IPTI Xtracts

Property Tax and Assessment News from Around the World

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CONTENTS

Ottawa should exempt American cottagers from its proposed vacant-home tax for foreigners

U.S. Representative Brian Higgins, a member of the U.S. House of Representatives Committee on Ways and Means, is vowing to make good on the threat of retaliatory taxes if U.S. citizens aren't spared from paying a foreign-owned vacant homes tax proposed by the Canadian government.

Another bilateral beef is brewing between Canada and the United States – this time over housing.

U.S. citizens who own residential properties in Canada are riled by the Trudeau government's plan to slap a tax on foreign-owned vacant homes, according to published reports. In typical fashion, Ottawa has been slow to offer details about the levy and ordinary Americans are understandably frustrated with the vagaries of Canadian policy making. (Just imagine how we Canadians feel.)

Thousands of U.S. citizens own real estate in Canada and many of those properties are cottages or vacation homes. But the closing of our border during the COVID-19 pandemic has prevented many Americans from visiting and maintaining their Canadian digs for more than a year now. Naturally, they're worried that Ottawa will unfairly label them as absentee property owners and set them up for a big tax bill.

The proposed 1-per-cent annual tax on the value of foreign-owned residential real estate will apply to properties that are considered "vacant or underused." It is scheduled to take effect on Jan. 1, 2022, according to the federal budget.

It's unclear, though, how Ottawa will deem a property to be unoccupied or how the tax will be enforced. A forthcoming consultation will offer more details about the levy's parameters, its implementation and determine how it might apply in smaller, resort and tourism communities.

"More details will be released in due course," a Department of Finance official said in an e-mailed statement on Friday.

Those specifics can't come soon enough for many Americans who are worried about a hit to their pocketbooks. They are demanding that Canada grant them an exemption from the proposed levy. Ottawa should give it to them.

American cottagers aren't responsible for Canada's affordable housing crisis. Most of them can't even cross the border right now. Consultation or not, it's wrong to leave them twisting in the wind.

Ottawa's inattention to this issue is stoking resentment that risks damaging bilateral relations. That's not an exaggeration.

Americans have already made it clear that if they are not exempted from paying the proposed levy, they will urge Congress to impose a retaliatory tax on snowbirds and other Canadians who own property in the United States.

It's not known exactly how many snowbirds are property owners south of the border, but up to 375,000 Canadians typically spent winter months in the United States and Mexico prior to the pandemic, according to a 2019 report from Statistics Canada.

There's already a movement afoot to pursue a retaliatory tax. At least one U.S. congressman, Representative Brian Higgins – a member of the U.S. House of Representatives committee on ways and means, no less – is vowing to make good on that threat if U.S. citizens aren't spared from paying the levy.

"The imposition of this proposal as contemplated could result in a significant financial burden on many of my middle-class constituents who own homes in Canada and weaken the bond between our two countries at a time when we should be looking for ways to strengthen it," Mr. Higgins wrote in a letter to Kirsten Hillman, Canada's ambassador to the United States, last month.

"I sincerely hope we do not have to get to a point of escalation and retaliation," he later added.

U.S. Senate Majority Leader Charles Schumer has also raised the tax tiff with Ms. Hillman, The Buffalo News reported last week.

The newspaper has also taken a stand on the issue.

"We get it, Canada. The pandemic has been hard on all of us. But absence is supposed to make the heart grow fonder," states its editorial.

"Why would you want to impose a new tax on Americans who can't tend to their Canadian cottages while the border is closed to most land traffic? If this is a trial balloon by the Canadian government, we're here to pop it."

A reality check does seem to be in order. Foreign buyer taxes are already in place in parts of British Columbia and Ontario and those measures have done little to cool housing prices. It's not clear why a federal tax would lead to a different result.

But by all means, Ottawa, go after professional speculators, both foreign and domestic, who use Canadian homes as passive investment vehicles, price local families out of the market and allow those vacant properties to become eyesores in our communities.

But for goodness' sake, ease the minds of ordinary American cottagers. It's illogical to blame them for the current run-up in Canadian housing prices.

They're law-abiding folks who use their seasonal properties for pleasure trips and contribute to the Canadian economy with each visit.

The federal government should be preparing to welcome them back, not chasing them away.

Why using property taxes to control increases in housing prices is a bad idea

Municipalities run risk that people vote with their feet and move

Growing concerns about housing affordability have some advocates urging municipal governments to increase residential property tax rates as a way to moderate ever-increasing home prices, which continue to rise even when transaction volumes moderate.

The latest data from Toronto, Canada's largest housing market, provided further evidence of sustained increases in housing prices in May, even when sale volumes were lower than those observed earlier in March.

Prices have steadily risen since last summer and various governments have come under increasing pressure to address housing affordability issues. The Office of the Superintendent of Financial Institutions (OSFI) responded by tightening mortgage regulations, which now require borrowers with uninsured mortgages to qualify at a mortgage rate of either 5.25 per cent or two percentage points above the mortgage contract rate, whichever is higher.

The effectiveness of such tightening will not be known for a few months. But if previous experience is any guide, it will essentially have a short-term impact: average residential housing prices will stop appreciating, perhaps even decline at times, for a few months, followed by sustained price increase in the long run, provided other market fundamentals do not change.

Furthermore, some housing experts believe that tighter mortgage regulations could hurt affordability for first-time homebuyers, who, unlike repeat purchasers, do not have access to any home equity to make subsequent purchases.

We have repeatedly argued that supply-side solutions facilitating a sizeable increase in housing construction of diverse types that reflect consumer demand is the most likely intervention to improve housing affordability.

Demand-side solutions, often in the form of tighter regulations and newer or higher taxes, do not address the underlying cause of worsening housing affordability, which is that demand for housing exceeds supply, especially in fast-growing jurisdictions.

The suggestion to increase property tax rates is one such demand-side intervention that some think might put the housing genie back into the affordability bottle.

There is evidence of a negative correlation between higher property taxes and housing prices. For instance, in a 2009 article in the Journal of Housing Research, Richard Cebula observed that "property taxes are capitalized into real housing prices," such that prices of single-family houses in Savannah, Ga., were negatively impacted by higher property taxes.

A recent analysis of the impact of property taxes on house prices in 34 countries by the Organisation for Economic Co-operation and Development also found “a strong negative relationship between increases in immovable property tax revenues and house prices.”

Interestingly, the relationship does not seem to hold in reverse. Researchers from Uppsala University in Sweden found that a nationwide decline in property taxes did not significantly impact residential property values. The authors recorded “price increases only in a small segment of the market containing properties with very high tax values.”

The devil is always in the details. The correlation between higher property tax rates and lower property values does not necessarily imply that increasing the millage rate will cause residential property values to decline. Furthermore, such a move could have unintended consequences, so municipal regulators would be wise to review the seminal work by American economist Charles Tiebout before making any decisions.

Tiebout suggested that if taxpayers are not pleased with higher local taxes or inferior services, they might relocate to neighbouring municipalities with lower taxes and better services.

An increase in property tax rates is likely to hurt housing prospects for renters, the most vulnerable on the affordability spectrum

Property taxes are imposed by municipal governments whose jurisdictional boundaries are limited. An isolated move by one municipality to raise property tax rates will only enhance the relative attractiveness of neighbouring municipalities with lower property tax rates.

Consider that when the City of Toronto introduced a Municipal Land Transfer Tax in February 2008, the share of dwellings sold in neighbouring municipalities increased accordingly, providing evidence that people vote with their feet and relocate to jurisdictions with lower taxes or better services.

An increase in property tax rates is also likely to hurt housing prospects for renters, who are the most vulnerable on the affordability spectrum. Since an increase in property tax rates also increases the cost of ownership, landlords, over time, will pass the higher costs on to the renters.

Academics Leah Tsoodle and Tracy Turner, in the journal Real Estate Economics in 2008, investigated the impact of property taxes on residential rents. They found that “a one standard deviation increase in the property tax rate raises residential rents by roughly $400 annually.”

But that’s not all. The calls to increase property tax rates ignore the obvious political pitfalls in its implementation. Consider that funds raised from property taxes support explicitly identified services exclusively at the local level. These funds are never used to cross-subsidize taxpayers in another municipality. An increase in property tax rates not intended to improve services for taxpayers, but to lower the valuation of their most valuable asset is unlikely to win endorsement at the ballot box.

Improving housing affordability is a formidable challenge that municipal governments are unlikely to cope with on their own. Among other measures, municipal governments must explore ways to expedite new housing construction to cope with housing demand.

BRITISH COLUMBIA

Soaring property taxes could force more Metro Vancouver businesses to close

Structural issues with British Columbia’s property tax regime that existed long before COVID-19 are still putting businesses in Metro Vancouver in a challenging situation.

