

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original Signed by   
Jacques Dubé, Chief Administrative Officer

**DATE:** April 6, 2021

**SUBJECT:** Commercial Assessment Averaging - Implementation and Timelines

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## **ORIGIN**

October 1, 2013, Halifax Regional Council motion (Item 11.2.1):

MOVED by Councillor Karsten, seconded by Deputy Mayor Rankin

THAT Halifax Regional Council add to the proposed legislative changes a request to work with Service Nova Scotia and the Property Valuation Services Corporation (PVSC) to change the commercial tax assessment so it is based on three past years of assessment rather than one year.

MOTION PUT AND PASSED

November 10, 2015, Halifax Regional Council motion (Item 14.1):

MOVED by Councillor Mason, seconded by Councillor Hendsbee

THAT Halifax Regional Council direct the Mayor to write the Minister of Municipal Affairs to:

1. Request that the Provincial Government, in order to increase predictability for taxpayers, consider making changes to the legislation governing the assessment process for commercial properties so that:

- a. The annual valuation is averaged over a three-year period or,
- b. The commercial assessment roll is updated every three to four years, as is the current policy in Saskatchewan and Ontario.

2. And to request amendments to the Halifax Regional Municipal Charter that would provide Council with greater legislative authority in setting taxes and charges respecting the general tax rate and area rates for both residential and commercial properties, including:

- a. The authority for Council to determine and set rates and charges that are different for:
  - i. different areas of the Municipality,
  - ii. different categories and size of businesses, and
  - iii. different classes of building and size of structures, and
- b. The authority for Council to determine and set:
  - i. a rate or charge for frontage on a street,
  - ii. a uniform charge or amount of tax that is payable per property or per dwelling unit,
  - iii. a maximum and minimum charge or amount of tax that is payable, and
  - iv. a surtax or graduated rates.

MOTION PUT AND PASSED UNANIMOUSLY

July 16, 2019, Halifax Regional Council motion (Item 16.1):

MOVED by Councillor Blackburn, seconded by Councillor Whitman

THAT Halifax Regional Council direct the Chief Administrative Officer to:

1. Develop and return to Regional Council for its consideration a by-law to phase-in commercial tax bills that:
  - a. uses a three-year rolling assessment average,
  - b. is targeted towards properties with assessment growth more than 5 percent above the HRM average,
  - c. is implemented starting in fiscal year 2021-22, and
  - d. has a renewal requirement for it to extend beyond 2023-24;
2. Work with the business community on implementation of a three-year rolling average;
3. Return to Regional Council with a program review before the end of 2023-24; and
4. Prepare a supplementary staff report exploring a tiered commercial tax regime based on assessed values using the five zones described in Attachment D of the staff report dated May 1, 2019.

MOTION PUT AND PASSED UNANIMOUSLY

September 28, 2020, Community Planning and Economic Development Standing Committee motion (Item 15.1):

MOVED by Councillor Mason, seconded by Councillor Austin

THAT the Community Planning and Economic Development Standing Committee recommend that Budget Committee when preparing the 2021/22 budget consider both the proposed commercial tax structure changes outlined in the [report on Commercial Tax and Small Business](#) dated June 24, 2020, and also that staff prepare a supplementary [report] that identifies a timeline for implementation, options for prompt revision of the Regional Plan in order to implement the averaging across the entire [region] and that would allow consideration of maintaining the top tier (over \$2 million) rate for the high density zone [at] \$3.00, not raised, and further recommend that rates be increased for big box retail zones.

MOTION PUT AND PASSED

February 9, 2021, Halifax Regional Council motion (Item 12.1):

MOVED by Councillor Russell, seconded by Deputy Mayor Outhit

THAT Halifax Regional Council request a staff report on for presentation to Council by September 2021, that defines what a "small business" is for the purpose of taxation, and includes such factors as:

- A cross-jurisdictional scan of similar municipalities across Canada
- Home-operated businesses
- Businesses that own their own property
- Tenant businesses that are in a leased space
- The number of employees and
- Gross revenue or income

This definition should focus on those businesses that pay property tax and should recognize that some small businesses, such as tenant businesses operating in a leased space, may not fit under this definition.

