# Commercial Assessment Phase-in Tool

## A Best Practice Guide

Amendments to MGA and HRM Charter, S.N.S. 2016, c. 13

September 2016

Ask your municipal advisor for help

NOVA SCOTIA

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# Contents

# Introduction

In spring 2016, the Minister of Municipal Affairs introduced Bill 177 in the Legislature to amend the *Municipal Government Act* and the *Halifax Regional Municipality Charter* to create the ability for municipalities to phase in some commercial assessments. Bill 177 was ultimately passed and became Chapter 13 of the Acts of 2016[1].

In response to challenges identified by municipalities, these amendments allow a phase in of commercial assessment increases over a period not exceeding ten years in an area designated a commercial development district. Commercial assessment phase in was designed to be a new tool for municipal units to attract investment to the downtown and support brownfield redevelopment. The phase in assessment tool does not change property tax rates. Instead, it is designed to phase in commercial assessment increases either due to commercial investment or new construction, including brownfield remediation, for lower commercial property tax bills. These amendments acknowledge goal six of the Towns Task Force to provide new tools to increase economic growth in downtowns.

The amending Act that enables this tool directs a municipality to designate a commercial development district in accordance with its municipal planning strategy (MPS) and develop a by-law respecting the use of the tool in this area. The designated commercial development district must be serviced by water and wastewater infrastructure. Commercial properties within the designated commercial development district and meeting the criteria established by the municipality would be eligible for the phase in of assessment. A formula to phase in these increases annually cannot allow the municipality to forego more than 50% of the tax revenue generated by either the investment or redevelopment over a maximum of ten years.

In its by-law, council must identify the base year to which the by-law applies, the applicable phase in period, and a formula to be applied to any increase in the assessed value over the base year. It must also identify the parameters of the properties to be included, and it is encouraged that the threshold also be identified in the by-law. The municipality must review the by-law within four years or sooner of its coming into force and then every four years after.

Through this tool, municipalities have the opportunity to collect property tax on a modified phase in assessment. This can occur through less funds being collected from the business during the phase in period or through a partial refund of the incremental taxes paid in that tax year for eligible properties.

The information presented below provides guidance on how to use the phase in commercial assessment tool. It includes information on the process as well as on items your municipality should consider if it decides to develop a by-law to use the tool. This tool can be used to support a variety of objectives: focus economic development, encourage brownfield redevelopment, or stabilize increasing commercial property taxes. Council's objectives with this tool should determine how the by-law is developed. Examples are included in this guide to clearly identify how different phase in assessment formulas can impact commercial property taxes as well as municipal revenues.

Before moving forward to develop a by-law, your municipality is strongly encouraged to contact its Municipal Advisor for support.

[1] To read Chapter 13 of the Acts of 2016 go to http://nslegislature.ca/legc/index.htm

## When to Consider

Prior to determining that the phase in tool should be used within a particular area, and identifying this area in the MPS, the municipality should review assessed commercial values in a desired area as well as any pending changes. By examining, at minimum, the past five years of commercial data and growth trends, the municipality can determine if the tool is appropriate for the area as well as the potential scope and impact on municipal revenues. Municipalities may wish to use the phase in assessment tool in a variety of ways to support economic growth linked to municipal planning priorities and to grow their tax base. The following examples will illustrate the three instances a municipality may want to use the phase in tool and items it should consider in these instances.

### Support economic growth in areas of low annual assessment increase

A municipality may want to use the phase in assessment tool to support an area of low increases in annual assessment. This area may be a vacated downtown or area where business owners may be hesitant to invest in their properties' exteriors. In this instance, the municipality may consider triggering the phase in after a building permit application has been made as it encourages renovations and updates to the area. The municipality may also want to consider a low threshold and lengthy phase in period to ensure the taxation on increases in assessed values occur gradually and in keeping with returns on these investments.

### Support commercial property owners in areas where upward assessment pressure is occurring

There may be areas of upward assessment pressure on businesses within a designated area due to investment in the surrounding area. In this instance, the municipality may want to consider an annual assessment threshold that reflects this upward pressure and trigger the phase in based on an annual review of the assessments in the designated area. The base year could be chosen to reflect the upward pressure. The phase in tool in this instance would provide stability to commercial enterprises that have not changed their business model but have upward pressure on their assessed value and therefore on their property taxes.

### Support the development of brownfield sites

The municipality may use the phase in tool to support the development of brownfield (contaminated industrial) sites that are highly likely to have their assessed value increase after they have been developed. The municipality may want to trigger the phase in after the redevelopment has been completed and after a building permit has been issued. In this instance, the impact of the phase in on municipal revenues will likely be minimal due to the quantity of brownfield sites in the designated area as well as the resultant higher assessed value, compared to the base year. The phase in tool for brownfield sites should be designed to remove the disincentive to develop the property.

Municipalities may want to consider creating one by-law with different sets of criteria for these types of activities. Criteria for former brownfield sites can be different than those located in an area with overall low assessment increases and vacant storefronts.

