



WHY IT'S TIME TO REVIEW THE CAP

Union of Nova Scotia Municipalities Spring Workshop
May 6, 2016

Kathy Gillis, CEO, Property Valuation Services Corporation
Betty MacDonald, Executive Director, UNSM

CAP REVIEW – WHY NOW?

- What made sense in 2005... may not in 2016



WHAT A DIFFERENCE A DECADE MAKES

■ That was then...

The ChronicleHerald

Province seeks answers to huge assessment hikes

Published December 15, 2001

Herald News

Assessment hikes may force residents off waterfront land

Published November 9, 2001

The ChronicleHerald

Assessments putting oceanfront out of reach

Published February 5, 2002

■ This is now...

Herald News

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N.S. property assessments up about half of last year's increase

CLARE MELLOR STAFF REPORTER
Published January 8, 2016 - 4:30pm

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UPDATE:
PROPERTY ASSESSMENTS FLAT

Brian Flinn

Nova Scotian property assessments are up just 1.55% for 2016. It's the smallest increase since the Property Valuation Services Corp. (PVSC) was formed in 2008.~

CBCnews | Nova Scotia

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Nova Scotia property values rise 1.55%

Property Valuation Services says the small change reflects a 'flattening market'

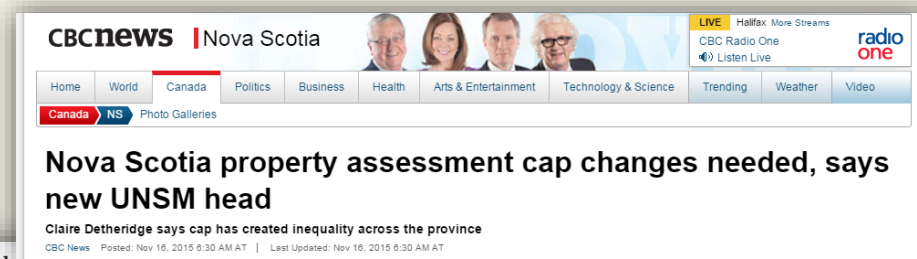
By Jean Laroche, CBC News Posted: Jan 08, 2016 12:44 PM AT | Last Updated: Jan 08, 2016 3:15 PM AT

WHAT A DIFFERENCE A DECADE MAKES

■ That was then...

■ This is now...

CAP created to protect homeowners from “sudden and dramatic increases in assessment values” and “being taxed out of their homes”



WHY REVIEW THE CAP

- Over the past decade, our economy, demographics, and real estate reality have changed dramatically.
- No longer fulfilling its intended purpose: *to protect homeowners from sudden and dramatic increases in assessment.*

In 2016, **61%** of residential properties were capped.



The CAP has created unintended consequences for not only homeowners, but all Nova Scotians. *It is hurting the economic health of our province.*

THE CAP IS HURTING THE PEOPLE IT WAS DESIGNED TO HELP

People entering the market

Purchased or newly built homes are not eligible for the CAP



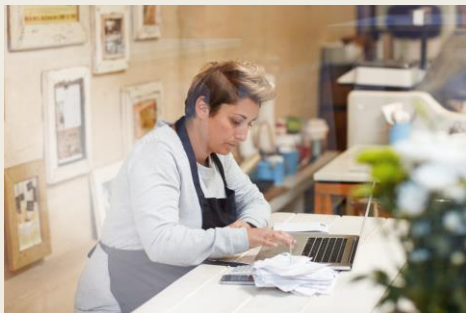
Seniors looking to downsize

Long-time homeowners face a tax shock when they sell and downsize



Commercial property owners

Taxation short falls created by the CAP may be pushed onto business owners



People improving their homes

Renovations, additions and home improvements are not capped



UNINTENDED CONSEQUENCES

- Same neighbourhood, same services, similar houses DIFFERENT tax bills



- High-value property owners benefiting; low-value property owners subsidizing
- **Violates section 42 of the Nova Scotia Assessment Act**
All property shall be assessed at its market value...so as to ensure that subject to Section 45A, taxation falls in a uniform manner upon all residential and resource property and in a uniform manner upon all commercial property in the municipality.