MOTION PUT AND PASSED

## **LEGISLATIVE AUTHORITY**

### *Halifax Regional Municipality Charter*

#### **Commercial development district**

- 92C (2)** Notwithstanding subsection 71(2) but subject to Section 92D, where the Council considers it necessary or advisable, the Council may, by by-law, provide for
- (a) the phasing-in of an increase in the taxable assessed value of an eligible property located in a commercial development district over a period not exceeding ten years;

**Tax rates**

- 94 (2)** The Council may
- (a) set different commercial tax rates for commercial property located in areas of the Municipality designated by Council, based on the assessment of commercial property under the *Assessment Act*;
  - (d) set additional tiered or escalating commercial tax rates based on the factors set out in clauses (a) to (c) that are in excess of the rates set in clauses (a) to (c);
  - (e) set additional or different commercial tax rates using any combination of clauses (a) to (d).

**Part VIII, Planning and Development (all sections)**

**RECOMMENDATION**

It is recommended that Halifax Regional Council direct the Chief Administrative Officer to:

- 1) implement commercial assessment averaging, starting in fiscal year 2022/23 with 2021/22 as the base year, conditional on a successful upgrade of HRM's tax billing system to the SAP Tax and Revenue Module;
- 2) initiate a process to consider amendments to the Regional Municipal Planning Strategy to establish a Commercial Development District for all areas serviced by wastewater facilities and a water system, and adopt the public participation program as outlined in the Community Engagement section of this report; and
- 3) return to Halifax Regional Council with a jurisdictional scan of Canadian municipalities, an analysis of small business definitions and a review of commercial taxation options – including the five-zone, four-tier commercial tax rate structure – in fall 2021.

**EXECUTIVE SUMMARY**

Halifax Regional Council has directed the CAO to implement a rolling three-year Assessment Averaging Program for commercial properties to help increase predictability in property taxes for commercial property owners and businesses. This will add certainty in taxation to those properties experiencing sudden spikes in assessed values. The phase-in of these assessment increases over three years can be done under provincial legislation, through the creation of a Commercial Development District. To make the program available to as many businesses across the Halifax region as possible, staff are proposing a separate and focused amendment to the current Regional Municipal Planning Strategy (Regional Plan) with amendment approval before the end of 2021. This would allow the development and approval of an Assessment Averaging Program by-law before the end of fiscal 2021/22, for implementation of the program in 2022/23.

This report describes how Assessment Averaging would work (to soften sudden assessment increases) and the required steps and timelines to put the program in place. The program is designed to be “revenue neutral”, i.e. it will not change the total amount of commercial tax the Municipality collects in any year, so a tax rate increase will be required to balance off the decrease in the commercial assessment base. The planning, administrative and communications resources required to put this new program in place are significant. Start-up costs are estimated to \$150,000 to \$250,000 with ongoing costs of \$50,000 to \$100,000. The ability of this program to proceed in 2022/23 will depend on the successful implementation of HRM's new tax billing system in early 2022.

**BACKGROUND**

In Nova Scotia, commercial property taxes are levied on the market value of properties, as determined annually by the Property Services Valuation Corporation (PVSC). Within the Halifax Region there are a wide variety of commercial businesses ranging from small, local retailers to office towers, shopping malls, rural businesses, big box stores and vacant commercial land. These properties are all assessed using the same assessment policies and all pay the commercial general tax rate (urban/suburban or rural). Generally, the commercial general tax rate is nearly three times as high as the residential tax rate.

In the past number of years, there has been extensive discussion both at Regional Council and in the business community over the impact of commercial taxation in the region. That discussion has focused on two main issues. First, tax structure issues on taxes paid by small business (both in total and relative to other businesses) and, secondly, on the sudden “spikes” (or lack of predictability) that can occur in commercial assessment.

In 2015, Regional Council asked for a staff report that addresses “concerns regarding small and independent businesses in the central business district and main street and commercial corridors”. In November of that year staff provided an extensive [report on commercial taxation](#) outlining 15 broad tax options, evaluated on the basis of predictability, efficiency, competitiveness and administration. As a result, Regional Council requested the Province make legislative changes to enable both assessment averaging and to provide additional taxation powers to HRM. In 2016, the Province provided some but not all of these changes through the passing of Bill 52 and Bill 177:

