

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY:

Original Signed by 

Jacques Dubé, Chief Administrative Officer

DATE: May 5, 2022

SUBJECT: Tiered Commercial Taxation Areas Administrative Order

ORIGIN

February 15, 2022, Halifax Regional Council motion (Item 18.2):

MOVED by Councillor Mason, seconded by Councillor Kent

THAT Halifax Regional Council direct the Chief Administrative Officer to:

1. Draft an administrative order to implement the Tiered Tax Relief for Small Properties (Option 3), as described in the Discussion section of the staff report dated November 16, 2021, effective with the commencement of the 2023/24 fiscal year, and return to Council with the resulting draft for its consideration.

MOTION PUT AND PASSED

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, subsections 58(2)(4), and 94(2), as follows:

58 (2) The Council may exercise any of its powers and duties by resolution unless a policy or a by-law is required by an enactment.

(4) The Council may exercise by policy any of the duties and powers that it may exercise by resolution.

94 (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);

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

RECOMMENDATION

It is recommended that Halifax Regional Council adopt Administrative Order 2022-003-ADM, the *Tiered Commercial Taxation Areas Administrative Order*, as set out in Attachment 1 to this report.

BACKGROUND

On February 15, 2022, Council directed staff to prepare the *Tiered Commercial Taxation Areas Administrative Order* (AO) to create a new tax structure for commercial properties. The tax structure, as directed, creates five new tax areas within the municipality, and each tax area has three tiers based on increasing levels of assessed value. The new AO establishes the tax area framework which will then allow Council to set different commercial tax rates for one or more tax areas by setting a base rate and the additional tiered rates. The proposed tax structure, shown for 2021/22 commercial rates, was summarized in Table Four of the staff report:

Table Four
Tax Rates under Five Zones with Tiered Tax Rates

	Up to \$1M	\$1M to \$2M	Over \$2M
Current (Urban/Suburban)	2.953	2.953	2.953
Business Parks	\$2.803	\$2.653	\$3.513
High Density	\$2.803	\$2.653	\$2.953
Industrial	\$2.803	\$2.653	\$3.103
Small Medium Enterprise	\$2.803	\$2.653	\$2.953
Rural	\$2.616	\$2.616	\$2.616

This is a significant change from the current structure, which has three tax areas – urban, suburban and rural – and no tiered rates. This report will outline how the new commercial tax structure will be put into policy through the new AO.

DISCUSSION

The AO sets out two key items:

- The tiers of assessment – first \$1M, over \$1M to \$2M, and over 2M – that can have different rates
 - as found in section 6 of the AO;
- The areas of the municipality that can have different rates
 - as mapped in Schedule 1 of the AO.

The AO does not outline the yearly tax rates. These will be set by Council, by resolution, annually, at the conclusion of the budget process.

To reduce the total number of tax rates, the AO combines the “High Density” area and the “Small Medium Enterprise” area into one area, named the “Downtown/Community” area. The Downtown/Community area name reflects the words used to describe these areas during Council discussions on [February 15, 2022](#). Since those February discussions and the decision on the commercial tax structure, the *Commercial Development District By-law* has been approved by Council. The new by-law (once approved by the provincial Minister) allows for the phase-in of commercial assessments (AKA “commercial assessment averaging”) within the Commercial Development District (CDD). To provide Council the flexibility to set different commercial rates within and outside of the CDD, the Downtown/Community area will be split along the CDD boundary, with the portion outside the Commercial Development District called the “Community Area (outside of CDD).” This tax area (and four others) are shown on Schedule 1 of the AO. In total, there remain five tax areas:

- 1) Business Park Area,
- 2) Industrial Park Area,
- 3) Downtown/Community Area,
- 4) Community Area (outside of CDD), and
- 5) Rural Area.

Applying 2022/23 commercial rates to the five areas and tiers would result in the following series of rates:

Table One
Tiered Rates for Five Tax Areas

	Up to \$1M	\$1M to \$2M	Over \$2M
Business Park Area	2.866	2.716	3.566
Industrial Park Area	2.866	2.716	3.166
Downtown/Community Area	2.866	2.716	3.016
Community Area (outside CDD)	2.866	2.716	3.016
Rural Area	2.662	2.662	2.662
	<i>Up to \$1M</i>	<i>\$1M to \$2M</i>	<i>Over \$2M</i>
<i>Current (urban/suburban)</i>	<i>3.016</i>	<i>3.016</i>	<i>3.016</i>
<i>Current (rural)</i>	<i>2.662</i>	<i>2.662</i>	<i>2.662</i>

The AO describes that “base general rates” are set for each tax area, as per clause 94(2)(a) of the HRM Charter:

“Council may set different commercial tax rates for commercial property located in areas of the Municipality designated by Council, based on the assessment of commercial property...”

