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Property Tax and Assessment News from Around the World

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SASKATCHEWAN - City loses legal battle over tax assessments

After what Mayor Greg Dionne called a legal "glitch," the city has lost a long-running dispute with two groups of businesses that challenged their tax assessments.

The confusion, the mayor indicated, was caused by a passage in the Cities Act that's about as clear as toothpaste.

The Court of Appeal for Saskatchewan ruled against the city late last month on property tax disputes dating back to 2013 and 2014. Only two companies are named: the holding company for South Hill Mall and The Prince Albert Co-op Association, but they represent a much larger group of businesses battling it out with the city.

In 2013, South Hill Mall Property Holdings Inc. joined a group challenging an adjustment applied to their property assessments. They went to the first level of appeal, the locally appointed Board of Revision, and won. But the city appealed that decision to a higher instance: the Saskatchewan Municipal Board's Assessment Appeals Committee.

That took time. Meanwhile, South Hill and its neighbours got their 2014 assessment, which used the very formula that the Board of Revision rejected. They went back to file another challenge. Another group of companies, including the Co-op, challenged their assessments on a similar basis. The board sided with the businesses.

That's where things started to go haywire. The city had appealed all those decisions to the Assessment Appeals Committee. In 2015, the committee came back with a decision – but only for the 2013 South Hill appeal. This time, the city won, and the assessment was adjusted back up.

The city dropped its other appeals, relying on an obscure provision of the Cities Act in the hopes that its victory on the 2013 decision would carry forward.
For the Court of Appeal, that was the fatal mistake.

SASKATCHEWAN - Property assessment appeals rise in 2017 in Saskatoon

A look at the number of businesses and residents that have appealed property assessment by the City of Saskatoon in the last four reassessment cycles:

2017

Appeals: 598

2013

Appeals: 434

Assessment adjusted: 178

Appeal success rate: 41 per cent

2009

Appeals: 420

Adjusted: 198

Success rate: 47 per cent

2005

Appeals: 699

Adjusted: 288

Success rate: 42 per cent

More Saskatoon property owners appealed the City of Saskatoon's 2017 assessed value of their properties than in either of the last two reassessment years.

A Riversdale business owner upset with the reassessed value of his used car lot on 20th Street said he suspects many others, like him, are avoiding spending the money on an appeal because they see no chance of success.

Nearly 600 property owners appealed their 2017 reassessed property values, which the city uses to determine property tax rates. That's a substantial increase from the 434 appeals filed after the last reassessment cycle in 2013, and the 420 appeals filed after the 2009 reassessment.

Commercial property appeals increased to 297 this year from 268 in 2013 and 233 in 2009. The results of this year's appeals will not be known until October.

"It's relatively consistent with what we've seen with commercial properties," city assessor Darcy Huisman said. "Many people file appeals just to protect their interests and then withdraw them down the road once they get more information."

Of the 434 appeals filed in 2013, 104 were withdrawn and 178 resulted in assessment being adjusted, a success rate of about 41 per cent.

Huisman said the city advises property owners to appeal because they can always withdraw the appeal before it goes ahead without having to pay the cost. It costs $30 for an appeal of a single residential property, while the cost of appealing commercial properties and multi-residential buildings ranges from $150 to $750 depending on the assessed value.

Saskatoon has 94,000 taxable properties.

Morey Koplovich, owner of Amber Motors on 20th Street, figures the number of appeals would be higher if the chances of success were greater. The city's reassessed value of Koplovich's two lots on 20th Street is 240 per cent higher than in 2013 — $556,200, up from $168,400.

That will result in his property taxes more than doubling from $3,195.98 on the properties to $7,574.60, although the $4,378.62 increase will be phased in over four years.

“A lot of people I’ve spoken to are like me: Why would you spend $300 to hear them say you can’t appeal your assessment?” Koplovich said in an interview. “It’s pretty frustrating all right, to put it mildly. It’s ridiculous.”

As much as the reassessed value and property tax hike irks Koplovich, he’s even more upset that the city’s property classification means he will pay higher property taxes than a much larger car lot nearby on 20th Street.