Pita Wrap Cafe at 565 Dunsmuir Street in downtown Vancouver closed earlier this month after 16 years of business, with a 45% property tax increase embedded in its triple-net lease insurmountable for the business after it reopened for indoor dining.

Over in White Rock, Blue Frog Studios has seen a double blow to its business. Not only has it been forced to close since March 2020 due to health restrictions, but it has also been hit with a 50% increase in its property taxes.

The live music venue's property tax assessment in January showed the assessed value had risen by 4%, but when their property tax notice came in June the actual taxes had increased by 50% since last year. This includes a 260% year-over-year increase in the school tax portion.

"We have been pretty much closed for 15 months, we are down on the ground struggling to stay afloat and now the government has just kicked us right in the gut," said Blue Frog Studios co-owner Kelly Breaks.

"This is happening to businesses all over BC and it is particularly devastating to the arts and culture businesses that were forced to be shuttered."

She says there is an urgent need for the provincial and municipal governments to cut back on commercial property taxes to be more in line with valuation increases.

"We are essentially being forced out of business by the government. No one saw this coming," continued Breaks. "So far, the government has not done anything, and a commercial tax revolt may be the only solution to this issue."

According to Paul Sullivan, a property tax expert and principal of Ryan ULC, residences account for 90% of the properties in Vancouver, but they account for just over half of the tax burden. He suggests more of the property tax burden should be distributed from businesses to residential properties.

The City of Vancouver, he says, is a leader in creating an unsustainable business environment with its high rate of growth in its overall property taxes, with a 7% increase in 2020 and a 5% increase for 2021. Contrast this with Surrey's 2021 tax increase of 2.9%, Port Coquitlam at 2.13% (after 0% in 2020), Coquitlam at 2.2% with a lower rate for businesses, and Calgary striving for 0%.

He notes that even Victoria offered relief with a 0% tax increase for 2020, and a 2% increase for 2021.

Sullivan says businesses are particularly being hammered by property tax levels that consider the redevelopment potential of the lot — the un-built floors of homes in the air space above the single-storey of retail, restaurants, and venues. The tax burden can be equivalent to an imaginary condominium tower.

For years, there have been calls for the provincial government to enact a split tax assessment when calculating property taxes for small businesses. The latest push was a proposed bill by the BC Liberals in Fall 2019, but it failed to gain traction in the legislature.

A split tax assessment establishes a new classification for the empty space above small businesses, providing municipal governments with the ability to tax the unused airspace at a zero or near-zero rate. Small businesses would effectively only pay property taxes for the property they actually use.

In February 2020, just before the onset of the pandemic, the provincial government rolled out a temporary program to reduce property taxes on struggling small businesses and non-profit, cultural, and arts organizations that have seen their lease costs escalate. This program is managed by municipal governments, and is slated to run through 2024.

At the time, the provincial government said a split tax assessment would take years to develop.

Sullivan says the provincial government's offer of a temporary one-year exemption on some taxes and the municipal government's shift of some taxes onto residents is equivalent to "offering a bailing bucket when the ship is sinking."

Additionally, Sullivan suggests that the City of Vancouver, in particular, should focus on only its essential or core services — the basic responsibilities of a municipal government — to decrease the need to continue property tax increases every year.

The city's plan to introduce mobility pricing, such as road tolls, will further inhibit the recovery of struggling businesses in and around the city centre.

"Vancouver has strayed well outside its lane by including typically provincial and federal mandates, like social programs for the homeless, affordable housing, and healthcare initiatives for the opioid crisis. While these programs may be necessary, adding them to the local civic taxpayer tab is unfair," he said.

Foreign buyers' tax upheld; not discriminatory: B.C. Court of Appeal

Tax deemed valid under provincial legislation and not discriminatory against any one nationality

The Court of Appeal of British Columbia has upheld a prior ruling that the provincial government's foreign buyer's property transfer tax is lawful and not discriminatory.

People's Republic of China citizen Jing Li had her appeal unanimously dismissed June 29 by Justice Barbara Fisher with Justice Susan Griffin and Justice Peter Voith in support.

Li's class action petition argued three key grounds: the tax violates the Constitution Act with overreaching provincial power; it also violates the Citizenship Act by not meeting Canada's free trade obligations; and finally, it is discriminatory under the Charter of Freedoms and Rights (and particularly so against Chinese nationals).

Ultimately, Fisher determined B.C. Supreme Court Justice Gregory Bowden was correct in his key assessments of the facts put before him in 2019.

First, the province has broad and significant powers over land rights. Second, "the use of foreign capital to purchase residential real property within a province does not fit within the normal paradigm of trade and commerce of commodities across borders." And third, Li "has not established that the tax provisions create a distinction, whether direct or indirect, based on citizenship or national origin."

Fisher found the prior ruling sound, as it relied on the fact the tax applies to all foreign nationals and its primary goal is to help achieve housing affordability.

"The view that foreign nationals significantly contributed to the escalation of prices of housing in the GVRD is neither a stereotype nor a continuation of racist policies from the past," ruled Bowden on October 25, 2019. "The experts have agreed that the inflow of foreign capital has significantly contributed to price increases in the GVRD."

Li argued Asians, and particularly Chinese people, were discriminated against more so than other nationalities.

Part of her initial evidence, which was not considered by Bowden, was a report from Dr. Henry Yu, a University of B.C. professor who contended the now 20% foreign buyer's tax is akin to past racist government policies against Asians. (Yu, who often consults government on issues of Chinese-Canadian history, also spoke against the recent money laundering inquiry, suggesting it was racially motivated.)

As Fisher noted, Yu argued that "the 'pervasive public discourse' that preceded the imposition of the tax conflated 'Chinese' with foreign, thereby targeting Chinese foreign buyers."

But Bowden, noted Fisher, "considered the historical portion of [Yu's] report to be unnecessary and the remainder to constitute argument rather than proper expert evidence. He expressed concern about the lack of references to source materials and Dr. Yu's reliance on Google searches, and letters to editors and provincial government ministers to support his conclusions."

Fisher stated Bowden should have included Yu's report but doing so wouldn't have made a difference and it was within his right.

"While he ought not to have excluded the entire report, the historical facts were not in dispute and this error had little effect on the analysis," stated Fisher, adding that regardless of historical wrongs, Asians in B.C. today are equally affected by the high cost of housing.

"It is unfortunate that some of the public discourse surrounding the tax reflected unacceptable discriminatory attitudes towards Asian and Chinese persons, but there were also many people who simply sought to have a candid discussion about the problem of foreign demand on the local residential housing market," stated Fisher.

As the facts showed, foreign money was a contributing factor to Vancouver's unique and steep rise in residential real estate between 2013 and 2017, regardless of the vast majority of it coming from China.

The government started collecting data before the tax was imposed in August 2016 on most urban areas of the province.

"The results of the first full month collection of data showed that 9.7% of residential real estate transactions in the GVRD involved foreign nationals," Bowden noted.

"This represented a transactional value of $885,393,373. In the City of Vancouver the percentage was 10.9%, 17.7% in the City of Burnaby and 18.2% in the City of Richmond."

Li moved to Canada in 2013 to complete a master's degree in public administration at the University of Saskatchewan before later moving to B.C.

On July 13, 2016, Li bought a residential real property in Langley for $559,000 plus $27,995 GST. The tax kicked in that August with Li owing an additional $83,850 as she was neither a permanent resident of Canada nor a citizen.

According to the initial ruling, Bowden noted, "In the 12-month period leading up to July 2016, the price of a single-family home increased by almost 40%. Over the same period the price of condominiums had increased by 30.9%."

Unrest grows among B.C. businesses over rising commercial property taxes

There is growing unrest among B.C.'s business community amid rising commercial property taxes.

Business groups say they're being hit by the perfect storm, including the end of a COVID-19 property tax subsidy, increasing property tax rates and soaring land values as they try to recover from the pandemic.

"There is going to be a major property tax revolt, particularly from the commercial taxpayer and I suspect the residential tax payer is going to get involved too," Paul Sullivan, regional leader and tax expert for tax recovery firm Ryan Canada said.

A key complaint of businesses is the end of a school tax break for commercial properties the provincial government implemented for the 2020 tax year.

But Sullivan said the continued upward pressure on land prices combined with growing annual municipal spending — and subsequent tax hikes — has left some businesses with a 25 to 55 per cent tax hike this year.

"People are just realizing it now because their tax bills are due," he said.

Surrey Board of Trade president and CEO Anita Huberman said her organization has been "inundated" with concerns from businesses about their tax bill this year.

"We want a tax climate where businesses can survive. We're still in a pandemic and so many businesses are facing challenges," she said.

"It's like business is being pushed out, jobs are being compromised."

The Surrey Board of Trade presented a sample case of two commercial properties of similar sizes not far from one another on opposite sides of the Surrey-Langley border to make its case about municipal taxation.

The Surrey property, which was actually slightly smaller, had a tax bill of more than $800,000, while the Langley property's bill was $287,000.