	Request	Impact of Bill 177	Impact of Bill 52	Achieved
1.	changes to the assessment process for commercial properties so that:			
	a) the annual valuation is averaged over a three-year period or b) the commercial assessment roll is updated every three to four years	Section 92C of the HRM Charter allows Council, by by-law, to implement up to 10-year <b>assessment phase-in</b> in a Commercial Development District. Such a district must be in an area that is serviced by wastewater facilities and a water system.		Partially
2.	authority for Council to determine and set different <b>commercial</b> rates for:			
a)	different areas of the Municipality based on assessment		Section 94(2)(a) allows tax by <b>geographic area</b>	Yes
b)	different categories and size of businesses			No
c)	different classes of building and size the structure		Section 94(2)(c) allows tax by <b>size of commercial building or property</b>	Partially
3.	authority for Council to set:			
a)	a rate or charge for frontage on a street, including a private road		Section 94(2)(b) allows tax by <b>frontage</b>	Yes

b)	a uniform charge or amount of tax that is payable per property or per dwelling unit <sup>1</sup>			No
c)	a maximum and minimum charge or amount of tax that is payable			No
d)	a surtax or graduated rates.		Section 94(2)(d) allows <b>tiered or escalating rates</b>	Yes

*Note: 1. Section 96 of the HRM Charter allows Council to set a uniform charge to be applied per “dwelling unit” or per “taxable property assessment.”*

During 2018 ongoing consultations were held with the business community, including the Business Improvement District Commissions (BIDCs). In total, 14 different options and variations were examined. This culminated in a Committee of the Whole (COW) in June of 2019 at which staff presented its finding and recommendations. As a result of that COW, Regional Council directed staff:

- to proceed with a “three-year rolling assessment average” for commercial properties with assessment growth 5% above average, with implementation starting in fiscal year 2021/22. [During the 2021/22 budget development process, Finance staff informed the Budget Committee that implementation would not be possible prior to the 2022/23 fiscal year.] This essentially is designed to provide greater predictability for the business community.
- to provide additional information on a tiered commercial tax regime based on assessed values, using the five zones model presented in Attachment D of the [May 1, 2019 report](#).

The focus of this report is to advance decisions required to implement the three-year commercial assessment average. It also provides additional information on the tiered/five zone model, with further requested information to be provided in the fall of 2021.

**DISCUSSION**

Currently, staff are planning the 2022/23 implementation of commercial assessment averaging. In order to achieve the implementation, the following five major steps must be completed:

- Designation of Commercial Development Districts in the *Regional Municipal Planning Strategy* for those areas of the Municipality serviced by wastewater facilities and a water system;
- Approval of the required By-law (including Ministerial approval);
- Implementation of the revenue component of the new SAP system;
- Communication of the final assessment averaging system, to the business community, and
- HRM - PVSC agreement on management of assessment averaging information.

**Designation of Commercial Development Districts**

According to provincial legislation, Halifax Regional Municipality Charter, Section 92C, only commercial properties within a Commercial Development District which are located in an area serviced with municipal (piped) water and wastewater (sewer) are eligible for assessment averaging.

Following the approval of the Centre Plan – Package A, a Commercial Development District can now be created within a portion of the Regional Centre. The land use provisions in “Package A” do not apply across the entire Regional Centre. Attachment 1 shows a map of the eligible lands for which a new Commercial Development District could be created, clearly indicating that only a portion of all properties within the Regional Centre would currently be eligible.

Staff have evaluated three potential scenarios to determine the number of commercial properties that would be included in a new Commercial Development District.

- 1) Current Situation – Approval of Centre Plan – Package A  
HRM could set up a Commercial Development District that would cover fewer than 1,000 (18%) of roughly 5,500 commercial properties in the region. Using Package A for assessment averaging means some commercial properties would be eligible for averaging while neighboring commercial properties would not. Given the Standing Committee’s September 28<sup>th</sup> request to expand averaging across the entire HRM, this is not expected to be satisfactory to Council or the business community.
  
