

Effect of the Assessment CAP on the Cape Breton Regional Municipality

Mayor Cecil P. Clarke

“Utilize the Nova Scotia Federation of Municipalities to Work with Other Municipal Governments and the Province on a Strategy to Amend the CAP”

Influence on Viability:

❖ Disincentive for Development

The principle of levying taxes on the premise of the public’s ability to pay is predicated on the measure of property value being the contributing factor. The CAP obscures that value, arbitrarily shifting the burden to properties that are ineligible for the CAP. The disincentive to sell a CAP eligible property negatively influences the level of market activity. As transactions remain stagnant, the market value of properties becomes less aligned with assessed values. The Nova Scotia Realtors Association estimated that the economic impact of a property sale produces on average \$40K of economic impact to a local economy. Each property that does not enter the market due to the CAP negates that economic impact.

❖ Ability to Adjust Tax Rates

With 83% of residential properties eligible for the CAP, the market value and assessed value are increasingly divergent. The actual revenues received by the municipality are not aligned with the market value of properties, and any increases to the base rate to account for the shortfall would exponentially impact the ineligible properties.

CAP Impact

- Concern has been voiced: “The CAP program is negatively effecting home sales and new construction.”
- CBRM municipal building permits have gone down.
 - 25% decline in the CBRM, population down 5%
- Contractors are telling municipalities they can no longer afford to build duplexes (primarily senior rental units) because of the taxes. The business case for them is no longer there.
- Newcomers to the province have expressed concern about the tax rate and how they are being penalized by the CAP when buying or renting a new home.



The economic impact of a property sale is estimated to be \$40,000 per transaction.

Each property not sold due to the CAP has a \$40,000 negative impact on the Nova Scotian economy .

(Nova Scotia Realtors Association)



Quotes from Residents at a Public Consultation Session

“I have no problem paying more my fair share of taxes but I don’t like paying somebody else's share too .”

“I had to stop building senior duplex housing because the taxes are killing me. The business case is just not there anymore. The CAP has got to go.”

“Nobody told me the taxes on the house I just bought were going to double because of this CAP.”

“I'm a senior on a fixed income, I wanted to downsize and now I cant afford my smaller house because my taxes are double. I have to sell!”

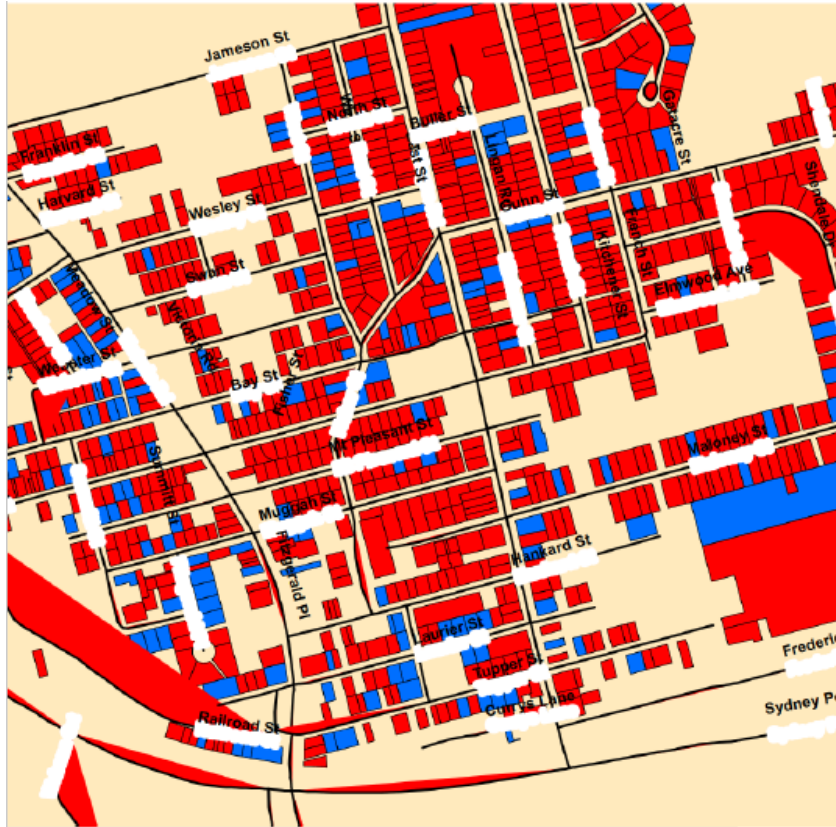
“I just moved from Ontario where my house was bigger and my taxes here are more than what I was paying there cause the CAP came off”

