IPTI Xtracts

Property Tax and Assessment News from Around the World

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CONTENTS

PROPERTY TAX RATE BALANCE TILTING FURTHER AGAINST COMMERCIAL PROPERTIES, REPORT FINDS

The gap between commercial and residential property tax rates in Canada is growing, according to a joint study from Altus Group and the Real Property Association of Canada.

The 2022 Canadian Property Tax Rate Benchmark Report, which was released on Wednesday, found that seven out of the 11 major cities surveyed have a commercial tax rate that is more than double the residential tax rate.

Overall, the average commercial-to-residential tax ratio in 2022 was 2.80, reflecting a slight increase of 2.42 per cent from the 2021 average ratio of 2.73. The rise in the average ratio was largely driven by the ratio increases in Calgary, Edmonton and Halifax, ranging from 6.5 per cent to more than 10 per cent.

All property owners across Canada pay tax based on the assessed value of their property, but the tax rate per dollar of property value varies depending on whether that property is used for residential or commercial purposes.

According to Altus Group, the results raise questions of inequity in the distribution of the tax burden that could weigh on the economic recovery.

“The post pandemic market is incredibly volatile, and governments need to be proactive to address the value shifts without increasing inequities between commercial and residential taxpayers,” Kyle Fletcher, president of property tax for Canada at Altus Group said.

“There are two factors that drive property taxes — assessed values and municipal revenue requirements. To achieve equitable taxation and to support economic recovery, governments like Ontario’s need to embrace more frequent reassessment to keep up with market changes, and municipalities need to move away from policies that shift a greater portion of the tax burden to commercial properties.”

The disconnect of property assessment values from recent market conditions is evident in Ontario’s 2022 and 2023 property tax assessments, for example, which are based on the January 2016 real estate market.

Out of the major Canadian cities researched, the report said Toronto stood out as it continues to move towards tax equity. The city has done so by increasing the tax rate for residential properties by a higher percentage than commercial. As a result, the commercial-to-residential ratio has dropped by 2.42 per cent to 3.36 — the most substantial reduction in the analysis. However, delays in Ontario’s reassessment drive concerns about future tax treatments.

Montreal on the other hand reduced both residential and commercial tax rates in 2022, but a greater reduction to residential resulted in a ratio increase of 1.08 per cent to 4.21, continuing a four-year trend of posting the highest commercial-to-residential ratio of all cities surveyed.

Calgary and Edmonton straddled the average ratio, with Calgary at 3.07 (a 10.27 per cent increase over 2021) and Edmonton at 2.68 (a 6.5 per cent increase) and posted two of the three highest ratio increases for 2022. In those cities, reductions in commercial assessment bases have led to increases in the commercial tax rates, while residential rates either increased at a lesser rate or decreased.

To blunt sudden or significant increases in tax burdens, provincial and local governments have implemented tax mitigation tools such as assessment phase-ins, tax rate adjustments, capping or rebate programs, but those can create their own problems.

“The challenge with tax mitigation tools is that for every property that benefits, another property must subsidize those benefits,” the report said.

ALBERTA

Apples to oranges? Comparing municipal tax rates in Alberta

A person in Lethbridge says they pay a certain amount of property taxes on their house while a friend in Calgary pays less for a home with the same value. They’re unhappy about it and wonder why.

The matter of property tax comparison came up at a recent Economic Standing Policy Committee meeting of city council during preliminary budget discussions about the potential tax increase that residents could face in the next four years. Councillor Jeff Carlson brought up the subject when he said he’d heard questions from residents wondering why they pay more here for property taxes than people in Cowtown who have homes of the same value.

City treasurer Darrell Mathews told Carlson a house of a median value between $300,000 and $400,000 here could be higher elsewhere in Alberta. The average value of a home in Calgary, for instance, is $500,000, comparable to $310,000 for the same home here.

An initial estimate is that the base budget tax hike could be 3.77 per cent annually from 2023-26 which amounts to an annual increase of about $94 per residence in Lethbridge. Council will be doing its final budget deliberations in November.

The base budget is the money that’s required by the City to maintain current service levels.

According to the City, Lethbridge is $177 below the provincial average when the total annual property tax on a median single value home across 21 other comparable provincial municipalities is considered.

In response to a question about the comparison of taxation rates, the City of Lethbridge told The Herald this week that comparing rates among municipalities isn’t as straightforward as people may think.

Simply comparing mill rates doesn’t address other matters – taxation is highly dependent on the level of services provided to residents which varies among municipalities, says the City.

Third-party operational reviews of the City of Lethbridge have shown that Lethbridge “has been observed to have a higher service intensity relative to other mid-sized Canadian cities.”

To calculate a mill rate, all municipalities use this formula: Total property taxes needed divided by total assessment equals the mill rate.

“The correct comparison is to take the average home value from each municipality and multiply by the mill rate to compare the total taxes paid on an average value home,” says a response from the city.

“Normally, the tax rate is expressed in mills (dollars in tax paid per thousand dollars of assessed property value) or sometimes as a percentage of the property’s assessed value. For example, a tax rate of 1.5 per cent on a home valued at $100,000 would require the payment of $1,500 in annual property taxes,” says the City on its website.

According to online personal finance encyclopedia wowa.ca, which has a tax calculator for Alberta, Lethbridge ranks third behind Camrose and St. Albert with the highest annual property taxes for a home valued at $500,000. According to that website, the property taxes on such a home here in 2022 is $5,454 which trails Camrose at $5,511 and St. Albert at $5,552. Calgary is at the bottom with a tax rate of $3,575.

According to recent data, Calgary has 521,257 houses. The most recent data The Herald could find for Lethbridge from Statistics Canada shows this city has a total of 22,330 single detached houses. There are also 2,125 semi-detached homes here and 2,050 row houses. The total occupied private dwellings by structural type of dwelling is 35,625.

The 2022 residential property tax rate in Calgary is 0.714980 per cent. The 2022 residential property tax rate in Lethbridge, according to wowa.ca, is 1.090840 per cent.

Derelict homes may face three-times property tax rate in Edmonton

Edmonton is taking another step toward cracking down on derelict buildings by potentially taxing rundown homes three times the current rate.

On Friday, the community and public services committee tasked city staff with drafting a new tax subclass for rundown homes and ways the bylaws can be changed to target them. Focusing on homes deemed unfit for habitation by Alberta Health Services (AHS), this would impact around 108 residential properties in the city — commercial buildings aren't included.

City staff will also look at creating a program to incentivize repairs in a so-far undefined area of the city, such as a grant-back program that would partially refund the affected property owners the difference between the higher and regular rates after fixing the problems.

Mayor Amarjeet Sohi told councillors he's happy with the work being done in tandem with the fire department to crack down on problem properties, and he knows this is an issue for residents like those living around 118 Avenue.

"From my perspective, we should have zero tolerance for derelict properties and we should be getting (more from) these slum landlords. This will allow us another tool that we need to get this work going."

Coun. Ashley Salvador said this has been a long-standing challenge across the city including in Ward Métis: "I think this is an absolutely worthwhile cause to explore."

Ward Karhiio Coun. Keren Tang said she saw some derelict buildings and empty storefronts "adding to the blight Downtown" years ago, and she's glad the city is taking action now.

"I'm also excited that, as a city, we are at the forefront of this, potentially setting examples and supporting other municipalities if they're dealing with similar issues," she said.

What is a derelict property?

Committee members landed on a narrower definition of derelict residential properties from among a list of options.

This approach, councillors heard, relies on AHS orders placed on land titles which are relatively easy for assessors to find and include in a new tax subclass. However, this also means fewer properties would make the cut meaning it could be less useful, and homes that appear in shape from the outside but have other issues, like a pest infestation, will also be included.

The broader approach, impacting around 388 properties, would have defined "derelict residential" property where a home shows serious signs of neglect, is dilapidated, falling into significant disrepair or is uninhabitable, including buildings that are abandoned, partially or fully boarded up, or have been issued AHS orders.

