RECOMMENDATION

1. That Executive Committee endorse the guidelines and principles for consulting on a commercial phase-in tax policy as outlined in this report.

2. That the Administration continue the consultation with the business community on the options for a phase-in of tax changes for commercial property due to the reassessment.

3. That a report on tax policy options be brought forward in the fourth quarter of 2016.

CONCLUSION

The 2017 reassessment will update the base date to January 1, 2015, which is the appraisal date used for determining assessments. Updating the base date ensures that assessments that reflect more current market data and that the change in property value that occurs over time is reflected. Progress continues to be made in the implementation of the 2017 reassessment, however there is still considerable effort required to complete the reassessment. Public consultation and transparency in assessment, tax and budget processes are important to maintain confidence and build trust in Regina’s municipal government. Developing principles for the 2017 tax policies, scheduling the timing and setting direction early in the process will allow appropriate information available to consider in the tax policy discussions.

BACKGROUND

The purpose of this report is to provide an update on the 2017 reassessment including information on the process, timing and principles for tax policy that will provide direction for discussion with the business community regarding consideration of phase-in of tax changes for commercial properties.

Legislation applicable to the reassessment includes:

- Section 22(1) of The Assessment Management Agency Act states:
  “Notwithstanding any other Act, commencing on January 1, 1997, all assessable properties in every municipality are to be revalued under the direction and supervision of the agency once every four years.”

- Sections 165(1) and (2) of The Cities Act state:
  (1) “An assessment shall be prepared for each property in the city using only mass appraisal.”

  (2) “All property is to be assessed as of the applicable base date.”
DISCUSSION

The 2017 reassessment is mandated by provincial legislation. Legislation requires a reassessment every four years, and given that the last reassessment occurred in 2013, the next year for reassessment or revaluation is 2017.

Legislation requires that each reassessment reflect a base date. The base date for the 2017 reassessment has been set as January 1, 2015. Legislation directs that assessments are based on a mass appraisal market value assessment system.

Completed efforts related to the 2017 reassessment include:

1. Updating the Computer Assisted Mass Appraisal (CAMA) and taxation system (referred to internally as TAS) to support the 2015 base date has been completed.

2. Collecting data required to implement the income approach. The data required is for the 2011, 2012, 2013 and 2014 fiscal years. Requests were mailed to approximately 2,800 properties with responses received from 80 per cent of the properties.

3. Collecting sales data and reviewing and verifying the sales information.

4. Completion of preliminary valuation models for all properties.

5. Submitting values to the provincial government to meet the April 1, 2016 deadline of preliminary assessment values for the 2017 reassessment.

   - The Province will use the preliminary assessment data for analysis and consultation leading to the establishment of provincial percentages. The Province communicates the assessment changes typically starting in June without applying municipal tax policies.

While progress has been made there is still effort required to review and establish tax policies and planning the communication and customer service strategies. Significant steps that remain are:

1. Development of a communication strategy and customer service strategy. Much of the effort on these strategies will occur in the third quarter of 2016. As in past reassessments, information on Regina.ca will be a major component of the communication and customer service strategies.

2. The Administration will mail individual letters advising property owners of the changes in assessment and the estimated tax impact due to the reassessment in late August 2016 for residential class properties and in September 2016 for commercial and other classes of properties.

3. Assessment notices will be mailed in November 2016. This timing is important as the City of Regina has made an effort to advance the timing of assessment appeals. This allows for the appeal risk to be known earlier in the budget cycle and results in a more stable tax base. This also allows taxpayers notice to prepare for any tax changes.
4. Work on the analysis of reassessment tax impacts is under way that includes modelling of tax policy options.

5. Council should establish principles to use as guidelines for establishing tax policy options that would be developed by the Administration for public consultation. This approach was very successful in the 2009 and 2013 reassessments. This type of approach has been supported by the Regina and District Chamber of Commerce and cited as a critical step in the public consultation process for commercial property owners and businesses.

6. Consultation with the business community will continue in 2016 through meetings and presentations to the Regina and District Chamber of Commerce and other interested business groups. The business community has in the past advised that communication of the impact of reassessments needs to occur in the fall so that businesses have time to adjust budgets for the reassessment tax year.

7. Administration will prepare a review of tax policy tools for consideration by City Council. The tax policy tools available include mill rate factor and subclass used on the incidence of tax between property classes (residential and commercial), the use of a base or minimum tax, and the phase-in of tax changes resulting from the reassessment. Tax policy decisions need to be made prior to setting the mill rates and mill rate factors for 2017.

There are many stakeholders in the assessment system, including the public (individuals, businesses and local organizations), local governments (municipalities, school and library boards), the Province and other organizations such as the Saskatchewan Assessment Management Agency (SAMA). The goal of all stakeholders is a property assessment system that results in assessment values that reflect market values using mass appraisal. This is accomplished through adherence to valuation standards. These mass appraisal market value standards call for the use of three legislated approaches to valuing property: cost, sales comparison and income. The intent of the standards is to use the approach for a particular property or group of properties that best reflects market value for the property.