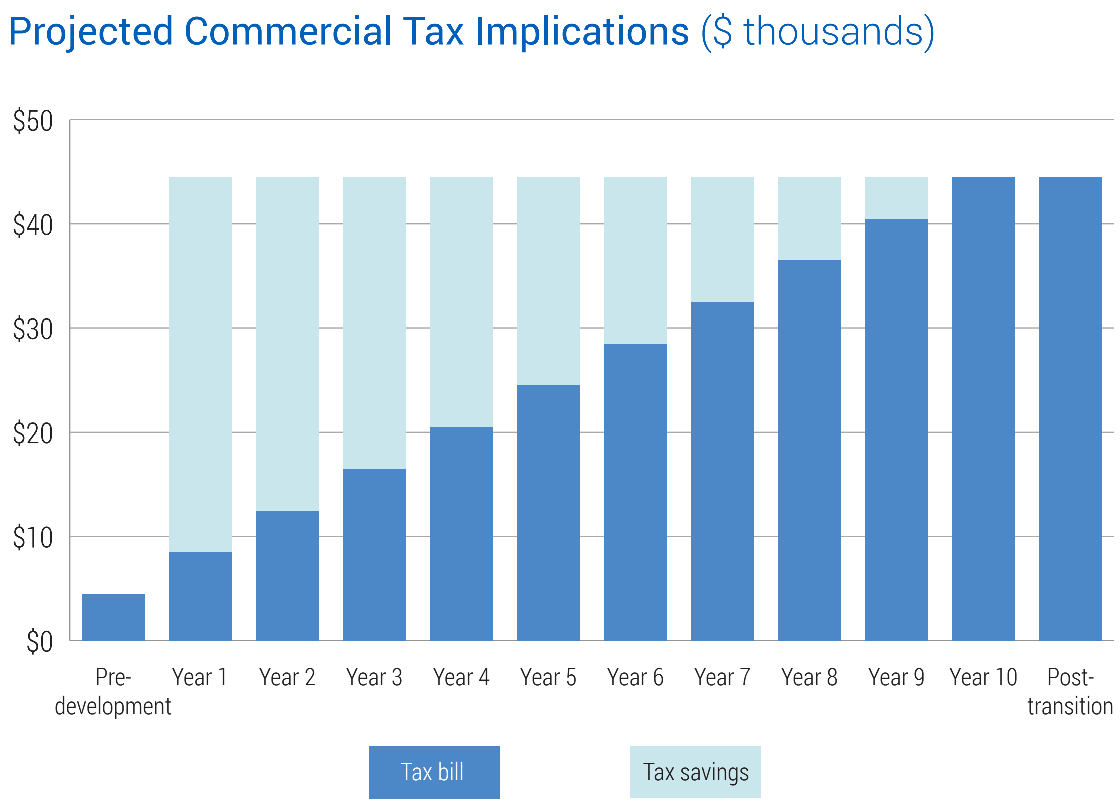



Figure 1. The tool is designed to allow for gradual increases in the tax bill of a commercial enterprise rather than allow for development or market forces to impact the property tax bill drastically. This tool allows the increase in property taxes after an investment to occur gradually and ideally in tandem with returns on the investment.

Currently, the Province of Nova Scotia along with all other provinces and territories is negotiating a modernization of the Agreement on Internal Trade. This modernized Agreement will be applicable to municipal units in a variety of areas nationally and restricts municipalities, and the provinces and territories, **from discriminating between businesses when providing incentives i.e. incentivizing some businesses and not others that are all qualified under the measure. The measure must not be enterprise**[2] **or industry specific**[3]. This tool has been designed to adhere to this Agreement and municipal units must design the by-law to adhere to the Agreement on Internal Trade. Broad exemptions cannot be industry or enterprise specific. The submission of the completed by-law to the Department of Municipal Affairs is designed to ensure the municipalities are adhering to the applicable internal trade agreement.

[2] A measure that targets a particular company or companies for incentives.

[3] A measure that targets a particular sector or sectors for incentives.

## The Process (Municipal Planning Strategy, By-Law, Implementation)

A municipality hoping to use this new tool:

1. **Must** identify the 'commercial development district', in accordance with the Municipal Planning Strategy.
    - May be defined in the by-law or MPS, provided the geographical boundaries are described and the district is not in conflict with the MPS;
    - This area **must** be serviced by water and wastewater;
    - Creating or amending a municipal planning strategy process is subject to public input and scrutiny;
    - All municipal planning strategies and their amendments are reviewed by the Department of Municipal Affairs to ensure they are consistent with provincial statements of interest

2. **Should** identify a threshold (if any) to be eligible for the phase in of assessment and designate it a commercial development district.
    - Eligible parameters to be eligible for the phase in (year to year % increases, $ value increases, etc.);
        - e.g. 'Commercial properties that have an annual increase exceeding $100,000 in assessment'
        - e.g. all commercial properties

3. **Must** create a municipal by-law respecting this designated area.
    - The by-law **should** clearly state the objective of the tool
    - The by-law **should** include:
        - eligibility criteria (new development, brownfield sites; all commercial properties);
        - parameters of the properties to be included, mimicking the MPS
        - triggers (e.g. automatic enrollment for eligible properties, building permit application, or completion of brownfield remediation);
        - the base year to which the by-law applies (typically the year in which a property meets the eligibility criteria);
        - determination of whether the base year will 'reset' if the property has a subsequent increase in assessment that is eligible (see *Special Cases* on page 20 for more detail)

- the applicable phase in period (**must** not to exceed 10 years);
- a formula to be applied to any increase in the assessed value over the base year;
- a schedule for assessment phase in
- The mechanism for achieving the phase in (i.e. levying a reduced tax bill, or refunding a portion of the incremental tax increase).