"If nothing is done, businesses right now are facing the really difficult decision to delay hiring, to delay business maintenance, to delay capital investments," she said.

"They're saying if their property tax incre4ases next year they're looking at moving out of Surrey."

Sullivan focused his concerns on the City of Vancouver, where businesses representing just seven per cent of properties in the city carry 43 per cent of the tax bill.

It's fine for the city to want to explore climate and social programs, he argued, but said it shouldn't be trying to fund them from its property tax base.

"The fundamental problem we have is the budget is too big, we're funding too much. You're averaging 6.5 per cent (budget) increase per year when other jurisdictions are less than half that," he said.

Vancouver has made moves in recent years to try and lower the tax burden for businesses, shifting two per cent of the property tax burden from city businesses to homeowners over three years between 2019 and 2021.

In its 2020 Canadian Property Tax Rate Benchmark Report, commercial real estate analysis firm Altus Group found Vancouver actually had the lowest tax rate for commercial properties in the country, at $6.73 per $1,000 of assessment — a decrease of 55.3 per cent since 2015.

The city's commercial to residential property tax ratio also sat below the national average, it found.

But with property assessments sky-high in B.C., and projected to only climb further, Sullivan wants more action — some of it potentially radical, like giving commercial property owners a vote in municipal elections.

Business owners were previously able to vote in B.C. municipal elections until 1993, when their franchise was scrapped by Mike Harcourt's NDP government.

"We are going to start a reform advocacy movement here — we need to see commercial taxpayers have a vote, we need to address the highest and best use issue, we need small businesses to be taxed fairly, we need the distribution of taxes between commercial and residential to be more aligned with the consumption of services," Sullivan said.

"Vancouver (has increased property taxes) five per cent on top of seven per cent last year. How do you justify that?"

End of pandemic property tax break 'insensitive' to small businesses, Vancouver restaurateur says

A Vancouver restaurateur says the province is being "insensitive" to small businesses by ending a property tax break implemented as a part of COVID-19 relief efforts last year.

Nguyet Dang, co-owner of Bonjour Vietnamese Bistro on Vancouver's Fraser Street, says the reintroduction of the school tax on her business' property will cost the restaurant about $5,500 more this year.

"I was in shock. I thought it was a mistake," she said.

"I'm just a bit disappointed when I see the increase, because we just closed indoor dining for two months and we just reopened indoor dining three weeks ago. And here I got a bill of 45 per cent tax increase."

Wednesday was the one-year anniversary for the bistro, which was forced to delay its launch by three months last year when the pandemic struck.

Since then, the company has been able to make ends meet, but not much more. It received a $10,000 pandemic relief grant for its forced closure during the spring "circuit breaker", but because it's a new business has not been eligible for any federal COVID-19 aid.

"It's not profitable for us," she said. "But we manage to keep afloat and keep the business open."

The measure, which was implemented in March 2020, saw the school tax cut in half for many British Columbia businesses, which the province said amounted to a 25 per cent property tax cut for most businesses.

But the province also says the one-time measure, which cost the province about $720 million, was only meant to apply to the 2020 tax year.

With vaccination rates rising and the province reopening, Finance Minister Selina Robinson said the province's approach also had to change.

“We see a very different trajectory for ourselves. This year, our focus is really on taking the steps to help businesses that are most impacted.

“We’re seeing in the tourism sector, for example, significant challenges. And that’s where we’re really investing in supporting for the rest of this pandemic.”

But Dang, whose restaurant can only seat 32 customers under pandemic restrictions and who lost months of business this spring, said the province doesn’t understand that at this point every penny counts, when it comes to keeping her doors open.

“It’s a slow recovery for all, so I was expecting a bit more support from the government,” she said.

“They’re just being a bit insensitive in this case to small businesses.”

B.C. homeowner's court challenge threatens to open 'floodgates' to assessment appeals

Judge says appeal board failed to consider allegation of institutional bias by B.C. Assessment

A B.C. Supreme Court judge has sided with a Whistler homeowner in a court battle the provincial body responsible for property valuations warned could open the "floodgates" for British Columbians to challenge the assessment process in court.

In a decision released last week, Justice Lindsay Lyster found the Property Assessment Review Panel (PARP) failed to give a fair hearing to a property owner who asked the members of the panel to recuse themselves because they were paid through taxes levied according to the same property values they were tasked with deciding.

Lawyers for B.C.'s Attorney General appeared at the hearing alongside lawyers for the review panel and B.C. Assessment because the case is the first judicial review of a panel decision.

The province claimed the case could threaten the streamlined process written into law to handle thousands of B.C. property assessment appeals each year.

But the judge said procedural fairness had to come first.

"I appreciate that the PARP operates under significant time constraints, and must process a large number of appeals in a short period of time. However, those constraints do not eliminate the PARP's obligation to provide the property owners appearing before it with a fair hearing," Lyster said.

"This was not a fair hearing."

'Priced below B.C. Assessment'

B.C. Assessment would not comment on the decision, and the lawyer representing the homeowner would not comment while the province still has a window to appeal.

On the surface, the 22-page decision reads like a descent into a rabbit hole of laws, statutes and legalese.

But beneath the bureaucratic language is a fundamental challenge to the work of an agency whose annual valuations have become a reflection of the province's over-heated real-estate estate market.

The B.C. Assessment Authority delivers assessments for more than two million properties each January. The amount is determined by considering nearby sales and comparing factors like the size, age, location and best use of the property.

Homeowners have until Jan. 31 to file appeals with the Property Appeal Review Panel which then has until March 16 to adjudicate all the decisions.

People who are not happy with an outcome then have until April 30 to file a challenge to the Property Assessment Appeal Board, which, like the Property Assessment Review Panel, is considered an independent tribunal.

It's not the first time the homeowner — a numbered company — has challenged the status quo.

In a 2019 appeal board decision confirming a $3.8 million assessment of the same property — which is now assessed $1 million higher — Ivan Bern, the lawyer representing the homeowner, accused B.C. Assessment of being "complicit in the problem canvassed almost daily in the media, concerning the dramatic rise in market values of B.C. real estate."

Bern claimed the assessor "continuously" errs on the side of massive increases unsubstantiated by market evidence.

"One need only glance at current listings throughout B.C., and note the phrase in marketing literature 'priced below B.C. Assessment,' " the decision quotes Bern as saying.

"That is a big selling feature to prospective buyers, because it tells them that they can acquire the property at a market discount to what the experts at B.C. Assessment have divined the actual value to be."

Claim of institutional bias

The B.C. Assessment Authority told the court between 22,000 and 32,000 appeals have been filed with the review panel in the past five years.

Hearings typically last 30 minutes, including eight minutes for the complainant, eight minutes for B.C. Assessment to respond, six minutes for questions and deliberation and four minutes to deliver the decision.

The judge's decision says things went off the rails at the hearing in question on Feb. 23, 2021.

According to court filings, Bern spent eight minutes arguing that the panel was institutionally biased and should disqualify itself because "all panel members are remunerated, based on the tax levies, that are set in relation to the assessments issued by B.C. Assessment."

At the 18-minute mark, the panel said they didn't think they could deal with the challenge, but effectively offered to kick it up to the appeal board.

Bern said he wanted to proceed with the hearing, but asked whether he could cross-examine the assessor. The chair of the panel wouldn't let him.

The hearing wrapped in 38 minutes with the panel confirming the latest, $4.8 million property assessment.

The province argued that the homeowner should have taken the case to the second level of challenge — the appeal board — before going to court.

But Lyster said the appeal board doesn't have the mandate to consider questions of institutional bias.

"I have considered the submissions made with respect to the potential for the floodgates to be opened," she wrote.

"But the court cannot shirk its constitutional function."

'Not a frivolous application'

Lyster said the review panel should have considered the bias application.

"The merits of the institutional bias application are not before me, but it was not a frivolous application," she wrote.

The judge said the panel compounded its error by seemingly holding it against Bern for using his allotted time for presenting evidence to argue about bias.

She also said the panel should have at least considered letting Bern cross-examine the assessor.

"Holding parties to reasonable time limits is not inherently unfair," she said.

"But in a situation such as this, where a party brings a procedural application which takes a few minutes, the PARP must be prepared to still give that party sufficient time to present its evidence."

The B.C. Supreme Court ruling would normally result in a new hearing, but the tight deadlines — mandated by law — make that impossible because the dates for holding review panel hearings in 2021 have already come and gone.

The homeowner said they would be happy instead with a declaration of procedural unfairness that could serve as a guide to the panel in the future.

British Columbians losing faith in ability of taxes to ease home prices

Support remains strong for foreign buyer's and speculation levies, but fewer than half of respondents think they will make the housing market more affordable

B.C.'s current provincial government is into the eighth month of a four-year majority mandate, but Premier John Horgan will observe four full years in office later this year.