- 2) Future Situation – Approval of final Centre Plan (Package A & B)  
Once the Centre Plan is completed, i.e. Package B is approved, Council could consider setting up a Commercial Development District, by by-law, that would include approximately 1,550 (28% of all) commercial properties in the Regional Centre (subject to Ministerial approval). The Centre Plan – Package B project is expected to commence the adoption process in the spring of 2021 and be completed in late 2021. This should allow for the creation of a Commercial Development District, which could include nearly<sup>1</sup> all commercial properties within the entire Regional Centre – Halifax peninsula and Dartmouth within the Circumferential Hwy – by the start of the 2022/23 fiscal year. *(Note: 1. Two heritage conservations districts, Barrington Street and Old South Suburb, are excluded from Package B.)*
  
- 3) Future Situation – Approval of amended Regional Plan  
Once the Regional Plan review is completed, HRM could set up a Commercial Development District that would cover all areas of the HRM that have public water and sewer services and hence include 4,100 (almost three-quarters of all) commercial properties in the Municipality and more than 83% of all commercial property value. The Regional Plan Review is in its initial community engagement phase, which will evolve as the Themes and Directions Report is released in 2021. The entire project is not expected to be completed before late 2022. So, the earliest this could be used is for the 2023/24 fiscal year, assuming no additional consultations or increased scope for the project.

The table below summarizes the number of commercial properties (with water and sewer services) that would be within each planning area.

<b>Coverage of Potential Commercial Development District Areas</b>	<b># of commercial properties in area</b>	<b>% of all commercial properties with water and sewer</b>	<b>% of all commercial properties</b>
Centre Plan – Package A	980	24%	18%
Centre Plan – Package A&B	1,550	38%	28%
Regional Plan Amendment	4,100	100%	74%

Proposed Regional Plan Amendment

To implement the Commercial Assessment Averaging to all commercial properties (serviced with water and sewer) across the municipality in a shorter time period, staff are recommending that an amendment to the current Regional Plan be prepared, specifically and solely to add provisions for the creation of one or more Commercial Development Districts within the HRM, with a timeline to allow the creation of new Commercial Development Districts by the end of fiscal 2021/22. For that purpose, staff are recommending initiation of a process to consider amendments to the Regional Municipal Planning Strategy (RMPS).

Amendments to the existing RMPS require multiple steps, including approval by the Minister responsible for Municipal Affairs:

- Decision by Regional Council to initiate the RMPS amendment process
- Public Participation Program
- Detailed review of proposal
- Staff report (includes recommendation on RMPS amendment)

- First Reading at Regional Council
- Second Reading and Public hearing at Regional Council
- Decision by Regional Council on RMPS amendment – no appeal process
- Ministerial approval (Department of Municipal Affairs)
- Notice of approval of RMPS amendment published (amendments in effect)

Eligibility for Averaging using 2021 Assessment Data

The conversation on “assessment averaging” has been discussed in general terms by Regional Council, since late 2012. In June 2019, the averaging was specified to target commercial properties with assessment increases “more than 5 percent above the HRM average.” To understand how this would apply to existing commercial properties in the municipality, staff looked at the current assessed values in HRM.

Between 2020 and 2021, the assessed value of commercial properties increased 2.6% (on average). Therefore, applying the June 2019 criteria, properties that increased in value by more than 7.6% (5% above the average of 2.6%) would be eligible for assessment averaging. Of the roughly 5,500 taxable commercial properties in the municipality, about 11% would be have been eligible for the program, as shown below.

<b>Eligibility of Commercial Properties</b> (if program were in place for 2021/22)				
	Taxable Commercial Properties in the Halifax region	Properties not in Sewer/Water Area	Properties decreasing <sup>1</sup> in value or increasing less than 7.6% <sup>2</sup>	Properties increasing in value more than 7.6% <sup>2</sup>
Number of Properties	5,500	1,400	3,500	600
<b>Program Eligibility</b>		Not eligible	No averaging (this year)	<b>Averaged (for three years)</b>
<p><i>Notes: 1. For properties declining in value, the decrease is <u>not</u> averaged. 2. In 2021, the average increase in value was 2.6%; so, properties that increase by more than 7.6% would be eligible for averaging.</i></p>				

The above table above shows how many properties would have been be eligible for assessment averaging in the 2020/21 fiscal year, if the program were in place. About 4,100 commercial properties with water/sewer services could be eligible for averaging in any year. However, in 2021, only 600 of them increased in value more than 7.6 percent (5 percent above the average commercial assessment increase of 2.6 percent). So, if the assessment averaging system were in place now, these commercial properties would see assessment averaging over 2021/22, 2022/23 and 2023/24. For the Assessment Averaging program to be revenue neutral, it is estimated that the general commercial tax rate would need to increase by approximately 3%, to be revenue neutral. In other words, since the commercial tax base is lower than it would have been, the rate would need to increase to provide the same tax revenues for municipal services.

