


Item No. 11.1

Community Planning & Economic Development Standing Committee September 28, 2020

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed
Jane Fraser Director Finance, Asset Management & ICT, CFO

Original Signed by 
Jacques Dubé, Chief Administrative Officer

DATE: June 24, 2020

SUBJECT: Commercial Tax and Small Business: Five Zones with Tiers Options

INFORMATION REPORT

ORIGIN

On-going discussion and interest related to the 2015 Report entitled “Commercial Tax Options for Small Business.”

Results from consultations with business and stakeholders.

Halifax Regional Council motion from June 25th, 2019:

THAT Committee of the Whole recommend that Halifax Regional Council direct the Chief Administrative Officer to:

1. Develop and return to Regional Council for its consideration a by-law to phase-in commercial tax bills that:
 - a. uses a three-year rolling assessment average,
 - b. is targeted towards properties with assessment growth more than 5 percent above the HRM average,
 - c. is implemented starting in fiscal year 2021-22, and
 - d. has a renewal requirement for it to extend beyond 2023-24;
2. Work with the business community on implementation of a three-year rolling average;
3. Return to Regional Council with a program review before the end of 2023-24; and
4. Direct the CAO to prepare a supplementary staff report exploring a tiered commercial tax regime based on assessed values using the five zones described in Attachment D of the staff report dated May 1, 2019.

LEGISLATIVE AUTHORITY

See Attachment 6.

BACKGROUND

In June 2019, staff presented a detailed analysis of five commercial tax options. Two of the five options presented were on (1) the creation of a five tax zone system and (2) on multiple property tax rates. The report also outlined detailed economic analysis of property tax theory, general equilibrium analyses and laid out the theoretical case for property tax, due to its efficiency and less onerous incentive effects than other forms of taxation, such as those on labour and consumption.

The report recommended a three-year rolling assessment average to help smooth taxes for properties that may be experiencing sudden spikes in assessed value. Regional Council endorsed this recommendation with implementation targeted for 2021/22.

As part of its June 25th, 2019 motion, Regional Council requested a supplementary report that combined two of the five options in the report. Namely, a combination of a five tax zone system and a system of multiple property tax rates.

DISCUSSION

Currently, commercial property taxes are set for three different tax areas of the municipality, known as Urban, Suburban and Rural general tax rates under Section 94(1) of the *Halifax Charter*. The 2020/21 Urban and Suburban general tax rates are both set at \$3.00 per \$100 of commercial assessment while the Rural general tax rate, set at 2.658, is significantly lower. These areas are shown on the map on Attachment 1. Tax bills increase with the market value of a property (assuming the tax rate is held the same).

Option for Five Zones with Tiered Tax Rates

Staff have reviewed the options presented in the June 25, 2019 staff report and have designed a new option based on a combination of the five tax zones and (assessment-based) tiered tax rates. The features of such a system would be:

- Five new tax zones (see Attachment 2) would replace the current three tax areas:
 - o Big Box: These represent the four business parks that are home to large retail, wholesale and other commercial properties (Dartmouth Crossing, City of Lakes, Bedford Commons, and Bayer's Lake).
 - o High Density: This is downtown Halifax (Central Business District), including its many office towers.
 - o Small, Medium Enterprises (SME): Areas of the municipality that are not part of Big Box, High Density, Industrial, or Rural Zones. This includes the majority of small, medium sized businesses such as BIDs and others located on main streets and corridors.
 - o Industrial: All industrial parks including Burnside, Ragged Lake, Beechville and Woodside.
 - o Rural: Properties in the rural resource area (outside the commutershed).
- There would be four steps in the tiered commercial rate system, each separated by 10 cents on the commercial tax rate:
 - o \$0 to \$500K assessment (up to \$15K tax bill) – a tax rate of \$2.90
 - o \$500K to \$1M assessment (\$15K-\$30K tax bill) – a tax rate of \$2.80
 - o \$1M to \$2M assessment (\$30-60K tax bill) – a tax rate of \$2.70
 - o Above \$2M assessment (Over \$60K tax bill) – tax rates vary by area
- The tiered rates for the three lowest assessment ranges would be the same in all five zones. This ensures that small properties are treated the same regardless of where they are located.
- Tax rates would differ for the top tier by the five geographic zones, thus affecting the largest properties and effectively transferring the tax burden from small to large properties. Those prospective tax rates are
 - o Big Box – from \$3.00 to \$3.334.
 - o High Density and Industrial – from \$3.00 to \$3.088

- SME – remains at \$3.00
- Rural – at \$2.65 (from \$2.658)

These rates generate the same general tax revenues across the municipality as the current urban, suburban, rural rate structure. The prospective rates can best be described in a table format:

Table One
Adjusted Tax Rates (Five Zones with Tiers)