The O’Brian’s Automotive property on 20th Street is more than twice the size of the Amber Motors site on the same street, but is assessed at a lower value — $363,500 — in part because there is a permanent structure on the O’Brian’s lot. The structure means the two lots are classified differently, and because similar land parcels to Koplovich’s have sold in the area, they were used to reassess his property at a higher value. The reassessed O’Brian’s property value dropped slightly from the 2013 reassessment.

Koplovich thinks the city should eliminate property classes and assess solely on each property’s value.

For the last three reassessment cycles, the city has assessed property values using sales of comparable properties in the area. Prior to that, in 2005, assessment was determined using a prescribed method from a manual, Huisman said. In 2005, 699 property owners appealed their assessments.

Assessment of property to determine value is performed using provincial guidelines every four years. This year’s reassessment is actually based on values from Jan. 1, 2015. Many, including the Greater Saskatoon Chamber of Commerce, want Saskatchewan to move to more frequent property assessment, as the other western Canadian provinces do.

NEW BRUNSWICK - 'Barely getting by' during wait for N.B. government to fix made-up tax bill

It was a long wait, but four months after being swept up in New Brunswick's property tax controversy with a 71 per cent increase in their assessment and tax bill, Tessa Brigley and her husband Eldon finally received confirmation from the province that the amounts were unjustified.

"After all this time we just heard last week — not a word until then," said Brigley, who found the increase a significant worry for much of the spring and summer.

"I didn't know what we were going to do. You're just people on a pension, you cannot afford this type of thing."

The Brigleys modest home in Quispamsis is one of the original 2,048 residential properties that had their assessments manipulated by Service New Brunswick to generate a large tax increase and it is among the last of that group to be fixed.

Last year, a new automated assessment system rushed into service by the province identified the 2,048 homes as being significantly undervalued and requiring major assessment increases — more than 70 percent in some cases.

But in New Brunswick, residential property tax bills are not legally allowed to increase more than 10 per cent per year, no matter how much an assessment goes up, unless the property has undergone "major" renovations.

A visual inspection of the Brigley home by an assessor this spring found no renovations at all and serious errors in the automated valuation of the house. (Robert Jones/CBC)

High level assessment managers inside Service New Brunswick, who have still not been identified, bypassed the 10 per cent limit on tax bills for homeowners like the Brigleys by fabricating renovation amounts for each house.

A visual inspection of the Brigley home by an assessor this spring found no renovations at all and serious errors in the automated valuation of the house.

The couple was informed last week that their assessment has been cut by $53,500 — to lower than it was last year — and their tax bill reduced by $695.18.

"I'm glad it's reversed but I would like to know how it happened in the first place because whoever did it is not doing their job correctly," said Brigley.

"There's a lot of people in the same boat. You're just barely getting by, you're on a pension or you are low income, and to just do that, it makes you mad."

Automated assessments flawed

Most of the original automated assessments done on the 2,048 homes have proven to be flawed and have not survived scrutiny once double-checked by a human assessor.

In June, an internal Service New Brunswick report obtained by CBC News showed that the first 1,868 homes reviewed were found to have assessments an average of $27,302 too high, with inflated tax bills to match.

The remaining 180 homes in the group, such as the Brigley property, are just now receiving new bills and appear to be following a similar pattern.

Scullion home, Hampton, tax assessment scandal

Cecil Scullion and his daughter Tana were notified the 42 percent assessment and tax increase on their jointly owned Hampton home was being wiped out completely following a reinspection and replaced with a 5.2 per cent reduction. (Robert Jones/CBC)

Cecil Scullion and his daughter Tana were just notified the 42 percent assessment and tax increase on the home they jointly own in Hampton was being wiped out completely following a reinspection and replaced with a 5.2 per cent reduction.

The house has undergone no renovations, does not have a basement and had its well ruined years ago when the town stored salt incorrectly and it got into the groundwater.