But city staff warned this could have unintended consequences and requires more staffing. There could also be legal challenges because the definition of “unoccupied” isn’t clearly laid out in provincial legislation.

“It would likely catch more properties than may be intended, however, it does have the advantage of providing an incentive for redevelopment, particularly if it is introduced in tandem with a grant-back program,” Cate Watt, assessment and taxation branch manager, said during the previous committee meeting on Wednesday.

Councillors also heard that going after non-residential properties would be difficult for several reasons, including limitations of the city’s current tax assessment software that would be very expensive to upgrade.

Edmonton’s community property safety team pilot is also continuing until next October.

The team uses an escallating enforcement model to order property owners to secure vacant properties at their expense. Since April 2022, eight properties given such orders have been demolished, and two have been renovated and are legally occupied. In total, 39 properties deemed “high risk” have been secured, demolished or upgraded.

Preliminary Calgary property tax increase around five per cent for single-family detached home

A Calgary single-family homeowner seeing the median increase in property value this year would see their property taxes increase by roughly $10 per month, according to a city tax assessment scenario report.

The item was presented at Calgary’s Executive committee Tuesday, and it outlined a median increase in single-family detached property value of around 14 per cent. That would mean any home that saw this increase as of the July 1, 2022 assessment date would see a roughly five per cent increase on their property tax bills.

Anything above or below the median increase in value would result in a correlative change in the property tax bill.

Condo owners, based on the below scenario, could see a property tax decrease.

In July, Calgary city council capped the increase in property tax revenue needed for this year’s budget at 3.65 per cent. Tack on the 1.35 per cent to cover costs associated with development and redevelopment and you get to five per cent.

At that time, Mayor Jyoti Gondek said if the city didn't account for inflation and population growth, the tax increase would be flat.

The substantial year over year increase in property values means that the city would over collect on Calgarians by $104 million if the 2022 municipal tax rate was kept. City admin said that would be decreased by roughly eight per cent to not "overcharge" citizens.

"The value of people's homes and their commercial properties has increased in the last year," the mayor said Tuesday.

"As a result of that the mill rate (municipal tax rate) that we have in place, the property tax rate is too high compared to what we need for the budget."

Clarity is key: Coun. Sonya Sharp

At the best of times, how municipal property taxes are derived can be complex. Especially when you're talking property assessments, tax splits, revenue neutral and mill rates… errr, municipal tax rates and the like.

That's why Ward 1 Coun. Sonya Sharp wants city administration to be clear in how they explain this to Calgarians.

She asked for elaboration on what all the tax rate scenario really means – particularly around the reduced municipal tax rate and the increase in municipal property taxes.

City assessor Eddie Lee said that it was important to show the reduced rate.

"I think we have to be also cognizant of what taxpayers will ultimately be seeing on their property tax bill," he said.

"So as illustrated in one of my slides, even though… the residential tax rate is projected to be decreasing by about eight per cent, residential property owners and single residential median property are projected to see a five per cent increase in their tax bill."

Sharp said that there will be tough decisions ahead for council as they enter budget deliberations in November. The inflation and population increase doesn't take into account potential addition for more climate measures, further transit upgrades, fire protection and most recently the Tomorrow's Chinatown project.

"I think it's also the responsibility of the council to continue to also engage with citizens and businesses to find out exactly where we should be going with this in November," she said.

The budget package will first be presented to council in early November, with a week set aside later in the month for full deliberation.

Pre-Roll Consultation Period is underway

Commercial property owners are invited to review their 2023 preliminary assessment values during The City of Calgary's Pre-Roll Consultation Period (Pre-Roll). From Oct. 3 to Nov. 4, non-residential and multi-residential property owners can review their preliminary 2023 assessment values, which are based on market values as of July 1, 2022, before property values are finalized, and assessment notices are mailed in January.

"Pre-Roll is an integral part of our commitment to continuously improve customer service and increase transparency in Assessment & Tax," says Eddie Lee, City Assessor and Director of Assessment & Tax. "Non-residential and multi-residential property owners are invited to participate, by reviewing their preliminary 2023 property assessment value, sharing new information about your property, and learning what the potential tax implications may be before these values are finalized. For residential property owners we offer the Customer Review Period which starts with the assessment notice mailing in January."

A Pre-Roll symposium will be held online on Oct. 4 to offer participants real-time opportunities to learn about the real estate market trends and data that may have impacted their assessments. During these sessions, we will share how market changes may impact 2023 property assessment values for industrial, office, retail, land & specialized property, and multi-residential property types.

From Assessment & Tax's preliminary market value real estate analysis our findings are as follows:

Non-residential properties continue to show steady resilient growth.

- Retail properties are anticipated to increase in value with growing investments and property sales over the past year.
- Industrial property values are anticipated to vary between stability and increases, with mega warehouses and newer constructed properties increasing, while other industrial properties remain stable.
- Overall, the office market is showing signs of a turnaround with an expected slight increase in values. AA class downtown office space will see significant gains however, lower quality offices continue to experience high vacancy and will see a decrease in values.
- Hotel and motel market value assessments will see a slight increase as we begin to see the recovery from the pandemic. Early 2022 market activity has become much stronger and if this continues, we anticipate higher values in 2024, renewing optimism for this property type.

For residential properties, what we are noting is:

- All residential markets are anticipated to increase in value.
- Single detached homes in suburban communities are expected to lead the way, followed by townhouse and apartment condos.
- Investment multi-residential properties are also expected to moderately increase in value.

While The City is noting these trends, assessment values may change as property owners and agents begin to exchange important and specific real estate market findings with us. We will work with owners and agents to validate real estate data before mailing the 2023 assessment notices in January.

"It's worth noting that increases or decreases in the total value of Calgary property assessments will not lead to increases or decreases in The City's overall tax revenues collected," notes Lee. "That's because the reassessment process is revenue neutral, meaning that no more and no less taxes is collected as a result of new assessments. However, each property owner's individual tax share may change as a result of the reassessment. To help property owners understand these changes we offer a tax calculator."

An important aspect of Pre-Roll is to provide commercial property owners and agents with preliminary tax information. The City offers a preliminary tax calculator on Assessment Search and on calgary.ca/prerollcalculator to help taxpayers understand their tax obligations as early in the process as possible. Pre-roll provides taxpayers, as well as Council, valuable tax planning information prior to the budgetary process.

Calgary property owners' next opportunity to check, review and compare their home and commercial property values will start on Jan. 4, 2023, when The City delivers the 2023 property assessment notices and the 2023 Customer Review Period begins.

To learn more about The City's property assessment processes, visit calgary.ca/assessment.

BRITISH COLUMBIA

Province introduces small business tax relief

The Province of B.C. is introducing a property tax relief that could potentially aid small businesses and non-profit organizations.

Through new municipal property tax rate flexibility being placed for the 2023 tax year, B.C. Municipalities will have the ability to reduce tax rates for eligible property owners. Small businesses and non-profit organizations paying high property taxes because of future development potential may see some financial relief

"Local governments have been asking for a tool to help support small businesses and non-profits in their communities under the weight of increasing costs," said Selina Robinson, Minister of Finance.

"We listened to those concerns and rolled up our sleeves. This new program will empower local governments to provide much-needed relief with an effective long-term solution that fits the individual needs of communities."

A Property Assessment Strategic Review was launched in 2019 to create long-term solutions for small businesses with respect to property tax mitigation. The tax change is an outcome of this review, replacing the Interim Business Property Tax Relief program introduced in March 2020.

"B.C.'s small businesses and non-profits are an integral part of our economy and our communities, and this is one of the ways we're helping them recover and grow," said Robinson. "I want to thank the many partners that helped us develop an effective and usable solution to this issue."

BC Assessment considers the highest and best use of a property when determining the assessed value. However, with the announced tax rate flexibility, municipalities will be able to identify properties within their community where property taxes are affected by high-density development potential. From there, the municipalities can choose which properties receive the relief and set the percentage of land that will be taxed at the lower rate.

