IPTI Xtracts
Property Tax and Assessment News from Around the World

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ALBERTA

Alberta cuts deal on municipal oilpatch levies; not on unpaid property taxes

Alberta has announced a three-year deal that it says will prevent municipal taxes and levies from harming its already battered energy industry.

But the deal leaves unresolved the issue of rural property taxes that some companies have refused to pay. Nor does it address industry concerns over unfair taxation.

“The unpaid taxes is our No. 1 concern,'' Al Kemmere of Rural Municipalities Alberta said Monday. “It has got some of our member municipalities on the cusp of not being able to pay their bills.''

As Alberta's oilpatch faces a crisis caused by declining prices and falling production, some companies are choosing not to pay their taxes to remain in business. Those unpaid taxes have more than doubled to $173 million since last year.

Industry says the way taxes are assessed is driving companies out of business. Properties are assessed by the provincial government, which evaluates them on replacement cost and not on market value.

Municipal Affairs Minister Tracy Allard said the interim deal will allow time for a permanent solution to be reached – after the next provincial election.

“We have balanced the needs of the municipalities and the oil and gas industry,'' she said.

The measures include an exemption on property taxes for new wells, pipelines and new equipment. The province will also lower assessments for less productive oil and gas wells and keep in place assessments it recently lowered for shallow gas wells.

Allard said the moves will attract investment and create jobs.

Tim McMillan, president of the Canadian Association of Petroleum Producers, called the plan “a very pragmatic approach.''

“The minister recognizes the need for ensuring that we can create jobs, that we can address some of the issues facing us today.''

McMillan acknowledged the deal doesn't address the industry's main concern.

``There's some foundational pieces there that need to be fixed or changed over the long term,'' he said.

The government did not release a price tag for the tax breaks, but a spokesman for the Canadian Association of Petroleum Producers has said they could save industry more than $80 million.

``Municipalities are going to be out those dollars,'' Kemmere said.

He called the stopgap measures an effort to achieve a fair balance between the needs of members and industry struggling to survive.

But he warned that his group has received no assurances that outstanding tax bills will be paid or that the new lowered rates will be honoured.

“Even if we change all the assessments, there are no guarantees or no assurances that that was going to be a system that was fixed,'' Kemmere said.

He said most producers pay up. But he added rural people are getting tired of oil and gas companies simply deciding to opt out of an expense everyone else has to pay.

“People are asking, 'How do they get away with that when everybody else has to pay their tax?' We are still looking at a non-solution if we do not have that item fixed.''

Allard said the province expects municipalities to absorb the cuts without raising taxes.

“I expect them to do all they can to avoid increasing costs to ratepayers,'' she said.

She expressed faith the industry will have recovered enough in three years for a permanent solution to be found.

“I don't believe the energy industry is going to be a thing of the past.”

Province pauses assessment review model implementation for three years, introduces tax-free new shallow gas exploration and pipelines

Changes mean an average three per cent tax assessment loss, minister says

The provincial government pressed a three-year pause button on implementing any of the proposed assessment model changes, but it is introducing a tax exemption for new wells and pipelines from 2022 to 2024.

The tax break is intended to “attract investment and create good jobs,” said Municipal Affairs minister Tracy Allard in a press conference today, but it’s only temporary. A long-term review of assessment models will be finalized over the three years.

“Our plan is intended to draw investment into the energy industry here in Alberta and help create and sustain jobs,” said Allard.

The government will move ahead with a 35 per cent reduction on shallow gas wells for three years — less productive wells will also see reduced assessments — and scrapping the well drilling equipment tax for new drills.

Allard estimated that on average, municipalities will lose about three per cent of their tax base, as opposed to the 7-20 per cent RMA predicted with the initial review. That amounts to $7 million total, Allard estimated in a separate press conference with rural newspapers.

The new measures come into effect in 2021 — new wells, shallow gas wells and the unproductive ones will see the changes on their 2021 assessment for the 2022 tax year.

Al Kemmere, president of the Rural Alberta Municipalities, said that the association is willing to support “what appears to be a middle of the road approach on this” even though municipalities will still lose money.

"I haven't had a great opportunity to fully address the impacts and dig into them deeply, but I am taking the word and the very high level assessment that this is nowhere near what we were looking at under the assessment model review going forward, and that's why it is much easier to work with and to take as a first step in this process."

