TURNER DRAKE & PARTNERS
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Newsletter

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Tiptoeing Through The Tulips

No, it's not the Netherlands! This is Prince Edward Island, as it is in May, each year. A riot of colour in Canada's Garden of the Gulf. This is Belfast Tulips, one of two tulip field locations in the province open to the public. The field is planted by Vanco Farms Ltd.: their main production fields, where the bulbs are grown for market, stretch to the horizon but must be admired from the roadside. In the east of the province, monks with the Great Enlightenment Buddhist Institute Society also allow visitors into their tulip fields. Immigration has enriched the Island. We are now into our fifth decade in the province and still marvel that clients actually pay us to work here. A gentle landscape of rolling farms and woodland, sparkling streams and rivers full of fish, white sand beaches caressed by the St. Lawrence. And the seafood! Its mussels and oysters are world famous, and ubiquitous; in every bay. Sweet succulent lobster washed down with chilled white wine, vegetables freshly plucked from the field… life doesn't get any better than this… alas there are storm clouds on the horizon!

Covid-19

The first case of the virus reached Canada on January 25th 2020 and was officially declared a pandemic by the World Health Organisation on March 11th. The first confirmed case in Prince Edward Island was on March 14th, a woman who had been on a cruise and returned via a WestJet flight from Toronto a week earlier. On March 17th all bars, dine-in restaurants, theatres, indoor play areas were closed. Shortly thereafter Atlantic Canada, mindful of its limited health and financial resources, shut itself off from the rest of the world. Within the Region it created a dystopian world of guarded borders which limited, and in some cases banned, interprovincial travel. All visitors were screened on entry to the Province and were asked to self-isolate for two weeks. The 2020 Tourist Season was effectively cancelled before it began. On July 3rd, in an effort to save the remainder of the Tourist Season and inter-provincial trade, the four Atlantic Provinces created the Atlantic Bubble allowing their residents to travel between their provinces without self-isolating. This was abandoned on November 23rd 2020. Limited inter-provincial travel within the Region continued through the 2021 Tourist Season without self-isolating for vaccinated individuals, but it was not until the following year that tourists from outside the Region were allowed to return. The Province, indeed the Region, were able to very successfully hold Covid-19 at bay until a large portion of its population had been vaccinated. In all the pandemic severely restricted tourism for two years but, as the table below shows, its overall impact was surprisingly low. The Tourist Season, which lasts from early June to mid-October, bounced back in 2022.

Gross Domestic Product (GDP) Chained (2012) Million Dollars		
Year	All Industry	Service Industry
2022	$6.52	$4.86
2021	$6.36	$4.69
2020	$5.89	$4.36
2019	$5.99	$4.45
2018	$5.73	$4.30
2017	$5.64	$4.22

Source: StatsCan Table 36-10-0402-02

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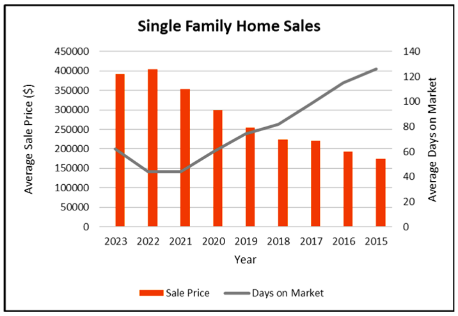
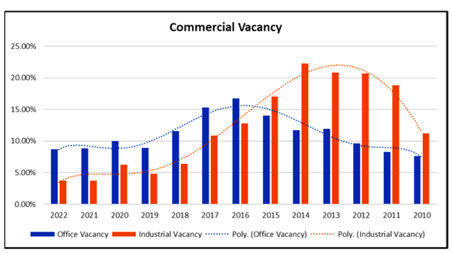
Residential Market



