IPTI Xtracts

Property Tax and Assessment News from Around the World

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BRITISH COLUMBIA

Vancouver senior slapped with empty homes tax when renovations were delayed due to pandemic

An 89-year-old woman who has been renting out a Vancouver apartment for 27 years, has been told by the City of Vancouver that she owes more than $5,000 in empty homes tax.
When the senior's tenant moved out in December 2019, she decided to renovate the home on Hamilton Street before renting it out again. The kitchen was 30 years old.

But she didn't know then that the renovations would take a lot longer than expected due to pandemic setbacks.

New countertops, cupboards and appliances were ordered. The old kitchen was ripped out, "and then everything went sideways," said her son Greg Jacklin, who helps his mother manage the apartment.

The family estimated the renovations would take eight weeks tops, but delays due to COVID-19 lockdowns and labour shortages saw the upgrade take almost a year.

What's more, some items were stuck at facilities on the prairies, trapped by railway shutdowns. When the items finally arrived, the wrong boxes had been sent.

As the months passed, the bills piled up and nobody was paying rent.

"Every retired widowed school teacher can use some cash," said her son.

Each year, Vancouver homeowners are required to declare whether their properties are empty. If they are, the owner may be charged 1.25 per cent tax. The empty homes tax is designed to make finding a place to rent easier, and force speculators to rent their homes.

Greg Jacklin told CTV News they declared the apartment empty, because it was. It couldn't be rented in its current state.

"I wasn't going to lie, because I didn't want anything to come back at us," he said. "The unit was empty, there's no kitchen so we couldn't rent it out."

Despite pleading their case, the City of Vancouver's tax department didn't back down and told her she owes $5,152.06. Jacklin even appealed the decision, and argued extenuating circumstances, but that plea was also denied.

"You know you get to a point where are you were just tired of the whole thing," Jacklin said. "My mother at 88 years old did not suddenly turn into a real estate speculator."

A spokesperson for the city told CTV News tax exemptions are sometimes made for owners with building permits.

But Jacklin was renovating a kitchen. A permit isn't needed for that.

Today the Hamilton apartment is looking brand new, and a new tenant has finally moved in.

Province appeals ruling that exempts new property tax on Musqueam-led housing project

It's believed to be the first time the province has intervened in a Property Assessment Appeal Board decision.

The province has appealed a ruling that exempted a new property tax on a Musqueam First Nation housing project on the University of B.C. Endowment Lands that could benefit other developers.

It's believed to be the first time the province has intervened in a Property Assessment Appeal Board decision.

An appeal board ruling three weeks ago overturned $2.2 million in additional taxes levied by the province on property where the 1,200-unit Musqueam housing project is being built. The additional school tax — called the AST — was introduced in 2018 by the B.C. NDP government as a surcharge on residential properties valued at more than $3 million and meant to raise money to help address B.C.'s housing crisis.

However, the appeal board ruled it wasn't appropriate, and was counterproductive to apply the tax to residential property under development, particularly for those that included rental housing at less than market rates, as was the case for the Musqueam project.

It was the board's first decision on applying the AST to this type of property.

The B.C. Assessment Authority — which sets property values for tax purposes — is also appealing the board's decision.

Both appeals will be heard in B.C. Supreme Court, but the province and assessment authority, as a first step, have filed reasons for an appeal with the appeal board itself.

Board officials said those reasons aren't public documents until they're filed in Supreme Court in the coming weeks but noted that appeals of the appeal board's decision can only be made on a point-of-law. As such, the Supreme Court proceeding will not be a complete rehearing of the property assessment appeal decision.

In a written response to Postmedia News's questions, the B.C. Ministry of Finance said the appeal board's ruling suggests that identical language in one act can mean something different in another act.

"That has implications beyond this particular case," Finance Ministry spokesman Sonia Lowe said in an email.

The Finance Ministry called the province's appeal and the assessment authority's appeal complementary but separate, saying the assessment authority's role as regulator is different than the role of government as a maker-of-law.

"There are different issues and questions of law that may apply," said Lowe.

The decision could have implications for major property owners and developers who also are subject to the AST while properties are under development. Potentially tens-of-millions of tax dollars are at stake, a cost developers say will be passed onto buyers or renters if the AST is imposed on projects under development.