Kemmere said that while municipalities weren't involved in crafting the "wording of this solution," RMA was "part of informing the minister as to the challenges that are taking place" during Allard's tour of rural Alberta over the summer.

MLAs in the hot seat on assessment changes

On the oil side, both Tim McMillan, president of the Canadian Association of Petroleum Producers, and Tristan Goodman, president of the Explorers and Producers Association of Canada, say these changes will mean more competitiveness and future investments.

McMillan added that the four proposals in the initial review were "correcting" what he called inaccurate assessment values for oil and gas properties. He said the announcement doesn't amount to tax breaks, even though Allard called it a three-year "tax holiday."

"In fact, this is an interim measure as we're working to correct a broader system issue that has built up over a long period of time," he said.

There are challenges to the promise that these tax breaks will eventually lead to a stronger economy and more jobs since forecasts indicate lower oil demand globally for the next five years. However, Allard doesn't believe that the industry "is a thing of the past."

Reviewing the review

The four options that came out of the initial review — all of which would have reduced the assessed value of oil and gas property, thus the taxes they pay — aren't off the table completely. Instead, they'll be reviewed over the course of three years.

"I felt that these measures were too abrupt," said Allard. "I feel that this three-year window was really solving for viability." Changes to assessments will still happen at some point after.

During this second review of the review, Allard promised unpaid taxes will be on the table too. Kemmere stressed that over the last three years, this has been the biggest challenge for RMA members.

"We've seen $81 million two years ago, $173 million last year of unpaid taxes, and if we don't fix that in the near future, all these modifications are going to be for naught because it is going to leave my member municipalities without that ability to make sure that the tax collection is treated the same way as every other taxpayer," said Kemmere.

This includes the education property tax requisitions, since municipalities can't collect them from oil and gas producers that don't pay their taxes, but they do have to pay them up to the province.

For Kemmere, legislative or regulatory changes are necessary to "fill the loophole."

"It's not all the players in the industry, but it is enough that it is $173 million last year and a good percentage of that were just people who chose not to pay their taxes, rather than bankruptcies," said Kemmere.

Town unhappy with potential $12k assessment hit

Both McMillan and Goodman agreed it's a problem, but the CAPP president thinks it's not as big of an issue as Kemmere argued.

"I would take some exception with the numbers that have been put forward. We have done a similar search on the numbers. It is a very small percentage of taxes which go unpaid," said McMillan, but added that "there's some legitimate concerns about the mechanisms that municipalities have to rectify those unpaid taxes."

Alberta gives struggling oil and gas drillers municipal tax break

Struggling oil and gas companies in the Canadian province of Alberta will get a three-year break on municipal property taxes for land where they are drilling wells or building pipelines, the provincial government said on Monday.

The Alberta government said it would also lower property tax assessments on less-productive wells and eliminate a provincial tax on drills.

The measures combined are worth between C$81 million ($61.4 million) and C$84 million in the first year, government spokesman Justin Marshall said.

Energy companies have posted losses and laid off workers this year because of coronavirus pandemic travel restrictions that have crushed fuel demand and weakened oil prices. Some rural communities have been unable to collect taxes from the companies.

The tax break, applied to taxes starting in 2022, represents a balance between helping energy companies compete and keeping municipalities viable, said Al Kemmere, president of Rural Municipalities of Alberta. The province had previously been considering assessment reforms that municipalities feared would be more costly to their tax rolls.

There were 48 active rigs in Alberta during the week of Oct. 12, down from 97 a year earlier, according to data from the Canadian Association of Oilwell Drilling Contractors.

The drop-off this year has raised risks that much of the country's equipment will permanently fall out of service.

Property tax reduction top of Edmontonians' priority list ahead of 2021 election, poll suggests

One-fifth of Edmontonians believe lowering property taxes should be top of mind for the next city council.

In a Leger poll conducted for Postmedia one year out from the October 2021 municipal election, the majority of respondents said they would like to see councillors prioritize economic support and recovery following the COVID-19 pandemic.
About 19 per cent said lowering taxes would be the best way to support recovery while 17 per cent said the main focus should be supporting businesses and economic growth. Another 14 per cent said councillors need to rein in spending and tighten the budget.