Source: Prince Edward Island Real Estate Association Paragon

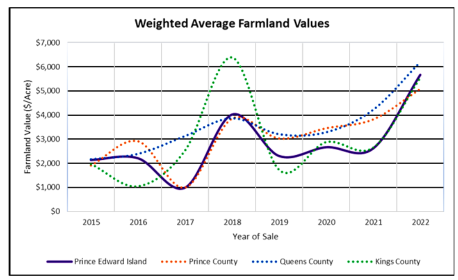
As the graph above illustrates, single family home values started to increase in 2019 and then escalated rapidly through the pandemic, gaining an average of 59% from then to 2022, a phenomenon observed throughout much of the country, indeed the western world. The most common explanations revolve around (1) the low cost of borrowing and (2) the fact that most people had to work from home during the pandemic and therefore wanted to invest in larger property… and had more disposable income with which to do so since there was less to spend it on. Cost of mortgage finance was certainly low and provided fertile ground for an increase in residential property demand. The five-year mortgage rates in Canada had fallen steadily since the end of 2007 before bottoming out by the end of 2016, rising by 77 basis points by March 2019 and then falling again to a new low in February 2021, until the Bank of Canada, alarmed by rapidly rising inflation, started to rapidly increase its Overnight Rate in March 2022. The pandemic was a Significant Emotional Event (SEE) which caused a reassessment of work style. The question is why the increase in demand had such a dramatic impact on PEI residential property values? In reality, the supply of property for purchase represents a very limited proportion of the total residential inventory and is price inelastic so any increase in demand causes a more than proportionate increase in price. Normally when prices increase the supply increases in response but housing stock is the exception that proves the rule. Owners do not place their properties on the market for sale in great numbers in response to value increases, because they still require accommodation. They were also less inclined to do so during the pandemic because of the increased risk of infection from Covid-19 as potential purchasers trooped through their home. During the five years preceding the pandemic an average of 1,972 single family homes were listed for sale each year in PEI compared to 1,883 during and immediately after it. It also takes a long time to increase the supply of new homes because of municipal approval, labour and materials constraints. This combination of increased demand, reduced supply of homes for sale and the availability of cheap mortgages were the reason PEI residential prices escalated so rapidly. Market conditions had steadily "firmed up" prior to the pandemic, going from a Buyer's Market in 2015 (Average Selling Time 126 days) to a Firm Market in 2019 (Average Selling Time 74 days). During the pandemic Average Selling Time decreased from 60 days in 2020 to just 44 days in 2022 (a Seller's Market) but has lengthened to 62 days this year. The cheap money tap has now been turned off. The Bank of Canada's Overnight Rate, having jogged along at 0.25% for many years, was steadily increased by a total of 4.0% last year and another 0.25% in January this year. Five-year mortgage rates are now 2.61% above their August 2021 low. We believe that the era of ultra-cheap money is over for good and expect mortgage rates to continue to increase by another 50 to 100 basis points. We anticipate that single-family house prices will fall slightly in Prince Edward Island in 2023 and they have already started that decline (see graph). The fall will be ameliorated by increasing immigration to the Island and prices will increase again in 2024 or 2025.

Commercial Market



The majority of the office and industrial rental space in PEI is located in the Greater Charlottetown Area. Our Economic Intelligence Unit surveys every building with a rentable area of 5,000 ft^2 or more, the office space semi-annually and the industrial space each December. As the graph above shows, office vacancy peaked in 2016 at 16.76% but has since fallen to a more reasonable 8.72%. Net absolute to landlord rents per square foot have increased steadily since 2010 but only at an average rate of 1.2% per annum, well below the inflation rate. The pandemic caused a shift to home-based activity and this continues to place downward pressure on office space demand. Having worked from home for two years, there is resistance to returning to an office environment especially by public sector employees. The benefits of working in an office community revolve around training, communication, productivity, creativity and idea generation… factors which are rewarded in a private sector environment but are less well recognised in government employment. Nevertheless, we understand that the Federal and some provincial governments are starting to require their employees to return to work initially on a three day per week basis. Industrial vacancy peaked in 2014 at a staggering 22.28% but, as has occurred elsewhere in Atlantic Canada, has declined each year since and now stands at a sub-optimum low of 3.76%. There is now a scarcity of industrial space for rent. This is reflected in net absolute to landlord rental rates which have steadily increased by an average of 4.91% each year since 2010.