The AO also outlines that “additional commercial tax rates” may be set for each tier, as permitted by clause 94(2)(d) of the HRM Charter:

“Council may 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)”.

As a result, Council will approve base general rates and additional commercial tax rates for each tax area by resolution, annually. In a tabular format, the approved rates would look like this:

Table Two
Commercial Rates for Tax Areas (as shown in annual resolution)

	Base Rate	Additional Commercial Rates		
		Up to \$1M	\$1M to \$2M	Over \$2M ¹
Business Park Area	2.716	0.150	0.000	0.850
Industrial Park Area	2.716	0.150	0.000	0.450
Downtown/Community Area	2.716	0.150	0.000	0.300
Community Area (outside CDD)	2.716	0.150	0.000	0.300
Rural Area	2.662	0.000	0.000	0.000

Note: 1. The additional commercial rate over \$2M for the Business Park Area has been rounded to 85 cents.

A sample budget resolution showing the commercial rates, as they would appear once the new AO is in effect, is included as Attachment 2, using the rates shown in Table Two above.

Going Forward

Although, the rate structure in Table Two may appear daunting, unless there is a significant shift in tax policy, **only the base rates will change** from year to year. The additional commercial tax rates for the three tiers would typically remain unchanged.

Communications and Benchmarking

Given the variety of rates at different assessed values and geographies, Councillors and staff should be prepared for questions. HRM taxpayers, the general public, the media and other municipalities in Canada may ask, “What is your (general) commercial tax rate?” The answer would be \$3.016 (urban/suburban) and \$2.662 (rural) in 2022/23 and the answer remains the same with the new rate structure². The rural rate is easily seen as the Rural Area “Base General Rate.” The urban rate is more obscure: it is equal to the Downtown/Community Area “Base General Rate” + “Tier 3 Additional Commercial Rate” (\$2.716 + \$0.300).

Note: 2. Since the urban area maintained “revenue neutrality”, the overall urban tax rate is unchanged.

FINANCIAL IMPLICATIONS

There are no financial implications of the new AO. Overall commercial tax revenues are not impacted by the new tax structure.

RISK CONSIDERATION

With the new tax structure becoming effective April 1, 2023, at the same time as the Commercial Assessment Averaging Program (supported by the *Commercial Development District By-law*), there will be major changes in the look of commercial tax bills and, for some, significant changes in their taxation. Communication with the business community, property tax professionals and, most importantly, individual commercial taxpayers will need to be enhanced, with improved on-line information and learning opportunities, as needed.

COMMUNITY ENGAGEMENT

No specific community engagement has taken place since the approval of new tax structure by Council on February 15, 2022.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

The new AO aligns with the commercial taxation direction staff received from Council on February 15, 2022. No alternatives to that direction have been provided in this report. If changes to the AO are sought by Council, staff can return with a supplementary report and revised AO.

ATTACHMENTS

Attachment 1 – Tiered Commercial Taxation Areas Administrative Order

Attachment 2 – Sample Budget Resolution with Commercial Tax Rates

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.

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**HALIFAX REGIONAL MUNICIPALITY
ADMINISTRATIVE ORDER 2022-003-ADM
RESPECTING COMMERCIAL PROPERTY TAXATION
IN CERTAIN AREAS OF THE MUNICIPALITY**

HALIFAX

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**ADMINISTRATIVE ORDER 2022-003-ADM
RESPECTING COMMERCIAL PROPERTY TAXATION
IN CERTAIN AREAS OF THE MUNICIPALITY**

BE IT RESOLVED as an Administrative Order by the Council of the Halifax Regional Municipality under the authority of subsection 94(2) of the *Halifax Regional Municipality Charter*, 2008 S.N.S. c. 39, as amended, as follows:

WHEREAS Council may set different commercial tax rates for commercial property located in areas of the Municipality designated by Council based on the assessment of the commercial property;

AND WHEREAS Council may set additional tiered or escalating commercial tax rates based on the assessment of the commercial property that are in excess of the commercial tax rate set for the area;

AND WHEREAS Council may set additional or different commercial tax rates using a combination of commercial tax rates based on the assessment of commercial property, additional tiered commercial rates based on the assessment of commercial property, and additional escalating commercial rates based on the assessment of commercial property;

Short Title

1. This Administrative Order may be known as the *Tiered Commercial Tax Areas Administrative Order*.

Purpose

2. The purpose of this Administrative Order is to designate certain areas of the Municipality as one or more commercial Tiered Tax Areas, and allow Council the option to set:

- (a) a Base General Rate for a Tiered Tax Area; and
- (b) additional tiered commercial tax rates based on a portion of Assessed Value for commercial properties located in that Tiered Tax Area.