<b>Example 1 – Property Increases more than 7.6% in 2021</b>			
Market Value 2020	Market Value 2021	Market Value 2022	Market Value 2023
\$1,000,000	<b>\$1,300,000</b>	<b>\$1,300,000</b>	<b>\$1,300,000</b>
	Taxable Value 2021	Taxable Value 2022	Taxable Value 2023
<b>Averaging</b>	<b>\$1,100,000</b>	<b>\$1,200,000</b>	<b>\$1,300,000</b>

In **Example 1**, the market assessment of a commercial property **increases 30 per cent** in year one (2021), then remains unchanged in years 2 and 3. The assessment averaging would apply the \$300,000 increase over three years, \$100,000 in each year.

<b>Example 2 – Property increases more than the threshold for three consecutive years</b>					
Market Value 2020	Market Value 2021	Market Value 2022	Market Value 2023	Market Value 2024	Market Value 2025
\$1,000,000	\$1,300,000	\$1,675,000	\$2,125,000	\$2,125,000	\$2,125,000
Value added from Year 1	\$100,000	\$100,000	\$100,000		
Value added from Year 2		\$125,000	\$125,000	\$125,000	
Value added from Year 3			\$150,000	\$150,000	\$150,000
	Taxable Value 2021	Taxable Value 2022	Taxable Value 2023	Taxable Value 2024	Taxable Value 2025
<b>Averaging</b>	\$1,100,000	\$1,325,000	\$1,700,000	\$1,975,000	\$2,125,000

In **Example 2**, the assessment of a commercial property **increases more than the threshold** for multiple years. Each year's increase is phased-in over three years. In this example, from 2022 through 2024, more than one deferred value is being added to the prior year's taxable assessment. By 2025, the taxable assessment is equal to the market value assessment.

<b>Example 3 – Property increases less than the threshold</b>			
Market Value 2020	Market Value 2021	Market Value 2022	Market Value 2023
\$1,000,000	\$1,050,000	\$1,100,000	\$1,150,000
	Taxable Value 2021	Taxable Value 2022	Taxable Value 2023
<b>No Averaging</b>	\$1,050,000	\$1,100,000	\$1,150,000

In **Example 3**, the market assessment of a commercial property **increases 5.0%** in year 1, **4.8%** in year 2 **and 4.5%** in year 3. Since, these increases do not exceed the annual thresholds (5 per cent above the HRM average increase), the full market value is taxable in each year. Assessment averaging is not applied.

### Approval of the Required By-Law

Staff have drafted a Commercial Assessment Averaging By-law to be brought to Regional Council, following the approval of the RMPS changes enabling a Commercial Development District. Depending on Ministerial approval, this means the By-law will be presented to Regional Council late in 2021 or early in 2022. Ministerial approval is required for the by-law and this is likely to happen in early 2022.

### Implementation of the Revenue Component of the new SAP system

The current computer software for tax and revenue collection (Hansen) is insufficient to process assessment averaging. The new Tax and Revenue Module (TRM) is expected to be fully operational early in 2022. The initial tax bill for the year is based on 50% of the previous year's taxes and will be unaffected by assessment averaging. The Fall tax bill for 2022/23 will be the first to use assessment averaging, assuming TMR implementation is as per schedule February 2022.

Staff has been in contact with the Property Valuation Services Corporation (PVSC), who are currently the administrator on property valuation (property assessments for taxation purposes) in the province to better understand how this process may change roles for the Municipality and/or PVSC and to seek data required by HRM for the new system. A clear understanding of assessment and taxation processes (with a

commercial assessment averaging in place) is a must, as is a robust communications plan prior to and following implementation. Discussions continue with PVSC on delivery options, with a focus on customer service,

### Communication of the Final Assessment Averaging System

The move to an assessment averaging system represents a significant change to the current tax system for commercial properties and will require considerable discussion and explanation with the business community. Staff are preparing a communication plan to be available once the final details and timing of the assessment averaging system are available.