Five Zones	Up to \$500k	\$0.5 to \$1M	\$1 to \$2M	Over \$2M
Big Box	\$2.900	\$2.800	\$2.700	\$3.334
High Density	\$2.900	\$2.800	\$2.700	\$3.088
Industrial	\$2.900	\$2.800	\$2.700	\$3.088
SME	\$2.900	\$2.800	\$2.700	\$3.000
Rural	\$2.650	\$2.650	\$2.650	\$2.650

Advantages and Disadvantages of the Option

There are a variety of advantages and disadvantages to such a system. The specific weakness of such a system are:

- Zone or geographic based taxes inevitably pit parts of the municipality against each-other, with one zone receiving preferable tax treatment based on a subjective geographic rationale. By their nature the boundaries for such zones create inequities between firms in different parts of the municipality.
- The rates are based on assessed value of the commercial property, not the business. Most small businesses are tenants, and not property owners. There is no guarantee landlords will “pass-on” property tax savings to tenants.
- These changes make the existing property tax system more complex, resulting in reduced transparency and higher administrative costs. In total, the commercial tax structure will move from two general tax rates (Urban/Suburban and Rural) to seven general tax rates dependent on a mix of property size and location.
- Property taxes tend to represent a small share of business costs. Recent research shows that changes in property taxes tend to have a limited impact on business investment propensities.
- The changes tend to favour smaller commercial properties over larger commercial properties. This may inadvertently discourage density and discourage smaller firms from relocating into larger structures. Some larger properties may be facing greater difficulty during the pandemic, hence the timing of any changes may be problematic.

Staff have tried to limit the extent of these weakness and believes that some elements of this option have some positive features.

- The tax rates for commercial properties worth less than \$2m are the same across the entire region, thus limiting any inequities small properties might otherwise face.
- Tax rates drop as assessed value rises. This removes any disincentive for small firms that are growing, to relocate into medium size properties. More importantly, staff research has shown that small properties with commercial assessments in the \$1M to \$2M range appeared to be the most heavily burdened in terms of property taxation. Nearly 80% of highly-taxed small commercial properties have assessment between \$400K and \$2.1M.

- The multiple tiers suggested are based on 10 cent increments. The first \$500K in assessment receives 10 cents off the current commercial tax rate of \$3.00. The next \$500K receives 20 cents off the commercial tax rate for that \$500K. The next \$1M in commercial assessment gets 30 cents off the commercial tax rate for that tier. To offset the lost revenue from the first three tiers, commercial rates are adjusted for any commercial property value in the fourth tier over \$2M.
- Higher values above the \$2,000,000 threshold would differ by zone. As an example, a commercial property in the Big Box Zone with a commercial assessed value over \$2M would pay an additional 33.4 cents on the tax rate. In the SME zone, any value over \$2M of commercial assessed value would stay at a \$3.00 commercial tax rate, as it is now. In the High Density and Industrial zones, commercial assessments over \$2M would see an increase of 8.8 cents in their commercial tax rate.
- Commercial rates in the rural area would remain where they are, allowing areas outside the rural commuter-shed to remain competitive with neighbouring municipalities. However, the commercial rural tax boundary would change. Areas closer to the core would become part of the SME Zone while areas outside the commutershed would remain defined as rural. (See Attachments 1 and 2 for maps). This would mean increased commercial taxes for some rural properties.

**Table Two
Tax Rates under Five Zones with Tiers**

Example of a \$5M Property in Industrial or High Density Zones

	<u>Assessment</u>	<u>Tax Rate</u>	<u>Change from \$3.00</u>
First \$500K	500,000	\$2.90	10 cents down
Next \$500K	500,000	\$2.80	20 cents down
Next \$1M	1,000,000	\$2.70	30 cents down
Additional	<u>3,000,000</u>	\$3.088	8.8 cents up
	\$5,000,000		

Impact of the Option on Commercial Taxpayers

The impact of a proposed Five Zone with Tiers model is to shift commercial taxes from small firms, toward areas with large concentrations of big box firms. This impact is seen in three key areas.

- First, commercial taxes are lowered on smaller properties and raised on larger properties. This is seen in Table Three, where commercial taxes drop on firms with tax bills lower than \$150,000. Conversely, commercial taxes increase on firms that have existing tax bills greater than \$150,000.