4. **Must** submit the by-law to the Minister of Municipal Affairs via your Municipal Advisor for review and to determine if it affects provincial interest or conflicts with the law. This review will require a simultaneous submission of the MPS and the by-law developed and include an assessment of trade risks, completed by the Department of Municipal Affairs and the Department of Intergovernmental Affairs. If information in the by-law does not allow for this determination, municipal modifications may be required.

5. **Must** Review the by-law four years after it comes into force and every four years thereafter.

6. **Should** ensure commercial property owners are aware of the opportunities this tool provides.

7. Implementation of the tool will require:

    - municipal staff to calculate the increase in assessment for all properties in the commercial development district that may be eligible;

    - continual application of the chosen formula to the properties currently within the program.

Each municipal unit is responsible for the administration of the by-law it creates. This includes tracking which properties are a part of the program, the modified assessment value, and any other information that is necessary to administer the phase in of the assessment increase.

## Design Considerations

If the municipality is designing a phase in assessment tool, it should also consider the following:

- application to multiple commercial properties. This tool is not intended to be applied selectively to individual properties or industries. All properties within the designated commercial development district that meet the criteria will be eligible. Municipalities should therefore consider the budgetary impact of forgoing increased tax revenue in the short term, with the goal of growing their tax base over the long term.

- has there been a sustained increase in the PVSC commercial assessment in the designated area in the past or does the area fluctuate?
- does the municipality have a method to have properties not use the modified assessment if the municipality so desires or if the 50% threshold is exceeded?
- if the municipality believes there will be lot of fluctuation, an assessment schedule to try to phase in the increase with a short period of time to ensure the 50% minimum is met within a short time span
- what should be done if a property has been triggered into the phase in program when the modified assessment is already being used
- commercial properties may continually roll into the program
- there will be appeals of PVSC assessments

# By-law Considerations

This phase in tool requires modifications to the MPS and the creation of a municipal by-law. The commercial development district as well as eligibility criteria for commercial properties should be identified in either the MPS or by-law. It is strongly encouraged that, as a matter of best practice, the information below also be included in the municipal by-law to facilitate understanding of the phase in of assessment by commercial property owners and interested citizens.

The items identified below should be included or considered as you develop your municipal by-law. A municipality may choose not to identify certain items in their by-law. The items should be ordered to ensure there is logical progression and are not required to mimic the order below.

## Application and Term

- Area of designated commercial development district (with geographic specificity as outlined in the municipal planning strategy)
- Date of application of by-law and duration
- Date of application of phase in
- Triggers: Automatic enrolment? Building permit? Etc.

## Properties

- Parameters of eligibility: New development? Brownfield redevelopment? % increase in assessed value? Minimum assessment value?
- Appeals to PVSC assessment

### Phase in Schedule

- Identify schedule/formula: can only forego up to 50% of the total tax increase in assessed value over the entire phase in period
- Length of phase in (up to a maximum of 10 years)
- Base year (typically determined by the year a property undergoes an eligible increase)
- If chosen, the threshold that would have the increase in assessment phased in (% year to year changes and/or $ threshold)
- How meeting multiple phase in thresholds will be dealt with

### Phase in Tool Mechanism

- Administratively feasible with lead identified
- Reimbursement of difference between taxes paid and taxes owed with modified assessment OR decrease in the tax levied for the commercial property

### Review

- When will the by-law and its effectiveness be reviewed
  - Must be done within 4 years or sooner of coming into force
  - Every four years afterwards
- What will be done with properties under this by-law when the term has expired

## Phase In Calculations

### Key Variables for Municipalities to Consider:

- Current commercial property tax rates and potential changes
- Phase in period
- Base year
- Changes in assessed value
- Number of properties phase in assessment may be applied to

### Rule

The legislation states that the total increase in taxes payable during the phase in period should not be less than 50% of the total increase in taxes in absence of the phase in formula.

**Example 1**

A phase in period of three years with the following schedule:

- 20% of the increase in assessment included the first year
  => Commercial savings of 80% of the increase
- 20% of the increase in assessment the second year
  => Commercial savings of 80% of the increase
- 60% of the increase in assessment the third
  => Commercial savings of 40% of the increase
- Commercial tax rates do not change

The average of the commercial saving of the increase in assessment, regardless of what this number is, is (80+80+40)/3 = 66.6, which exceeds 50. This indicates that the foregone tax revenue is greater than the 50% benchmark allowed in the legislation. This schedule and formula *cannot be used by the municipality*.

**Example 2**

A phase in period of four years with no change in commercial taxes and the following phase in schedule:

Of the increase in assessment

- 40%
- 50%
- 60%
- 70%

This indicates the annual commercial savings of the increase in assessment are 60%, 50%, 40%, 30%. This is averages out to 45 which does not exceed 50. This indicates that the foregone tax revenue is less than the 50% benchmark allowed in legislation. This schedule and formula *can be used by the municipality*.

# Examples

Below are a series of examples to display how the phase in assessment tool can function. Each example uses a different phase in schedule. You may want to consider the impacts of the different schedules on annual municipal revenue as you develop a by-law for the designated area. The majority of data below has been taken from real municipalities in Nova Scotia and is solely being used for illustrative purposes. The identified time periods and threshold values should be determined by each municipality to accurately reflect individual context and not be guided by the examples on the next page.