Given those issues, Scullion said the large assessment increase made no sense to him, but the way renovation amounts were then fabricated for the property to maximize the tax bill was doubly upsetting.

"If the law says it's only supposed to be 10 per cent if there's no renovations done, why would they be allowed to put it up by that," he said.

Auditor general prepares report

Service New Brunswick said 17,500 New Brunswick property owners have filed for a review of their tax bills this year, and with the 2,048 homes at the centre of the controversy dealt with, the agency has turned its full attention to those.

Just over 10,000 remain to be evaluated.

Property owners have until the end of next week, Aug. 1, to request a review.

Auditor General Kim MacPherson has announced she is investigating the origins of the assessment controversy and has promised a full report by November

BRITISH COLUMBIA - Are Vancouver's property taxes killing independent businesses?

Sky-high rents are pushing out small businesses from central locales because of landlords' ability to pass on rising taxes

Among the many side effects of sky-high property prices in this city, one of the major ones has been increasing property taxes.

Most of us are aware that property taxes are based on a mill rate being applied to a property's assessed value, and a property's assessed value is based on recent selling prices for it and similar properties in its area. BC Assessment simply tracks actual property selling prices (plus takes into account other variables such as location, size, improvements, variation up or down from the area's average etc.) and arrives at their updated assessed value each July 1. And that new assessed value is the basis for the property tax payable on that property.

This process applies to both residential and commercial properties – however, for a tenant of each, there is a major difference in how that assessment/tax process affects them.

Residential vs. commercial leases

First, a little primer on leases.

A residential lease generally contains two major differences from a commercial lease. Firstly, a residential lease is usually a "gross" lease. In other words, the rent the tenant pays for the term of the agreement is an all-in figure regardless of what the landlord's costs are or how they may fluctuate.

However, a commercial lease is usually a "net" or "care-free" agreement, meaning that the tenant pays a basic rent figure per square foot per annum for the space, plus an additional per-square-foot amount for its portion of the landlord's overall property taxes, insurance and maintenance costs on the property (hence most commercial leases are termed "triple-net" and are "care-free" to the landlord). Even if a set basic rent figure (or annual escalating figure) has been negotiated between the parties for a multi-year term, the landlord has the right to increase the triple-net figure each year based on its actual tax/insurance/maintenance costs.

The second major difference between a residential and a commercial lease is legal. Like most other Canadian provinces, B.C. has a Residential Tenancy Act to protect tenants' rights, plus it has rent controls that are tied to the Cost of Living Index. So, when a residential rental agreement is entered into between landlord and tenant, the landlord has certain legal restrictions placed on it that keep it from unduly raising rents based on increases in its costs (such as strata fee increases) during the lease term.

No such restrictions exist on commercial landlords. Yes, they must abide by the terms of their lease agreement – however, most agreements allow for additional (triple-net) rent increases on an annual basis, whether the basic rent increases or not.

Sky-high rents pushing out businesses

So now we know that commercial landlords can pass on their annual property tax (and other cost) increases to their tenants. We also know that, along with residential values, commercial property values are also skyrocketing (plus we have a dearth of commercially zoned land in Vancouver, which exacerbates this situation).

Let's take some real-world examples: South Granville, from the south end of the bridge right up to 16th Avenue – much of this strip used to be "Gallery Row". Many of these one-off, eclectic, interesting shops have now given way to the only businesses that can afford the rents there – the chains. This strip is morphing from charismatic to cookie-cutter.

Many of South Granville's galleries, antique stores and one-off, boutique businesses have migrated to such newly developed areas as Great Northern Way, which has utterly transformed in the last few years. Other hot retail/restaurant strips such as Denman Street and West 4th Avenue have also seen rents skyrocket and a good deal of those increases have been as a result of property tax hikes being passed on to tenants. And some substantial one-off retailers on downtown streets like Homer have also packed up and left (often for areas such as Burnaby) for the same reason.

Between bike lanes restricting parking for would-be customers and property taxes squeezing costs, it's a fight to stay alive for many retailers downtown right now. But still, try to find alternative retail space to lease! (And the landlords aren't selling...)