**Table Three
Average Commercial Taxes by Size of Tax Bill (All Properties)**

Summary	Under \$15k	\$15k-\$30k	\$30k-\$60k	\$60k-\$150k	Over \$150k
Current Rates	\$4,996	\$21,027	\$41,799	\$93,511	\$500,687
5 Zone with Tiers	<u>\$4,906</u>	<u>\$20,236</u>	<u>\$39,311</u>	<u>\$90,045</u>	<u>\$514,605</u>
Difference	-\$90	-\$791	-\$2,488	-\$3,466	\$13,919
Percent Change	-1.8%	-3.8%	-6.0%	-3.7%	2.8%

- This pattern is reinforced in Table Four where average commercial tax bills per square foot are displayed for small commercial properties, those under 10,000 square feet in size. Without assistance, tax bills for small commercial properties rise with the assessed value of the property.

For instance, a property that is commercially assessed between \$500,000 and \$1M would typically have a tax bill between \$15,000 and \$30,000. Based on available data, the tax per square foot of space for such properties averages \$3.67. Under the 5-Zone with Tiers proposal the tax per square foot would drop to \$3.54, a savings of \$0.13 or 3.5%. While these reductions are significant, tax bills for these commercial properties are still higher than for those assessed less than \$500,000.

Table Four
Average Commercial Taxes per Square Foot by Size of Tax Bill
(Small Commercial Properties under 10,000 sq.ft.)

Summary	Under \$150k	\$15k-\$30K	\$30K-\$60K	Over \$60K
Current Rates	\$1.70	\$3.67	\$5.89	\$12.63
5 Zone with Tiers	<u>\$1.66</u>	<u>\$3.54</u>	<u>\$5.55</u>	<u>\$11.95</u>
Difference	-\$0.04	-\$0.13	-\$0.34	-\$0.68
Percent Change	-2.2%	-3.5%	-5.8%	-5.4%

- Lastly, there is a geographical element to the manner in which the tax shifts. Within each zone there are both large and small commercial properties. The small commercial properties will see their taxes fall in all five zones. This is illustrated in Table Five where the commercial taxes in the Big Box Zone rises by 6.1% and in High Density by 1.23% while it falls in all other zones.

Table Five
Average Commercial Taxes by 5 Zones (All Properties)

Summary	Big Box	High Density	Industrial	SME	Rural
Current Rates	\$143,455	\$152,720	\$47,391	\$33,043	\$4,378
5 Zone with Tiers	<u>\$152,196</u>	<u>\$154,536</u>	<u>\$46,156</u>	<u>\$32,653</u>	<u>\$4,366</u>
Difference	\$8,741	\$1,816	-\$1,235	-\$390	-\$12
Percent Change	6.1%	1.2%	-2.6%	-1.2%	-0.3%

In summary, this potential option transfers some tax benefit to the SME and other zones and especially smaller commercial properties. This shift is paid for by higher taxes in the Big Box Zone. As outlined above, small commercial properties will benefit the most, assuming landlords transfer benefits to tenants. From past economic analysis, the majority of commercial properties have property tax bills which range from 3 to 5 per cent of fixed costs. Any policy adjustment is unlikely to have substantial impacts on the majority of firms operating within commercial properties. Rather, its impacts will be on the margin where support may have some positive impact(s).

Detailed impacts are provided in Attachments 3, 4 and 5.

Impact of Covid

The current pandemic has caused a very sharp economic downturn as well as considerable uncertainty as to the depth and length of that decline and any long-term structural changes. The 2021 Assessments, however, will be based on economic conditions in January 2020 (pre-Covid) with the full impact of the pandemic hitting the official assessment roll not in 2021/22 but in 2022/23. While the ability of firms to pay their various obligations including taxes are being immediately affected, the resulting shifts in assessment that will occur are delayed for nearly two years. Because of this, staff reasoned that an information report, and not a recommendation report, was more appropriate. Before any changes to the current tax structure can be fully understood and implemented, the impact of Covid and the resulting economic changes need to be fully integrated into any analysis and options.

Three-Year Assessment Averaging

As part of its June 25, 2019 recommendation, staff are working towards a 2021/22 implementation of three-year assessment averaging for commercial properties. Staff are of the opinion that limited commercial assessment averaging (as recommended) can proceed under a Five-Zone or Tiered Tax system through the adoption of a Commercial Development District By-law. The rate set under the Five-Zone or Tiered Tax system would then apply to the commercial assessment as determined by that By-law.

The commercial assessment averaging would not apply to the whole Municipality as the Charter imposes three geographic restrictions on where a Commercial Development District may be established. These restrictions are as follows:

- the Commercial Development District must be serviced with central water and sewer;
- the Commercial Development District must be in an area that Council determines is an urban area receiving an urban level of service; and
- the area must be designated a “Commercial Development District” in a municipal planning strategy by Council.