Paul Sullivan, a Vancouver-based property tax agent who co-ordinated the Musqueam appeal and is involved in handling appeals for dozens of other properties, said he was disappointed that the province was challenging the assessment appeal board's decision. He said he believed it was the first time the province had taken such action, as usually the assessment authority handles such matters on its own.

"In a province with a chronic, affordable housing problem, we should be focused on solutions rather than wasting time and taxpayer resources on two government departments simultaneously fighting housing-cost reductions," said Sullivan, a regional leader with global tax firm Ryan LLC.

Musqueam Capital is developing an eight-hectare property into a multi-phase project with 1,200 housing units averaging 1,000 square feet each, including rental and affordable housing, plus retail space, a community centre and a daycare.

The combined assessed value of the three parcels where the development is being built is more than $280 million, with most classified as residential. Musqueam Capital has already paid its regular property tax for the lands, but took issue with the AST, which was first applied in 2019.

Super tax on developer shot down by appeal board

B.C.'s Additional School Tax on expensive residential land dismissed as "counterproductive" for UBC condo and rental project

In what could set a precedent for residential development in Metro Vancouver, the Property Assessment Appeal Board has ruled that the Additional School Tax (AST) being levied on a market and rental housing project near the University of British Columbia (UBC) by Musqueam Capital Corp. is "counterproductive" and should not apply.

Ryan Property tax experts Paul Sullivan and Ryan Tung, who quarterbacked the successful $2.2 million tax appeal with their legal team, welcomed the ruling's finding that it would be "contrary to the objective of the AST if it is imposed while the housing is in the process of being developed."

Started in 2019, the AST is applied on the portion of the net taxable value of a dwelling property that exceeds $3 million. The rate is 0.2 per cent on values between $3 million and $4 million and rises to 0.4 per cent for residential property value at more than $4 million.

The tax is applied to existing residential property and most residential land that is deemed vacant.

In 2008 the B.C. government transferred land ownership of a 21-acre site, along with University Golf Course, to the Musqueam as part of a reconciliation agreement with the First Nation.

The 21-acre site, valued at nearly $300 million, is now undergoing construction as part of a 20-year phased residential and retail project, known as Lelam Village, that will deliver 1,200 condos and rental units. The site is within the University Endowment Lands just east of the UBC campus.

Sullivan noted the Musqueam project plan took years to get through the approval processes of various governing bodies, including the provincial government. A rezoning application was submitted in December 2013. Three years later, the rezoning application was granted. A subsequent building permit was issued in November 2019.

"So six years later, they could actually start putting shovels in the ground," Sullivan said.
One of the key issues on appeal was the definition of "no present use" under two separate pieces of legislation, the Assessment Act and the School Act. Amir Kaboodani, a senior appraiser with BC Assessment felt "construction of the foundation" was the only appropriate definition to qualify for tax exemption.

However, the appeal board disagreed, noting significant construction-related development work had already occurred, citing the rezoning application, significant financing and security in place, lot clearing and fencing, as well as work on water, sewer and hydro needs, for a total of $25 million spent on hard and soft costs.

"The ordinary meaning of the term: "no present use" in the context of section 117.1(1)(a) of the School Act cannot include land that is under development," the decision noted.

The August 25, 2021 Property Tax Appeal Board decision, added that "the development process is indispensable to the creation of residential properties that will then address the housing crisis."

Stephen Lee, CEO, Musqueam Capital Corp., praised the panel decision. "The Appeals Board ruling supports our ongoing efforts in not only bringing much-needed residential development, but of equal importance, supports Musqueam's economic development without counterproductive taxation measures."

All of the homes being sold at Lelam Village are leasehold property, on 99-year leases. Cedar Walk, by Polygon, the first strata complex on the site, began presales two years ago with one-bedrooms priced from around $770,000 and two bedrooms starting at $928,800.

NOVA SCOTIA

Property tax premiums loom in Nova Scotia

New surcharges proposed for out-of-province residential purchasers and owners

Nova Scotia's new provincial government is signalling looming property tax premiums for non-resident purchasers and owners. Incoming Finance Minister Allan MacMaster has been instructed to introduce a provincial deed transfer tax and to impose an additional levy equating to $2 per every $100 of assessed value for residential ratepayers who pay their income tax in other jurisdictions.

The two tasks are included in MacMaster's mandate letter, one of the series of legislative to-do lists that Premier Tim Houston recently delivered to all his newly installed cabinet ministers following the Conservative party's August 17th election victory. Plans for the new surcharges were first outlined in the new government's campaign platform, which also cited 2018 Statistics Canada estimates that non-residents own 3.9 per cent of Nova Scotia's housing stock (excluding purpose-built multifamily rental properties), a higher rate than in either British Columbia or Ontario.