BRITISH COLUMBIA - Vancouver property owners 'panic' to rent as vacancy tax implemented

New tax will increase number of rentals but not affordability, says property manager

Vancouver's empty homes tax came into effect over the weekend, causing some property owners to scramble to rent, sell or find a way around the fees, according to one property manager.

Cameron Fazli is with Re/Max Crest Realty. He has seen a spike in calls from concerned owners looking for advice and solutions, he told CBC guest host of On The Coast Gloria Macarenko.

"We are getting a lot of calls from people who are unsure what they are going to do," Fazli said. "There is a lot of uncertainty and definitely a lot of unhappy property owners."

Under the new rules, homes that are not occupied for at least six months of the year are subject to a tax of one per cent of the property's assessed value. The deadline to rent out empty dwellings was July 1.

Looking for ways to avoid the tax

Fazli said many of the people he has talked to are thinking of renting or selling their properties. He recently met with a woman who owns three empty properties in Vancouver — and says one of them is now listed for rent, another will be listed shortly and she is thinking of selling the third.

"This is a scenario of someone who is kind of in a panic now and needs to rent them out," he said.

Other property owners are still figuring out exactly how much of the year they spend in the property, Fazli said, and are seeing if they can find a family member to occupy enough to make it over the six month threshold.

More rentals but not cheaper

The tax, approved last November, was created in an attempt to ease pressure on the rental housing market.

Fazli said while it will lead to more housing being available because of lower vacancy rates, it won't drive down prices.

"It's going to bring more rental properties onto the market but, on the affordable aspect, I think we're going to see the properties being more on the higher end side," he said.

The previously vacant properties Fazli has seen go up for rent are ones with owners who could afford to keep them empty for the majority of the year.

"We're looking at some pretty amazing properties in Coal Harbour, some luxury homes," he said.

"I don't think it's going to create more affordable housing."

MANITOBA - Board that hears assessment appeals could lose independence, property experts tell council

Mayor's inner circle approves new board of revision rules touted as improving transparency

A pair of property-appraisal experts appeared before Mayor Brian Bowman's inner circle Wednesday to argue new rules for the Board of Revision threaten the tribunal's independence.

The Board of Revision is responsible for adjudicating complaints about property assessments. In 2016, it received 4,893 applications for review, encompassing properties with a combined value of $16.7 billion.

In order to ensure disputes over property values are settled fairly, the board is supposed to operate independently from the city's assessment and taxation department.

On Wednesday, Winnipeg lawyer Mark Newman and property appraiser Rocky Neufeld urged city council's executive policy committee not to approve a new procedures manual that codifies some existing Board of Revision practices and creates several new rules.

Bowman's office says the new procedures will reduce the potential for conflict of interest on the board and improve its transparency. The manual includes rules requiring board meetings to be live streamed, board members not to speak to media and board members to dress in a manner respectful of the institution.

Property owners have long expressed concerns the board is under pressure from the city to make decisions that will increase property tax revenue.

Newman and Neufeld told executive policy committee that while they don't have many quibbles with the new procedures, in the big picture, city staff should not be seen as giving the independent body new marching orders.

"You cannot be imposing directives on the Board of Revision," said Newman, a municipal law and assessment-litigation specialist who appears before council committee on a semi-regular basis on behalf of his clients.

"My concern is the board retain its independence," he said later, outside the meeting room. "The citizens have to be satisfied this tribunal is truly independent and is not operating under the direction of the assessment department or the City of Winnipeg administration."

Deputy city clerk Mark Lemoine, however, told executive policy committee the new procedures manual will simply formalize means to ensure Board of Revision members behave professionally. The manual will not affect the independence of the citizen appointees, he said.

Bowman said he believes the new procedures manual is important, "given the sheer value of the billions of dollars" of property values considered by the board of revision.

Bowman said consultations were made with industry stakeholders, but Newman said those consultations were brief.

Executive policy committee approved the new rules unanimously. They now face council approval on July 19.