The October 2020 election was dominated by the way the province faced the first wave of the COVID-19 pandemic, and the opposition had a difficult time gaining traction on it or other matters.

For the past few years, we have seen a significant proportion of British Columbians identifying housing, homelessness and poverty as the most important issue facing the province and the country. The numbers are unique across Canada. Quebecers are now more likely to be concerned about environmental issues, while the economy and jobs is the prevalent worry in Alberta.

In British Columbia, the barrage of new housing taxes began under the government of Christy Clark and the BC Liberals in 2016, with the announcement of a 15% foreign buyer's tax for properties in Metro Vancouver. While the tax was immensely popular, with support for its implementation reaching 76%, most British Columbians did not regard it as a perfect solution. More than two-thirds (68%) expected the legislation to be unsuccessful in making it easier for British Columbians to afford a home.

A few months later, Clark failed to secure a new term in office, and the incoming BC New Democratic Party (NDP) government introduced new housing measures. When Research Co. and Glacier Media recently asked British Columbians about these policies, they continue to be regarded in a positive light by a majority of residents.

Three in four British Columbians are in favour of two modifications that the current government made to the foreign buyer's tax it inherited: expanding the tax to areas outside of Metro Vancouver (75%, down four points since 2020) and increasing it to 20% from 15% (also 75%, down four points).

More than two-thirds of the province's residents also support the introduction of a tax of 0.2% on the value of homes between $3 million and $4 million, and a tax rate of 0.4% on the portion of a home's value that exceeds $4 million (69%, down seven points) and with an increase in the property transfer tax to 5% from 3% for homes valued at more than $3 million (67%, down five points).

The supposedly controversial "speculation tax" is still well received, with 70% of British Columbians (down seven points) agreeing with its implementation in specific urban areas targeting foreign and domestic homeowners who pay little or no income tax in the province and those who own second properties that are not long-term rentals.

Aside from the guidelines that are already in the books, we continue to see more than seven in 10 of the province's residents (72%, down six points) calling for a "New Zealand-style" regulation that would ban most foreigners from buying real estate in Canada.

While sizable majorities of British Columbians continue to favour the five most recent housing measures, support is not as high as it was a year ago. However, the main complexity that this survey outlines for the government is the growth of cynicism on just what these popular taxes will mean to those who are interested in entering the real estate market.

Last year, a majority of British Columbians (57%) expected the actions of the provincial government to be effective in making housing more affordable in the province. This year, the positive emotional connection between current policies and future aspirations is drastically lower, at 42%.

In different terms, this means that the perception of housing taxes enabling more people to acquire property went from a margin of almost two to one to an even split among British Columbians. Yes, the housing taxes are backed by most, but the notion of growing opportunities for residents is no longer as glowing.

As the province begins to get ready for a return to life after the COVID-19 pandemic, there is an inherent danger for the provincial government when it comes to the housing file. The lessons of 2016 and 2017 are worth remembering.

Back then, a provincial administration that had overstayed its welcome was starting to be seen in a more contemptuous light by voters. This survey provides a cautionary tale. The housing taxes are still popular, but fewer residents think they will work to get more people inside their own homes

Huge increases in property taxes gobsmack Surrey business owners

Companies seek answers after high percentage jumps for 2021

Surrey business owners staggering under current property tax bills, which they say have increased by anything from 17 per cent to 86 per cent over last year, are struggling to understand why it's happening.

And, inevitably, fingers of blame are being pointed at Surrey council.

Some question why the mill rate – the amount of tax payable per dollar of the assessed value of a property – could not have been lowered to compensate for provincial school taxes that are back in the bill this year, and increases in property assessments as a result of a jump in the market late last year.

Mayor Doug McCallum and his Safe Surrey Coalition says the budget holds the line with a general property tax increase of 2.9 per cent for the third year in a row. But the minority on council argued, when the budget was passed last December, that Surrey residents' tax bill will be much more than that, with some paying 12 to 15 per cent more in 2021.

A particular bone of contention for many critical of the budget is a 200-per-cent increase in the capital parcel tax increase, which sat at $100 per parcel but is now increasing to $300. The intent of this tax is to pay for 16 community projects, among them a city centre sports complex and various park improvements.

Inder Nijjer, senior manager of Surrey-based Property Tax Services, which advises both business and residential clients, said that direct comparisons between 2021 and 2020 can be deceptive.

He noted, for example, the provincial school taxes were suspended last year as a way of offsetting impacts of COVID-19.

"It's probably better that one compare the rates between 2019 and 2021," he said.

But that's of little comfort to George 'Bud' Ivey, CEO of South Surrey-based Ivey International – an award-winning global environmental technology company – who said he's still reeling from a 74.4-per-cent increase in business property taxes.

Even if some things are back on the tax bill that weren't there in 2020, the increase over 2019 would still be "north of 50 per cent," he said.

His tax bill is $9,130.97 for 2021, while it was $5,232.45 in 2020, Ivey said.

"I don't know whether it's ultimately the province or Surrey that's behind this, but somebody should know something."

He noted that, while he sees a significant line-item increase for school taxes on his bill, he also sees an equally significant one for policing costs.

"That gets into the whole debate of whether Surrey should have its own police force or not… I'm saying if they are going to start downloading all of that onto businesses, we're going to start saying 'is this a business-friendly environment?' Businesses can move elsewhere."

Other neighbouring companies are beginning to talk seriously of relocation, Ivey added.

"You start to think 'what are the taxes like in Alberta? What are they like in Ontario, or even somewhere else in B.C.? If they expect businesses to shoulder this, there's going to be a rude awakening for somebody."

Ivey's building is owned by his holding company, he explained.

"We don't make a heap of money on the building… this is chopping double-digits out of my profit margin."

That defeats the idea of a locally-based company being able to build assets, he said, while impacts in the thousands of dollars may also make the difference between hiring a new employee or not.

Certainly such increases will end up being passed on in increased costs, whether to other companies or individual consumers, which can only result in increased inflation, he said.

"You have to be careful of the ripple effect," Ivey said adding that businesses and individuals are still struggling with the economic impacts of COVID-19.

"Do they think we all just made this a banner year for profits?

Smaller businesses in Surrey have also been hard-hit with increases.

Roberta Stoddart-Payne, owner of Dogwood Awards and Engraving in South Surrey, said her business property taxes have jumped some 47 per cent from close to $3,600 in 2020 to almost $6,000 this year.

She noted that her business, which creates trophies and awards, particularly for sporting events, has had a hard enough time over the last year due to the cancellation of meets and tournaments.

"If you've have a problem with COVID-19 affecting your business, you're not in a good position to pay that kind of bill," she added

"I was blown away – I have absolutely no idea why this happened. It's the same thing with other businesses in our building. Nobody knows why it is. There has been nothing to explain this – even if I had a reason, it would be better.

"Surrey council should know better. We're in a pandemic. To allow taxes to increase by that much seems absolutely irresponsible."

Surrey Mayor Doug McCallum has not yet responded to a request for comment.

MANITOBA

Manitoba land tax 'needs reform'

Land transfer tax revenues increased ninefold from 1997 to 2019, and the average land transfer tax rate has more than doubled

Manitoba's land transfer tax has ballooned over the past two decades and is in need of reform, says a new report from the C.D. Howe Institute.

In "Damage Control: Options for Reforming the Land Transfer Tax in Manitoba," authors Bev Dahlby and Jack Mintz examine the land transfer tax in Manitoba and consider three options for its reform.

Originally introduced in 1987, the rates and thresholds of Manitoba's land transfer tax have been unchanged since 2004. With inflation, land transfer tax payments have increased over time as real estate properties have become increasingly more expensive to buy. Land transfer tax revenues increased ninefold from 1997 to 2019, and the average land transfer tax rate has more than doubled.

"Compared to other Canadian cities, the land transfer tax in Winnipeg for a property sold at $500,000 is third highest in the country," write the authors. Winnipeg only trails Vancouver and Toronto while soaring above Montreal, Moncton and St. John's.

The authors consider three reform options for Manitoba's land transfer tax:

The first is a revenue-neutral change which would exempt the first $150,000 of a transaction from land transfer tax with a 2.45 percent rate applied to the value of the transaction in excess of $150,000.

The second would be an exemption for the first $150,000 with a 2 percent tax rate applied to the excess (this would reduce modestly government revenues).

The third involves indexing tax brackets with a one-time correction from 2004 to 2020.

The authors took into account three criteria, including net gain – the gain from reducing the land transfer tax plus any gains or losses from substituting the land transfer tax for a less distortionary tax to keep the government's budget balanced.

Dahlby and Mintz prefer the second reform option – an exemption for the first $150,000 with a 2 percent tax rate applied to the excess.

However, the authors remain critical of land transfer tax in general. The tax can reduce the number of real estate transactions, and is inequitable, as people who need to move more frequently bear more tax, regardless of their income or wealth, they note.