"There is currently some legitimate concern that many properties are being purchased by non-residents, who may or may not plan to spend time in those properties," the platform document states. "We will impose a new tax and property levy for buyers who do not pay income tax in Nova Scotia. These fees will limit purchases from non-Nova Scotia income taxpayers and, for those who do purchase, will bring in an added regular stream of revenue for the province."

Some observers hypothesize the latter consideration is the more pressing motivation. It has been reported that Houston foresees collecting about $150 million annually, which could help offset the costs of other tax-related campaign promises. Those include a provincial income tax exemption on the first $50,000 of earnings for construction workers under the age of 30, and a pilot five-year 50 per cent rebate on provincial corporate taxes if companies pay the savings back to employees through new hires or salary increases.

"There is always commentary around potential changes in tax revenue or potential new opportunities for tax revenue. I think there's been an especially high emphasis on that kind of thing given the pandemic and given the financial situations of governments and municipalities," observes Ryan Hartlen, a real estate broker with RE/MAX Nova in Halifax. "A hot real estate market has contributed to the idea that not only would this probably be a pretty healthy amount of money, but it would probably be more acceptable for voters."

Clarity lacking on targeted residential ratepayers

The proposed provincial deed transfer tax would be added on top of the one-time municipal deed transfer tax that all new purchasers submit to their applicable local government at rates varying from 0.5 to 1.5 per cent of the property sale price, depending on the municipality. Directions to the Finance Minister refer broadly to imposing the proposed new property levy on "every non-Nova Scotian taxpayer held property" although it has thus far been framed only as a measure to dissuade non-resident investors from speculating in the homebuyers' market.

"Under the assessment legislation, residential property is a broad category that covers not only single-family homes, but also residential rental properties of all sizes, manufactured home communities and seniors housing," explains Giselle Kakamousias, vice president, property tax, with the Atlantic Canada real estate advisory firm, Turner Drake & Partners. "We trust that in the details (of the legislation) the new government will target the taxes appropriately vis-à-vis its stated objective of improving affordability."

"On the commercial side, there is a significant amount of investors that own real estate under holding companies outside of Nova Scotia. These companies (if included) would have to undergo additional cost to transfer their holdings into Nova Scotia holding companies," advises Mathieu Maillet, senior director, property tax, for Altus Group in Atlantic Canada. "The proposal does nothing to promote investment and growth in our province."

Hartlen estimates 20 to 30 per cent of the transactions he conducts are for out-of-province buyers from elsewhere in Canada and beyond. Many are former Nova Scotia residents with plans to return in the future. He suggests they'll more likely react to an additional deed transfer tax, which will be immediately added to closing costs, than a property tax bill they may not receive until months after they've taken ownership, particularly if they are paying steeper property taxes on a principal residence elsewhere. There's also a possibility that Nova Scotia-taxpaying short-term tenants could take on the burden.

"It could have the undesired impact of decreasing affordability in the instance where out-of-province developers and investors simply pass the additional tax onto the end-user," says Neil Lovitt, vice president, planning and economic intelligence, with Turner Drake & Partners.

Meanwhile, given that non-resident purchasers face much higher land transfer tariffs in Vancouver (20 per cent) and Toronto (15 per cent) than the 5 per cent provincial deed transfer tax proposed in the Conservative campaign platform, he calls it a somewhat dubious deterrent on purchasers intent on speculation. Additionally, Vancouver is set to increase its vacant unit tax to 3 per cent on assessed values that are typically much higher than in Nova Scotia.

"To date, we have seen no analysis on this, but suspect they (the surcharges) will do a better job of raising funds than materially affecting market trends," Lovitt submits. "It may have an impact in rural areas where out-of-province buyers are more likely to own recreational properties and not have Nova Scotia addresses."

Fallout expected for recreational property owners and host municipalities

There's general consensus that recreational property owners and the municipalities that host them will be hardest hit. Hartlen foresees a double-whammy of the new tax premium in step with upward spiking property values as assessments catch up with recent market trends.

"On certain properties, once you get to sizable value, it's going to be a pretty heavy tax for some people. The worry is, what does it do to the people who have family cottages here? You're going to have some people decide they're not going to own those properties here anymore, especially if they can find similar type properties in other parts of Atlantic Canada," he projects.