The Halifax Centre Plan (Package A) enabled the creation of a “Commercial Development District” within that part of the Regional Centre covered by it. There are currently no other policies allowing the establishment of a Commercial Development District on the Peninsula. At this time, neither Package B of the Centre Plan nor the Regional Plan review is likely to be approved by Council prior to 2021/22 fiscal year. This means that commercial assessment averaging cannot yet proceed beyond the Regional Centre nor can it occur in the Barrington Street and South Suburb Heritage Conservation Districts. As well, the Commercial Development District By-law would not be effective for those area covered by Package A until it is approved by the Province.

Another factor affecting the implementation of Commercial Assessment Averaging is the current uncertainty as to the economic recovery. The medium-term economic outlook currently shows declining property prices. Due to the delays in designating a “Commercial Development District”, and the economic uncertainty, staff are reviewing whether it is still appropriate to implement assessment averaging in 2021/22.

FINANCIAL IMPLICATIONS

There are no financial implications stemming from this information report.

RISK CONSIDERATION

There are no material fiscal risks associated with this information report.

COMMUNITY ENGAGEMENT

No engagement was undertaken with respect to this specific option.

ENVIRONMENTAL IMPLICATIONS

N/A

ALTERNATIVES

None.

ATTACHMENTS

Attachment 1: Current Urban, Suburban, Rural Tax Area Map

Attachment 2: Potential Commercial 5-Zone Area Map

Attachment 3: Details of Tax Rates for 5-Zones with Tiers Scenario

Attachment 4: Details of Tax Impacts for 5-Zones with Tiers Scenario

Attachment 5: Details of Tax Impacts for 5-Zones with Tiers Scenario - Properties under 10,000 Square Feet
(Building Area)

Attachment 6: Legislative Authority

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

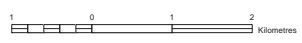
Report Prepared by: Andre MacNeil, P.ENG, MBA, CPA, CMA, Senior Financial Consultant, 902.490.5529
Kenzie McNeil, MIB, Senior Financial Consultant, 902.579.4129