Farm Land



Source: TDP CompuVal® Knowledge Base.

We have compiled a database of farm and farmland sales, developed farm specific valuation software, sourced soil survey, forest inventory and Canada Land Inventory map layers and integrated them with high resolution satellite and three-dimensional aerial photography to offer farmers on the Island access to a professional valuation service for succession planning, estate freezes, sale, purchase, financing and other purposes. Our CompuVal® Knowledge Base tracks farm and farmland sale prices: the graph above is extracted from it and is part of more comprehensive monitoring which covered the period 2002 to the end of 2022. Farmland values in Prince Edward Island, as a whole, did not show a significant price increase during the period 2003 to 2016, just 1.4% per annum compound on average. The same trend is evident if the sales are analysed on a county by county basis. Our data indicates that prices dipped in 2017 but there were few sales so the data is unreliable for that year. Prices per acre took off in 2018, paused during the 2019 to 2020 period, and have escalated rapidly since then. Sales volumes too have increased substantially; for 2018 and prior years they averaged about 2,000 acres per

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annum. Since then the pace of sales has averaged almost 6,000 acres per year. Agricultural land on the Island has been undervalued in the past, in our opinion, compared to similar land in Nova Scotia and New Brunswick. It appears at last, to be selling at per acre values that represent its true worth.

Climate Change

Uneasy lies the head that wears the crown…. Prince Edward Island is a grim harbinger of climate change, the canary in the coal mine. "Wilder, wetter, warmer" was how we defined climate change in our Summer 2019 Newsletter. This is how climate change impacts the Atlantic Provinces in general, but its impact is amplified in Prince Edward Island: more frequent and higher winds, precipitation of higher intensity, sea level rise, wildfires and the introduction of pests such as ticks. The Island was once a tranquil place, in summer anyway. Warm gentle breezes riffling meadows made golden by a blanket of dandelions or tickling the sea's surface into laughter. Now, it is often a restless and noisy land as wind gusts shake its trees and angry seas vent their frustration against vulnerable shores.

Charlottetown is vulnerable to sea level rise; we analysed its potential impact in our Sea Level Rise Research paper. It was not a pretty sight! Using the 5-metre contour as our guide, all of the downtown area, including Province House, would be under water. At the time the article was published (2016) the United States' National Oceanic and Atmospheric Administration (NOAA) were predicting a maximum projected sea level rise scenario of 2.5m. (8.20 feet) based on 1.5^{o}C global warming over baseline pre-industrial levels… a limit whose credibility was fast fading before Putin's war on Ukraine and which now appears very unlikely to be met. We had taken an earlier look (in 2007) at the impact of rising sea levels and storm surges on Charlottetown in our Sinking Feeling Research paper. That research was inspired by a January 2000 storm surge in Charlottetown harbour which had resulted in sea levels 0.4 metres above the previous record causing $1.0 million of flood damage. The impact of adding another 0.75 metres to Charlottetown's predicted tide levels, together with 0.57 metres of storm surge, would increase flood damage to $172 million. A storm surge of 1.04 metres would mean $190 million of property damage and a storm surge of 1.27 metres would result in losses of $202 million. These losses are in 2007 dollars. Storm surges currently occur about eight times per year.