The Nova Scotia Association of Realtors (NSAR) reports an average residential sale price of $442,000 in Halifax in August 2021, a 19 per cent gain over August 2020. Although the average sale price was more modest, even greater year-over-year increases of upwards of 35 per cent were recorded in the Annapolis Valley, the Highland

Region and Yarmouth. The 2021 RE/MAX Recreational Property Report pegged the average sales price of waterfront properties in the Halifax vicinity at about $698,000 during the first four months of this year, which, at the proposed rate of $2 per $100 of assessed value, would equate to almost $14,000 in extra annual property taxes for out-of-province owners.

“NSAR and our members believe this tax will be detrimental to out-of-province owners, many of whom are seasonal property owners and contribute significantly to economies of the communities they own property in,” says Roger Boutilier, the association’s chief executive officer.

“Residential tax rates in smaller municipalities would be significantly impacted and rendered non-competitive for outside investors, and a number of rural communities depend on out-of-province residence economic activity,” Maillet concurs.

The new premier has yet to announce the date for his government’s speech from the throne so there is still no indication of when the legislation may be introduced. The Finance Minister’s mandate letter states only that it is to be within the next four years.

Barbara Carss is the editor-in-chief of Canadian Property Management.

ONTARIO

MPAC to look over improvements at properties with new water pipes

Homeowners who took out building permit should expect call from MPAC

Homeowners in Thunder Bay, Ont., who had to replace their copper pipes because of pinhole leaks, may get a call from the Municipal Property Assessment Corporation (MPAC).

The agency, which is tasked with providing property assessments throughout the province, gets a list of all of the building and plumbing permits issued by the city. The agency then determines if the work performed on a property is worth a follow-up, and perhaps, a reassessment.

"MPAC will then look at those actual permits, and determine if we need to do an inspection, follow up with the owner, and then assess any of those improvements to the property," said Mary Dawson-Cole, a regional manager of municipal and stakeholder relations with MPAC.

"Sometimes just because someone says that it's plumbing, there could be renovations associated with a plumbing permit. Maybe they've taken out the permit because they're going to do a full remodel of a bathroom or a kitchen, or potentially both and sometimes it's just they're changing pipes."

"If it's just a pipe change, or a minor change, of course that wouldn't necessarily mean a change in the value of their property assessment."

Dawson-Cole added that the replacement of pipes, along with improvements to the home itself, could trigger a reassessment.

She said the agency will likely follow up with many property owners who have taken out permits, although that doesn't mean a reassessment will automatically happen.

Toronto's plan to give small businesses a tax break is a good idea with one big problem

THE BIG NUMBER - $15,000

The approximate expected reduction to the annual City of Toronto property tax bill that come could for small businesses if Toronto council adopts a new, lower property tax rate for small business.

A challenge: define "small business."

Seems easy enough, right? Everyone can do it when using specific examples.

A big grocery store like Loblaws or Whole Foods? Obviously not a small business. But the tiny market on the corner? Definitely a small business.

The brewery in the laneway selling baseball-themed beer? Small business, no doubt. The chain restaurant hocking margaritas in fish bowls? Duh, of course not.

But consider the task of developing a general definition of "small business." What qualities do all small businesses share? Drawing objective, broad distinctions gets really complicated.

Don't just take my word for it. Ask the City of Toronto's Revenue Services division. They've spent the summer following a direction given to them by Mayor John Tory and Toronto council to come up with a strategy for implementing a new, special property tax class that would apply to small businesses, and give those businesses a break on their tax bill.

As ideas go, it's a really good one. Small businesses in Toronto have suffered greatly during this pandemic.

And indeed, as city hall staff have held meetings with representatives from Toronto business committees, the level of support has been overwhelming.

At a meeting held on Aug. 18, 100 per cent of those in attendance supported the idea. A presentation from the meeting indicates that the tax reduction for small businesses could be between 7.5 per cent and 15 per cent, which could save some small businesses up to approximately $15,000 per year. A nice chunk of change.

But the specific definition of a small business remains a thorny issue. The city is actively considering three major criteria that could be applied.

First, there's location. The city could give the "small business" designation — and tax break — to storefronts along main streets, for example, but not necessarily to businesses in malls and shopping centres.

But maybe it would be more fair to do it based purely on lot size. Perhaps small businesses could be defined as businesses with less than, for example, 10,000 square feet of space. City hall is looking at that, too.