## Example 1

Municipal commercial tax rate= $3 per $100 of assessment from 2012 to 2016

| **Phase In Schedule** | | |
|---|---|---|
| **Threshold: If the year to year assessed value of the commercial property increases by more than 15%, they will be eligible for the phase in.** | | |
| Year 1 | Phase in 20% of the increase in assessment | Commercial savings of 80% of the increase |
| Year 2 | Phase in 40% of the increase in assessment | Commercial savings of 60% of the increase |
| Year 3 | Phase in 60% of the increase in assessment | Commercial savings of 40% of the increase |
| Year 4 | Phase in 80% of the increase in assessment | Commercial savings of 20% of the increase |
| Year 5 | Phase in 100% of the increase in assessment | No commercial savings |
| Rule of Thumb check indicates this schedule is acceptable. | | (80+60+40+20+0)/5= 200/5=40 |

### Designated Area

The municipality conducts a review of all of the properties in its designated area to assess year to year growth in assessment value. The following are the results:

| **Status Quo** | | | | | | |
|---|---|---|---|---|---|---|
| **Commercial Property** | **A** | **B** | **C** | **D** | **E** | **F** |
| 2012 Value | $134,300 | $152,300 | $214,100 | $499,200 | $110,500 | $ 193,900 |
| 2013 Value | $129,200 | **$151,400** | **$210,200** | $509,500 | $108,700 | **$194,400** |
| 2014 Value | **$130,100** | **$176,800** | **$355,900** | $492,300 | $107,500 | **$378,900** |
| 2015 Value | **$268,200** | $185,400 | $352,400 | $472,600 | $112,000 | $368,400 |
| 2016 Value | $ 258,300 | $179,100 | $344,400 | $478,300 | $110,000 | $ 365,800 |
| Significant Increase | **$138,100** | **$25,400** | **$145,700** | – | – | **$184,500** |
| Significant Increase as a % | **106%** | **16.78%** | **69.31%** | – | – | **94.91%** |
| % Increase from 2012-16 | 92% | 18% | 61% | -4% | 0% | 89% |

Property A to F exist in the same area designated by the municipality with the phase in commercial assessment tool. The municipality has outlined that the phase in of the increase in assessment will occur by an equal increment every year for a 5-year period, i.e. 20%.

Property D and E do not qualify for the phase in as the threshold of an increase of 15% from year to year has not been met for those particular properties.

With the assessment phase in schedule noted above, the following occurs:

| | A | | B | | C | | F | |
|---|---|---|---|---|---|---|---|---|
| Property Value | Original Assessment | Modified Assessment | Original Assessment | Modified Assessment | Original Assessment | Modified Assessment | Original Assessment | Modified Assessment |
| 2012 | $134,300 | $134,300 | $152,300 | $152,300 | $214,100 | $214,100 | $193,900 | $193,900 |
| 2013 | $129,200 | $129,200 | **$151,400** | **$151,400** | **$210,200** | **$210,200** | **$194,400** | **$194,400** |
| 2014 | **$130,100** | **$130,100** | **$176,800** | $156,480 | **$355,900** | $239,340 | **$378,900** | $231,300 |
| 2015 | **$268,200** | $157,720 | $185,400 | $161,560 | $352,400 | $268,480 | $368,400 | $268,200 |
| 2016 | $258,300 | $185,340 | $179,100 | $166,640 | $344,400 | $297,620 | $365,800 | $305,100 |
| 2017 | | $212,960 | | $171,720 | | $326,760 | | $342,000 |
| 2018 | | $240,580 | | $176,800 | | $355,900 | | $378,900 |
| 2019 | | $268,200 | | | | | | |

Properties D and E do not have any changes and continue to be charged the commercial property tax based on the PVSC assessed value. Meanwhile, properties A, B, C, and F will be charged property tax based on the modified assessment.

### Property A Modified Assessment Calculation

| | Modified Assessment Property A | Calculation | Calculation Steps |
|---|---|---|---|
| Base Year for Assessment | $130,100 | PVSC Assessed Value | PVSC Assessed Value |
| Year 1 | $157,720 | $130,100 + $27,620 | $130,100 + ( 0.2 x $138,100) |
| Year 2 | $185,340 | $157,720 + $27,620 | $130,100 + (0.4 x $138,100) |
| Year 3 | $212,960 | $185,340 + $27,620 | $130,100 + (0.6 x $138,100) |
| Year 4 | $240,580 | $212,960 + $27,620 | $130,100 + (0.8 x $138,100) |
| Year 5 | $268,200 | $240,580 + $27,620 | $130,100 + (1 x $138,100) |