Leger Western Canada executive vice-president Ian Large said the call for fiscal restraint isn't surprising as a result of the cash crunch caused by the pandemic. Residents see the city continuing to spend money and are concerned it will "come home to roost" in the form of increased taxes, Large said.

"It's not surprising to me that in Edmontonians we're looking down the road and saying, 'Oh, somebody's going to have to pay these bills,' " he told Postmedia. "In the next election, the conversation is going to be about how we're going to pay for all this stuff."

Decreased transit and recreation centre revenues during the pandemic have residents wondering how the city is going to pay for planned infrastructure and affordable housing projects, Large said.

"Had the agenda of council rolled out uninterrupted, we probably wouldn't be talking about taxes. We'd probably be talking about other things, like LRT developments, or defunding the police conversations," he said.

There were several other top priorities noted for council that received less traction from residents. About 10 per cent said the focus should be on improving the lives of vulnerable communities. At the bottom of the list, increasing the bike network and adding bike lanes only had one per cent support as the top priority for council.

On current initiatives, respondents were split on several council decisions and if the next council should continue to support them. Of the six initiatives highlighted in the survey, support for the city's new Indigenous ward names was the lowest, at 29 per cent.

About 46 per cent said they don't support the ward renaming, with 22 per cent undecided, and 48 per cent disapprove expanding the bike network. On the decision to reallocate $11 million of the 2021 police budget to fund social programs, council received 46 per cent support with 41 per cent in opposition.

For the Indigenous ward name decision, Large said he believes the disapproval is due in part to poor communication and engagement between council and the public before the quick decision.

"At a time when we're not meeting, we're not going out, we're not connecting with the community, these decisions have been made in a way that people might feel were kind of rushed through," he said. "Edmontonians are supportive of reconciliation and council's working with Indigenous communities, but what they're troubled by is the lack of consultation and the fact that the conversation wasn't had in public."

Affordable housing initiatives and the mandatory mask bylaw had the highest approval rating at 79 per cent, with only 14 and 15 per cent opposed, respectively.

The poll, conducted online from Oct. 2-5, surveyed 500 Edmontonians. As a non-random survey, the poll doesn't have a margin of error.

How to sell a 25% tax hike — Calgary's tax shift set to squeeze industrial property owners next year

Calgary has made a concerted push to entice companies such as Home Depot and Canadian Tire to set up warehouse and distribution centres in the city in recent years, expanding the transportation and logistics sector.

Good luck, however, bringing in new players in 2021 — not with 25 per cent tax hikes potentially looming for some large industrial landowners.

A new city administration report shows another municipal tax shift is set to unfold next year due to the annual property tax reassessment process.

And this time, the dominoes will topple onto industrial properties, hitting more than 800 with double-digit tax hikes.

“Industrial properties, particularly large-format warehouses, are expected to see a substantial increase in property taxes for 2021,” says the report, which was reviewed by a council committee on Tuesday.

Each year, city hall must embark on a revenue-neutral reassessment process, valuing properties as of July 1 of the previous year. The system doesn’t raise additional money for the city, but does determine where the tax burden falls.

Any decreases in one segment of non-residential properties must be shouldered by other commercial property owners who’ve seen their values go up, or not fall by quite as much.

Since 2015, a steep plunge in the value of downtown office buildings has led to hefty tax increases on businesses outside the core.

For 2021, preliminary city data shows assessments on office buildings are set to fall by 10 per cent.

Due to the effect of the COVID-19 pandemic, hard-hit retailers — led lower by falling values for hotels — will see their property assessments decrease by nine per cent.

This will help lighten their tax bill next year, particularly as council has already indicated it will pass a budget that freezes or reduces overall taxes.

On the flip side, industrial property assessments will increase by an average of five per cent, meaning they will shoulder more taxes in 2021.

Acting city assessor Eddie Lee told the committee a large-format warehouse would see an overall 14 per cent increase in its property assessment next year, while its tax bill would jump by 25 per cent.

Overall, the average industrial property in the city will see property taxes rise 11 per cent due to reassessment, while the office category falls by 5.3 per cent and retail dips by 4.5 per cent.

(The residential tax base is expected to drop in value by about three per cent next year, although one category — highrise apartment buildings — will see significant property tax increases.)

The document highlights other big increases and decreases coming next year due to reassessment.

For example, an average hotel will see its municipal taxes drop by 28 per cent, while a retail property along 17th Avenue S.W. will receive a 17 per cent increase.