Or maybe you go based on the value of the property the business is using. If the property is worth less than $1 million, or whatever the threshold is set at, maybe that's what makes a business truly "small"?

An official "small business" definition for Toronto is expected to come this fall, subject to approval by Tory and city council. It could be a combination of some or all of the criteria. But every solution has its challenges.

Basing the definition on location could leave out the many strip-mall businesses in Scarborough and Etobicoke. The square footage definition isn't ideal, either. Retail stores operated by brands like Apple and Tiffany & Co., which generate some of the highest revenue per square foot in the world, are often not big-box behemoths. Does Toronto really want a system where those retailers could be classified as small businesses and get a tax break?

SASKATCHEWAN

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City of Regina COVID-19 recovery fund down to $1.8M

The COVID-19 pandemic continues to take its toll on the City of Regina's finances, but a report to go before council on Wednesday says it is "effectively managing its operations within the current economic climate."

The city's 2021 general operating fund is projected to have a year-end surplus of $3.3 million "as a result of expenditure savings implemented to manage the impacts of the pandemic," according to the 2021 Mid-Year Financial Report.

In 2020, the mid-year financials forecasted a $5.1 million deficit to the general operating fund "primarily due to the negative financial impacts of the COVID-19 pandemic."

The utility operating fund surplus is projected to be $3.5 million at the end of 2021. Administration says this is largely due to increased water consumption because of dry weather.

Last year, the utility operating fund was forecasted to have a surplus of almost $6 million, according to the 2020 mid-year report.

The projected general capital spend is $185.8 million and the projected utility capital spend is $57.4 million for 2021. There is currently $308.4 million available in the city's general fund. This will result in an approximately $122.6 million carried forward into 2022. With $174.7 million in the capital utility fund, the city anticipates to carry forward $117.3 million into 2022.

In 2020, the city projected $131.8 million in general capital spending for the year and $38.9 in utility capital spending.

Transit is expected to take the biggest revenue hit in 2021 with a projected loss of $5.9 million, according to the mid-year report. In second place are recreation fees and charges, at a loss of $3.5 million. A little under $2 million in parking revenue is expected to be lost and $475,000 in amusement tax.

But, according to the report, the anticipated revenue losses due to COVID-19 are to be within the $12 million drawn from the city's COVID-19 recovery fund to realize the 2021 budget.

In 2020, revenues were expected to be significantly below the approved budget by $17.9 million, with transit and recreation fees also accounting for the most major losses, according to the 2020 mid-year financial report.

"In addition to the impact of the pandemic on revenues, the City is projecting a reduction in property tax revenues and investment income," says the report.

The city also expects property tax revenue will go down due to assessment appeals "stemming from the revaluation of property assessments." It is expected to drop by approximately $1.3 million. Investment income is also expected to be $2.2 million below budget due to current low interest rates.

How the city is compensating

A COVID-19 reserve fund was established in 2020 to help the city recover from the pandemic. As of June 2021, there was approximately $15.9 million in the fund, much of that thanks to approximately $16.3 million in senior government funding received last year. Only $418,000 was used in 2020, with the rest set aside to offset COVID-19 impacts that continue in 2021.

Due to $12 million drawn from the reserve to help fund the 2021 budget while keeping the mill rate low and other financial commitments, the fund now sits at approximately $1.8 million.

"Overall, the projected reduction in revenue is offset mainly by the approved use of COVID19 Recovery Reserve funds and savings in salaries due to the hiring freeze, a measure initiated in 2020, which continued until the end of the first quarter of 2021," says the report. "The MidYear 2021 Financial report projects the City will maintain a balanced operating budget."

To address the forecasted deficit in 2020, council approved adjustments to service delivery, expense reduction measures and the deferral of $7.2 million of capital programs and projects with the funding to be redirected to offset operating deficits created by the pandemic.

Important to note

The forecast is unaudited and is a point-in-time projection of the expected results for the city, said the report. It tends to vary from the final year-end results due to several variables like the financial impacts of COVID-19 and related public health orders, changing supply costs and weather conditions.

"Administration has used the best information available to predict the outcomes to the end of the year," said the report. "Administration will continue to monitor and manage the financial needs in the current year and look for opportunities to meet the challenges over the long term."

The report is on the city council agenda for Wednesday where council members will have the opportunity to ask questions of administration. However, no action is required, except to receive and file the report.