NEW BRUNSWICK

Record selling prices for N.B. houses great for sellers, but may cost the neighbours

New Brunswick residents who have been watching neighbours sell homes for record prices over the last year and wondering what that reveals about the value of their own houses are not alone — provincial property tax assessors are wondering the same thing.

In a review underway of hundreds of millions of dollars in real estate transactions since last summer, officials with Service New Brunswick are attempting to piece together where property values now sit for tax purposes given sizzling real estate markets from one end of the province to the other.

The findings could set off a wave of large assessment and tax increases that will hit most homeowners next spring — regardless of whether they have sold their properties. It is also possible findings will conclude escalating sale prices are mostly a COVID-related pricing bubble that hasn't fundamentally moved property values at all.

"Assessors have a way to sort out real estate sales that are overvalued," Service New Brunswick's Valerie Kilfoil said in an email.

"As this year is not a typical year there will be extra investigation and analysis."

Property records show several thousand houses have sold in New Brunswick over the last 12 months, many at prices significantly beyond their assessed values. In the past, that generally has been the key factor in moving the government's "market based" assessments upward.

Vanessa Fuentesfina was expecting her second child last year and began a hunt for a Moncton area home just as prices began moving rapidly higher.

After some early disappointment looking for a place in Dieppe and Riverview, Fuentesfina found a place to buy last September on Cole Avenue near the Birchmount school in Moncton.

At the time it was assessed at $141,300 by Service New Brunswick and although listed for sale by the owner at $190,000, Fuentesfina and her husband eventually paid $222,500 to fend off other buyers and land the property.

"Houses right now are way too high and a lot of people are struggling to buy," said Fuentesfina, who was initially unhappy with how much she paid but now thinks she might have gotten away with a deal.

She said a real estate agent recently called to tell her the house would likely attract offers up to $280,000 if she wanted to relist it.

"I said really? We just bought it last year," said Fuentesfina.

Service New Brunswick did raise the assessed tax value on Fuentesfina's house 25 per cent after her family bought it, but this year will analyze the sale further in combination with other sales in the area to decide on a general increase for all neighbourhood homes.

Service New Brunswick has generally said house sales between June and the following May are used to conduct mathematical mass appraisals of properties.

Moncton has been at the centre of the province's real estate buying spree and will receive significant scrutiny.

In the Birchmount area alone, more than 40 homes have sold in the last year for prices no one dreamed possible just months ago.

Courteney Street and Huntington Court are quiet residential streets that intersect in the middle of the neighbourhood. The two have 37 houses between them, six of which have sold in the last two years.

Three were bought in 2019 for an average price within $3,000 of their assessed values. Over the last nine months, three more have sold above their assessed values by an average of $90,000.

Tad Mangwengwende is a senior analyst and economist with the Canada Mortgage and Housing Corporation. In March, he said there was a "high overvaluation" of housing prices in Moncton.

"The level of house prices was significantly higher than the price level warranted by changes in housing market fundamentals," said Mangwengwende in his analysis.

"Low mortgage rates and population growth drove up demand for houses, but their impact did not fully account for the price levels observed."

In an interview, Mangwengwende said that little has changed since that March analysis and he sees similar issues in other New Brunswick markets.

"The story is shared with other centres across New Brunswick, so in Fredericton you will be seeing some of that and in Saint John you will be seeing some of that as well," he said, about prices outpacing fundamental changes in the underlying economy.

If Service New Brunswick agrees, that may help soften assessment and property tax increases for homeowners in neighbourhoods where selling prices have been high. However, that analysis is still ongoing and Service New Brunswick has until October to reveal where property assessments and taxes are headed.

NOVA SCOTIA

Deadline for Small Business Real Property Tax Rebate Program Extended

Applications for a minimum $1,000 through the Small Business Real Property Tax Rebate Program will be accepted for an additional two weeks. The new deadline to apply is July 9.

“We encourage all eligible businesses to apply for the program before it closes,” said Inclusive Economic Development Minister Labi Kousoulis. “It is important they access all of the funding they are eligible for as we open up and move towards economic recovery.”

The Small Business Real Property Tax Rebate Program provides eligible businesses with a one-time rebate of a portion of their paid property taxes. They can choose a rebate of $1,000 or 50 per cent of the commercial real property taxes paid for the final six months of the 2020-21 tax year.

Quick Facts:

- the program is funded through the Nova Scotia COVID-19 Response Council fund
- the program is available to gym and fitness establishments, hair salons and barber shops, spas, nail salons, body art establishments, restaurants offering in-person dining service, bars and licensed drinking establishments, independent retailers with a physical retail location and organizations offering live performing arts

NUNAVIT

Iqaluit mayor wants land tax exemption on churches removed over residential schools

Iqaluit’s mayor says he plans to make a motion to remove a land tax exemption for churches in Nunavut’s capital city.

Kenny Bell says he decided to do so after the Cowessess First Nation in Saskatchewan announced Thursday that 751 unmarked graves had been detected at its former residential school, which was run by the Catholic Church.

“We need to stand up and fight for Indigenous people across the country,” Bell said Friday. “If Inuit, First Nations and Metis are thriving across the country, Canada will be thriving. We need to make sure that happens.”

As in many other parts of Canada, religious institutions in Iqaluit are not required to pay taxes on the land they occupy.

Money from land taxes is used to pay for municipal services including road clearing and maintenance.

“Currently, they don’t pay anything for their area,” Bell said.

Bell said because there's no tax class for churches in Iqaluit, the motion will be to direct staff to remove the land tax exemption on churches. Then, a new tax class will likely have to be created.

"As a non-Indigenous man, I think it's my duty to help where I can and stand with Indigenous people," Bell said.

Bell is encouraging municipalities across the country to remove their land tax exemptions for churches. He also said the Catholic Church should apologize for its role in residential schools.

"If they don't want to apologize, then the only thing we can do is tax them. I think we need to do that as a country."

Many churches and religious organizations in Canada are also exempt from paying federal taxes under the Income Tax Act.

Bell said because there's no tax class for churches, it's difficult to tell how much the churches would be required to pay if the exemption was dropped.

"This is a small symbolic step. The tax on them is not going to kill the church by any means. It's not meant to. It's meant to show that we want the apology. We want the church to acknowledge what they did and move forward."

Bell said he hasn't heard from any of the city's churches and plans to make the motion at the next city council meeting on July 13.

"I'm not anti-religion. I'm not anti-church. What I am anti is burying kids in unmarked graves away from their families and not even telling their families," he said.

Bell also called on all non-Indigenous Canadians to read the Truth and Reconciliation Report and its 94 calls to action.

"Talk to your mayors, your councils, your MPs. Ask them to make sure they follow through with these calls to action

ONTARIO

Toronto vacant home tax of one per cent could be in place at the start of next year, says city staff

Council could impose a one per cent tax on vacant homes at the start of next year as a way to help ease the city's affordable housing crisis and raise revenue during a looming economic recovery from COVID-19.

City staff propose doing public consultations with the aim of having the tax in place for Jan. 1, 2022. Residential property owners would be required to make a declaration each year by the deadline and could be subject to a city audit to verify whether the home is vacant or not.

Coun. Ana Bailao (Ward 9 Davenport), the mayor's affordable housing advocate and one of the councillors who pushed for the tax, said the scheme presented by staff is a good model.

"The reality is … the success of this tax is not to be collected. The idea is to have these houses being turned into somebody's home," she said.

Keeping a home locked up and unavailable for habitation is up to the homeowner, but it will come at a price, Bailao said.

The staff plan for implementing a vacant home tax comes in a report released this week to be debated at Mayor John Tory's executive committee on July 6.

Faced with mounting budget pressures, committee will also review other valuable ways for the city to raise additional funds. Many of those options, like a personal vehicle tax, have been politically unpalatable since former mayor Rob Ford was in office. There are no recommendations from staff on that report.

Any final decision will be up to council at a meeting starting July 14.

Tory's spokesperson Don Peat said the mayor will continue to support moving forward with a vacant home tax "in a responsible way."

The policy behind a vacant home tax, staff wrote in their report, is to help with the availability and affordability of housing stock on the market by creating a disincentive for owners to keeping properties vacant.

"The effect of the tax in the marketplace is that of a signal that housing stock and supply is important for people as homes, and not primarily as a buy-hold speculative commodity without any public regulation," the report says.

Staff are proposing the initial tax be one per cent of the assessed home value. For example, if a home that was declared vacant was assessed at $1 million in 2022, the owner would be subject to a $10,000 annual tax under the staff-proposed scheme.

"Simply announcing" the tax start date of Jan. 1, staff wrote, would likely cause some owners to seek out tenants to avoid paying the tax.

City staff propose that homes be considered vacant if the property is not the owner's principal residence or occupied by a tenant or permitted family member or friend for more than six months out of the year. Some properties will be exempt from the tax, including when the registered owner dies, is receiving care or properties undergoing major renovations.