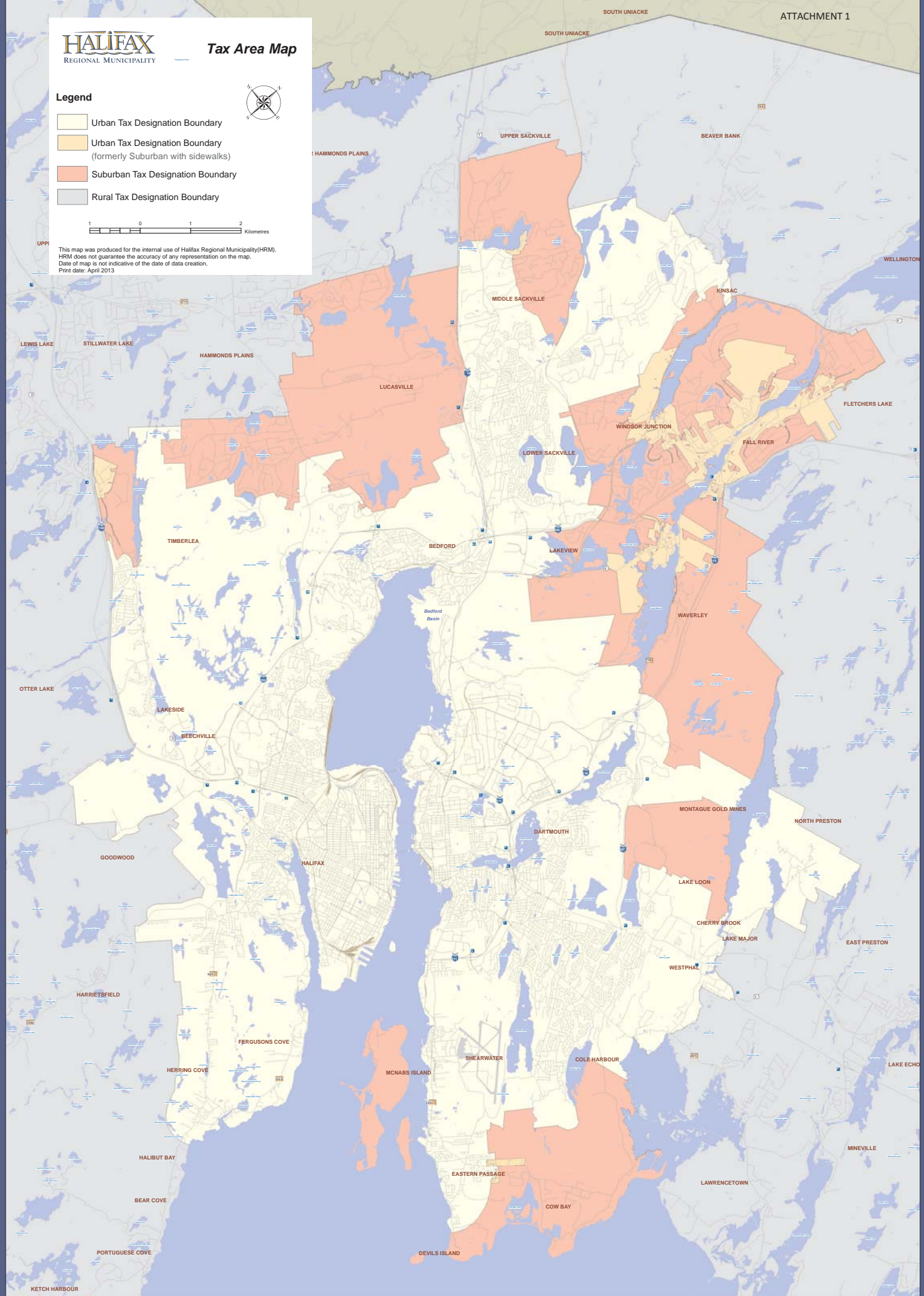
Tax Area Map

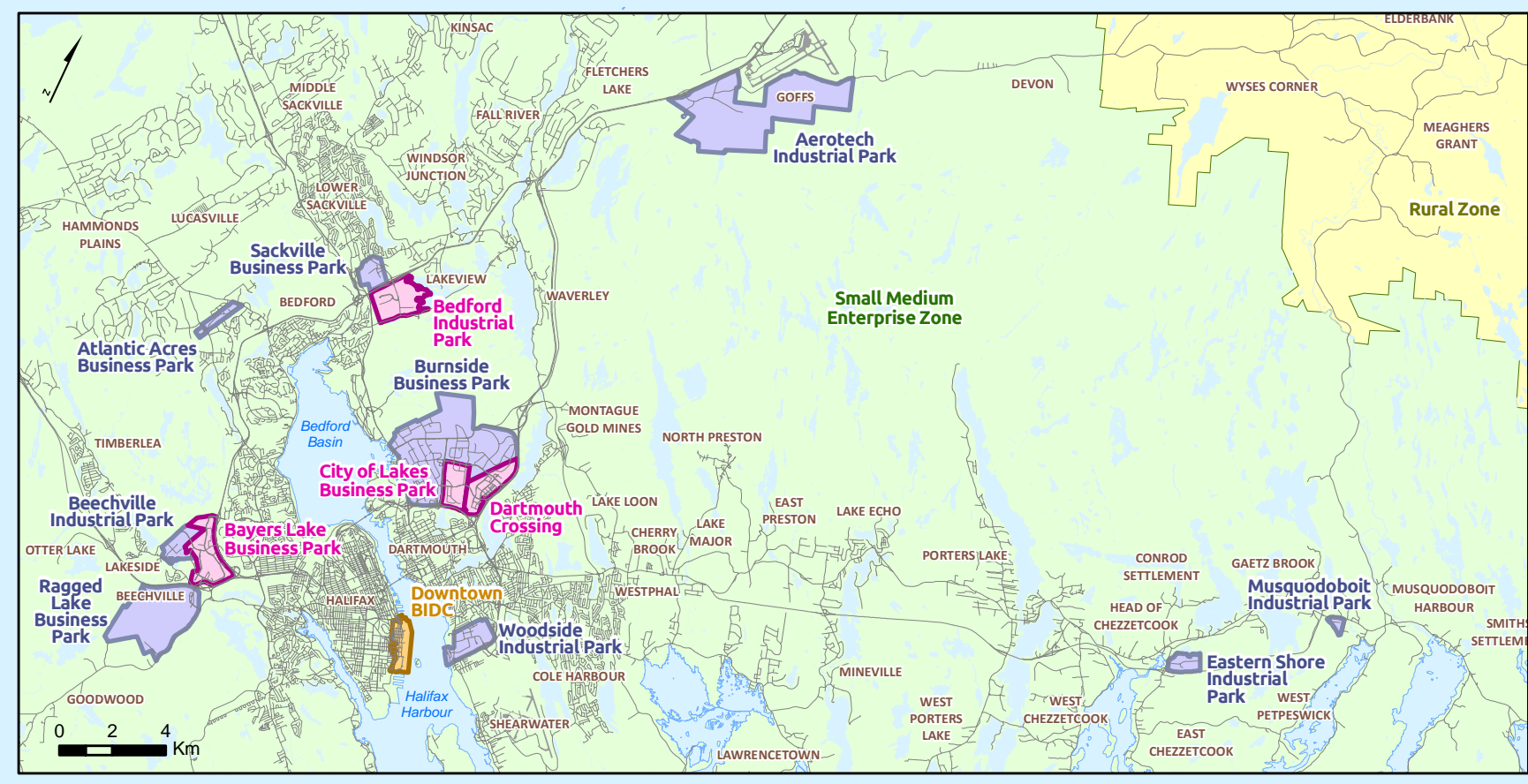
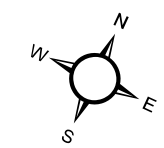
Legend