"The Province is committed to collaboration with our local government partners to deliver programs and policies that meet the unique needs of each community," said Nathan Cullen, Minister of Municipal Affairs. "This tool will empower local governments to help non-profits and small businesses thrive."

The tax relief tool will be available to eligible properties for as long as five years, coming at a time when rising assessed values and associated property taxes are leaving some small businesses with unsustainable cost increases.

"The legislation introduced today addresses a concern that has been raised by UBCM's members," said Jen Ford, president, Union of B.C. Municipalities (UBCM). "This change enables local governments to provide tax relief for commercial properties that have seen dramatic increases in the assessed value of their land. Local governments were consulted as a part of the process of developing this legislation, and I welcome the Province's action to address this issue."

Potential tax relief on the way for B.C. small businesses, non-profits

Small businesses and non-profit organizations paying high property taxes because of future development potential may see some financial relief through new municipal property tax rate flexibility.

This support comes at a time when rising assessed values and associated property taxes are leaving some small businesses with unsustainable cost increases. This has been most significant in Metro Vancouver, where increasing density to accommodate a growing population has led to property value increases in recent years.

"Local governments have been asking for a tool to help support small businesses and non-profits in their communities under the weight of increasing costs," said Selina Robinson, Minister of Finance. "We listened to those concerns and rolled up our sleeves. This new program will empower local governments to provide much-needed relief with an effective long-term solution that fits the individual needs of communities."

Municipalities will have the ability to identify what types of properties or areas in their community are affected by high-density development potential and to provide relief to the commercial properties that need it most by taxing the assessed value of the land at a reduced municipal tax rate.

"B.C.'s small businesses and non-profits are an integral part of our economy and our communities, and this is one of the ways we're helping them recover and grow," said Robinson. "I want to thank the many partners that helped us develop an effective and usable solution to this issue."

The tax measure will be in place for the 2023 tax year, replacing the Interim Business Property Tax Relief program introduced in March 2020.

"The Province is committed to collaboration with our local government partners to deliver programs and policies that meet the unique needs of each community," said Nathan Cullen, Minister of Municipal Affairs. "This tool will empower local governments to help non-profits and small businesses thrive."

Challenges with split assessments were first identified in B.C. in 2014. The tax change is an outcome of the Property Assessment Strategic Review, launched by the Ministry of Finance in 2019, to fully assess and analyze property tax mitigation strategies for small businesses and find a long-term solution.

"The legislation introduced today addresses a concern that has been raised by UBCM's members," said Jen Ford, president, Union of B.C. Municipalities (UBCM). "This change enables local governments to provide tax relief for commercial properties that have seen dramatic increases in the assessed value of their land. Local governments were consulted as a part of the process of developing this legislation, and I welcome the Province's action to address this issue."

Quick Facts:

- The new tax relief tool is permissive and not automatically applied; municipalities and taxing Treaty First Nations can decide whether or not to implement it.
- For properties that meet the provincial eligibility criteria, the municipalities can choose which properties receive the relief and set the percentage of land that will be taxed at the lower rate.
- The tax relief tool will be available to eligible properties for as long as five years.
- BC Assessment considers the highest and best use of a property when determining the assessed value, which is a standard commercial appraisal method used throughout North America.

Learn More:

For more information about the changes to support small businesses and non-profit organizations, visit: https://workingforyou.gov.bc.ca/legislation

Rogers says assessment error cost it $2M in B.C. property taxes; judge rejects claim

Rogers Communications says a BC Assessment error forced it to pay $2.2 million more in property taxes on its fibre-optic cables than it should have, but a judge has dismissed its petition to fix the problem.

In a decision issued Thursday and posted online, B.C. Supreme Court Justice Neena Sharma declined to grant the telecommunications giant an order of "mandamus," a legal term for a ruling compelling a public body to perform its duty.

Rogers sought to compel BC Assessment to issue a supplementary roll for the 2021 tax year in order to correct errors that the company says led to its overpayment. It also alleged that BC Assessment had been made aware of the errors and refused to correct them, according to the court decision.

Sharma's decision traces the errors to a "data dump" Rogers provided to the assessor in 2019.

"BC Assessment does not – and lacks the capacity to – inspect any fibre-optic cables," Sharma wrote. "Instead, it relies on annual self-reporting by Rogers, who provides information about its fibre inventory, the lit/dark status of the cables, and any new cables compared to the previous year."

Before 2019, according to the judge, Rogers' self-reporting consisted of an update to the previous year's inventory indicating any new cables that had been added.

"What is not disputed is that, for its 2019 self-report (for the 2020 taxation year), Rogers provided a 'data dump' to BC Assessment, which included all existing fibre-optic cables regardless of year of installation," Sharma wrote. "That information did not exclude individual optical fibres within the cables owned by third parties through Irrevocable Rights of Use Agreements. Rogers submits that this reporting resulted in an overpayment of taxes that was carried forward into the 2021 taxation year."

Though the company claimed it overpaid its taxes for 2020 as well, it did not challenge that year's assessment in court.

According to Sharma's decision, Rogers provided information to BC Assessment late on multiple occasions.

In March 2021, the company inquired as to whether there was a process for amending previous years' rolls and was told that it was too late to change the 2020 roll, the decision reads.

Later that year, in June, representatives from Rogers and BC Assessment met to discuss the company's taxes. During that meeting, according to Sharma, the officials discussed the possibility of BC Assessment using its discretion to issue a supplementary roll for the 2021 tax year.

A letter sent to Rogers in July 2021 and quoted in the court decision explains BC Assessment's position:

"Errors or omissions in previous roll years are binding on all parties. Accordingly, the 2020 roll cannot be amended regardless of Rogers’s incorrect inventory declaration. Given Rogers’s opportunity to inquire with (BC Assessment) and/or seek an independent review from the (Property Assessment Review Panel), (BC Assessment) will not be issuing supplementary assessments to amend the 2021 roll. Notwithstanding, we are working with Rogers to ensure their 2022 roll inventory declaration is accurate."

THE DECISION

In her decision, Sharma declined to grant Rogers an order of mandamus in part because of these other avenues available to it, such as contacting the PARP.

The judge concluded that the BC Assessment Act gives BC Assessment the option of issuing a secondary roll to correct errors that led to over-assessment of a property's value, but it does not require such action.

"If the legislature intended that BC Assessment have a mandatory duty to ensure the accuracy of the roll no matter what, it could have said this explicitly," Sharma wrote. "Instead, what the legislature did is to make clear that under-assessments are subject to a mandatory supplemental roll."

In the case of over-assessments, while BC Assessment "may" issue a supplemental roll to correct errors, it is not obligated to do so. The appropriate course of action for taxpayers in such a situation is to appeal the assessment, which Rogers did not do, according to Sharma's decision.

Thus, the judge dismissed the company's petition.

NEW BRUNSWICK

Property assessment notices are in the mail

More than 477,000 property assessment notices for the 2023 assessment year have been mailed to property owners.

New Brunswick's overall assessment base – the total value of property assessments in the province – is $81 billion, an increase of 10.9 per cent, or $8 billion, since last year. This provincewide increase is due largely to a strong real estate market and new construction.

"New Brunswick continues to experience a strong real estate market and a growing population," said Service New Brunswick Minister Mary Wilson. "Local governments will need to take these assessment increases into consideration when setting their property tax rates for next year."

Service New Brunswick is responsible for the assessment of all real property in the province. Property assessment is a vital component in the process of real property taxation and local government financing. Actual property tax bills, which factor in a property's assessment, will be issued by mail March 1, 2023.

"Property assessors investigate and analyze all real estate sales annually and exclude from adjustments any that do not meet certain criteria," said Wilson. "Although some homes have been selling well above the asking price, one sale does not make a market."

Assessors are qualified individuals that use appraisal industry best practices in determining real and true market value of all properties. Assessors reflect the values that have been established by buyers and sellers in local real estate markets across the province. This is the most common method used in North America today.

