxes via assessment values are complex and many. While there is merit in individual units examining enhanced deferral programs, tax deferral in and of itself will not address the situation. Further in depth study is required and HRM would strongly encourage the Province to under-take such a study with the full participation and input of municipalities in Nova Scotia.

Sincerely,
HRM Council