

## City Assessment/Taxation Communication Meeting

July 18<sup>th</sup> 2017

Attendance:

CHAMBER - Vim Parmar, Kelsey Adams, Ashley Stradeski,

CITY – Denis Perrault, Tim Marcus, Mike Kehler

### **A. Notes from Meeting:**

#### **Assessment**

- City of Swift Current population is approximately 16,500 people comprised of about 7,650 properties of which 6,875 are taxable.
- Assessment is legislated by the provincial government; SAMA oversees and regulates guidelines through a manual for municipalities to follow. This is for provincial uniformity.
- Revaluations are every 4 years, with a base year that is a point in history. The previous revaluation implemented in 2011 was based upon 2009 market value. The current assessment from 2017-2020 is based upon 2015 market value. The next revaluation is scheduled for 2021 and will be based upon 2019 market value.
- Assessments and tax notices are sent out separately as assessment values are appealable whereas taxes are not. *(If sent out together, there may be many appeals that are based upon tax changes, of which most would be thrown out as the assessment values are in line with market prices and a non-issue. This is a waste of city resources and a frustration to property owners.)*
- Because revaluations are 4 years apart, fluctuations in property values occur due to the changing economic climate. These *shifts* are caused by different types of properties increasing more quickly than others within a tax grouping.
  - A good example of a tax shift is the 2014 oil fall out. This issue immediately affected many industrial properties (measured by sales price) prior to the January 1, 2015 base date. The effect to other sectors was more gradual.
  - In this situation, the industrial sector values increased at a lower percentage than retail, office and storage, causing a shift in the tax due to different proportion of the 2011 market value to the 2015 market value.
- Most commercial properties are valued on the income approach to value. The income approach considers rental income, use of space, tenant vacancy, cost to operate building (including utilities and tax), but does not consider the profitability of the business within.
  - Commercial and industrial businesses are sent a questionnaire on alternate (even) years. The information that the city receives in these questionnaires is critical to establishing market rents, vacancies and expenses that determine the assessed value of all properties in the city.
  - The city only receives about 65% - 70% response to this request by property owners. A better response would provide a more accurate real-time picture of the market.
  - Information is collected for assessment purposes only and kept in strict confidentiality. Thus, the information collected is even unavailable to other city departments.
  - Legislation does not permit any assessment appeal to be heard when the property owner has not provided information that is requested for the purpose of determining the assessment of a property.

- While the market is reflective of a point in history, each property is reflective of its current situation. We rely on the previously mentioned questionnaires and building/demolition permits to understand how building size is changing. Thus, if your rental space changes due to construction, demolition, or is unusable due to other factors (fire, flood, etc.), the assessment value will be changed to reflect the change.
- You can still appeal your assessments in 2018.

### **Taxation**

- Swift Current presently relies on tax revenue of approximately \$16M to provide services (fire, policing, infrastructure, parks, etc.) On a per capita basis, Swift Current continues to have the lowest rates at \$959 compared to similarly sized cities such as Yorkton and North Battleford with per capita rates of \$1,359 and \$986, respectively.
- Taxation is shared on a 40% commercial / 60% residential ratio.
  - Rates on commercial properties are higher as there are more costs required to service commercial/industrial properties, i.e. Larger sewer lines, more power requirements, short life span on busier roads = repaving much sooner, new ladder truck that is required for tall buildings, traffic lights etc.
- City tries to minimize the rapid increase and decrease in tax values that are caused by shifts in the market and reflected in revaluation. Legislation gives the city this ability through use of mill rate factors.
  - Where one tax grouping (i.e. retail) increased by more than another (i.e. industrial), the mill rate factors are adjusted to smooth the overall group change.
  - Unfortunately, this mill rate factor considers groups, not individual properties. Properties within groups are subject to the same shift as groups as a whole. This means that while the city is still collecting the same amount from retail, the individual properties within the retail group may still have proportional change.
  - Shifts within a group (i.e. retail) may be caused by variance in the market for rental rates due to size, age, etc.
- Many concerns about higher taxes were deflated as people realized the assessed values were acceptable. Assessments are appealable whereas taxes are not.
- Side note ---- No one came forth due to reduced taxes.
- All municipalities in Saskatchewan collect municipal and education tax as part of their process.
  - Approximately 32 % of the taxes collected by the City of Swift Current are for education tax. The city collects this and remits it to the school division.
  - The Education mill rate is set by the provincial government. The city has no input on this mill rate.
  - Mill rate factors that are used to mitigate municipal shifts do not apply to education tax. Thus, shifts in assessment are amplified in education tax, where they are mitigated in municipal tax.
  - For many years, the city has been separating the tax notice to distinguish between municipal and education tax. You can compare it with prior years' to see the portion of change from one to the other.
- Comes down to Value for Cost of Service. Are we getting the best value for our dollars spent?

## **B. Moving Forward:**

*What can be done differently to minimize these peaks and valleys?*

- Saskatchewan cities have been lobbying the Ministry of Government Relations for assessment revaluations to occur more often for nearly 10 years. It is our hope to shorten the revaluation cycle from four years to two years.
  - Shortening the assessment cycle will not mean that the city will collect more taxes. In fact, the city collects only the amount that is budgeted for each year.
  - Shortening the assessment cycle will allow assessment to catch upward and downward trends closer to real time, instead of on a 4 year lag. This will minimize large changes in assessment. This means the same changes will happen over a 4 year period, but the change will be stepped up halfway through that cycle.
  - Local and provincial chambers can work to lobby for revaluations to occur every two years. This may come with an annual cost to the province of \$2M.
- The City of Swift Current is looking for better ways to communicate to business owners and residents that if your assessment value has changed drastically, find out what that might mean to you in dollars and cents; Contact the city.
  - The city communicated this at the city budget, communication through chamber and other media.
  - The Assessment department sent out media releases and targeted mainstream media at the time that the assessment notices were mailed. Assessment personnel made time for more one on one meetings with property owners – estimated that we spoke to between 400- 500 people about changes due to revaluation.
- It is difficult to determine the changes in tax based upon changes to assessment because the changes are not proportional.
  - The property tax is based upon the municipal budget: this amount changes slightly from year to year.
  - The overall change in aggregate assessment due to revaluation was approximately 25 %
- The City of Swift Current is working toward changes in business practices, based upon feedback from the chamber and property owners.
  - Assessment wishes to educate property owners of how critical information about the property affects the assessment.
  - The city is working toward updating the website to include current assessment information in order to keep property owners aware of potential changes to assessment and tax.
- Tax phase-in is an ongoing consideration for each revaluation. Phase-in is the term used to step changes in property taxes caused by assessment shifts up or down over a period of time.
  - This option is a benefit to any property owner that will have large changes in taxes, because that change becomes gradual.
  - The alternate is true as well; it is a detriment to any property owner that will have decreases in property taxes, as they do not receive the change immediately.
  - Considerations of phase-in include the scope of issue (how many properties are affected), the scale (whether to implement it for commercial only or all properties), and the degree of administrative cost (whether software is capable or modification is required, man hour costs).

The City of Swift Current is available to discuss the assessment and taxes. If you have any questions about or concerns with either, please contact Michael Kehler at (306)778-2722 or [m.kehler@swiftcurrent.ca](mailto:m.kehler@swiftcurrent.ca) with any inquiry or to make an appointment.