A spike-protection mechanism is in place for most owner-occupied residential properties with an assessment increase greater than 10 per cent. This does not apply to new construction, properties that have been sold in the previous year, or those that have undergone major improvements.

This mechanism was implemented in 2013 to protect eligible property owners from significant one-year spikes in their assessment.

Additional measures have been implemented over the past year to help property owners manage recent increases in property tax due to rising assessments. These include:

- A property tax relief program for eligible residential rental properties (four units or more) and non-residential properties (businesses/industry) for 2022 and 2023.
- A reduction in provincial property tax rates over three years, starting with the 2022 taxation year. This features a 50 per cent reduction for non-owner-occupied residential properties and a 15 per cent reduction for non-residential properties and other residential properties.

Property owners have until November 2, to file a request for review if they do not agree with their assessment.

Homeowners can expect to receive their assessment notices this week. Local governments received their financial information for budgeting purposes, including tax base information, from the Department of Environment and Local Government last week.

Local governments that are not restructuring will set their property tax rates during their fall budgeting process. For restructured entities, the tax rates will be set by the minister of local government and local governance reform.

New Brunswick property assessment up by 10.9 per cent, hitting $81 billion

The New Brunswick government says due to a strong real estate market and new construction, property assessments are going up.

Out of 447,000 assessments, the total value is $81 billion. It’s an increase of 10.9 per cent, or $8 billion since last year.

However, the large increase in property assessment and the suggestion by Service New Brunswick Minister Mary Wilson that “local governments will need to take these assessment increases into consideration when setting their property tax rates for next year" is drawing some criticism.

"We just don't understand how the province is arriving at these assessments, number one," said former Saint John mayor Don Darling.

"Number two, there is no understanding why some organizations or industry or taxpayers seem to get break after tax break after tax break."

Darling was critical in helping the city repair its financial status and building a plan toward improving it over the next several years alongside city staff.

He was also a big part in advocating for industry, which is a large part of the landscape in Saint John, to pay its fair share in taxes.

The Progressive Conservatives made promises to Darling and the city that the party would undertake comprehensive tax reform, but he said that has truly happened.

"We're given lip service. We get a meeting once and awhile. You might get lucky to get an email returned," he said.

"So to have this band-aid approach to tax reform with no meaningful engagement — you know, to have assessments come out with more questions than we have answers — and be lectured from Fredericton that we must automatically lower our tax rates is not a partnership."

Saint John councillor David Hickey said the ultimate goal is to reduce the tax rate, but it involves heavy industry paying a fair share.

Following the rollout of the assessments, Hickey took to Facebook to say that the Saint John Regional Hospital has a higher tax increase than 13 different industry-based companies combined.

Hickey listed them, which included several Irving-owned businesses, LNG and the Port of Saint John, among others.

"We can't constantly bear the assessment needs or the tax return on our residential players," he said. "We need to see that draw from our industrial players, too. Take for example the Irving Oil Refinery. At that oil refinery, currently the neighbouring community of Champlain Heights is higher contributor to Saint John tax base than the largest oil refinery in Canada."

In fact, the province reports the majority of market activity is in the residential sector. The residential sector accounts for $7.11 billion, or 11.9 per cent, while non-residential contributes just $880 million, or 6.2 per cent.

"All properties, regardless of their classification, are assessed the same," according to a statement from Service New Brunswick. "Assessors do not determine the market value; they reflect the values that have been established by buyers and sellers in local real estate markets across the province.

"Market value is the price that the property would likely sell for on the open real estate market on January 1 of each year. It is the most common method used in North America today."

It did note in the statement several things it had done in terms of tax reform in the province, including:

- Provincial property tax rates have been reduced.
- Beginning in 2023, local governments have additional flexibility in setting the local rates for non-residential properties (set 1.4 to 1.7 times the residential rate as opposed to the current fixed rate of 1.5 times the residential rate) and the new classification for heavy industrial properties (set 1.4 to 1.7 times the residential rate)
- Property tax relief for eligible apartments and non-residential properties with assessment increases exceeding 10 per cent (with the province responsible for both the provincial and local property tax impacts).

In Moncton, the city expects property assessments to increase generally by 14 per cent — something the city hasn't seen before.

Last year, the city saw it rise by 10 per cent, so the city did reduce the tax rate by 10 cents. Jacques Doucet, the city's chief financial officer, said there are several things that need to be considered before they can reduce the tax rate.

"As a municipality also we have to consider that we are dealing with inflationary issues," he said. "We are dealing with certain corporate pressures that we need to address. So we are not always able to offset it completely."

Doucet said the city continues to wait on the firm figures, but said reducing the tax rate is a fine line.

He said the pressure is on the municipalities to find the sweet spot between maintaining affordability and maintaining good services and infrastructure.

“We do not control assessment in this province, but we can always offset the increase in assessment by lowering the tax rate,” he said. “It is one we will look at. We always have to consider affordability to our taxpayers.”

In face of record house prices, municipalities asked to consider lowering tax rates

Province has mailed out 2023 property assessments

The New Brunswick government is calling on municipalities to consider cutting their tax rates for 2023 in the face of large assessment increase notices being mailed out to provincial property owners this week.

"Local governments will need to take these assessment increases into consideration when setting their property tax rates for next year," said Service New Brunswick Minister Mary Wilson in a statement alerting property owners that assessment increases are in the mail.

Property values have been rising rapidly in New Brunswick for the last two years, mostly on houses. That is affecting the taxable value of homes everywhere, even those that have had the same owner for years.

Wilson credited the escalation in values to a "strong real estate market" driven by "a growing population" in the province. New Brunswick added more than 21,000 people in the last year, the most in a single year since at least Confederation, in 1867.

Assessment notices arriving this week detail what the New Brunswick government has determined each property in the province will be worth as of Jan. 1, 2023.

If the amount goes unchallenged by the property owner, a municipal tax rate and, in some cases, a secondary provincial property tax rate is applied to the assessment to generate a tax bill.

Assessments up $1.47 billion

Last year, about half of New Brunswick's 34 cities and towns lowered their property tax rates, to some extent, as a first wave of assessment increases washed over property owners. But this year increases are higher and more widespread.

In Moncton, assessments on all properties are up $1.47 billion on the city's nearly 30,000 properties. It's $500 million more than last year's increase, and most of it is related to escalating house prices in the city.

Al Meloche, 69, lives on Moncton's Lonsdale Drive. Several properties in his neighbourhood have sold for record prices since 2021. That has caused the value on his own home to jump

$101,300 in two years. It is now assessed for taxes to be worth $280,700. Meloche doesn't disagree that his home is probably worth at least that much.

"Years ago I remember the tax estimate was always way lower than the value of the house. Now it's getting pretty close," he said.

So far the assessment jumps haven't caused a significant tax increase for Meloche.

In New Brunswick, large assessment increases on residential properties that have not been sold or renovated have to be phased in gradually by 10 per cent per year. In addition, Moncton lowered its tax rate by 6.2 per cent last year.

For Meloche, the combination of those two policies kept his 2022 property tax bill down to a 3.2 per cent increase, despite a 27 per cent hike in his assessment.

"It worked out all right for me," said Meloche about the $96.55 extra he ultimately had to pay in increased property taxes on his home in 2022, and he is hoping for a similar outcome in 2023.

However, few communities lowered their tax rates as dramatically as Moncton last year.

Saint John cut its tax rate 4.2 per cent and Fredericton 1.6 per cent.

Others left them unchanged, and thousands of homeowners with large assessment increases faced tax hikes at or near the 10 per cent limit.

New Brunswick municipalities will be preparing budgets and deciding on tax rates in the next few weeks.

Saint John Mayor Donna Reardon said she believes another tax cut will be "under consideration" this year given assessments in her city are up more than $680 million.

In addition, the province is granting municipalities some flexibility to target tax cuts at residential properties alone for the first time.

"I think it would be in our best interest to continue in that vein," she said.