Growth in CBRM Market and Capped Assessment Values by Year

Year	Market Value	Capped Value	Assessment Value Difference
2007	\$2,550,315,800	\$2,548,023,847	\$2,291,953
2008	\$2,741,250,356	\$2,632,084,456	\$109,165,900
2009	\$3,025,905,700	\$2,772,109,700	\$253,796,000
2010	\$3,317,126,900	\$2,857,984,500	\$459,142,400
2011	\$3,614,097,200	\$3,028,965,600	\$588,847,300
2012	\$3,868,307,000	\$3,218,610,800	\$649,696,200
2013	\$4,171,388,300	\$3,361,758,500	\$809,629,800
2014	\$4,382,427,300	\$3,479,777,600	\$902,649,700
2015	\$4,542,686,900	\$3,610,085,900	\$932,601,000
2016	\$4,607,662,000	\$3,678,873,800	\$928,788,200
2017	\$4,688,875,000	\$3,778,828,300	\$910,046,700
2018	\$4,801,808,800	\$3,865,484,700	\$936,314,100
2019	\$5,163,088,900	\$4,003,977,000	\$1,105,486,500
2020	\$5,268,220,300	\$4,105,011,200	\$1,087,567,600

The difference between the Market and CAPed values has grown to over \$1 Billion, which equates to 21% of the total assessment and approximately \$20,000,000 in tax redistribution from one tax payer to another.

Comparison of Low Income & High Income areas of CBRM

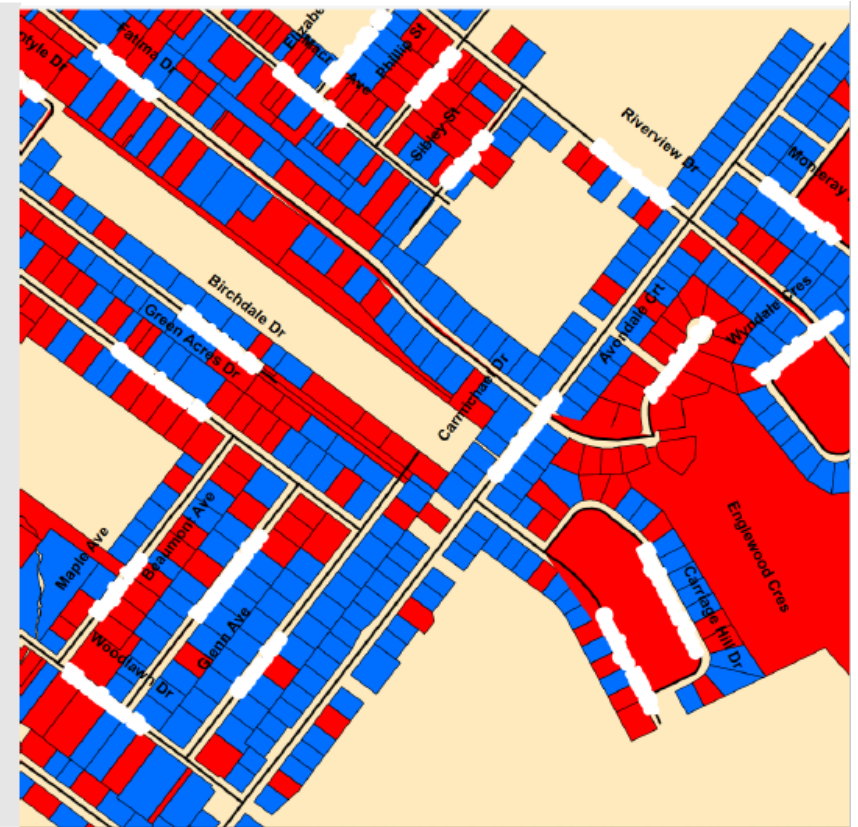


WHITNEY PIER
(MEDIAN INCOME: \$25,067)