But the more immediate threat is higher and more frequent winds particularly if they accompany precipitation as in a hurricane. The University of Prince Edward Island's Climate Lab studies the impact of climate change on the Island, in particular coastal erosion. Their "*CLIVE (Coastal Impacts Visualization Environment) is a leading-edge climate change impacts visualization tool. It combines historical erosion data, IPCC model projections of future sea-level rise, aerial imagery, and high-resolution digital elevation data to develop analytical visualizations of coastal erosion and future sea-level-rise scenarios"*. They were kind enough to demonstrate it to us. They claim that it has caused grown men to cry! We understand why; it is bloody depressing. The Island is particularly vulnerable to erosion; it is a sand bar in the Gulf of Saint Lawrence so is impacted by heavy rain runoff, sea level rise and high winds. Coastal erosion of 30 cm. per year is common in many areas. Unfortunately, that is the good news. Hurricanes used to be a "once in twenty years" event; their force spent battering Nova Scotia, allowing them to transmute into a more benign post tropical storm by the time they arrived on the Island. That does not appear to be the way anymore. Whatever they are called, they now do much more damage and, if recent history is any guide, they are more frequent. Hurricane Juan visited Atlantic Canada in 2003 and after it had passed we relaxed, expecting relief for another twenty years. Hurricane Dorian showed up three years early, in 2019, and did considerable damage to forests especially along the North Shore of Prince Edward Island where, amongst other damage, it decimated the popular Parks Canada Cavendish campsite, resulting in its closure. Hurricane Fiona came along just three years later in 2022. It caused even greater damage than Dorian, especially along the North Shore, toppling trees, washing out roads, and causing up to 10 metres of erosion to the beautiful white sand dunes and red earth cliffs in the National Park along its 60-kilometre coastline. Fiona demolished buildings and devasted forests in areas outside the National Park as well. Areas impacted by Dorian and Fiona will never recover their former glory even if there are no more storms in the next 100 years. The impact of a single storm, Fiona, on the shoreline of the writer's property, eclipsed the erosion of the prior thirty years, swept away the remedial measures taken to ameliorate them and rendered further efforts futile. Fifty-foot trees were toppled and heavily forested landscapes reduced to scrubland. This is the world we have bequeathed to our children and grandchildren, theirs too. Few climate change deniers live in coastal areas, the impact is so visible. Without doubt climate change is the greatest danger facing Prince Edward Island today and it is difficult to see how it can survive it.

Our Valuation Division has undertaken assignments in Prince Edward Island since 1976. Without data, an opinion is just a guess, so we have built a multi-million-dollar knowledge base, CompuVal®, a proprietary IT platform which acquires and integrates sales, rental and other property data from diverse sources. It equips our Valuation team with data and analytical software developed right here in Atlantic Canada to meet the unique requirements of the Region. Our PEI office, located at Suite 11, 109 Richmond Street, Charlottetown, is managed by Colin Rennie tel: 902-368-1811 email: crennie@turnerdrake.com.

PROPERTY TAX DIVISION

Property Tax: Costly, Confusing, Complicated and Opaque!

Photo Credit: Bigstock Photo. Copyright: Everest Community

In his seminal work The Wealth of Nations, economist Adam Smith, defined the principles of good taxation as "*fairness, certainty, convenience and efficiency*". Although he defined those principles in 1776, there is general agreement that they should still be the core of any sound taxation system. So why is our property tax system in Atlantic Canada so unfair, complicated, opaque, inconvenient and inefficient… apart from the fact that we have *four* provincial jurisdictions administrating an aggregate population and land area half that of most other provinces? In part it is because there are two components to the system, the *property assessment* and the *tax (or mill) rate* and this affords ample opportunity for meddling and buck passing. The basis for the *property assessment* in each province is mandated by the respective provincial government. Broadly

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speaking it is based on Market Value, the price you would get if you sold your property in the open market at a specified "*Base Date*". The *tax rate* is set by the municipality, though in some provinces part of the property taxes are rebated to the province and they will dictate their part of the tax rate. Each municipality determines its budget requirements and divides it by their aggregate property assessments to arrive at the tax rate. The tax paid by each property owner is the product of their property assessment multiplied by the mill rate. Quite simple really and it broadly meets Adam Smith's criteria. But that is before the meddling!