Municipal Funding: Questions Linger in New Brunswick

Elected municipal officials gathered on Saturday for the annual convention of the Union of New Brunswick Municipalities. The financial framework presented last week by the Minister for Local Government and Local Governance Reform has caused dissatisfaction.

The municipal world in New Brunswick is a bit in shock, immediately admitted Ian Comeau, the mayor of Campbellton, met Saturday at the Delta Hotel in Fredericton, where the convention is being held.

Municipalities had understood that they would receive more money to help make the transitions required by the reform, says Mr. Comeau.

Minister Daniel Allain took stock in the morning, after a rather eventful week. But even after the presentation by Mr. Allain and his deputy minister on Saturday morning, many questions persist.

Elected municipal officials say they are afraid of being forced to penalize their citizens by raising taxes, in order to balance budgets.

Inflation, costs rise for municipalities, says Dan Murphy, the chief executive of the x27;Union of New Brunswick Municipalities. They are being asked to manage more services: tourism, economic development…

Minister Allain says he understands that the financial portion of the municipal reform raises questions. He says he is ready to continue the dialogue with the municipalities in the coming weeks, provided that they consider their budget.

This week we have given two tools: property assessments and new funding, with equalization. Let's get the job done, says minister.

Municipalities have complained about an error by Elections New Brunswick, which sent election documents to the wrong addresses in anticipation of municipal elections.

These elections will take place on November 28.

The Union of Municipalities says it fears that this incident will further confuse citizens who try to understand what local governance reform is changing in their communities.

The Saint John street New Brunswick assessors forgot. Or did they?

Province won't say why houses on an upscale street haven't had an assessment change in years

An extension built onto the end of Sea Street in Saint John a decade ago has panoramic views of the Bay of Fundy. Lately, it has been one of the hottest residential development spots in the city.

Every available lot on the street in 2021 sold at prices above assessed value. In the past year, 11 new high-end homes have either been built there or are now under construction.

Normally that would affect the value of nearby houses. But in a quirk that New Brunswick's assessment agency Service New Brunswick won't explain, seven ocean-view homes on Sea Street built or bought prior to the current development spree have gone untouched by any assessment changes in the last three years.

It is unclear if that is deliberate or whether the houses got lost in Service New Brunswick's appraisal system.

Jennifer Vienneau, the agency's communications director, says whatever the reason, it cannot be disclosed.

"Due to confidentiality, we are unable to discuss the details of individual properties," she wrote in an email to CBC News

Following record real estate prices and sales all over New Brunswick for the last two years, frozen assessments on homes valued at $200,000 and above are almost unheard of in the province. There are none in either Moncton or Fredericton for 2023.

But there are still dozens in Saint John.

Thirteen garden homes at the corner of Manawagonish Road and Manchester Avenue on the city's west side are all receiving no assessment increases for 2023.

But hundreds of houses around them in the Saint John neighbourhoods of Greendale and Quinton Heights are getting increases of 20 per cent and above and a 14th and 15th garden home in the same cluster sold in July for prices that averaged $106,000 over their 2022 assessed values.

Assessments for 2023 on those two garden homes are still under review.

Stories like that concern Morgan Lanigan. He wonders if they are anomalies or a sign of problems with how Saint John properties are valued generally by Service New Brunswick.

"Record real estate prices have hit Saint John just as much as they've hit any other city," said Lanigan.

"So, it's hard to believe that we have had a larger proportion that didn't see any increase. If you ask anybody who's been looking for real estate, it's been next to impossible to find anything, so I find it very surprising."

Lanigan is a longtime Saint John community leader with organizations like One Change in the north end and Uptown Saint John.

He has become concerned growth and financial prosperity in the city isn't being reflected properly in the tax base. He fears that is restricting revenue growth to the city and causing some to pay too much tax to fund services and others to pay too little.

He's been battling with Service New Brunswick for the past year trying to get it to disclose more information about how it works.

"I feel it's kind of my duty to look into these things and see what I can find," said Lanigan. "I'm happy to do it."

According to New Brunswick's Department of Environment and Local Government, Saint John's tax base in 2023 will grow 8.76 per cent. That's nearly two percentage points below the provincial average and ranks 23rd among New Brunswick municipalities.

That might be surprising to many residents because data from Service New Brunswick shows 9,879 properties in Saint John, mostly houses, are receiving assessment increases of 20 per cent or above for 2023.

That's 10 times the number of properties in Fredericton that have increases that high.

Nevertheless, growth in Saint John's tax base will be lower than Fredericton in 2023 because it is weighed down by large numbers of other properties that have been assigned little or no assessment increases

A small part of that is houses getting missed or passed over by assessors. A bigger problem, according to Saint John councillor David Hickey, is a lack of assessment growth being detected by Service New Brunswick in larger commercial and industrial properties in the city, particularly in a year when industry has been booming..

"You're seeing residents pick up the tab for corporate assessments that are not increasing," said Hickey.

"I cannot understand how we can have a provincial assessment program that comes to these conclusions. I'd like an explanation as to why."

Last week, new figures showed New Brunswick petroleum, wood, food and other manufacturers shipped $2.3 billion worth of products in August.

It was an all-time high for New Brunswick for any August by more than $400 million. It helped push manufacturing sales for the most recent 12 months in the province to a record-shattering $25.8 billion.

But Hickey said nothing hints at that level of prosperity in property assessments for companies headquartered in Saint John from Service New Brunswick for 2023.

New Brunswick's largest manufacturer, Irving Oil Ltd, was given a 2.5 per cent valuation increase on its main refinery property for 2023, less than half the rate of inflation.

In addition, both Irving Oil's 11-storey head office building and its former head office, the Golden Ball building, received notices from Service New Brunswick of no assessment increases at all for 2023, the third year in a row for both structures.

Other major manufacturers having successful years, including J.D. Irving Ltd and Cooke Aquaculture Inc., are also receiving no increases on their Saint John head office buildings. Instead, each is to be valued for taxes in 2023 at the same amount they were in 2019.

In total, 15 office buildings in Saint John assessed in 2022 for $2 million or more are receiving no increases for 2023 from Service New Brunswick. That compares to one office building in Moncton on Weldon Street and none in Fredericton.

Hickey said he finds it hard to believe values on larger properties in Saint John can be that stagnant and, like Lanigan, wants more information about how Service New Brunswick sets values in the city.

"These are increases that I cannot wrap my head around," he said.

Although the agency has declined to openly explain itself on specific assessments, Vienneau said valuations are fairly done and not skewed in anyone's favour.

"Service New Brunswick assessors are unbiased, highly qualified professionals, and comply with industry standards," wrote Vienneau.

Strong tax base growth across province

The provincial government has released its tax base numbers for communities.

The tax base includes the assessed value of homes and other properties within a local government or rural district. The overall assessment base, provincewide, grew by nearly 11 per cent, or more than $8 billion, over last year.

“The department is providing this data because local governments need it to finalize their budgets,” said Local Government and Local Governance Reform Minister Daniel Allain. “Property owners will start receiving their assessment notices next week.”

With significant increases in many communities' property assessments, Allain is calling on local governments to look diligently at their budgets and increasing service costs, and attempt to adjust their property tax rate where possible.

Given the impact of high inflation on New Brunswickers, Allain said it is important that all levels of government work together to ease that financial burden.

"We have seen increased costs for everything from fuel to food in the past few months," said Allain. "While local governments are changing due to reform, they have decision-making powers. We have given municipalities tax room and flexibility when it comes to tax rates, which is what they asked for."

Tax reform is a key part of the government's plan to modernize New Brunswick's local governance system, and several steps have been taken since last year's release of a white paper. The government has announced provincial property tax reductions, which began last year. Local governments can compensate for this by increasing the tax rate on non-residential properties by up to 1.7 times the local rate.

The government will unveil its new funding mechanism for equalization next week. Allain said this will result in stability and predictability for years to come.

The 2023 tax base for all New Brunswick communities is available online.

