

**Mayor Mike Savage**

**All-party committee on the Capped Assessment Program**

**Thursday, Jan. 30, 2020**

Good afternoon.

Thank you for this opportunity to address the committee on what is well and truly a complex issue for the provincial government, for residents and for all of us who govern at the local level.

Halifax Regional Council supports the review of the Capped Assessment Program and a means of redressing its unintended consequences for municipal taxpayers and for the broader economy and community.

We also appreciate the work that the Federation of Nova Scotia Municipalities has undertaken to understand the range of municipal impacts from the CAP.

Our staff have identified these impacts of the Capped Assessment Program for Halifax Regional Municipality:

- Property taxation has become increasingly inconsistent;

- The CAP is increasing property taxes on new homes and existing homes that are sold or renovated;
- Housing affordability is being affected, especially for those in apartments.

Council passed a motion on Oct. 31, 2017:

*“Examine possible solutions to the unintended consequences if the Assessment Cap, including its impact on the economy through declining property sales and its negative impact on housing affordability including consideration of a method(s) to protect against spikes in assessment, an easily understood program in light of the complexity of the existing program and a seniors/low income program, and further the changes be phased over seven years.”*

A CRA survey of Halifax homeowners found the CAP may be causing some homeowners to avoid or postpone moving to another home.

For us, it could mean less money to municipal revenues from deed transfer tax and less mobility within the housing market, by way of new home purchases or significant renovations.

With 68 % of homes under the CAP, we are left with an artificial property tax environment

In effect, the CAP has distorted the residential marketplace, impacting how we levy tax rates in HRM to achieve needed revenues.

Let me be clear, we see any potential phase out of the CAP as revenue neutral for our municipality. If the CAP were removed, **assessments would increase** for most, but tax **rates would decrease**.

For us, this is primarily an issue of fairness, not revenue.

So, for example, to take in the same 2020 property tax revenues in the absence of the cap, we would have reduced our residential tax rate by 6.8 per cent. Our calculations show 55% of residential homeowners would actually save money with the phase out of the cap, provided we lowered tax rates accordingly.

And, it's not just homeowners who stand to gain.

Our city, and now indeed our province, are stemming the outmigration of young people and benefitting from the attraction and retention of new residents from around the globe.

In Halifax, we welcomed 8,544 people in 2018, and more than 22,000 over the past three years. Of those new arrivals in 2018, 5,400 were immigrants and a third

of our growth is in people between the ages of 20 and 29. These are powerful and welcome statistics.

We know the vast majority of these young people and newcomers rent.

Our Regional Plan, and the recently approved provisions of the Centre Plan, encourage higher densities closer to the urban centre, a development model we believe is more fiscally and environmentally responsible.

As assessed values and property tax rates rise in a rental properties, which are excluded from the CAP, these added costs get passed through in rent increases.

We find ourselves in the position of advocating density we know is becoming more and more expensive for residents.

Were it not for the distortions caused by the CAP, we could expect to reduce some of those costs for multi-unit residential properties, and by extension their tenants, through lower tax rates.

And, when these young people and newcomers eventually decide to buy into our housing market, they are faced with paying tax on full assessed values, often radically different than their neighbours who have benefitted from the CAP.

Property tax is a serious part of a home ownership cost calculation, and it may be

enough to prohibit a purchase or at the very least penalize those who purchase a home.

Of course, we know there are also people who have benefitted over many years from the CAP who would experience property tax increases if it were to be removed. Some of these people are those who have been in the same house for a long time, in many cases seniors.

In HRM, we already have measures in place to help people of low incomes pay their taxes and stay in their homes. These include property tax rebates of up to \$1,000 for people on low income households (under \$34,000). They also have the option to defer property taxes until they become an estate matter.

These are real measures to help address the issues the CAP was designed for, without creating the distortions that negatively affect so many other citizens.

I know from the list of speakers that you will hear a wide range of views from many quarters. I don't envy the task before the committee and I appreciate your attention to this issue.