Property Assessment

Property assessments are computed by the province… apart from the City of St. John's in Newfoundland which undertakes its own. In Prince Edward Island and New Brunswick assessments are undertaken by the PEI Department of Finance and Service New Brunswick respectively. In Nova Scotia the responsibility has been delegated by the province to the government owned (and grandiloquently named) Property Valuation Services Corporation (PVSC). In Newfoundland, other than the City of St. John's, the government owned Municipal Assessment Agency Inc. undertakes the property assessments.
Although Market Value is the common basis for property assessment in each Canadian province, different Base Dates apply with each assessment authority. For the 2023 assessment year, New Brunswick and Prince Edward Island utilise a base date of January 1st 2023, Nova Scotia settles for January 1st 2022, as does Newfoundland (excluding the City of St. John's). The City of St. John's used January 1st 2020 for the 2023 assessment year *but they have just published their 2024 assessments (the Appeal Period runs to August 18th 2023) with a base date of January 1st 2022. Since the City of St. John's only updates its assessments every two years, 2024 will be the first year that the assessments can reflect the impact of the Covid pandemic. Prince Edward Island have also just published their 2023 assessment roll (the Appeal Period runs to August 3rd 2023) and since the base date is January 1st 2023 the assessments can reflect the impact of Hurricane Fiona both from a business and damage perspective.*

Assessment Averaging

Although Assessment Averaging is used in Ontario and Saskatchewan, Atlantic Canada has been mercifully spared. Now however, with impeccable timing, and after ten years of deliberation, Halifax Regional Municipality (HRM) has *"directed its staff to implement a rolling three-year Assessment Averaging Program for commercial properties to help increase predictability in property taxes for commercial property owners and businesses... for business owners with properties experiencing sudden spikes in assessed values"* thus closing the stable door after the horse has bolted. Commercial property values, on which the assessment is based, are no longer facing large increases. Commercial property value increases were a result of the low interest rates, not excess occupier demand, and interest rates are now rising again so most property values are no longer increasing. Some such as retail and office are falling: the former because Covid escalated the move to on-line shopping, the latter because the Halifax downtown office market was overbuilt pre-pandemic and is suffering now from "working from home (wfh)". The phase-in applies in designated Commercial Development Districts and includes the Halifax Central Business District (CBD), where commercial values are now falling, as well as the Burnside Industrial Park, where industrial prices were increasing but are now stablising. Those industrial property increases were driven by occupier demand, some of it due to the disruption of supply chains and the movement to on-line shopping. HRM's program will further complicate the Property Tax regime, attract *"startup costs of $150,000 to $250,000 with ongoing costs of $50,000 to $100,000 per year",* keep many civil servants employed (probably wfh) and increase the commercial tax rate by 3%. Fortunately, HRM's web site now warns that the *"program will not be coming into place for the 2023/2024 fiscal year as the Minister of Municipal Affairs and Housing (MAH) has declined to sign the By-law"*, still hope then, that HRM will avoid scoring another own goal.