ONTARIO

Canada's Ontario ups foreign home buyers speculation tax to 25%

The Ontario government said on Tuesday it was raising the real estate speculation tax for foreign buyers to 25% from 20% under a plan to tackle a housing crisis in Canada's most populous province.

"For too many Ontarians, including young people, newcomers and seniors, finding the right home is still too challenging," provincial Housing Minister Steve Clark said in a statement.

Ontario, home to Canada's financial capital of Toronto, is projected to have more new households than new homes by 2030, according to Canada's national housing agency.

The 25% tax rate would be applicable across the province and is designed to discourage foreign speculation in Ontario's housing market, the provincial government said in the statement.

The government's housing plan also includes proposals to freeze, reduce or exempt fees associated with new home construction as well as allowances for up to three residential units to be constructed on some land zoned for single homes.

Housing prices surged more than 50% during the COVID-19 pandemic, driven by low interest rates, a desire for more space and speculative activity.

Although home prices are softening after sharp increases in interest rates by the Bank of Canada, higher mortgage qualifying rates are still keeping some would-be-buyers out of the market.

To curb speculation, the federal government has also put in place a temporary ban on foreign buyers starting in January.

Why Ontario's property tax assessment system needs annual reassessments

Property taxation in what is now Canada existed before Confederation. Over time, distinct systems have developed in each province built on a common foundation — property assessment based on market value.

Some form of market value assessment is the gold standard for the distribution of property tax; integral to this is the transparency implicit in assessed values based on current market transactions.

The more assessments reflect current market conditions, the more transparent and fair the distribution of property tax.

For 2022 and 2023, property taxes in Ontario are based on the Jan. 1, 2016 real estate market.

This disconnect of property assessment values from recent market conditions is adversely impacting property owners in Ontario, particularly those in the commercial real estate industry, and is untenable.

Property tax assessment systems must be responsive to the needs of those most impacted.

There are two integral components to this: assessments based on current market value and a transparent, smoothly functioning appeal process.

The Government of Ontario has noted, “A well-functioning property tax and assessment system is critical to ensuring that Ontario remains competitive while supporting local services and education.”

Presently, the system in Ontario does not meet the needs of commercial real estate property owners.

Transitioning Ontario’s property assessment and taxation system to annual reassessment would address shortcomings in this system while restoring transparency and fairness for all stakeholders.

A tax system compromising economic competitiveness

Investment capital is fluid. Real estate investors seek markets with certainty and transparency.

However, both are being compromised by the property tax assessment system in Ontario.

Due to a cumbersome and outdated system, commercial real estate investors in Ontario lack the desired certainty, transparency and fairness in property taxation.

If not addressed, investors will inevitably seek markets with more favourable conditions.

The distribution of property tax according to value is critical to Ontario’s Ad Valorem tax system.

The Municipal Property Assessment Corporation (MPAC), a not-for-profit corporation funded by Ontario municipalities, sets property tax assessments for all properties in Ontario.

As the largest assessment jurisdiction in North America, MPAC assesses and classifies more than five million Ontario properties estimated at over $3.4 trillion in value — based on Jan. 1, 2016 market conditions.

Assessed values from the Jan. 1, 2016 general reassessment were intended to apply to 2017 through 2020 taxation. This period was extended and Ontario now has a seven-year tax assessment cycle, including the 2021, 2022 and 2023 tax years.

This is in place despite annual reassessment having long been accepted as best practice and widely adopted in Canada and the United States.

Ontario’s four-year assessment cycle was already the longest in Canada. Both B.C. and Alberta have, for many years, conducted annual property tax assessments.

By 2024, Canada’s remaining nine provinces will have conducted — on average — five reassessments since Jan. 1, 2016.

Certain jurisdictions, including New York State, even provide funding to encourage and facilitate more frequent reassessments. Ontario's property taxation system is not conducive to a competitive business environment.

Dated assessments create property tax inequities

Commercial real estate owners accept their obligation to support municipal governments and the education system by paying their fair share of property tax.

This commitment is based in part on the understanding that this tax is fairly and equitably imposed — that it is based on current or, at least, recent market values.

A properly functioning property tax system requires that relative tax burdens change with property values.

This provides for a fair and equitable distribution of municipal and school funding. It is predicated on frequent reassessments.

The International Association of Assessing Officers has a Standard on Property Tax Policy with a core principle that assessments be "based on Market Value with regular and frequent (preferably annual) updates.".

Reassessment delays mean inequities in taxation between property classes, within property classes, and geographically.

The present reassessment delay means a significant and perhaps, even dramatic, property tax shift is pending. This could profoundly impact Ontario property owners.

Responding with tax mitigation measures like capping, clawbacks and phase-in assessments will increase administrative inefficiency and complexity.

When property values are not representative of current market value — and myriad tax mitigation measures are implemented — taxpayers have difficulty understanding how their property taxes are calculated.

Ontario risks perpetuating what is, likely, the most complex property tax assessment system in Canada.

Appeals perform the audit function for property assessment

Canada's income tax system is based on accurate and honest self-reporting by taxpayers and audits by the Canada Revenue Agency. Conversely, property tax assessments are set by a government agency.

These property tax assessments are subject to audit by individual taxpayers — using personal resources through an appeal process.

Annual reassessments and appeals would dramatically improve the property tax assessment system in Ontario. Benefits would include simplifying the role and processes of the Ontario Assessment Review Board.

Challenges in the appeals process due to the multi-year cycle include the greatly increased risks from multiple years of tax appeals based on a single date, a lengthy and complex appeal process and cumbersome interlocutory proceedings.

All of the above increase the uncertainty and reduce the transparency of property taxation in Ontario.

Transitioning to annual reassessments, and a robust annual appeal process, would help ensure Ontario remains competitive while supporting local services and education.

Annual reassessments and appeals are best practices in any property tax assessment system.

In many larger jurisdictions, including New York City, Texas, and Los Angeles County, as well as B.C. and Alberta, they are the norm.

These practices reduce the complexity of appeals, thereby increasing the effectiveness of taxpayer-funded property tax audits; they also improve business competitiveness and limit the need for tax mitigation measures.

By shifting to an annual reassessment cycle in the property assessment and taxation system, Ontario could facilitate stability, accuracy and efficiency of property taxation.

It would enhance fairness for taxpayers and property owners.

Robert Brazzell
Managing Director, Ontario Property Tax Services, Colliers Canada

Tax hikes or service cuts? New Toronto council has to close a 'scary' budget gap of $857M

Pandemic costs a big part of the fiscal shortfall, but that's just the start, experts warn

The annual struggle to balance the City of Toronto's budget looks particularly tough this year.

Instead of the usual tens of millions of dollars the city needs to raise, or cut, to balance the $15-billion spending package, the candidates elected to the next city council will need to figure out how to make up an $857-million gap.

Most of that deficit is related to the cost of addressing the COVID-19 pandemic. But experts say that's just the start of the serious financial pressures councillors will have to contend with as they work to fulfil the legal requirement to table a balanced city budget.

Those experts also warn that there are limited pathways to balance, compounded by sky-high inflation, a flat-lining of new home sales that has slashed city tax revenue, and an electorate accustomed to low property taxes.

All of those factors will make dealing with this year's budget a thorny task, said Myer Siemiatycki, professor emeritus with the Department of Politics and Public Administration at Toronto Metropolitan University.

"That is a scary gap to have to make up," he said.

"And I think it signals, to me, that we are looking at deep cuts to a range of municipal services and programs."

Siemiatycki said the city has come through years where it intentionally limited tax increases to the rate of inflation. That has meant the impact of funding COVID-19 programs has been more profound on the budget, he said.

The recent cuts to recreation programs and a deferral of $300 million worth of infrastructure work are symptoms of the stress caused by the fiscal gap, he added.

"There have been consequences to the city not having sufficient revenue to meet the expenditures it needs to make to keep the city livable, viable, sustainable even," he said.

The director of the University of Toronto's Institute on Municipal Finance and Governance, Enid Slack, said prior to the pandemic, the city was in decent fiscal health, but some long-term signs of wear had started to emerge.