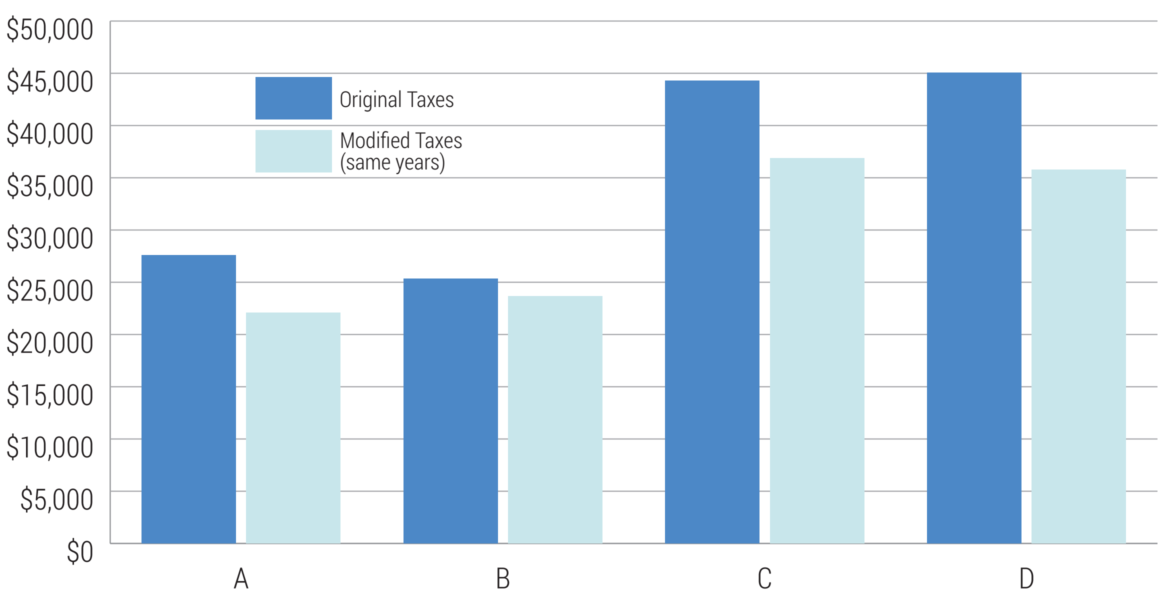
This calculation is applied to all properties that, based on the municipal by-law, have the increases in their assessment phased in over the five year time period.

### Municipal Revenues

Assuming the commercial tax rate is $3 per $100 of assessment, the commercial property taxes collected by the municipality for these properties would be:

| | A | | B | | C | | F | |
|---|---|---|---|---|---|---|---|---|
| PVSC Assessment Value | Original Commercial Property Taxes | Phase In Commercial Property Taxes | Original Commercial Property Taxes | Phase In Commercial Property Taxes | Original Commercial Property Taxes | Phase In Commercial Property Taxes | Original Commercial Property Taxes | Phase In Commercial Property Taxes |
| 2012 | $4,029 | $4,029 | $4,569 | $4,569 | $6,423 | $6,423 | $5,817 | $5,817 |
| 2013 | $3,876 | $3,876 | $4,542 | $4,542 | $6,306 | $6,306 | $5,832 | $5,832 |
| 2014 | $3,903 | $3,903 | $5,304 | $4,694 | $10,677 | $7,180 | $11,367 | $6,939 |
| 2015 | $8,046 | $4,731 | $5,562 | $4,846 | $10,572 | $8,054 | $11,052 | $8,046 |
| 2016 | $7,749 | $5,560 | $5,373 | $4,999 | $10,332 | $8,928 | $10,974 | $9,153 |
| 2017 | | $6,388 | | $5,151 | | $9,802 | | $10,260 |
| 2018 | | $7,217 | | $5,304 | | $10,677 | | $11,367 |
| 2019 | | $8,046 | | | | | | |

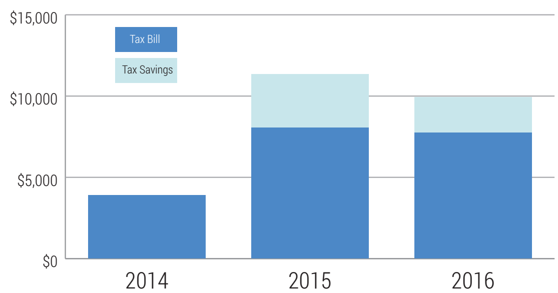
## Commercial Property Taxes



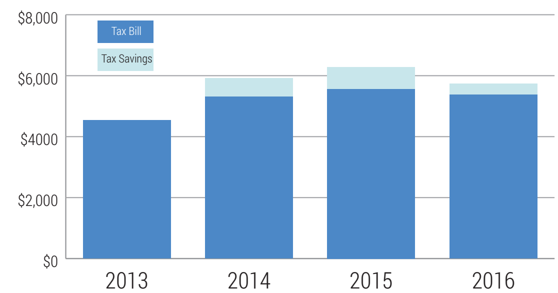
| Collected Municipal Property Taxes for Properties A, B, C, F: | |
|---|---|
| Original Taxes (2012-16) | $142,305 |
| Modified Taxes (2012-19) | $192,645 |
| Modified Taxes (2012-16) | $118,430 |

In this case, the full dollar extent of foregone revenue is unknown as the phase in period extends to 2019; PVSC assessment values for 2017, 2018, and 2019 are unknown. From 2012 to 2016, the municipality foregoes $23,875 in revenue. However, the tax savings for each commercial property owner vary, as seen below.

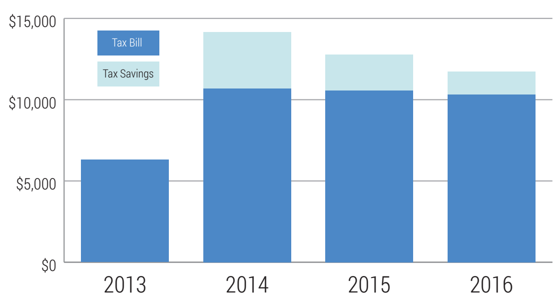
Property A



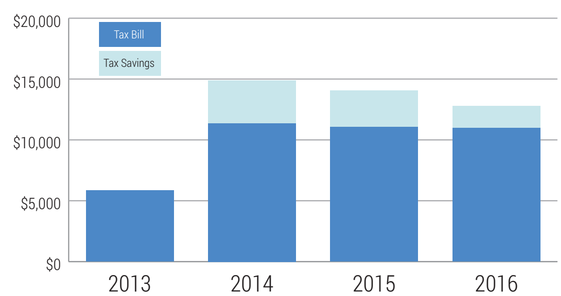

Property B




Property C




Property D




As the PVSC assessed value is unknown for 2017 and 2018, the commercial property taxes are unknown for those years. However, in 2014, 2015, and 2016, the phase in of the property taxes met the desired outcome.