The tax would not apply to "snowbirds" — people who spend winter months in warmer climates — if their Toronto property is their primary home.

The city expects a one per cent tax could garner between $55 million and $66 million each year. That estimate is based on the results of a similar tax in Vancouver. Staff say the number of vacant homes in Toronto is currently unknown.

Start-up costs to implement the tax are estimated to be $11 million and annual operating costs are expected to total $3.1 million, which would be netted from whatever taxes are collected.

While the federal government announced its intentions to implement a nation-wide vacant home tax, city staff said both could co-exist and a federal tax does not preclude the city from taxing its residents.

Mississauga is considering several new taxes to generate revenue

Mississauga is considering several new taxes to generate revenue without digging too deeply into the pockets of ratepayers.

While councillors were initially presented with a report that looked at taxation methods that would need Provincial approval, they took a step back and will now consider those that can be more easily implemented locally.

The City is looking at new taxation methods to raise funds outside of traditional methods such as property taxes and user fees. The funds could be used for infrastructure and repair programs.

These new avenues include taxation on vacant homes, an incremental property tax, landfill levy, land value capture/tax increment financing, and encroachment tax.

These options will be considered when the City starts taking a hard look at its next budget in the fall.

The approach was put forward by Ward 5 Councillor Carolyn Parrish who said, if implemented, it could add an extra $10-$15 million to City coffers without going after the average taxpayer.

"This is like low-hanging fruit, things that we can easily go after," said Parrish. "It doesn't really affect individual homeowners except those who leave houses empty to appreciate in value. These are the ones that won't hurt anybody."

Aside from the vacant home tax, which is self-explanatory, and the landfill levy, which would increase tax based on the amount of waste produced, the other taxation methods are little more complicated.

An incremental property tax is a special levy used to raise funds for specific municipal projects.

According to the report, land value capture is the capturing of increased valuations as a result of municipal infrastructure investments, usually through onetime or annual special assessments. Tax increment financing takes this one step further and borrows against future value increases to build the infrastructure that will generate the increase in value.

An encroachment tax would allow the City to collect funds on anything that encroaches onto municipal property. Parrish pointed out that cellphone towers fall into this category.

The report also outlined the benefits of a land transfer tax and taxes on tobacco and alcohol but councillors backed away from these moves.

Parrish said a land transfer tax would need approval from the Ontario government and would be improbable to achieve considering its unpopularity and the fact there will be a provincial election next year.

She said if the City did push for a land transfer tax it would likely need other municipalities to get on board for it to be considered by Queen's Park.

Still, she pointed out a land transfer tax could generate more than $75 million annually for the City.

Currently only Toronto has a land transfer tax.

Homeowners Continue to Pay Property Taxes Based on January 2016 Values

In a lucky break, Ontario homeowners are paying property taxes based on the value of their property in 2016.

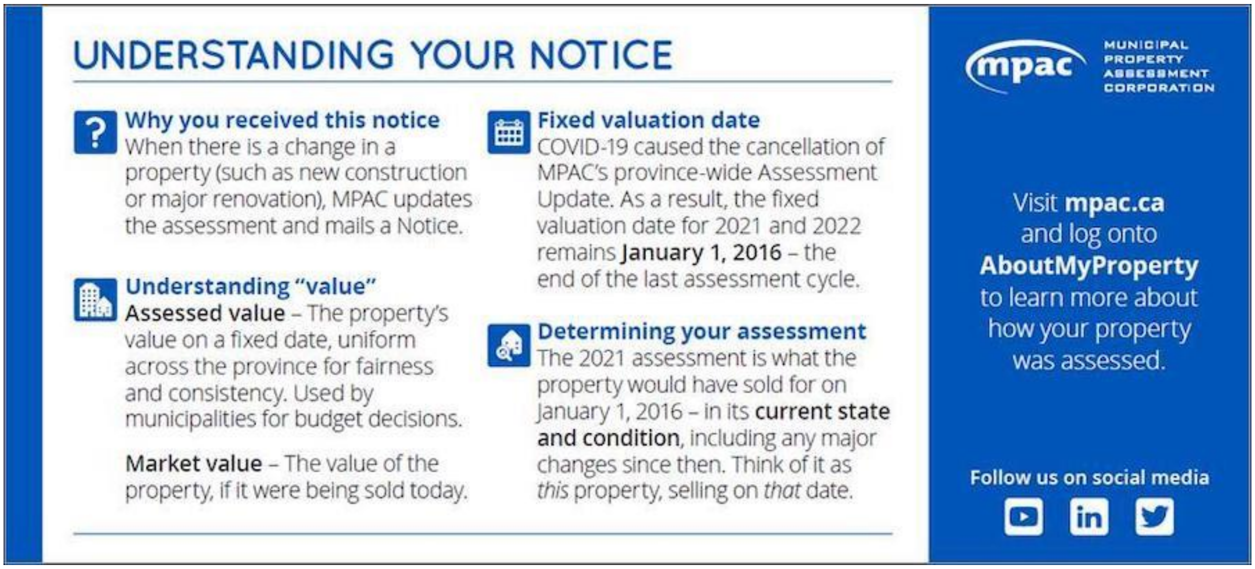
At the onset of the COVID-19 pandemic, Ontario announced that its MPAC assessments would be been postponed until 2021. In better times, they are supposed to occur every four years. For those in the dark, MPAC, or the Municipal Property Assessment Corporation, is the non-profit responsible for assessing the value of homes throughout Ontario.

The corporation conveys their values to local governments so that each municipality can in turn determine the amount of property tax owed by homeowners.

With the postponement of the 2020 Assessment Update, 2021 and 2022 property taxes for all Ontario homeowners will be calculated based on their 2016 property assessment. Meaning — especially in red-hot real estate markets like the Greater Toronto Area (GTA) and Hamilton, where home prices have soared to record-breaking highs — homeowners are paying a lot less than they will be a few years from now.

Notably, Toronto actually raised its property taxes in 2020. Of course, now more so than ever, the pandemic-ravished city needs all the tax dollars it can get as we (finally) begin the recovery process.

This year — in no uncertain terms — MPAC is encouraging a better understanding of the property assessments, thanks to a plain-language insert card that explains property values for 2021 and 2022.



In a move that started in the spring, the notices — which are sent to any property owner whose property has changed, such as new ownership or structures being added, removed. or renovated — include the specially designed insert card. The plain-language insert, which was included with more than 38,000 notices distributed in May, explains why the property owner is receiving the notice, along with details about the valuation process.

"It's important for property owners to understand their assessments, which are vital inputs into municipal decisions," says Carmelo Lipsi, MPAC Vice President and Chief Operating Officer. "Especially since the COVID-19 pandemic disrupted MPAC's regular assessment cycle, we feel now is a good time to clarify how property values are determined."

The insert notes that MPAC's property assessments are based on a fixed valuation date, uniform across the province. The fixed date — January 1, 2016 — ensures consistency and fairness for every community, with all municipalities starting at the same point for budget decisions like property tax rates.

"The assessed value ensures a level playing field, with all municipalities working from the same baseline," Lipsi explains. "This is different from market value – the selling price for a property today – which is impacted by ongoing marketplace fluctuations. Assessed value, determined on a fixed date, provides a stable input specifically for municipal budget decisions."

When determining the assessed value, MPAC considers what a property, in its current state, would have sold for on the fixed date. If upgrades to the property (such as adding a swimming pool or a major renovation) have been made since then, those upgrades are taken into account as if they had been in place on January 1, 2016.

Municipal decisions on 2021 and 2022 property tax rates will be based on this data. Assessments are being updated, and property assessment notices sent, for properties that have changed. Otherwise, a property's previous assessed value will continue to apply.

"Our priority at all times is getting the assessment right," Lipsi says. "If a property owner believes the assessment is not accurate, MPAC will review it free of charge."

City Council approves one per cent tax on vacant homes in Ottawa

Ottawa city council has approved a plan to impose a one per cent tax rate on vacant homes in the city.

Councillors Riley Brockington and Rick Chiarelli dissented.

The tax would be included in a homeowner's final property tax bill if a unit were to be vacant for more than 184 days per year. The tax would not apply to the owner's principal residence. Eligible properties include single-family homes, semi-detached homes, residential condominiums, duplexes and triplexes.

The owner of a home with an assessed value of $415,000, for example, would be charged an additional $4,150 on their property tax bill at the end of the year if the unit was considered unoccupied.

Only residential homes classified in the residential property tax class would be subject to the residential vacant unit tax. All 307,000 homeowners in Ottawa would have to sign a declaration from the city stating whether their home is occupied or not.

Brockington took issue with a requiring every homeowner to tell the city that their home was occupied each year.