"We likened Toronto's fiscal health to an aging Toronto Maple Leafs defenceman," she told CBC News.

"He's playing pretty well, the training staff are looking after him, but he's getting increasingly expensive," she said. "And he's going to need knee surgery very soon."

Limited revenue tools available to council

The proverbial surgical tools will have to come out in the months ahead, as revenues the city has counted on have dropped and the need for pandemic services have jumped. It remains unclear if the federal and provincial governments will come to the rescue as they have in previous years to help sort out the city's deficit.

Making matters worse, revenue from the city's Land Transfer Tax is certain to suffer as real estate sales have slowed dramatically, costing Toronto millions.

"If they don't get the money from the federal government or the provincial government, then they don't have a lot of room to move," Slack said.

"They have to cut services, or they have to raise taxes."

Mayor John Tory said the budget gap could be as high as $1 billion. He is promising to tackle it with a tax increase below the city's rate of inflation and finding budget efficiencies, while still maintaining services.

But at a time when Toronto's rate of inflation has been as high as 6.8 per cent in August, a tax increase below that figure could still be costly for homeowners.

"I've said below the rate of inflation, so people at least know that it will be below the rate of inflation," Tory said of any tax increase.

"And the bottom line that I will also say to them is I will make it as low as possible, given the affordability constraints people have in the city right now."

Part of Tory's pitch to voters is also that he's the person to squeeze more cash out of senior governments.

"It isn't a matter of going to sort of rely on them to ride to the rescue," he said. "But saying that they should … be partners with us in making sure we have affordable housing, that we have transit."

Penalosa pushes permanent provincial, federal funding

Mayoral candidate Gil Penalosa said he'd fill the budget gap with a mix of tax increases, cuts where appropriate, and by pressing upper tier governments for permanent funding tools.

He too did not say what a tax increase could look like if he is elected. But Penalosa said Toronto can't continue to be amongst the GTA communities with the lowest property tax rates when it can't provide many basic services.

"When everything is getting worse, then I think that there is nothing to be proud of that we have the lowest (property taxes), of course, we should never have the highest either," he said. "But I think every option should be on the table."

During an event earlier this week, Tory said he is still open to creating new revenue tools for the city. He stressed it's something he's tried to do before with his rejected plan to toll the Gardiner Expressway and Don Valley Parkway to raise $200 million a year.

Slack said other major cities in North America have access to additional revenue to help provide services.

"Some of the major cities around the world have access to other types of taxes, like income and sales taxes, that bring in more revenue," she said.

"We have to think about who does what … What should the province be doing? What should municipalities be doing? And then how should we pay for it?"

Siemiatycki said beyond balancing this budget, the new city council must find new revenue streams for Toronto.

"It's been very disappointing that we haven't had political leaders who have made the financial stability and sustainability of municipal government a rallying point," he said.

"I think municipal residents would rally behind that."

Buyers and sellers locked in stalemate as real estate market tumbles

Sales have dropped off a cliff, prices are drifting down, and sentiment among buyers and sellers has never been worse

Lest there be any confusion, while history has shown that Toronto real estate enjoys a unique ability to barrel through most obstacles, this rising rate environment has proven to be largely impenetrable.

Sales have dropped off a cliff, prices are drifting down, and sentiment among buyers and sellers has never been worse.

It's pretty rough out there.

September, the month that typically brings with it a flurry of activity in the marketplace, was largely more of the same.

Sales were down 44% year-over-year with prices falling 4.3% in that same period. And rather than seeing the uptick that even the most cautiously optimistic were anticipating the fall would bring, September sales were down 11% month-over-month. Truly remarkable, particularly given the little mini-surge of activity we saw in August.

It turns out that buyers weren't off on vacation or enjoying a summer free from COVID restrictions instead of real estate. Labour Day didn't bring them back. They remain sitting on the sidelines, if not out of the game entirely.

And with them wait the sellers, as evidenced by the lowest level of new listings for a September since 2002, which is probably what's helping prices remain sticky.

People who don't need to sell aren't. And it's the strong rental market that is saving investors by allowing the option to defer capital losses.

Broadly speaking, no one is making a move unless they need to. Sellers are fighting tooth and nail against the idea that February numbers are a distant memory while once eager buyers, staring down the barrel of more rate hikes, aren't willing to jump back in.

The remaining buyers who build out the monthly sales stats, are likely to be comprised of those who have been watching the market for long enough that they are motivated by what they perceive to be a "deal," or they're upsizing buyers who have something to sell and in buying and selling in the same market will save more on their purchase than they will lose on their sale.

In sum: the numbers matter more now than ever.

The average price of a home in Toronto has now fallen to $1.09 million in September off of February's peak of $1.33 million. In terms of affordability, however, even with that decline with current interest rates we are hovering at the same monthly payment, albeit requiring a smaller downpayment and lower land transfer tax obligations.

As for what's next, in a speech last week Tiff Macklem, Governor of the Bank of Canada, extinguished all hope that a pivot on their rate policy was imminent. Far from it, he indicated that rates will likely still need to go higher.

"When combined with still-elevated near-term inflation expectations, the clear implication is that further interest rate increases are warranted," he said. "Simply put, there is more to be done."

What this means in the weeks and months ahead remains to be seen. But the stalemate can't go on forever.

At some point, probably sooner than later given the likelihood of further rate increases, some of the sellers who have been banking on their ability to ride this out will have no choice but to blink. And the buyers who have been waiting for blood in the water may decide it's finally their time.

QUEBEC

Montreal property valuations are rising. Here's what you can do about it

Montreal property owners have been hit with massive increases in their valuations -- on average, the increase is expected to grow 32 per cent over the next three years.

It was a rude awakening for Sylvia Bielec when she checked the mail Wednesday.

"At first I thought it was a mistake," she said.

According to the city, her home rose in value by 46 per cent -- a $200,000 increase over the last valuation.

"There is a slight increase every year, and you have the comparison from last year and you're like 'okay, that makes sense'," she said. But this year, "we're all completely shocked."

Realtors say the new valuations reflect the peak of the hot housing market over the last three years which, according to realtor Amy Assaad, has cooled.

"The real estate market of the past 3 years is not representative of the next 3 years," she said. "Interest rates are already having a negative impact and it seems irresponsible of the city."

"They shouldn't be adding additional financial burdens to Montrealers at this moment."

However, just because your house may be valued at 40 per cent higher, that doesn't mean your tax bill will go up by that much.

The city says it won't raise property taxes above the inflation rate, which is currently 7 per cent.

Still, Bielec says that's a hefty increase.

"Homeowners are not people who are necessarily wealthy," she said.

“I live in a very modest home, the home valuation was not very high … I think anytime when you’re being asked to spend $200 here, $200 there, $200 there, that adds up,” said Bielec, who told CTV that, despite her rising costs, she’s not expecting a raise at work.

And it’s not just home owners -- renters could also be hit, as landlords pass on part of their tax hikes to tenants.

HOW TO CONTEST IT

There is recourse available for property owners who want to contest their valuation.

If you feel that your valuation isn’t right, you can apply for an adjustment on the city’s website.

However, the burden of proof is on you as an owner, and it costs about $300 to contest for most homes, which isn’t refundable, even if you win.

Grounds to lower your valuation include breakage, construction defects, nuisances like noise and pollution, or if it's inappropriate to your financial situation (loss of rent, high expenses, sale of comparable buildings).

You should also look at the sale prices of comparable homes in your neighbourhood before contesting.

Montreal to phase in 32% property-value increase over three years

The new tax rate will be revealed when the city submits its 2023 budget on Nov. 29.

The city of Montreal announced Wednesday it will phase in a 32-per-cent property-value increase over three years to ease the impact on homeowners.

“The priority of our administration has always been to respect the capacity of Montrealers to pay,” city executive committee chair Dominique Ollivier said in a statement. With high interest rates and inflation, the city wanted to avoid too high a “shock” on property taxes.