Interpretation

3. In this Administrative Order,

- (a) "Assessed Value" means:
 - (i) if the commercial property is an eligible commercial property located within a commercial development district under the *Commercial Development Districts By-law*, the taxable assessed value determined under that By-law, or
 - (ii) in all other instances, the assessment for the commercial property determined by the Property Valuation Services Corporation, and any changes resulting for an assessment appeal or a request for reconsideration;
- (b) "Base General Rate" means the commercial tax rate that applies to all commercial properties located in a Tiered Tax Area;
- (c) "*Charter*" means the *Halifax Regional Municipality Charter*, 2008 S.N.S. c. 39, as amended; and
- (d) "Fiscal Year" means the period from April 1st in one year to March 31st in the following year, including both dates.

Application

4. (1) This Administrative Order shall only apply:
 - (a) to commercial properties located in a Tiered Tax Area; and
 - (b) for a given Fiscal Year, if Council, by resolution, sets the Base General Rate for a Tiered Tax Area.
- (2) If a Base General Rate is set for a Tiered Tax Area, Council may, by resolution, set additional commercial tax rates for one or more of the Tiers in that Tiered Tax Area.
- (3) In accordance with subsection 94(3) of the *Charter*, if a Base General Rate is set for a Tiered Tax Area, then that Base General Rate, and any other commercial tax rates set for the Tiers in that Tiered Tax Area, shall be in place of the commercial tax rates set under subsection 94(1) of the *Charter*.
- (4) For greater certainty, if the Base General Rate for the Tiered Tax Area:
 - (a) is not set by Council for a given Fiscal Year, then the commercial tax rates set under subsection 94(1) of the *Charter* shall apply to the commercial properties located in that Tiered Tax Area; or
 - (b) is set by Council for a given Fiscal Year but an additional commercial tax rate has not been set for a particular Tier in that Tiered Tax Area, then there shall be no additional commercial rate for that portion of the Assessed Value within that Tier.

Designated Tiered Tax Areas

5. This Administrative Order establishes and designates those areas of the Municipality shown on the attached Schedule or Schedules as Tiered Tax Areas.

Tiers

6. (1) Each Tier is based on Assessed Value.
- (2) This Administrative Order establishes the following Tiers:
 - (a) Tier 1 shall apply to the first 1,000,000 of Assessed Value;
 - (b) Tier 2 shall apply to that portion of Assessed Value that is over 1,000,000 and is 2,000,000 or less; and
 - (c) Tier 3 shall apply to that portion of Assessed Value that is over 2,000,000.

Commercial Tax Rates

7. (1) The Base General Rate shall apply to all taxable commercial assessment within the Tiered Tax Area.
- (2) The Base General Rate set for Tiered Tax Area may be the same rate or a different rate as set for another Tiered Tax Area.
- (3) A commercial tax rate set for a Tier within a Tiered Tax Area may be the same rate or a different rate as set for:
 - (a) another Tier in the same Tiered Tax Area; or
 - (b) another Tier in another Tiered Tax Area.

8. Subject to section 4, the commercial tax rates for a commercial property located in a Tiered Tax Area are:

(a) the Base General Rate applied to the total Assessed Value of the particular commercial property; and

(b) the additional commercial tax rate set for each applicable Tier applied to that portion of the Assessed Value of the particular commercial property within that Tier.

Schedule

9. A Schedule attached to this Administrative Order shall form part of this Administrative Order.

Ministerial Review

10. In accordance with subsection 94(4) of the *Charter*, commercial tax rates set under subsection 94(2) of the *Charter* must be reviewed by the Minister four years after its coming into force and thereafter as provided by regulation.