"That's a huge red flag for me," he said. "If we thought our constituents were upset because they got a postcard in the mail about sewer line insurance, wait until they get a $5,000 bill because they didn't reply to the request to indicate whether their unit was inhabited or not."

Deputy City Treasurer of Revenue Joseph Muhuni told Brockington property owners have the right to appeal charges under the new tax.

"Upon the appeal, we would then investigate and if the unit was deemed to be occupied, they would then receive a credit on the bill," he said. "However, we want to avoid that whole process of going through the appeal because it takes time for the homeowner and the city, so we want to encourage as many people to declare up front before they have to go through this process."

The new regime is expected to be implemented in 2022, with billing to begin in 2023.

A report prepared for the finance and economic development committee (FEDCo) said the new tax would generate about $6.6 million in its first year, based on an assumption of 1,500 vacant units. Staff said the tax is not meant to be a major revenue generator; rather, the tax is meant to increase the available housing stock in the city.

However, speaking before the vote, Mayor Jim Watson said the additional revenue could also help fund affordable housing.

"There's no question that this is going down an uncharted path," Watson said. "At the end of the day, it has the potential to bring millions of dollars into the city that will go directly back into affordable housing projects, new builds and renovations."

Staff estimate it would cost $3.5 million over 2.5 years to launch the proposed program, after which the ongoing operating costs would be $1.3 million per year, funded by the revenue generated from the tax itself.

The Canadian Mortgage and Housing Corporation (CMHC) said the vacancy rate in Ottawa rose to 3.9 per cent in 2020 from 1.8 per cent in 2019, largely due to COVID-19 pandemic factors, such as lower rates of student rentals. The city says the vacancy rate in Sandy Hill, for example, rose from 2.6 per cent in 2019 to 6.7 per cent in 2020.

The city expects vacancy rates to return to pre-pandemic levels over the next few years.

Is it time for Ontario to slap a tax on vacant properties, real estate speculation?

Plan would hurt property owners, landlords already reeling from pandemic, critics say

Ontario's official opposition is pushing the Ford government to implement a tax on empty homes and real estate speculators to increase the stock of affordable housing in the Greater Toronto Area and beyond — as real estate prices soar even in the face of the COVID-19 pandemic.

NDP MPP Jessica Bell, who represents the University–Rosedale riding in Toronto, introduced a motion in the provincial legislature Thursday to create a speculation and vacant home tax to increase the number of rental properties available.

"Over the past year of the pandemic we have seen housing prices rise very quickly," said Bell.

Rising real estate prices in the Toronto area, along with more moderately priced markets like Hamilton, have put home ownership out of reach for many as the affordability crisis becomes worse in more of Ontario's communities. The City of Ottawa is set to begin taxing vacant residential units next year

"We have too many people sleeping on our streets and in our parks; we have too many people who cannot afford their rent and we have too many people, generations of young people and immigrants, who have given up on the dream of home ownership because it is too expensive," Bell said.

Bell says the proposed speculation tax would target property owners who pay the majority of their taxes outside Ontario, while the vacant home tax would be charged to absentee owners who leave their units empty for more than six months of the year. In both cases, the tax rates would initially be pegged at two per cent.

Downtown condo resident Jaco Joubert says his research supports Bell's proposal. He used light detecting camera technology to estimate the vacancy rate in some buildings.

His technique suggested a vacancy rate as high as 13 per cent in some cases, and on average 5.6 percent of units sat empty.

"I'm tired of having my friends leave the city and province because they can no longer afford to live in a place they were born," said Joubert, who says part of the problem is a scheme called "land banking," in which investors hoard parcels of real estate for future sale or development.

"[The NDP proposal] will help curb land banking and treating homes as investment vehicles, making them available for families to live in. Without a vacancy tax, I fear land banking will become normalized and the problem will get worse," he said.

But realtor Linda Pinizzotto, founder of a non-profit group called Condo Owners Association, says vacancies are up and many of her members are desperate to find tenants or planning on selling their units.

"COVID has already created problems in the rental scene in downtown Toronto," she said. "This is not the time to put more things out there of this nature. People are already struggling to hopefully get their lives back."

Jason Mercer, the Toronto Regional Real Estate Board's chief market analyst, says he doesn't see a justification for speculation and vacancy taxes.

"I think the supply argument goes well beyond a vacancy tax. If I were a policy maker, I'd be looking to work with other levels of government to get more shovels in the ground for a greater diversity of home types," Mercer said.

And other levels of government are looking at some type of tax to incentivize more units available for rent or sale.

On Dec. 16, 2020 Toronto city council voted 24 to one to introduce a vacancy tax in 2022, but the details are still being worked out. The city's revenue services staff are preparing a report on detailed tax design features that will go back to council this summer.

Number of vacant homes 'unknown,' city says

In the meantime, the city says in a statement that "the number of vacant homes in Toronto is unknown at this time and will not be known until Council has approved the tax and the definitions and criteria that will determine whether a home is subject to the tax."

But the statement does make some broad projections based on metrics from a similar empty homes tax implemented by Vancouver in 2016.

"If 1 per cent of Toronto's housing stock is vacant and subject to the tax, then based on the number of 800,000 taxable residential properties within Toronto, it can be expected that the number of vacant homes that may be subject to the tax could range between approximately 6,400 and 9,600 homes — but nothing can be accurately determined at this time."

However, Bell says a tax must also apply to speculation and extend well beyond the borders of Toronto, as the housing crunch expands farther into southwestern Ontario.

The province says since 2017, the Ministry of Finance has had a 15 per cent non-resident speculation tax in place on residential purchases in the Greater Golden Horseshoe region by non-citizens or permanent residents of Canada or by foreign corporations.

The most recent figures available show this tax provided the province with $44.9 million from April 1, 2020 to June 30, 2020.

But Bell points out this is a one-time tax paid on the purchase price, while she is also proposing an annual fee on property that sits empty for more than six months.

"If [the Ford government] is truly committed to affordable housing they will pass my motion. This issue means as much to their voters as it does to mine," she said

Bell says a federal speculation tax on foreign buyers of residential real estate outlined in its most recent budget also doesn't go far enough, since it doesn't take into account domestic investors with vacant properties.

Starting in Jan. 2022, the federal government is applying a one per cent annual tax on the value of non-resident and non-Canadian-owned properties that are "vacant or underused."

SASKATCHEWAN

Saskatoon mayor 'very concerned' over Riversdale tax hikes

Mayor says he's investigating where and how there could be any interventions.

Saskatoon Mayor Charlie Clark says he is in discussions with other councillors and the city administration to see if anything can be done about the massive effects of reassessment on property tax bills in Riversdale.

Commercial property assessments went up eight per cent citywide, but in Riversdale it's a different story. Some businesses in the area saw an average increase of 65 per cent — 'catastrophic' hikes, according to the business improvement district.

"I remain very concerned about the fact that Riversdale is seeing a significant increase on top of all of the challenges that have happened with COVID and many of the issues facing our commercial districts," Clark said. "We are investigating where and how there could be any interventions."

Many Riversdale businesses have called on city council to institute a tax freeze until 2022.

Council has already set a phased-in approach for the tax hike, meaning half of the increase comes into effect this year and the other half comes into effect in 2022. Council had the option to phase in the increases over four years, but chose two based on the information it had at the time.

“That’s one area that council has policy levers to pull. The trick is to reverse that now, and to look at a different phase-in, you can’t look at a phase-in for one specific district, and the ball’s already rolling in the fact that people have been given their notices already for the two-year phase-in,” Clark said.

Tax assessments, which are key in determining property taxes, are legislated by the province, giving council few options to step in, he added.

“The challenges we’re hearing echoed in Saskatoon, I’ve been hearing from other mayors very concerned about how this four-year assessment cycle and the complicated and formulaic way these assessments happen can create these swings and these hardships for their local businesses,” he said.

“There are a lot of challenges and it’s not working in a lot of situations, so this is something I plan to continue to bring forward to the provincial government.”

Taxes were due on Wednesday.

A wild and woolly property tax ride lies ahead for Saskatoon

City hall administration has proposed property tax increases of 5.96 per cent and 5.42 per cent for the next two years.

Saskatoon residents got to bask in the glow of the lowest property tax increase in 15 years for nearly seven months.

Now, perhaps predictably, a dark shadow has materialized.

In December, a newly elected city council voted to slash the approved 3.87 per cent property tax increase for 2021 to 2.83 per cent to reflect the difficult economic times brought on by the pandemic.

Regina city council, by the way, went even lower with a 2.34 per cent increase in 2021.

Saskatoon city hall is now pitching property tax increases for the next two years and the future looks bleak.

The administration and council have embraced a two-year budget approach, which doubles the blow when it’s bad news.

The administration is proposing a 5.96 per cent increase next year and 5.42 per cent in 2023.

Saskatoon has only endured one higher increase so far this century than the one pitched for 2022, and only two higher than the one proposed for 2023.