PARITY

- Blue and red show who saves (blue) and who pays (red) in CBRM under the CAP
- CAP transfers burden to new and low-income homeowners (red)
- CAP benefits established, high-income property owners (blue)
- Modest savings go to middle-income property owners.
- Median incomes are from 2016 Statistics Canada Census data



CARMICHAEL DRIVE
(MEDIAN INCOME: \$61,696)

Arbitrary Tax Redistribution Among Capped and Uncapped Properties



1015 Upper Prince
 Market Value - \$95,700
 CAPed Value - \$86,600
 Tax Bill - \$1,962.10
 Without CAP - \$1,758.40
Difference - -\$203.70

1019 Upper Prince
 Market Value - \$93,200
 CAPed Value - \$63,900
 Tax Bill - \$1,447.79
 Without CAP - \$1,712.46
Difference - +\$264.67

1023 Upper Prince
 Market Value - \$97,300
 CAPed Value - \$97,300
 Tax Bill - \$2204.53
 Without CAP - \$1,787.79
Difference - -\$416.74

1027 Upper Prince
 Market Value - \$88,300
 CAPed Value - \$85,400
 Tax Bill - \$1,934.90
 Without CAP - \$1,622.42
Difference - -\$312.48

Provincial top 10 in Percentage Difference between Market Value and CAPed value

	Municipality	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	CBRM	4.00%	8.40%	13.80%	16.30%	16.80%	19.40%	20.60%	20.02%	19.67%	18.95%	19.02%
2	Pictou County	9.70%	13.80%	19.10%	19.90%	19.60%	22.00%	21.60%	18.90%	18.29%	17.23%	16.28%
3	Cumberland County	8.30%	13.90%	17.70%	18.10%	16.80%	20.40%	21.20%	16.36%	15.81%	14.71%	13.59%
4	Region of Queens	6.60%	14.30%	17.80%	19.30%	17.70%	18.60%	18.10%	17.04%	15.57%	14.20%	13.57%
5	Town of Lockeport	2.60%	7.20%	7.10%	10.30%	8.20%	9.10%	10.60%	11.58%	12.43%	12.34%	12.79%
6	District of West Hants	8.60%	17.10%	17.30%	16.60%	13.50%	18.40%	17.70%	15.11%	14.83%	13.51%	12.35%
7	Victoria County	5.50%	10.50%	15.60%	14.30%	14.80%	15.90%	15.90%	14.05%	13.93%	12.97%	12.20%
8	Antigonish County	6.50%	11.50%	15.10%	14.60%	14.10%	15.80%	16.80%	14.48%	13.84%	13.15%	12.16%
9	District of Shelburne	9.40%	16.40%	20.10%	19.10%	15.00%	16.60%	16.50%	15.48%	13.52%	12.62%	12.04%
10	District of Chester	12.20%	14.80%	16.00%	15.80%	13.60%	14.30%	14.70%	14.01%	13.17%	12.52%	12.01%

CBRM is the most affected municipality in the province

Effect on CBRM tax rates if the CBRM was able to use Market Values

Overall Reduction of 21% in Tax Rates to generate same revenue

Tax Rates	Current	21% Reduction	Difference
Sydney - Full Service	\$2.27	\$1.79	\$0.48
Glace Bay - Full Service	\$2.09	\$1.65	\$0.44
New Waterford - Full Service	\$2.08	\$1.64	\$0.44
North Sydney - Full Service	\$2.11	\$1.67	\$0.44
Sydney Mines - Full Service	\$1.99	\$1.57	\$0.42
Dominion - Full Service	\$2.07	\$1.64	\$0.43
Louisbourg - Full Service	\$2.02	\$1.60	\$0.42
County - Full Service	\$1.93	\$1.52	\$0.41
County - No Service	\$1.40	\$1.11	\$0.29

In Summary

- Experts say assessment CAP is bad tax policy
- The CAP distorts the assessment system and reallocates the tax burden based on length of occupancy
- Pits one taxpayer against another (redistribution of tax burden) and does not achieve what was intended
- Not fair or equitable to taxpayer and not defensible
- Generally disadvantages lower assessed homes
- Disincentive for people buying homes, newcomers, and seniors attempting to downsize
- Has stymied new home construction



Questions