### Small Business Tax Structure Issues

#### Adjustment to Five Zones and Tiered Rates

As requested by Regional Council in June 2019, staff outlined a new commercial tax rate structure. The proposal would replace the current urban, suburban and rural commercial tax rates – \$3.000, \$3.000 and \$2.658 per \$100 of assessment in 2020, respectively – with a set of tiered rates for commercial properties located in multiple commercial taxation zones. An example of this structure was provided to Halifax Regional Council on September 1, 2020, shown here:

<b>Adjusted Tax Rates (Five Zones with Tiers)</b>				
<b>Five Zones</b>	<b>Up to \$500k</b>	<b>\$0.5 to \$1M</b>	<b>\$1 to \$2M</b>	<b>Over \$2M</b>
Big Box	\$2.900	\$2.800	\$2.700	\$3.334
High Density	\$2.900	\$2.800	\$2.700	\$3.088
Industrial	\$2.900	\$2.800	\$2.700	\$3.088
SME*	\$2.900	\$2.800	\$2.700	\$3.000
Rural	\$2.650	\$2.650	\$2.650	\$2.650

\*Small, Medium Enterprise

On September 28, 2020, the Community Planning and Economic Development Standing Committee requested "...consideration of maintaining the top tier... rate for the High Density zone at \$3.00... [and] that rates be increased for Big Box retail zones." The resulting tax rates are shown here:

<b>Revised Tax Rates (Five Zones with Tiers)</b>				
<b>Five Zones</b>	<b>Up to \$500k</b>	<b>\$0.5 to \$1M</b>	<b>\$1 to \$2M</b>	<b>Over \$2M</b>
Big Box	\$2.900	\$2.800	\$2.700	<b>\$3.472</b>
High Density	\$2.900	\$2.800	\$2.700	<b>\$3.000</b>
Industrial	\$2.900	\$2.800	\$2.700	\$3.088
SME*	\$2.900	\$2.800	\$2.700	\$3.000
Rural	\$2.650	\$2.650	\$2.650	\$2.650

\*Small, Medium Enterprise

In order to reduce the top tier High Density zone rate from \$3.088 to \$3.000 (per \$100 of commercial assessment), the estimated 2020/21 top tier Big Box commercial rate would need to increase from \$3.334 to \$3.472. These rates would raise the same amount of commercial tax revenue for the Municipality as the approved 2020/21 tax structure. This maintains "revenue neutrality" whereby any decrease in taxation in one area is compensated for by an increase in commercial taxation elsewhere.

Timeline for Implementation of Small Business Tax Structure Issues

Regional Council has not yet provided direction as to which, if any, tax structure changes it prefers to support small business. Any eventual time line is dependent on what direction Regional Council provides and when it provides it. Regional Council has requested additional information and options for small business tax assistance. Staff will return to Council in fall 2021 with a supplementary report focusing on commercial taxation options, including a definition of small business and the small business analysis requested on February 9, 2021.

As with assessment averaging, the current property tax billing system, Hansen, is at the end of its functional life and is in the process of being replaced with a new SAP Tax and Revenue Module (TRM). The SAP TRM project is on track to be active for the 2022/23 billing cycle and could eventually be used to implement a five-zone, multi-tiered tax system. Finance staff have been working with the SAP product development team and have advised them of the possible new commercial tax structure options, so TRM can be configured to implement such a tax structure. However, there should be caution with respect to implementing a new tax structure during the transition to a new billing system. It would be ideal to defer any significant tax structure changes until the new system has been running for one complete billing cycle and the proposed assessment averaging system is fully in place. To implement two major changes to the tax system at the same time adds considerable complexity to the transition the business community will have to make.

For Council's reference, a revised 5-zone map is attached as Attachment 2. During discussions with Planning and Development staff, an error was discovered in the boundary between Bayer's Lake Business Park and Beechville Industrial Park. The boundary has been corrected.

**FINANCIAL IMPLICATIONS**

There will be increased costs associated with the commercial assessment averaging, either through additional staffing hours in HRM Finance, Revenue Division, SAP system development or, potentially, from the Property Valuation Services Corporation (PVSC), if significant process changes or reporting is required from them. Start-up costs will be similar, whether the program is piloted or implemented in a regular fashion. Start up costs are estimated at \$150,000 to \$250,000 and include two additional staff, programming and other system or process modifications. Incremental on-going operating costs are estimated at \$50,000 to \$100,000 primarily for one staff member to administer on an ongoing basis.

A communications and educational program for commercial taxpayers through the initial rollout and implementation of the assessment averaging feature can be accommodated within existing corporate resources, with incremental direct cost implications of up to \$20,000.