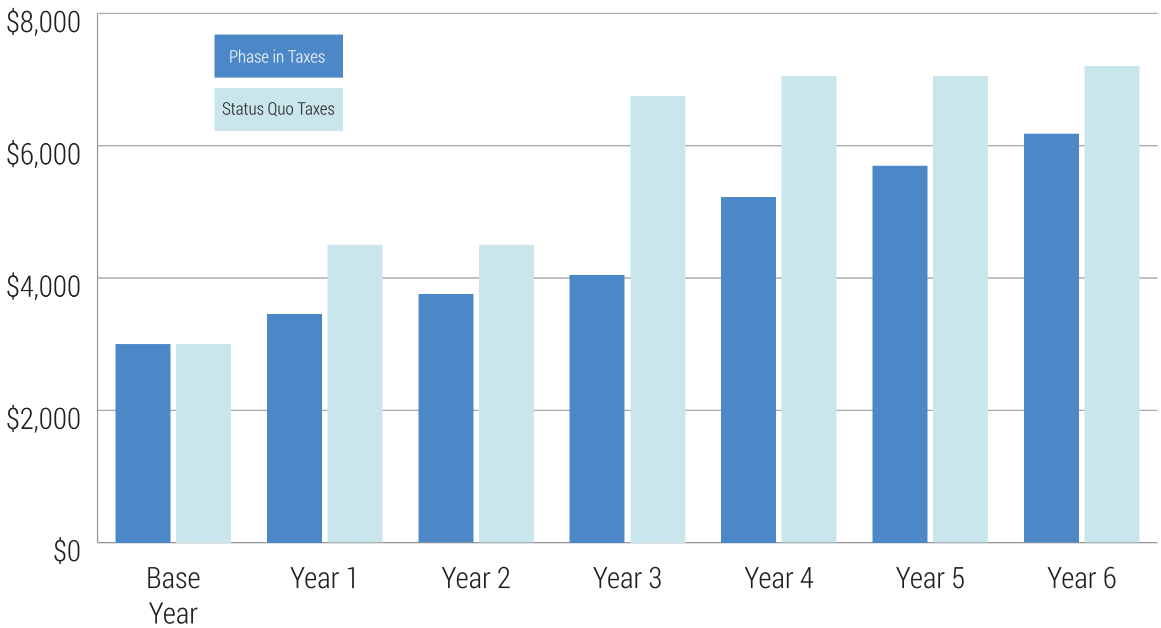
### Mechanism

The mechanism of reimbursement should be identified in the municipal by-law. If the municipality designs their by-law such that it reimburses the business after the property taxes are paid, then the municipality should calculate the taxes without the phase in and the taxes with the phase in. The difference between the two should be reimbursed to the commercial enterprise. Alternatively, the municipality could send a property tax bill based on the modified phase in assessment value.

*Note the year the by-law comes into effect will impact the properties that have the increase in commercial assessment phased in, impacting municipal revenues. The year the by-law is applied should be clearly identified.*

## Example 2

This example is to display that a commercial property, or properties, may be in the phase in assessment period for prolonged periods of time if there is continuous growth in the designated area or significant annual investment in the property.




Commercial Property Tax Rate: $3 per $100 of assessment

Phase in Period: 3 years

If the municipality's by-law states:

- Any increases of 50% or more annually of the assessed value allow a commercial property to join the phase in program.
- That subsequent increases are eligible
- Phase in assessed values will occur over a 3 year period
- The phase in will be 30% of the increase in assessed value in the first year, 50% in the second, and another 70% in the last year. This implies that in the fourth year, the market value will be adopted.

The increase in the assessed value is $50,000, therefore the phase in increase each year will be $15,000, followed by $25,000, and $35,000. From this, we see the following:

| | PVSC Assessment | Y to Y Assessment Change | Initial Tax Bill | Modified Assessment | Commercial Tax Rate | Modified Tax Bill | Tax Bill Foregone |
|---|---|---|---|---|---|---|---|
| Initial Base Year | $100,000 | 50% | $3,000 | $100,000 | $3.00 | $3,000 | $0 |
| Year 1 | $150,000 | 0% | $4,500 | $115,000 | $3.00 | $3,450 | $1,050 |
| Year 2 | $150,000 | 53% | $4,500 | $125,000 | $3.00 | $3,750 | $750 |
| Year 3 | $230,000 | 2% | $6,750 | $159,000 | $3.00 | $4,770 | $1,980 |
| Year 4 | $235,000 | 0% | $7,050 | $175,000 | $3.00 | $5,250 | $1,800 |
| Year 5 | $235,000 | 2% | $7,050 | $191,000 | $3.00 | $5,730 | $1,320 |
| Year 6 | $240,000 | 0% | $7,200 | Market Value | $3.00 | | |
| Year 7 | $240,000 | | $7,200 | Market Value | $3.00 | | |

At the end of the three year period, we see that there has been another increase in the PVSC's assessed value by 53% from $150,000 to $230,000. This year to year increase triggers the phase in assessment tool again with an additional amount of $80,000 to be phased in for three more years. The municipality has, in their bylaw, stated that phase ins will be stacked in instances such as this to ensure the modified assessment remains closely linked to the market assessment. See the cells in pink and green and the explanation and calculations below.