**Reassessment Process Steps**

The milestone steps in the reassessment process are outlined below:

1. Assessments calculated based on the 2015 base year.
2. Preliminary assessment data provided to the Province by April 1, 2016.
3. City Council adopts principles for the 2017 reassessment.
4. Notification to property owners of the assessment changes and the estimated impact of reassessment in August/September of 2016.
6. Assessment appeals for the 2017 Roll close 60 days after mailing of assessment notices.
8. 2017 Budget process sets the required total tax amount.
9. Required bylaws for mill rates and mill rate factors are approved by City Council in spring 2017.

The City of Regina will continue to use the “Truth in Taxation” principle. *The International Association of Assessing Officers’ Standards for Property Tax Policy* describes the principle as requiring governments to notify property owners if there is going to be an increase in property tax rates or revenues separately from tax changes due to revaluation. As in past reassessments, the City of Regina will provide individual notices on the effect of reassessment that include projected property taxes and will also make this information available for every property, on Regina.ca.

**Principles for Commercial Phase-In**

In the last two reassessments, the principles were adopted in June of the year prior to the reassessment and notification of the reassessment impact occurred in the late summer/early fall of the year prior to reassessment. The notification to all property owners shows the impact of the reassessment based on the current budget and tax policies based on the principles that City Council had adopted. The City of Regina communicates budget decisions separately and clearly identifies tax changes due to increases in property tax revenue.

**Commercial Phase-In**

Phase-in plans were applied to the Commercial and Industrial property class in each of the past five reassessments. For the 2013 reassessment, City Council, in report CR12-9, adopted the following principles to use as guidelines for consulting with the business community and in establishing tax policy regarding phase in for commercial properties:

1. Stability in property taxes is important to ensure we have a sustainable, fair, competitive and viable economic environment.
2. Administrative cost and complexity should be avoided as much as possible.
3. Principles for a commercial phase-in should be established as:
   a. It is recognized that phase-in programs create administrative overhead and complexity for property owners and need to be used judiciously.
   b. Any phase-in plan must be revenue neutral.
   c. Phase-in should only be considered if there are many properties with exceptional increases.
   d. A phase-in plan must be structured so that it is two or three year’s maximum in duration.

It is recommended that City Council adopt the above principles for the 2017 reassessment.

**Challenges**

The values of property have changed from the base year of 2011 to 2015 (the base year for the 2017 reassessment). Although the scale of change in assessment values is not as drastic as the last reassessment, we will experience a similar range of tax changes.
Residential assessments properties overall are seeing a change in assessment of 15%. This is significantly less change than what was experienced in the 2013 reassessment. Multiple family properties have experienced increased rents with tighter vacancy rates that are resulting in increased sale prices. This group is seeing an overall change of 35% which is a larger increase than the residential group.

The Commercial and Industrial Class of properties will see an overall change of 50%. In this group, there is a very wide range of values. There are approximately 2,900 properties in this group that contribute approximately $110 million in property taxes (including municipal, library and school levies). There are approximately 375 properties that contribute 75% of the property taxes for this group and about 85 properties that contribute 50% of the property taxes. This distribution of values makes the commercial group subject to the potential of larger variance in property tax impacts because a relatively small number of the properties has the majority of value in the group. There is a wide range of changes, and while there are many properties with small decreases or increases, some properties will see exceptional property tax increases and decreases. The overall shift in taxes is similar in scale in terms of changes to the 2013 reassessment.

A misconception that commonly occurs is that rising assessed values automatically means proportionally higher property taxes. The key message is that the reassessment does not generate increased revenues. Individual assessments are used to allocate taxes and the budget process is the process that determines the level of revenues required. It is important to ensure this message is provided early in the reassessment.

RECOMMENDATION IMPLICATIONS

Financial Implications

There are no specific budget implications related to this report. The costs of reassessment are included as part of the annual General Operating Budget.

Environmental Implications

None with regards to this report.

Policy and/or Strategic Implications

Regular updated assessments ensure that property taxes are distributed equitably. Public consultation, and openness and transparency in assessment, tax and budget processes are important to maintain public confidence in municipal government.

Other Implications

None with regards to this report.

Accessibility Implications

None with regards to this report.
COMMUNICATIONS

A communication strategy will be developed for the 2017 reassessment.

A copy of this report will be forwarded to the Saskatchewan Assessment Management Agency Board, Regina Downtown Business Improvement District, Regina Warehouse Business Improvement District, Regina Public Library and the Regina Public and Catholic School Boards.

DELEGATED AUTHORITY

This report is within the delegated authority of the Executive Committee.

Respectfully submitted,

Don Barr, Director / City Assessor
Assessment, Tax & Real Estate

Diana Hawryluk, Executive Director
City Planning and Development

Report prepared by:
Don Barr, Director / City Assessor