- Urban Tax Designation Boundary
- Urban Tax Designation Boundary (formerly Suburban with sidewalks)
- Suburban Tax Designation Boundary
- Rural Tax Designation Boundary



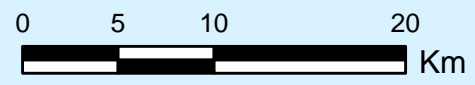
This map was produced for the internal use of Halifax Regional Municipality (HRM). HRM does not guarantee the accuracy of any representation on the map. Date of map is not indicative of the date of data creation. Print date: April 2013





HALIFAX Commercial Tax Zones

- High Density Zone
- Big Box Zone
- Industrial Zone
- Small Medium Enterprise Zone
- Rural Zone



Attachment 3

Details of Tax Rates for 5-Zones with Tiers Scenario

Tax Rate Adjustments for Five Zones with Tiers (from \$3.000 standard)				
Five Zones	Up to \$500k	Up to \$1M	Up to \$2M	Over \$2M
Big Box	-\$0.100	-\$0.200	-\$0.300	\$0.334
High Density	-\$0.100	-\$0.200	-\$0.300	\$0.088
Industrial	-\$0.100	-\$0.200	-\$0.300	\$0.088
SME	-\$0.100	-\$0.200	-\$0.300	\$0.000
Rural	-\$0.350	-\$0.350	-\$0.350	-\$0.350

Tax Rates for Five Zones with Tiers				
Five Zones	Up to \$500k	\$0.5 to \$1M	\$1 to \$2M	Over \$2M
Big Box	\$2.900	\$2.800	\$2.700	\$3.334
High Density	\$2.900	\$2.800	\$2.700	\$3.088
Industrial	\$2.900	\$2.800	\$2.700	\$3.088
SME	\$2.900	\$2.800	\$2.700	\$3.000
Rural	\$2.650	\$2.650	\$2.650	\$2.650

Average Tax Rates Five Zones with Tiers versus Current Rates		
Five Zones	Five Zones with Tiers	Current Structure
Big Box	\$3.183	\$3.000
High Density	\$3.036	\$3.000
Industrial	\$2.909	\$2.987
SME	\$2.922	\$2.957
Rural	\$2.650	\$2.658
Overall	\$2.974	\$2.974

Attachment 4

Details of Tax Impacts for 5-Zones with Tiers Scenario

Number of Commercial Accounts (by Tax Range)					
Five Zones	Up to \$15k	\$15 to \$30k	\$30 to \$60k	\$60 to \$150k	Over \$150k
Big Box	38	49	49	39	66
High Density	110	36	42	27	42
Industrial	277	190	205	144	53
SME	2,630	547	325	215	124
Rural	234	6	4	1	1

Average Taxes - Current Rate Structure (by Tax Range)					
Five Zones	Up to \$15k	\$15 to \$30k	\$30 to \$60k	\$60 to \$150k	Over \$150k
Big Box	\$6,125	\$21,015	\$43,234	\$96,533	\$415,558
High Density	\$4,884	\$22,050	\$40,661	\$82,165	\$809,325
Industrial	\$6,925	\$21,818	\$42,027	\$95,139	\$241,575
SME	\$5,061	\$20,720	\$41,677	\$93,125	\$554,094
Rural	\$1,857	\$17,918	\$34,357	\$130,822	\$266,797

Average Taxes – Five Zones with Tiers (by Tax Range)					
Five Zones	Up to \$15k	\$15 to \$30k	\$30 to \$60k	\$60 to \$150k	Over \$150k
Big Box	\$5,921	\$20,114	\$40,411	\$96,098	\$450,618
High Density	\$4,721	\$21,080	\$38,095	\$78,313	\$826,740
Industrial	\$6,745	\$20,863	\$39,413	\$91,666	\$245,235
SME	\$4,977	\$20,000	\$39,301	\$89,147	\$560,078
Rural	\$1,852	\$17,866	\$34,258	\$130,446	\$266,031

Change in Average Taxes (by Tax Range)					
Five Zones	Up to \$15k	\$15 to \$30k	\$30 to \$60k	\$60 to \$150k	Over \$150k
Big Box	-\$204	-\$901	-\$2,823	-\$435	\$35,061
High Density	-\$163	-\$970	-\$2,566	-\$3,852	\$17,416
Industrial	-\$179	-\$955	-\$2,614	-\$3,472	\$3,660
SME	-\$84	-\$720	-\$2,377	-\$3,978	\$5,984
Rural	-\$5	-\$51	-\$99	-\$376	-\$766

% Change in Average Taxes (by Tax Range)					
Five Zones	Up to \$15k	\$15 to \$30k	\$30 to \$60k	\$60 to \$150k	Over \$150k
Big Box	-3.3%	-4.3%	-6.5%	-0.5%	8.4%
High Density	-3.3%	-4.4%	-6.3%	-4.7%	2.2%
Industrial	-2.6%	-4.4%	-6.2%	-3.6%	1.5%
SME	-1.7%	-3.5%	-5.7%	-4.3%	1.1%
Rural	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%

Note: Numbers in light grey are those where too few data points exist to be statistically significant.