Phase 2 Increase in Assessment = $230,000 - $150,000 = $80,000

The figure highlighted above in red is calculated based on both increases in assessment. It is:

Initial base year assessment + ( phase in percent for the year x the initial increase in assessment ) + ( phase in percent for the year x the second increase in assessment )

$100,000 + ($50,000 x 70%) + ($80,000 x 30%) = $159,000

The Year 4 modified assessment will then be calculated as:
$100,000 + ($50,000 x 70%) + ($80,000 x 50%) = $175,000

The Year 5 modified assessment with then be calculated as:
$100,000 + ($50,000 x 70%) + ($80,000 x 70%) = $191,000

See *Special Cases* on page 20 for more detail on options a municipality may want to consider when a phase in for a property is triggered multiple times.

## Example 3

This example highlights that municipalities should consider different phase in time periods and schedules prior to their designing a by-law. Manipulating existing assessment data will help identify areas that the municipality should consider and ensure the by-law is appropriate for the area.

Commercial Tax Rate: $4.45 per $100 of assessment
Assessment Phase In Threshold: 20% increase year to year

**Assessment Rule Options**

| | Y1 | Y2 | Y3 | Y4 | Y5 | Y6 |
|---|---|---|---|---|---|---|
| Option 1 | 30% | 50% | 70% | 100% | | |
| Option 2 | 20% | 30% | 50% | 70% | 80% | 100% |
| Option 3 | 50% | 50% | 100% | | | |
| Option 4 | 50% | 70% | 100% | | | |

| Status Quo | | | | |
|---|---|---|---|---|
| **Commercial Property** | **A** | **B** | **C** | **D** |
| 2012 Value | 90,100 | 56,100 | **216,900** | 511,500 |
| 2013 Value | 92,000 | **57,200** | **381,300** | 507,800 |
| 2014 Value | 93,800 | **74,200** | 412,100 | **306,500** |
| 2015 Value | **35,900** | 65,200 | 294,000 | **389,100** |
| 2016 Value | **42,200** | 65,200 | 294,500 | 378,900 |
| Significant Increase | 6,300 | 17,000 | 164,400 | 82,600 |

We see here that four properties are eligible to join the phase in program, but it does not appear that the increase in assessment has been sustained for some of them.

| Modified Assessment Option 1 | | | | |
|---|---|---|---|---|
| **Property** | **A** | **B** | **C** | **D** |
| 2012 Value | 90,100 | 56,100 | 216,900 | 511,500 |
| 2013 Value | 92,000 | 57,200 | 266,220 | 507,800 |
| 2014 Value | 93,800 | 62,300 | 299,100 | 306,500 |
| 2015 Value | 35,900 | 65,700 | 331,980 | 331,280 |
| 2016 Value | 37,790 | 69,100 | 381,300 | 347,800 |
| 2017 Projected | 39,050 | 74,200 | | 364,320 |
| 2018 Projected | 40,310 | | | 389,100 |
| 2019 Projected | 42,200 | | | |

| Modified Assessment Option 2 | | | | |
|---|---|---|---|---|
| **Property** | **A** | **B** | **C** | **D** |
| 2012 Value | 90,100 | 56,100 | 216,900 | 511,500 |
| 2013 Value | 92,000 | 57,200 | 249,780 | 507,800 |
| 2014 Value | 93,800 | 60,600 | 266,220 | 306,500 |
| 2015 Value | 35,900 | 62,300 | 299,100 | 323,020 |
| 2016 Value | 37,160 | 65,700 | 331,980 | 331,280 |
| 2017 Projected | 37,790 | 69,100 | 348,420 | 347,800 |
| 2018 Projected | 39,050 | 70,800 | 381,300 | 364,320 |
| 2019 Projected | 40,310 | 74,200 | | 372,580 |
| 2020 Projected | 40,940 | | | 389,100 |
| 2021 Projected | 42,200 | | | |

| Modified Assessment Option 3 | | | | |
|---|---|---|---|---|
| **Property** | **A** | **B** | **C** | **D** |
| 2012 Value | 90,100 | 56,100 | 216,900 | 511,500 |
| 2013 Value | 92,000 | 57,200 | 299,100 | 507,800 |
| 2014 Value | 93,800 | 65,700 | 299,100 | 306,500 |
| 2015 Value | 35,900 | 65,700 | 381,300 | 347,800 |
| 2016 Value | 39,050 | 74,200 | | 347,800 |
| 2017 Projected | 39,050 | | | 389,100 |
| 2018 Projected | 42,200 | | | |

| Modified Assessment Option 4 | | | | |
|---|---|---|---|---|
| **Property** | **A** | **B** | **C** | **D** |
| 2012 Value | 90,100 | 56,100 | 216,900 | 511,500 |
| 2013 Value | 92,000 | 57,200 | 299,100 | 507,800 |
| 2014 Value | 93,800 | 65,700 | 331,980 | 306,500 |
| 2015 Value | 35,900 | 69,100 | 381,300 | 347,800 |
| 2016 Value | 39,050 | 74,200 | | 364,320 |
| 2017 Projected | 40,310 | | | 389,100 |
| 2018 Projected | 42,200 | | | |

Based on these modified assessment values, we see instances where the modified assessment exceeds that of the PVSC assessment. In these instances, the municipality **must** levy property taxes based on the PVSC assessed value. As the increase in assessment was not sustained, Property B and C have the modified assessments higher than the status quo figure, see the pink cells below. The municipality should consider if this will trigger the property to leave the phase in program.