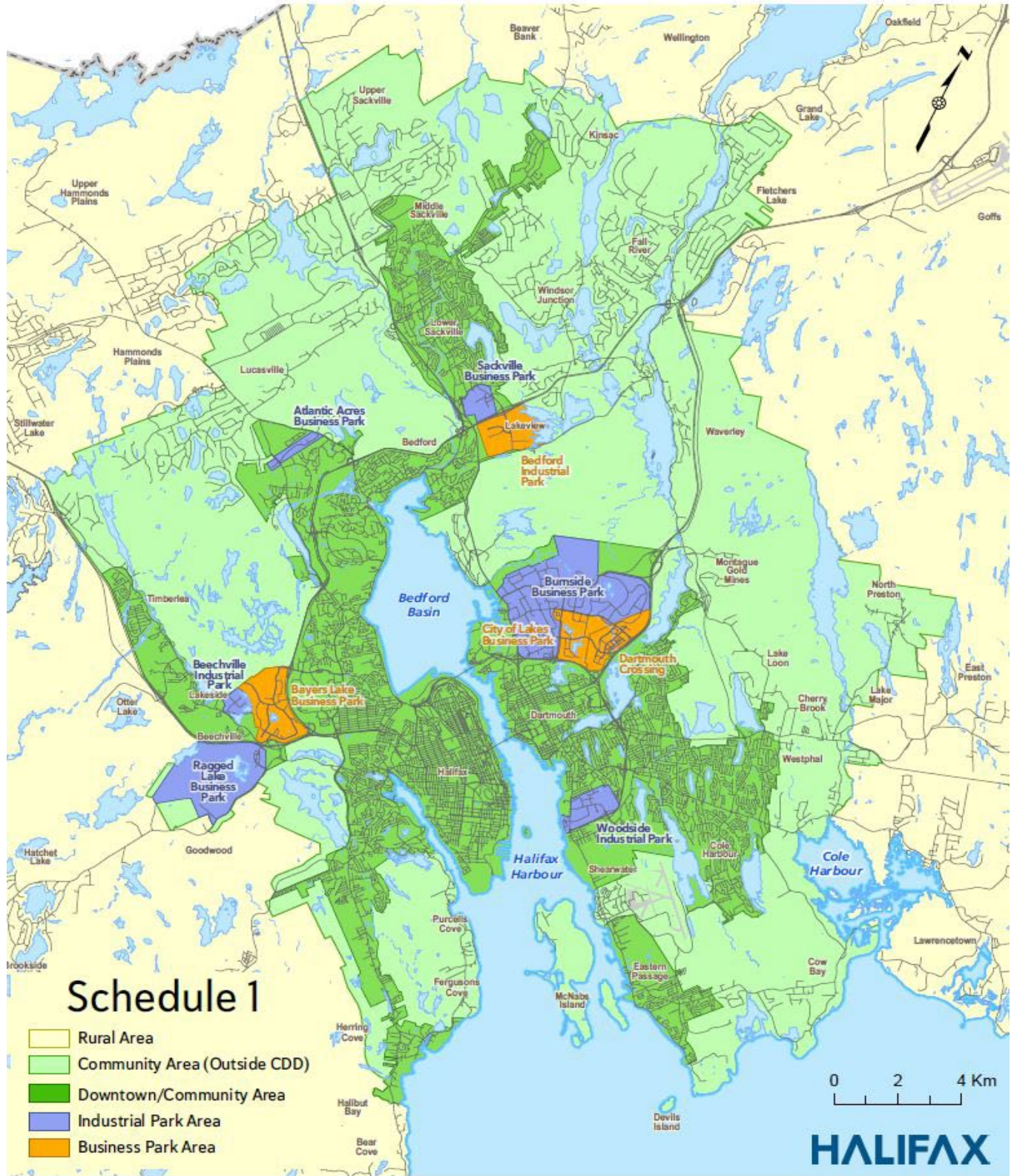
Effective Date

11. This Administrative Order is effective on April 1, 2023.

Done and passed this day , 202 ,

Mayor

Municipal Clerk



Sample Portion of Budget Resolution showing Commercial Tax Rates

- g) the general rates of taxation on commercial property for the Business Park Tax Area be set at
 - (i) **\$2.716** for the base rate,
 - (ii) **\$0.150** for the Tier 1 rate,
 - (iii) **\$0** for the Tier 2 rate, and
 - (iv) **\$0.850** for the Tier 3 rate,per \$100 of taxable assessment;

- h) the general rates of taxation on commercial property for the Industrial Park Tax Area be set at
 - (i) **\$2.716** for the base rate,
 - (ii) **\$0.150** for the Tier 1 rate,
 - (iii) **\$0** for the Tier 2 rate, and
 - (iv) **\$0.450** for the Tier 3 rate,per \$100 of taxable assessment;

- i) the general commercial taxation rates on commercial property for the Downtown/Community Tax Area be set at
 - (i) **\$2.716** for the base rate,
 - (ii) **\$0.150** for the Tier 1 rate,
 - (iii) **\$0** for the Tier 2 rate, and
 - (iv) **\$0.300** for the Tier 3 rate,per \$100 of taxable assessment;

- j) the general rates of taxation on commercial property for the Community Tax Area (outside of the CDD) be set at
 - (i) **\$2.716** for the base rate,
 - (ii) **\$0.150** for the Tier 1 rate,
 - (iii) **\$0** for the Tier 2 rate, and
 - (iv) **\$0.300** for the Tier 3 rate,per \$100 of taxable assessment;

- k) the general rates of taxation on commercial property for the Rural Tax Area be set at
 - (i) **\$2.662** for the base rate,per \$100 of taxable assessment;

- l) the climate action area rate of taxation on commercial property be set at **\$0.089** for all areas of the Municipality;
per \$100 of taxable assessment;