If, in subsequent years following a review, the assessment averaging program is ended, the wind-up costs would roughly equal the start-up costs of \$150,000 to \$250,000.

Finance, Asset Management & ICT will attempt to cover these costs in 2021/22 within existing budgets. However, should that not be possible, staff will return to Audit and Finance Standing Committee for additional funding from the General Contingency Reserve, Q421.

**RISK CONSIDERATION**

There is a low risk that the provincial Minister of Municipal Affairs will not approve HRM's proposed Commercial Development District and assessment averaging program.

There is a low risk that the SAP TMR project will be further delayed and will not be ready to implement the commercial tax structure changes. However, there is moderate risk of implementing changes to the

assessment system and taxation system at the same time, both in terms of project management (quality assurance) and stakeholder communications. Given the critical need for reliable and accurate tax billing, from both an HRM revenue perspective and public trust, this preventable risk should be avoided.

There is a risk of implementing taxation changes in the current environment of uncertainty and, in some cases, business instability. The assessment averaging will add complexity to the current system and may be unwanted by some taxpayers. HRM must communicate the changes clearly and facilitate education of property owners on the new approach, prior and during the transition to assessment averaging in 2022.

### **COMMUNITY ENGAGEMENT**

Between January 2018 and into 2019, business owners and business representatives across the region met with HRM staff and participated in workshops to review and help refine the commercial taxation options provided to Regional Council in June 2019. Since then, staff have been in contact with Business Improvement District and other representatives, as well as The Halifax Partnership, on this issue.

HRM Finance staff will be engaging with the business community prior to implementation of the commercial assessment averaging program, to explain how taxable commercial assessment values will be determined and what process/communication changes they may expect to see.

Should Regional Council choose to initiate the Regional Municipal Planning Strategy (RMPS) amendment process to establish commercial development districts, the HRM Charter requires that Regional Council approve a public participation program. In February of 1997, Regional Council approved a public participation resolution which provides broad discretion on the consultation process required for planning policy amendments that are regional in nature. The 1997 policy provides that, for amendments that are regional in nature, staff would recommend an appropriate public participation program. On September 1, 2020, Regional Council adopted amendments to Administrative Order Number 2020-009- ADM, the COVID-19 Administrative Order (AO). Section 3B(1)(b) of the Covid-19 AO provides that a public participation program adopted by Council pursuant to section 219 of the Charter may be comprised of, wholly or in part, alternative public engagement. Alternative public engagement means public engagement facilitated through one of the following means: virtual meetings; the internet; written correspondence; and telephone.

Accordingly, given the broad geography involved and the previous consultation completed, the proposed level of community engagement would be consultation, achieved through:

- continued stakeholder consultations as described above; and
- information sharing and information gathering on the HRM website.

In addition to this public participation, the HRM Charter requires a public hearing to be held before Regional Council can consider approval of any amendments. Amendments to the Regional Plan will potentially impact the following stakeholders: commercial property owners and tenants, business associations and commissions (including the Halifax Chamber of Commerce and Business Improvement Districts), as well as business owners in the region.

### **ENVIRONMENTAL IMPLICATIONS**

No environmental implications were identified.

## **ALTERNATIVES**

1. Regional Council could refuse to move forward with the specific Regional Plan amendment (to allow a larger Commercial Development District) and proceed to implement the commercial assessment averaging program for the Centre Plan Package A lands. If this option is selected, recommendation 2 would need to be deleted and recommendation 1 would need to be amended to add a reference to Centre Plan Package A commercial properties so it would read:

That Halifax Regional Council direct the CAO to:

1. prepare to implement commercial assessment averaging for Centre Plan Package A commercial properties, starting in fiscal year 2022/23, conditional on a successful upgrade of HRM's tax billing system to the SAP Tax and Revenue Module;

Under this Alternative, Regional Council could consider expanding the commercial assessment averaging program over time, as the Centre Plan Package B and all the amendments arising from the Regional Plan Review are approved, over the next several years.