Back to back, these would represent the highest consecutive property tax hikes since 2014 and 2015, when council backed increases of 7.43 per cent and 5.34 per cent.

Those substantial increases were intended to fix the city’s decrepit road network, but roads continued to top the list of residents’ concerns in city surveys for years afterwards.

The increases proposed for the next two years feel different. They come as the city, the province, the country and the world emerge from the devastation of the COVID-19 pandemic.

Many people and businesses are looking forward to the next two years as a time to recover, not a time to expand government.

The Greater Saskatoon Chamber of Commerce has already urged council to keep any increase to within half a percentage point of inflation to avoid stalling the city's economic recovery.

The chamber regularly weighs in on the city's budget, but rarely does so this early in the process and with such specific recommendations.

City hall should implement a temporary hiring freeze and consider deferring spending, the chamber urges.

With Canada's inflation rate rising to 3.6 per cent — the highest in a decade — an increase of half a per cent would mean a 4.1 per cent jump that many would still find unpalatable.

If you ever needed proof that city hall bureaucrats live in a different world than the rest of us, you'll never find better evidence than these tax hikes amid a pandemic.

Politicians, conversely, must face the electorate every four years, so they have to at least keep a foot in the real world.

Council voted this week to send the budget back to the bureaucrats to find more savings.

These increases are driven mostly by the desire to maintain city services at their current levels: 4.82 per cent in 2022 and 4.58 per cent in 2023.

Those already substantial jumps are further increased by proposed new spending on enhanced transit service, referred to by the city as "bus rapid transit," and an organic waste collection program.

The organic waste program, which is supposed to launch for single-family homes in 2023, requires far more substantial spending than transit over the next two years.

Pressure will build to defer the organics program, which is intended to help improve Saskatoon's dismal record on diverting material from the landfill.

But the tax increases represent just one issue. The other lies beyond the jurisdiction of city hall.

The Riversdale Business Improvement District is sounding the alarm over "catastrophic" property tax hikes of 65 per cent on average and as stratospheric as a ridiculous 700 per cent.

Saskatchewan's antiquated system for evaluating property values for tax purposes regularly results in massive swings in value — if you can call every four years regular.

Alberta and British Columbia assess values every year, shielding residents and businesses from these wild swings.

Unfortunately, there seems little political will to change the four-year assessment cycle in Saskatchewan, not even from a provincial government that purports to support business.

That leaves city council to struggle with how to move forward in a post-pandemic environment. It promises to be a wild ride, and maybe an expensive one.

Saskatoon city administration recommends 5.96 per cent property tax hike next year

Increase amounts to about $10 a month for the average property owner in 2022

City administration is recommending a property tax increase of 5.96 per cent in 2022 and 5.42 per cent in 2023.

The recommendation now goes to the Governance and Priorities Committee (GPC) of City Council meeting on Monday.

That works out to an increase of about $10 a month for the average property owner in 2022 and another $9.70 in 2023.

"It was extremely tough for the administration," said Kerry Tarasoff, the city's chief financial officer, in coming up with a proposed budget.

"We basically cut or deferred … over $8 million in items that our administration had requested," he said.

"We went line by line — every business line and every service line and all of those key areas — and tackled the question, 'Why do we need this and can it be deferred or can you go without."

Tarasoff said if the administration hadn't found that $8 million in savings, the proposed property tax increases would be close to nine per cent.

Proposed increase breakdown

Here is a breakdown of the proposed 5.96 per cent hike in 2022:

The city needs a tax increase of 3.01 per cent in 2022 just to maintain the current levels of service, said Tarasoff.

Then there is a proposed increase of 1.81 per cent for the police, 0.27 per cent for the bus rapid transit (BRT) program and 0.87 per cent for the solid waste and organics collection program.

In 2023, the city needs a tax increase of 2.81 per cent in 2023 to maintain current levels of service; a proposed increase of 1.77 per cent for police, 0.03 per cent for the BRT program and 0.80 per cent for the solid waste and organics collection program.

"The city's expenditure increases are driven primarily by growth and inflation," Tarasoff said.

COVID-19 impact not included

Tarasoff said the proposed increase does not include the expected short-term impacts from COVID-19.

The city estimates the fiscal impact from the pandemic will be $16.8 million in 2022 and $10 million in 2023.

To bridge that gap, Tarasoff said the city will have to reduce spending even more or get extra one-time funding from the province or the federal government.

"Over time hopefully those (COVID impacts) start getting phased out, but COVID is going to have a long-term impact on our budgets for probably at least five, or maybe even more, years."

City administration is giving budget recommendations for the next two years.

It's doing so because in 2019, council adopted a multi-year business plan and budget policy.

It instructs the administration to estimate expenditures and revenues required to maintain existing services, including committed costs and administrative priorities for the next two years.

Tarasoff said this budget recommendation is just the first step in a long process and could change.

City council will finalize the 2022-2023 budget during deliberations on Nov. 29, 30 and Dec. 1.

Commercial property tax changes being phased-in

The City of Yorkton will be phasing in changes to commercial property taxes caused by the recent provincial reassessment.

These property assessments are based on information such as property sales, building permit information, cost information, as well as income information obtained by SAMA through its income verification process, explained Ashley Stradeski – Director of Finance with the City at the regular meeting of Council Monday.

"While the City is not increasing the tax it's collecting this year, we do recognize that property revaluations can have an effect on how much tax a property owner can pay, sometimes significantly. To offset this, we are proposing a Commercial Property Tax Phase-in to offset the volatility that could be experienced due to the revaluation," explained his report circulated to Council.

In order to do a phase-in of tax changes, we had to come up with some criteria as to who we are phasing in and why. In analyzing criteria, fairness to all commercial property owners was one of the main factors, and as such we are recommending that we phase-in all tax changes for all commercial property owners over a 3-year period, explained Stradeski.

This will have the impact of reducing any change to taxes from prior year for property owners by two-thirds in 2021, one-third in 2022, and the full effects in 2023, the third year.

This will affect every single commercial property, though many will not be materially affected; for example, if a property owner's taxes were only going to change by $15, they will still have this phased in, noted the report.

"The phase in works for all commercial properties, regardless of whether the impact of the revaluation would be an increase or a decrease in taxes – this must happen for it to be a net zero to the City's revenues. If this is not net zero, then the City would have to raise its general rates, and we would be effectively shifting taxes from higher value properties to lower ones," it stated.

P.A. property revaluation leads to big tax bills for some

Some Prince Albert property owners—residential and commercial—are not happy about big increases to their property taxes. However, the city is reminding residents the fluctuations are due to the revaluation process that happens every four years in accordance with provincial law.

Meanwhile the mayor says such revaluations should happen every two years to help minimize some of the large fluctuations that are being seen.

"We'll be on the government to get them to move revaluations to every two years because of the swing," he said.

paNOW has heard from residential and commercial property owners who said their tax bills have skyrocketed. One person said their annual tax bill had jumped $500 while another said theirs had doubled. Another said they were reluctant to complain because other residents on their street faced even higher increases and they didn't want to draw more attention to things.

No extra money going to city

The mayor—who acknowledged he and councillors have been getting complaints from residents and business owners—said it's important the public knows the city does not make any additional revenue from the revaluation and assessment process.

"It is revenue neutral. We get no additional taxes from reassessment," Greg Dionne told paNOW. "As many that go up, the same equal amount goes down. So, it balances itself."

The city said a factor in the changes to people's tax bills is their assessed property value and how each property's value has shifted in the last four years. The 2021 assessments reflect property valuations as of January 1, 2019.

However, Dionne sympathized with some who received their increased January property assessment not realizing the full impact it would have on their tax notices in late May. Assessments can be appealed, but that must be done before the end of March.

The city explains the assessment process on their website.

"To arrive at updated values, we examined the sales transaction information in the city," said Vanessa Vaughan, City Assessor for the City of Prince Albert. "Based on the data, there are certain areas in higher demand which means properties held value or increased value. Other areas where sales were lower saw their assessment value drop. These types of trends over the past four years have translated into property tax increases for some and decreases for others."

The city further explains: if a property increased in value there will be an increase in property taxes. In some cases, properties decreased in value but may still experience an increase in property taxes. In these cases it is because the drop in value of that property was less than the drop in value of properties in other areas of the city.

Anything more than $35 base tax is revaluation

Dionne pointed out, apart from the $35/property base tax, the city will not receive more revenue from taxes this year.

"The base tax will generate funds for four new [police] officers, but that's all the city will receive for new funding this tax year," he said. "Those that pay more than an additional $35 to the city are experiencing an impact due to revaluation."

In the meantime, he said he would be speaking with council quickly in reviewing the commercial taxation formula, as he'd heard of some businesses facing 'high double-digit increases.'

"I want to focus on commercial because we already do have high commercial taxes and I want to attract more commercial businesses to our city," he said. "And we can't do that if we have high taxes."