UNINTENDED CONSEQUENCES (CBRM)

Large Cap Reduction	
Assessed Value	\$85,000
Capped Value	\$50,600
CAP Reduction	\$34,400
Taxes with a CAP ¹	\$1,009
Taxes without a CAP ²	\$1,356
Difference	\$347



Small CAP Reduction	
Assessed Value	\$85,000
Capped Value	\$76,800
CAP Reduction	\$8,200
Taxes with a CAP ¹	\$1,531
Taxes without a CAP ²	\$1,356
Difference	(\$175)



No CAP	
Assessed Value	\$85,000
Capped Value	-
CAP Reduction	-
Taxes with a CAP ¹	\$1,694
Taxes without a CAP ²	\$1,356
Difference	(\$338)

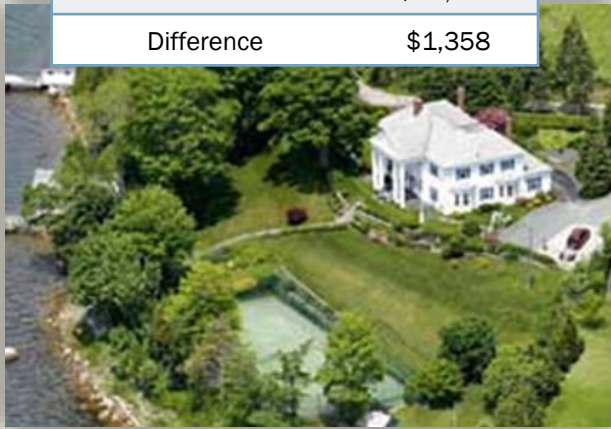


¹Estimated tax rate based on the most recent published tax rate

²Estimated tax rate based on No CAP Program

UNINTENDED CONSEQUENCES (CHESTER)

Large CAP Reduction	
Assessed Value	\$2,116,800
Capped Value	\$1,634,200
CAP Reduction	\$482,600
Taxes with a CAP ¹	\$11,028
Taxes without a CAP ²	\$12,386
Difference	\$1,358



Small CAP Reduction	
Assessed Value	\$150,300
Capped Value	\$143,000
CAP Reduction	\$7,300
Taxes with a CAP ¹	\$965
Taxes without a CAP ²	\$879
Difference	(\$86)



No CAP	
Assessed Value	\$150,300
Capped Value	-
CAP Reduction	-
Taxes with a CAP ¹	\$1,014
Taxes without a CAP ²	\$879
Difference	(\$135)



¹Estimated tax rate based on the most recent published tax rate

²Estimated tax rate based on No CAP Program

UNINTENDED CONSEQUENCES (HRM)

Large Cap Reduction	
Assessed Value	\$1,546,900
Capped Value	\$1,187,500
CAP Reduction	\$359,400
Taxes with a CAP ¹	\$13,694
Taxes without a CAP ²	\$15,830
Difference	\$2,136



Small CAP Reduction	
Assessed Value	\$250,000
Capped Value	\$244,100
CAP Reduction	\$5,900
Taxes with a CAP ¹	\$2,815
Taxes without a CAP ²	\$2,558
Difference	(\$257)



No CAP	
Assessed Value	\$250,000
Capped Value	-
CAP Reduction	-
Taxes with a CAP ¹	\$2,883
Taxes without a CAP ²	\$2,558
Difference	(\$325)



¹Estimated tax rate based on the most recent published tax rate

²Estimated tax rate based on No CAP Program

UNINTENDED CONSEQUENCES (YARMOUTH)

Large Cap Reduction	
Assessed Value	\$352,900
Capped Value	\$264,100
CAP Reduction	\$88,800
Taxes with a CAP ¹	\$4,851
Taxes without a CAP ²	\$6,413
Difference	\$1,562