General Level of Assessment

Perish the thought, but in order to make life easier for themselves and discourage appeals, an unscrupulous assessment authority could be tempted to assess all property below its Market Value. On first blush this might appear to be a win situation for the property owner as well, since their property would be underassessed, but in fact every property would be in the same boat. And since the degree of underassessment would not be uniform, some properties would bear an inequitable share of the tax load. Worse, owners of the latter property would have no grounds for appeal. Recognising the danger, every province in Canada, *apart from New Brunswick*, includes a "uniformity" provision in their Assessment Act. This provides that all property has to be assessed in a uniform manner, the intent being that like properties will bear similar assessments and hence tax loads. Unfortunately, this is not applied in a uniform manner in each province. Nova Scotia, for example, utilises a "General Level of Assessment" calculation based on municipality and taxation class (residential or commercial). So if, in aggregate, commercial assessments are 80% of their Market Value, then it will be possible to successfully appeal any assessment that is higher than that level, even if the property is assessed at less than its Market Value. The General Level used to be calculated by totaling the assessments for every property that sold within six months either side of the Base Date, divided by the aggregate of their sale prices. This methodology derives from a decades old court case which should be challenged since it is biased in favour of the higher priced properties. A single property worth $10 million has the same weight as 10 properties that sold for $1 million each. If the Assessment/Sale Price Ratio for the more valuable property was 100%, and that for the lower valued properties 50%, the General Level would be computed as 75%, even though 91% of the properties in this example were at the 50% level. A less crude approach would be to calculate the General Level on a per unit (ft.2, room, apartment unit) basis and to compare within property types. Unfortunately, the inequity was further compounded when PVSC, apparently for administrative convenience, changed their application of the methodology to include only properties that had sold *within the twelve-month period prior to the Base*

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Date (instead of six months either side of it). When values are increasing this results in an inflated General Level and vice versa. And since properties are lumped together by taxation class (residential or commercial) an apartment building will be treated differently to an office property even though both are investment type real estate.

The calculation of the General Level falls on the assessment authority, and its validity rests on their integrity. There is substantive evidence that PVSC's predecessor, the NS Assessment Department, "cooked the books" by excluding property sales from their analysis that lowered the General Level. These "outliers" comprised sales to *pension funds* and *national purchasers* such as REITS (on the grounds that they were lamentedly lacking in sophistication and consequently paid far too much for property), and properties valued using discounted cash flow (on the grounds that… well, just because). In 2005 the Department's General Level calculation methodology was considered by the Nova Scotia Utility and Review Board (Homco Realty Fund [20] Limited), in a case involving a major office building. The Board ruled against the Department noting "*this problem is further aggravated by the Director's attempt to (in the Board's view) artificially protect the Director's claimed general level of assessment by excluding sales of such large transactions"* and "*while the Director not surprisingly appears to be content with a claimed general level of assessment which is close to 100%, one of the ways the Director achieves this result is to automatically exclude sales which would otherwise lower it"* and "*the Director appears ready to disqualify any sale involving a REIT or pension fund without further inquiry as to the market circumstances of the sale"*. The Assessment Department promptly appealed the decision to the Nova Scotia Court of Appeal (CA 246980) and lost again. A huge waste of taxpayers' money, including that of our client. So, does the Assessment Department's successor, the PVSC, continue this practice of excluding "outliers"? We decided to test the accuracy of their General Level.

We analysed a sample of the PVSC's computed 2023 General Level of Assessment for Commercial property, located in 49 municipalities. Their General Level ranged from 91% to 100%. *However, in 34 (69%) of those municipalities PVSC simply adopted a General Level of 100% on the grounds that there were "fewer than 11 sales"*, and hence insufficient sales data, to reliably calculate it. We did not discover the same sales limitation, but in any event PVSC could have overcome it by extending the sales period. To be consistent with PVSC we adopted their methodology of using sales that occurred during the twelve months prior to the January1st 2022 Base Date and found that:

- PVSC "chase sales", i.e. when a property sells they amend the assessment to reflect the sale price. Based on our analysis the degree to which this occurs appears to depend on the Municipality and presumably the assessor. Most assessments increased after the property sold, some almost tripled and the practice of chasing sales appears to be most pronounced in the Halifax Regional Municipality (HRM)
- Because PVSC "chase sales" their General Level of Assessment calculation is meaningless. For example, the 2023 General Level is based on the 2023 assessments (for those properties that sold in the calendar year 2021) compared with their sale prices in 2021. But PVSC have *already* adjusted the 2023 assessments to reflect the sale price in 2021. The exercise is method bound. It is analogous to a meteorologist forecasting the yesterday's weather, today… and then boasting about its accuracy.
- Although PVSC claim to "follow internationally accepted standards for mass appraisal from the International Association of Assessing Officers (IAAO)" on their web site, "chasing sales" is frowned on by the IAAO and most assessing jurisdictions. Defined as "the practice of making any substantive change in the value of a recently sold property, while not also reviewing and applying the same criteria to properties that have not sold" it penalizes properties that have been sold.
- Our own calculations of the General Level are lower than PVSC's even though we both utilise the same time frame, suggesting that they must be treating some sales as outliers.