Attachment 5

Details of Tax Impacts for 5-Zones with Tiers Scenario Properties under 10,000 Square Feet (Building Area)

Number of Small Properties Reviewed (by Tax Range)						
Five Zones	# Properties	Up to \$15k	\$15 to \$30k	\$30 to \$60k	\$60 to \$150k	Over \$150k
Big Box	73	11	42	19	1	0
High Density	101	43	39	17	2	0
Industrial	275	128	118	29	0	0
SME	1,856	1,235	420	172	28	1
Rural	59	55	4	0	0	0

Average Taxes - Current Rate Structure (by Tax Range)						
Five Zones	Avg. Taxes	Up to \$15k	\$15 to \$30k	\$30 to \$60k	\$60 to \$150k	Over \$150k
Big Box	\$25,591	\$11,258	\$20,707	\$40,442	\$106,182	
High Density	\$19,262	\$7,909	\$20,978	\$38,107	\$69,725	
Industrial	\$17,717	\$10,659	\$20,504	\$37,530		
SME	\$14,113	\$6,791	\$20,448	\$40,026	\$77,078	\$175,218
Rural	\$4,040	\$2,873	\$20,094			

Average Taxes – Five Zones with Tiers (by Tax Range)						
Five Zones	Avg. Taxes	Up to \$15k	\$15 to \$30k	\$30 to \$60k	\$60 to \$150k	Over \$150k
Big Box	\$24,374	\$10,883	\$19,827	\$37,898	\$106,820	
High Density	\$18,331	\$7,645	\$20,080	\$35,796	\$65,509	
Industrial	\$16,958	\$10,339	\$19,637	\$35,277		
SME	\$13,583	\$6,655	\$19,741	\$37,777	\$72,578	\$170,718
Rural	\$4,028	\$2,864	\$20,037			

Note: Numbers in light grey are those where too few data points exist to be statistically significant.

Average Size of Small Properties Reviewed (Square Feet)						
Five Zones	# Properties	Up to \$15k	\$15 to \$30k	\$30 to \$60k	\$60 to \$150k	Over \$150k
Big Box	5,626	5,957	4,941	7,027	4,104	
High Density	5,761	4,575	6,493	7,021	6,293	
Industrial	5,729	4,760	6,338	7,525		
SME	4,627	4,084	5,314	6,534	6,682	414
Rural	3,934	3,560	9,083			

Average Taxes per Square Foot - Current Rate Structure (by Tax Range)						
Five Zones	Avg. Taxes	Up to \$15k	\$15 to \$30k	\$30 to \$60k	\$60 to \$150k	Over \$150k
Big Box	\$4.55	\$1.89	\$4.19	\$5.76	\$25.87	
High Density	\$3.34	\$1.73	\$3.23	\$5.43	\$11.08	
Industrial	\$3.09	\$2.24	\$3.24	\$4.99		
SME	\$3.05	\$1.66	\$3.85	\$6.13	\$11.53	\$423
Rural	\$1.03	\$0.81	\$2.21			

Average Taxes per Square Foot – Five Zones with Tiers (by Tax Range)						
Five Zones	Avg. Taxes	Up to \$15k	\$15 to \$30k	\$30 to \$60k	\$60 to \$150k	Over \$150k
Big Box	\$4.33	\$1.83	\$4.01	\$5.39	\$26.03	
High Density	\$3.18	\$1.67	\$3.09	\$5.10	\$10.41	
Industrial	\$2.96	\$2.17	\$3.10	\$4.69		
SME	\$2.94	\$1.63	\$3.72	\$5.78	\$10.86	\$412
Rural	\$1.02	\$0.80	\$2.21			

% Change in Average Taxes per Square Foot (by Tax Range)						
Five Zones	Avg. Change	Up to \$15k	\$15 to \$30k	\$30 to \$60k	\$60 to \$150k	Over \$150k
Big Box	-4.8%	-3.3%	-4.3%	-6.3%	0.6%	
High Density	-4.8%	-3.3%	-4.3%	-6.1%	-6.0%	
Industrial	-4.3%	-3.0%	-4.2%	-6.0%		
SME	-3.8%	-2.0%	-3.5%	-5.6%	-5.8%	-2.6%
Rural	-0.3%	-0.3%	-0.3%			

Note: Numbers in light grey are those where too few data points exist to be statistically significant.