Small CAP Reduction	
Assessed Value	\$70,800
Capped Value	\$68,900
CAP Reduction	\$1,900
Taxes with a CAP ¹	\$1,266
Taxes without a CAP ²	\$1,287
Difference	\$21



No CAP	
Assessed Value	\$70,800
Capped Value	-
CAP Reduction	-
Taxes with a CAP ¹	\$1,301
Taxes without a CAP ²	\$1,287
Difference	(\$14)



¹Estimated tax rate based on the most recent published tax rate

²Estimated tax rate based on No CAP Program

BOTTOM LINE MESSAGE FOR A CAP REVIEW

- After more than a decade, it's only prudent to review the effects of the CAP, what's working and what's not, and ways we might improve the program.
- Instead of protecting vulnerable homeowners, in many cases, it is now hurting them, hurting efforts to retain and attract young people and immigrants, hurting seniors, and hurting our economy.

CAP REVIEW – THREE KEY ELEMENTS

- ***Government alignment:***
 - Provincial and municipal, elected and administrative need to be on the same page

- ***Driven and championed by third parties:***
 - Consultation and review can't be led only by governments/PVSC; need influencers, motivated groups with strong reputations, outside experts, media, etc.

- ***Bulletproof policy/technical side:***
 - Ensuring the in-house policy, expertise, facts and figures are consistent, unassailable

PROGRESS SO FAR: ALL-PARTY WORKING GROUP

- **Working Group Composition:** Liberal MLA(s); PC MLA(s); NDP MLA(s); DMA
- **Administrative Support Team:** Identified from members of UNSM, AMA and PVSC to provide administrative support and subject matter expertise to the All-Party Working Group

Proposed Goals:

- To determine if the CAP should be modified to protect property owners from sudden and dramatic increases in property assessments, while also supporting the delivery of a fair and balanced property tax system that is transparent and straightforward for Nova Scotians;
- To provide recommendations to improve the CAP program based on best tax policy standards; and
- To ensure that the CAP review report and recommendations are open and accessible to the public, and any actions are carried out in a stepwise, measured fashion.

PROPOSED ENGAGEMENT STRATEGY TIMELINE

May 2016

- UNSM Spring Workshop

June 2016

- AMA Spring Conference

June 2016 – March 2017

- Working group created and Administrative Support Team in place, analysis, stakeholder consultations, report and recommendations
- UNSM and AMA Fall Conferences
- New councillor orientation sessions