We currently have two cases involving this practice of chasing sales before the Nova Scotia Assessment Appeal Tribunal awaiting a ruling. Of course, in New Brunswick, property owners are further penalized because there is no Uniformity provision in their Assessment Act.

Transparency

Whilst assessment authorities are disclosing a little more information than was the case in the past, they often do so reluctantly. Transparency is the sine qua non of any taxation system, it goes to its heart; fairness, certainty, convenience, efficiency. After four decades and a new century it astounds us that we are still fighting this battle. This is not a contest; the objective should be to disclose and consider all of the facts to arrive at the correct conclusion. Many assessment authorities now collect financial information such as rental income and expenses on commercial, industrial and apartment properties even though the properties themselves are not under appeal, at considerable cost to the property owner: failure to comply with these Income and Expense "requests" usually results in the forfeiture of any right of appeal even if, as is often the case, the assessor ignores the data in arriving at the assessed value. Presumably the purpose of this data gathering is to help achieve consistency and make life easier for the assessors by relieving them of the necessity to maintain contact with the market. And PVSC do an impressive job analyzing this data. They then utilise the information to construct benchmark rental and operating expense rates for different property types often segregated by building age and location. The difficulty however is that there is always a range of rental and operating expenses which is dependent, not just on property type, age or location but also the financial strengths of landlord and tenant, suite and building sizes, amenities, physical condition, aesthetic appeal, bay size, construction quality, and so on. These factors are ignored in arriving at individual assessments and while this can be excused because of the nature of the mass appraisal process it is a different matter if the assessment is appealed. It is then incumbent on the assessor to focus on the property, something they frequently forget to do. Since it is up to the property

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owner to prove that the assessment is incorrect, assessors obfuscate, often attempting to support their assessment with skimpy two-page appraisal reports based on average benchmarks, even at Review Board level. If the property owner does not have professional representation it can be difficult to combat this nonsense. However, owners *are* entitled to know how their property was assessed and that means scrutinising the assessor's calculations and knowledge of the property. This is important, *the assessor may never have inspected the property, even if the assessment is being reviewed*. If the property is rent generating or otherwise capable of being valued based on its income potential (apartment building, office, industrial, retail) the assessor's calculations of its rental income, operating expenses and capitalization rate (rate of return) should be property specific. We are currently conducting an appeal where PVSC are refusing to provide these calculations and identify the comparable properties on which their capitalization rate calculation is based, claiming the information is "confidential" …even though we have offered fall on our sword before disclosing it to our client (or anybody else). PVSC are adamant. They massed their troops (Senior Legal Counsel, Senior Commercial Assessor, Commercial Assessor) at the Nova Scotia Assessment Appeal Tribunal (NSAAT) hearing… we fielded Giselle Kakamousias our VP Property Tax; an appropriate balance of forces... The NSAAT ruled in favour of disclosure. Taxpayer funded PVSC immediately appealed to the Nova Scotia Public Utility and Review Board (PURB). That decision is pending. If, as we expect, the decision favours transparency, PVSC will probably appeal again… cost, after all, is not an issue when taxpayers foot the bill.