Attachment 6

Excerpts from the *Halifax Regional Municipality Charter*

Section 93 (Estimates of Required Sums)

93 (1) The Council shall make estimates of the sums that are required by the Municipality for the fiscal year.

(8) The tax rates must be those that the Council deems sufficient to raise the amount required to defray the estimated requirements of the Municipality.

Section 94 (Tax Rates)

94 (1) The Council shall set separate commercial and residential tax rates for the area of the Municipality determined by the Council to be

- (a) a rural area receiving a rural level of services;
- (b) a suburban area receiving a suburban level of services; and
- (c) an urban area receiving an urban level of services.

(2) The Council may

(a) set different commercial tax rates for commercial property located in areas of the Municipality designated by Council, based on the assessment of commercial property under the *Assessment Act*;

(b) set different commercial tax rates for commercial property located in areas of the Municipality designated by Council, based on the length or proportion of frontage of a property on a street, including a private road;

(c) set different commercial tax rates for commercial property located in areas of the Municipality designated by Council, based on the number of square metres in a property, the number of square metres in all commercial buildings on a property, or the combined number of square metres in a property and all commercial buildings on that property;

(d) set additional tiered or escalating commercial tax rates based on the factors set out in clauses (a) to (c) that are in excess of the rates set in clauses (a) to (c); and

(e) set additional or different commercial tax rates using any combination of clauses (a) to (d).

(3) Commercial tax rates set by the Council under subsection (2) apply in place of the commercial tax rates set under subsection (1) in the areas designated by the Council.

(4) A commercial tax rate set under subsection (2) must be reviewed by the Minister four years after its coming into force and thereafter as provided by regulation.

(5) The Minister shall determine the process for the review under subsection (4) and may review more than one application of the commercial tax rate options set under subsection (2) at the same time.

(6) The Municipality shall participate in and co-operate with the review under subsection (4) as required by the Minister, including by providing reports, records or other documents requested by the Minister.

Commercial development district

92C In this Section,

(a) “commercial development district” means a district, established by a by-law made pursuant to subsection (2), that comprises one or more eligible properties;

(b) “eligible commercial property” means a commercial property, except the forest property owned by a person who owns fifty thousand acres or more of forest property in the Province;

(c) “eligible contaminated property” means a property or part thereof that

(i) was an eligible commercial property,

(ii) is designated as a contaminated site pursuant to subsection 87(1) of the *Environment Act*, and

(iii) is the subject of an agreement entered into pursuant to clause 89(1)(b) of the *Environment Act*,

(d) “eligible property” means an eligible commercial property or eligible contaminated property.

(2) Notwithstanding subsection 71(2) but subject to Section 92D, where the Council considers it necessary or advisable, the Council may, by by-law, provide for

(a) the phasing-in of an increase in the taxable assessed value of an eligible property located in a commercial development district over a period not exceeding ten years; and

(b) the cancellation, reduction or refund of taxes paid as a result of the phasing-in of the increase.

(3) Subject to subsection (4), a by-law made pursuant to subsection (2) must establish, in accordance with a municipal planning strategy, one or more commercial development districts.

(4) A commercial development district may only be established in an area that is serviced by wastewater facilities and a water system.

(5) Subject to subsection (6), a by-law made pursuant to subsection (2) may

(a) where the taxes paid in the current year in respect of an eligible property exceed the taxes payable in respect of the eligible property under the by-law, authorize the refund of the amount by which the taxes paid exceed the taxes payable under the by-law;

(b) prescribe a base year for the purpose of a formula authorized by clause (c); and

(c) prescribe a formula to be applied to any increase in the taxable assessed value in a year above the taxable assessed value in the base year for the purpose of calculating the taxes payable.

(6) A formula prescribed by clause (5)(c) must not result in the calculation of the total increase in taxes payable during the phase-in period being less than fifty per cent of the total increase in taxes that would be payable during the same period in the absence of the application of the formula.

(7) Notwithstanding subsection 71(2), where a by-law is made pursuant to subsection (2), the owner of an eligible property to which the by-law applies shall pay taxes with respect to the eligible property in accordance with the by-law instead of the taxes otherwise payable pursuant to this Act.

(8) Taxes payable in respect of an eligible property under a bylaw made pursuant to subsection (2) are a first lien upon the eligible property.

(9) Nothing in this Section authorizes the application of a commercial tax rate to an eligible property other than the commercial tax rate set by the Council pursuant to Section 94 for the area of the Municipality determined to be an urban area receiving an urban level of services.