Questions



CAP REVIEW – ROLES & RESPONSIBILITIES

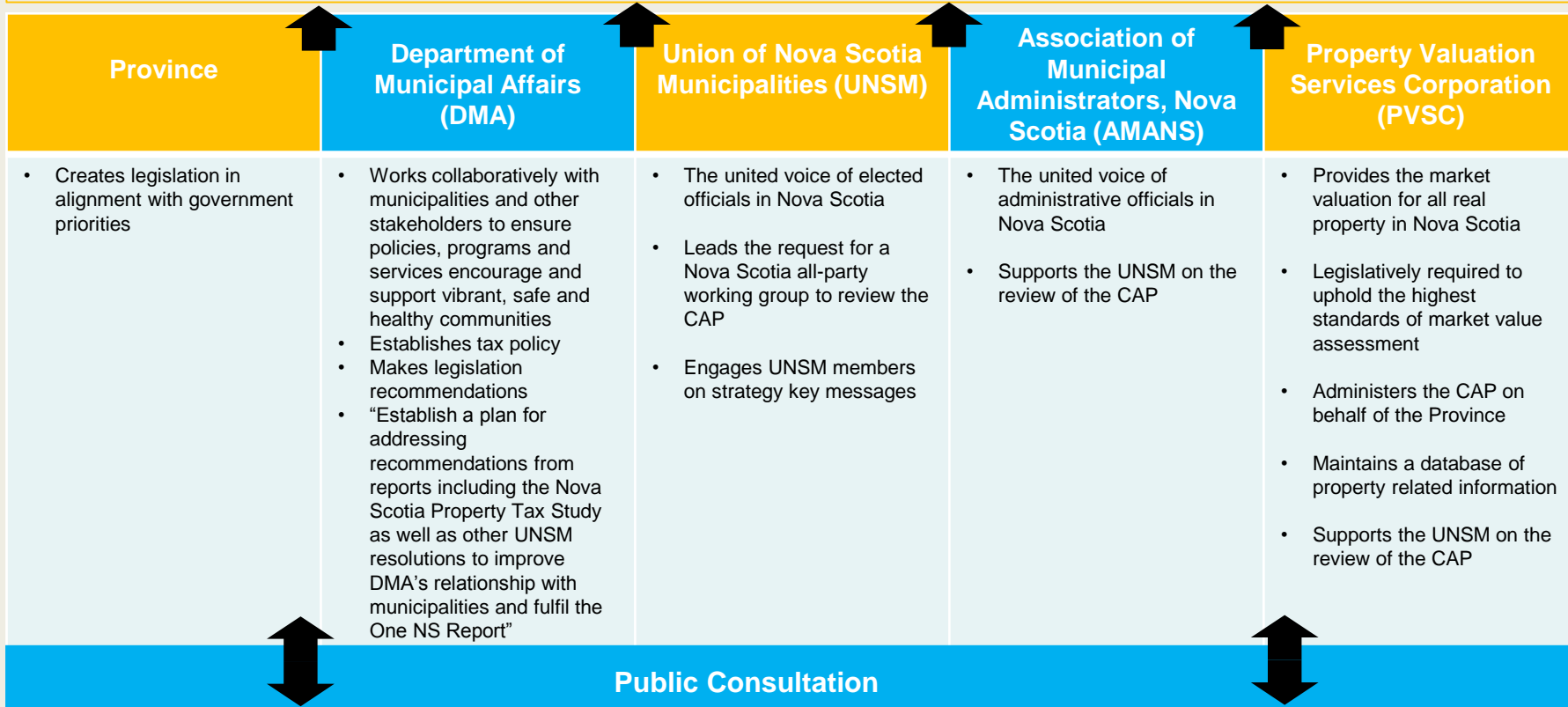
NS Legislature All-Party CAP Review Working Group

(Liberal MLA(s), PC MLA(s), NDP MLA(s), with support from DMA, UNSM, AMA, and PVSC staff)

Proposed Goals:

1. To determine if the Capped Assessment Program (CAP) should be modified in order to best protect property owners from sudden and dramatic increases in property assessments, while also supporting the delivery of a fair and balanced property tax system that is transparent and straightforward for Nova Scotians;
2. To provide recommendations to improve the CAP program based on best tax policy standards; and
3. To ensure that the CAP review report and recommendations are open and accessible to the public, and any actions are carried out in a stepwise, measured fashion.

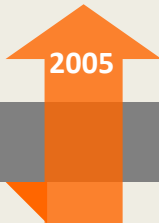
Out of Scope: The Committee will not review the current market based tax system as set out in the Nova Scotia Assessment Act.



CAP LEGISLATION TIMELINE

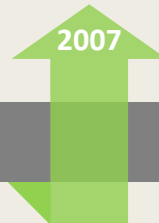
25,000 Properties in CAP

- Property owner application required
- CAP rate set at 10% meaning an assessment must have increased more than 10% to receive a cap



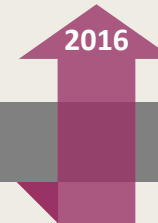
64,000 Properties in CAP

- No application required
- CAP rate set to Consumer Price Index (CPI) meaning assessment must have increased more than CPI to receive a cap
- Manufactured homes become eligible



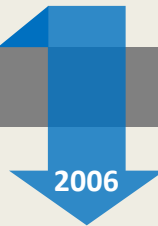
354,000 Properties in CAP

- No application required
- CAP rate set to CPI



40,000 Properties in CAP

- Property owner application required
- CAP rate set at 10%
- Condos become eligible



279,000 Properties in CAP

- No application required
- CAP rate set to CPI
- Housing co-operative become eligible
- Incorporated farms become eligible
- Manufactured home parks become eligible