| Property B | | | | | |
|---|---|---|---|---|---|
| | **Status Quo** | **Option 1** | **Option 2** | **Option 3** | **Option 4** |
| 2012 Value | 56,100 | 56,100 | 56,100 | 56,100 | 56,100 |
| 2013 Value | **57,200** | **57,200** | **57,200** | **57,200** | **57,200** |
| 2014 Value | 74,200 | 62,300 | 60,600 | 65,700 | 65,700 |
| 2015 Value | 65,200 | 65,700 | 62,300 | 65,700 | 69,100 |
| 2016 Value | 65,200 | 69,100 | 65,700 | 74,200 | 74,200 |
| 2017 Projected | | 74,200 | 69,100 | | |
| 2018 Projected | | | 70,800 | | |
| 2019 Projected | | | 74,200 | | |

| Property C | | | | | |
|---|---|---|---|---|---|
| | **Status Quo** | **Option 1** | **Option 2** | **Option 3** | **Option 4** |
| 2012 Value | **216,900** | **216,900** | **216,900** | **216,900** | **216,900** |
| 2013 Value | 381,300 | 266,220 | 249,780 | 299,100 | 299,100 |
| 2014 Value | 412,100 | 299,100 | 266,220 | 299,100 | 331,980 |
| 2015 Value | 294,000 | 331,980 | 299,100 | 381,300 | 381,300 |
| 2016 Value | 294,500 | 381,300 | 331,980 | | |
| 2017 Projected | | | 348,420 | | |
| 2018 Projected | | | 381,300 | | |

| Commercial Property Tax Bills (all years) | | | | |
|---|---|---|---|---|
| | A | B | C | D |
| Status Quo | $15,753 | $14,147 | $71,147 | $93,174 |
| Option 1 | $20,966 | $16,919 | $60,997 | $122,744 |
| Option 2 | $24,442 | $22,940 | $91,275 | $153,699 |
| Option 3 | $19,228 | $13,768 | $49,355 | $107,267 |
| Option 4 | $19,285 | $13,768 | $50,818 | $108,002 |

Municipalities should explore different rates and potential time periods as they design their municipal by-law. A municipality may wish to model their own existing historical data as they move forward as well as consider changes to their commercial tax rate in advance of creating the by-law. Please contact the Department of Municipal Affairs for support in modeling existing historical data.

## Special Cases

**What happens if the property decreases in value during the phase in?**

If the assessed value falls below the phased-in value in a given year, using the phased-in value would result in a *higher* tax bill, which the amendments to the MGA and HRM Charter do not provide authority for. As a result, the by-law shall specify that the property will revert back to the assessed value in these cases.

**What if there are additional eligible assessment increases during the phase-in period?**

The by-law should specify how the formula addresses an additional increase from year to year. For example, consider Property E, in a municipality where the formula prescribes a 4 year phase-in, of the following increments (25%, 50%, 75%, 100%) for any annual increase greater or equal to $10,000.

| Property E | Status Quo | Option 1 – Ignore subsequent increases | Option 2 – Reset base year | Option 3 – Stack multiple phase ins |
|---|---|---|---|---|
| | | The single increase in 2013 is phased in over 4 years | After the second increase, the base year resets and the second increase is phased in. | This results in the smoothest increase, but adds complexity |
| 2012 Value | 100,000 | 100,000 | 100,000 | 100,000 |
| 2013 Value | 160,000 (60,000 is eligible) | 100,000 + (60,000 x 25%) = 115,000 | 100,000 + (60,000 x 25%) = 115,000 | 100,000 + (60,000 x 25%) = 115,000 |
| 2014 Value | 161,000 (1,000 is ineligible) | 100,000 + (60,000 x 50%) =130,000 | 100,000 + (60,000 x 50%) = 130,000 | 100,000 + (60,000 x 50%) = 130,000 |
| 2015 Value | 201,000 (40,000 Increase is eligible) | 100,000 + (60,000 x 75%) = 145,000 | 161,000 + (40,000 x 25%) = 171,000 | 100,000 + (60,000 x 50%) + (40,000 x 25%) = 140,000 |
| 2016 Value | 201,000 | 100,000 + (60,000 x 100%) = 160,000 | 161,000 + (40,000 x 50%) = 181,000 | 100,000 + (60,000 x 75%) + (40,000 x 50%) = 155,000 |
| 2017 Projected | 201,000 | 201,000 | 161,000 + (40,000 x 75%) = 191,000 | 100,000 + (60,000 x 100%) + (40,000 x 75%) = 190,000 |
| 2018 Projected | 201,000 | 201,000 | 161,000 + (40,000 x 100%) = 201,000 | 160,000 + (40,000 x 100%) = 200,000 |

We see in Option 1 that a commercial property is allowed to have the increase in assessment phased in only once and that exiting the phase in to a higher assessment will not trigger the phase in again. This allows the municipality to more accurately assess their foregone revenue annually.

A municipality should consider how many times it wants a property to have the increase in assessment phased in, and if it should involve a municipal review if it is more than once. It should also consider if it allows the exiting from the phase in program to trigger the phase in again, i.e. if the modified to real assessment exceed the threshold amount or percent, the property can/cannot have this modified increase in assessment phased in over the designated schedule.

**If a municipality has any questions or concerns when it is designing its by-law, it should contact the Department of Municipal Affairs through its Municipal Advisor for support.**