Property Tax Rate

Municipalities in Atlantic Canada have two classes of property (residential and commercial) and levy different property tax rates in each against the assessed value. In addition the tax rate may also vary depending on the services provided: until April 1st 2023 HRM had urban, suburban and rural commercial tax rates. Commercial property bears the brunt of the tax load on an ad valorem basis: in HRM the commercial tax rate is almost triple the residential rate. Outside the Atlantic Region things get more complicated. In Ontario, municipalities have multiple property classes, each taxed differently. Within Atlantic Canada the necessity for a similar measure rears its head from time to time. Broadly speaking property tax is not a function of the benefit conferred on the property, but rather on its assumed ability to pay. The basis of that assumption is murky and reflects the desires of special interest groups and the inability of the political establishment to ignore their wishes (and votes). Unfortunately sticking it to one group often has unforeseen consequences… apart from the inevitable increase in complexity and opacity. After many years of indecision, Halifax Regional Municipality (HRM) has taken its first teetering steps along this slippery slope; from April 1st 2023 their commercial property tax rate will vary by location *and* assessed value (using three tiers – Tier 1 [$0 to $1million], Tier 2 [>$1million to $2 million], Tier 3 [>$2 million]) The property tax rates will be applied to each tier of assessed value i.e. a property assessed at more than $2 million will attract three different tax rates. HRM's objective was to shift the tax burden from SME (Small, Medium Enterprise) to Big Box, High Density and Industrial properties. However, most SMEs also occupy buildings with large assessments and pay a proportionate share of the property taxes… And since the property tax rate varies by location, all businesses in those buildings situated in the City of Lakes Business Park will now pay a higher tax rate than those located in the contiguous Burnside Business Park, and everywhere else other than the Bayers Lake Business Park, the Bedford Industrial Park and Dartmouth Crossing Retail Park. Tier 1 and 2 property tax rates are identical: it is only Tier 3 (that part of the assessment above $2.0 million) that differs. Never in the history of civil society has so much effort, been devoted by so many, to so little effect.

Action Required!

If your property is not yet enrolled in our PAMS® Property Tax Manager program, consider it. Life is too short: leave the driving to us!

Our PAMS® Property Tax Manager program allows you to focus on your business. We monitor your property assessments, file appeals within the legislated deadlines and negotiate reductions, or if necessary, take them to the Appeal Court. Some assessment authorities pre-publish their Assessment Roll and are willing to negotiate the reductions with us before the Roll is set in stone. For more information contact Curtis Fiander, Manager Business Development at (902) 429 1811 Ext.346 (toll free at 1-800-567-3033 Ext.346) or by email at cfiander@turnerdrake.com or visit our corporate web site at https://www.turnerdrake.com/products/pt-pams.asp .

OUT OF THE FRYING PAN…

Ross Darlington, BA (Hons)., M.Sc., MRICS

We would like to welcome Ross, a Chartered Valuation Surveyor (MRICS), to our Valuation Team. He joins us from Trinidad and Tobago where he was employed by Terra Caribbean, valuing residential and commercial property. Ross attended the University of West Indies School of Business and Applied Studies before graduating with a BA (Hons) in Business Management from the University of Sunderland in the United Kingdom. He gained his M.Sc. in Real Estate Management and Development from Heriot-Watt University in Edinburgh. A keen soccer player (and open to further invitation if you have a vacancy on your team), he claims to make a mean rum punch, though sadly, hard evidence is so far lacking. We had timed his arrival for the Spring, so that he would have three pleasant seasons under his belt before facing winter. Unfortunately we had overlooked climate change and the forest fire season. Join us in giving him a warm welcome. You can reach Ross at rdarlington@turnerdrake.com .

WE ARE STILL PRUNING OUR MAILING LIST

Many readers have already chosen to receive our Newsletter by email. Due to printing and mail delivery challenges it appears likely that we will have to discontinue our hard copy version. If you do not yet receive the email version and wish to do so please email us at tdp@turnerdrake.com . If you are not yet a regular subscriber but wish to rectify that sorry circumstance, you can register for your free subscription at https://sub.turnerdrake.com/Signup.

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