In September, the city released the results of its property valuations as of July 2021, showing the total value up 32.4 per cent in three years.

Property tax rates are adjusted in each budget, taking into account changes in property values, so a 32-per-cent increase in property values won’t mean a 32-per-cent increase in taxes. The city will reduce the tax rate so taxes are comparable to previous years, Ollivier said.

The new tax rate will be revealed when the city submits its 2023 budget on Nov. 29.

SASKATCHEWAN

Saskatoon residents face potential property tax increase

The city of Saskatoon exceeded its budget for 2023 by $2.26 million due to a $4.1-million increase in fuel costs, $2.4 million due to inflation, and $1.5 million in increased natural gas spending.

"The financial landscape for the city and the world has changed significantly since the budget was originally prepared and presented in late 2021," said Clae Hack, chief financial officer for the city of Saskatoon, told the governance and priorities committee.

"Inflationary impacts on fuel, energy, and contract costs are impacts that many organizations are dealing with, and the city is no exception," Hack added.

If nothing changes, Hack said property taxes will increase by 0.81 per cent, leading to a property tax of 4.58 per cent in 2023.

At the committee meeting, Mayor Charlie Clark asked Hack if the numbers presented to committee will remain the same by the time budget deliberations commence in November.

Hack said the city administration will do what it can to prevent a potential property tax hike.

"I believe the information presented in the report will be very similar to what's presented at budget deliberations," Hack said.

The difference will be that the administration continues to comb through what was originally approved for 2023 to see if they can cut anything to make up for the unexpected high expenses, Hack said.

"Whether that be deferred hiring, or some items that were approved in 2023 that could potentially be deferred as options to reduce the property tax impact, but in terms of inflationary and other expenditures and revenue pressures, I expect these numbers to be pretty consistent with what's at budget," he said.

The report was received as information at the governance and priorities committee on Monday.

Saskatoon’s city administration says it plans to continue to work to find potential cost reductions for the 2023 budget and will present any further recommendations at a city council meeting on Nov. 28.

Property owners claim SAMA assessments don’t make sense and harm businesses

Business owner Gayland Panko is appealing Saskatchewan Assessment Management Agency (SAMA) property tax assessments that he says are not based on data or common sense, causing tax rates to fluctuate and making it impractical to invest in Moose Jaw properties.

Gayland Panko, owner of real estate firm Panko & Associates, is appealing Saskatchewan Assessment Management Agency (SAMA) property tax assessments that he says are not based on data or common sense, causing tax rates to fluctuate and making it impractical to invest in Moose Jaw properties.

Panko told MooseJawToday.com that SAMA is using a statistical model developed by Robert Gloudemans, a mass appraisal specialist whose company is headquartered in Arizona.

The problem, Panko explained, is that SAMA is applying the model using too few data points.

Statistical models are designed to take a carefully selected set of representative data points and produce information such as average values, trend lines, average deviation from the norm, and more. All statistical models include calculations of the minimum number of data points needed for the model to work, along with criteria for selecting those points.

Panko shared an email in which he asked Gloudemans to help solve the problem.

“In discussions with SAMA, we determined that they could only use three sales in the last four-year period,” Panko wrote. “I feel like your model can't work properly with insufficient data.”

Gloudemans response: “SAMA is one of my long-standing clients and I can't comment on their valuation techniques or practices in specific instances.”

During an appeals hearing on Sept. 30 in front of the Saskatchewan Municipal Board (SMB), a member of the board asked SAMA’s representative, “If I’ve got my figures right, here, in between a 2,700-square-foot warehouse and then as compared to a 2,900-square-foot warehouse, so similar sizes, you’ve got a cap rate of 3.09 as opposed to 6.37?”

The topic can be confusing, but the board member was essentially asking why SAMA's property valuations would have the owner of the smaller warehouse paying more than twice as much property tax as the owner of the larger warehouse.

According to Panko, an experienced real estate professional, a 3.09 cap rate is like the highest possible prestige building downtown in a major city like Vancouver — not a small-town warehouse.

"At the end of the day, it's borne out by the data," SAMA's lawyer responded. "It's borne out by this statistical testing SAMA did… . It's not unfair, and it doesn't necessarily mean that there's any error in the assessment at all."

Panko said SAMA insists that their assessments are merely a result of data inputted to a proven model — however, when the model is questioned, SAMA points out that their assessors are authorized to use their expert judgment to appraise properties according to the legislation.

"So, which is it?" he said. "Is it just their model, or are they using their judgment? I bought a property in 2021 that is now valued more than twice as high by SAMA's latest assessment. That means any business plan I might have had for that property now doesn't work, because I'm paying more than twice as much tax as I had planned for.

"And next year, because they aren't using enough data points, it could drop all the way back down again. Who knows?"

The property Panko referenced is a North Service Road warehouse. A foreclosure, it sat on the market for three years before he bought it. The year after his purchase, SAMA assessed it at two-and-a-half times what he paid for it, blindsiding him with much higher property taxes.

"I couldn't sell it for the price they assessed it as," he said. "I wouldn't buy it at that price, I'd have to be crazy. And now I have all these clients coming to me to sell properties they suddenly can't afford the taxes on, and no one is going to buy them."

Panko claims Moose Jaw's real estate market has become a hot potato because of the unpredictability and unfairness of tax assessments.

The three sales SAMA used to determine the value of the north service road warehouses were a twice-sold former tire shop on Main Street — one of those sales is outside of the assessment period and should not have been included — and the new Moose Jaw Ford dealership.

“We’re talking about warehouses on the north service road, like, (crappy)-looking industrial base, versus the brand-new Ford dealership … . How on earth can you use a $10 million Ford dealership and call it a warehouse?

“That was it,” Panko said, “that was the only two data points they had.”

Panko thought he had a slam-dunk appeal case. Instead, he and his wife have been fighting the assessment model for two years now.

“A lot of these other towns — Swift Current, Prince Albert, Saskatoon, Regina — they all do their own assessments. They’ve said they won’t use SAMA.”

Moose Jaw’s city council voted in 2015 to make a long-term deal with SAMA, locking them in until 2030.

SAMA has a seemingly limitless legal fund to fight appeals, Panko noted, and most people trying to appeal their assessments are forced to give up.

Panko said he isn’t going to halt his appeal. He will take it as far as he can, despite the system being against him.

City council votes to reduce and eliminate assessment tax on cinemas

The City of Regina has voted to get rid of its amusement tax.

The tax, which only applies to the city’s cinemas, will decrease from 10 per cent to five per cent starting on October 12 before being eliminated beginning on January 1, 2024.

Councillor Lori Bresciani brought forward the motion to eliminate the tax calling it ‘unfair after council was supposed to just vote on reducing the tax.

Without the reduction, Regina would have the highest overall taxes applied to movie theatres, with five per cent GST, six per cent PST and a 10 per cent municipal tax rate once PST expands on October 1 for a total of 21 per cent.

With the reduction, that number drops to 16 per cent, which is still the highest in the country, but by only a one-per-cent margin, but still higher than Saskatoon, which sits at 11 per cent.

Michael Paris, a board member of the Movie Theatre Association of Canada, spoke for the removal of the tax and said that the removal is great news.

“Cutting the tax in half was a great step, but going the added measure to eliminate it completely in 2024 was a great response,” he said. “It was a great day for movie-goers in Regina, who have been paying 10 per cent too much for far too long.”

Paris said that he feels the council voted to eliminate the tax due to who ends up paying the tax.

“When we were talking about who actually pays this tax, families, children, seniors, those are the people that are at the end of the day coming through our doors, and those are people that are paying this tax.”

The reduction to five per cent is expected to reduce revenue by $350,000 and $700,000 once the tax is fully eliminated.

“City councils in Saskatchewan don’t have a lot of tools to raise revenue outside of property tax, so them agreeing to give this one up finally is no small thing, and they have to balance that in the shadow of very really municipal priorities,” he stated.