2. Regional Council could request the CAO not to proceed with the proposed commercial tax policy changes.

## **ATTACHMENTS**

Attachment 1 – Centre Plan Package A Lands Map

Attachment 2 – Potential 5-Zone Commercial Tax Area Map (revised)

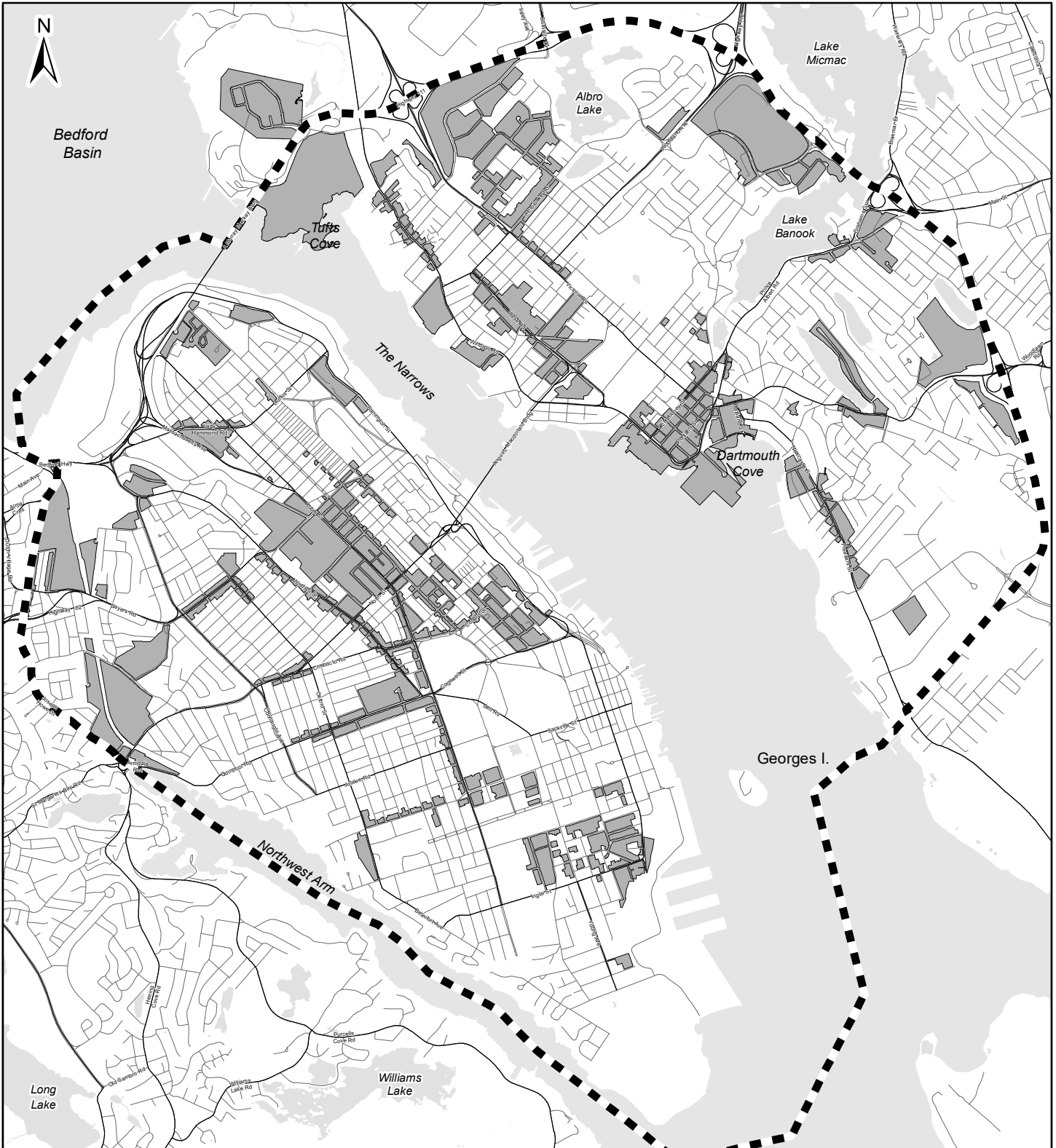
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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.



Report Prepared by: Andre MacNeil, Senior Financial Consultant, 902.292.4556

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# ATTACHMENT 1



## Schedule 1: Regional Centre Land Use By-law Boundary

-  Package A Properties
-  Centre Plan Area

# HALIFAX

## Regional Centre Land Use By-Law



HRM does not guarantee the accuracy of any base map representation on this plan.

Effective: 30 November 2019