It didn’t take long for councillors to draw a tight bow between the city’s ongoing efforts to attract industry to Calgary, and the effect of a large tax hike on prospective property owners.

“These are major industries that we’re trying to cultivate and attract to come to Calgary,” said Coun. Jeromy Farkas.

"How can we tell them if they do invest and try to serve our diversification goals, that you are going to be first in line for a 15 to 20 per cent increase?"

How indeed?

Calgary Economic Development has previously identified transportation and logistics as an established economic "cluster" for the city. According to the authority's website, this area employed about 55,000 people in Calgary in 2017.

What has made Calgary attractive to such operations is the city's location in Western Canada and its relatively inexpensive commercial land compared to large cities like Vancouver, said Todd Throndson, Avison Young's managing director in Calgary.

Although it faces stiff competition from neighbouring areas such as Rocky View County, "Calgary is doing a very good job of positioning itself to be a distribution hub between Vancouver and Toronto," he said.

If local taxes suddenly jump on industrial properties, that will increase the tax advantage some nearby communities will have in attracting these developments.

Coun. Jeff Davison, who is also a board member of Calgary Economic Development, said the city has a lot going in its favour, with plenty of serviced industrial land, skilled workers and a strong transit system.

But if industrial taxes climb, "it makes our job incredibly difficult in order to compete," Davison said.

"Calgary is losing its competitive edge with respect to our industrial land base," he said.

"As some of these (taxes) go up . . . a significant portion of the businesses within the City of Calgary's border are going to start looking around at places like Balzac and Taza (a development on Tsuut'ina Nation) and say, 'Is there a better tax jurisdiction for me?' "

Davison noted the city has no ability to change the provincially mandated assessment system to fix structural problems caused by the tax shift.

And what message will tax increases send to industrial businesses that the city is hoping to attract?

"What it says is our assessment and tax system, which is the provincial system, is a very blunt tool," Mayor Naheed Nenshi told reporters.

In recent years, council has shifted more of the tax burden onto homeowners and off businesses. It has also created short-term rebate programs to dampen some of the steepest increases facing local companies, but it's been expensive.

Calgary Chamber of Commerce interim CEO Murray Sigler believes the city should be looking at some up-front relief for businesses next year, but it also needs to adopt longer-term tax reform and develop a plan to deal with spending.

"The property tax implications that we are seeing in these latest documents are really alarming, but they're not surprising to us," Sigler said.

"Council has been good at finding one-off, near-term solutions . . . but we need to go beyond that."

Pause on tax reform for oil and gas firms welcomed by rural leaders

Earlier proposals were met with alarm due to possibility of significant hits to tax base

The provincial government's decision to put the brakes on its proposed revamp of the way oil and gas operations are assessed for taxation is being applauded by the head of the Rural Municipalities of Alberta.

Earlier this year, the province laid out four possible new taxation models aimed at providing relief to Alberta's struggling oil and gas companies by reforming the assessment process for their wells and other operations.

The current system evaluates them on replacement cost — not market value — a practice industry and government officials say overvalues industry assets and inflates tax bills.

But the RMA reacted with alarm and says 69 counties and municipal districts could lose up to 40 per cent of their tax base.

"There's no doubt about it, it's created some tremendous angst among my member municipalities, the proposals that they've had," said RMA president Al Kemmere.

But Tracy Allard, newly installed as minister of municipal affairs in a summer cabinet shuffle, says no decision has been made on a new assessment model and consultations will continue.

"While we of course want our oil and gas businesses to be strong and viable so they can invest, create jobs, and pay taxes in our municipalities, we must also carefully consider the impact a reduction in assessment would have on the municipalities these employers operate in," said press secretary Justin Marshall in an emailed statement.

Kemmere says the RMA is encouraged by that statement.

"She definitely has a desire to hear from all those affected, and then come up with a solution that the industry can live with, that the municipalities can live with and that the province can live with."

The reeve of Ponoka County agrees that some fundamental changes need to be made, but he's not convinced that just changing the way oil and gas operations are taxed is the right approach.

For Ponoka, the reforms as proposed would result in an increase in residents' taxes varying from 150 to 200 per cent to maintain the same level of services.

"We need to look at it as a system. It's extremely complex. There's multiple components of it and multiple categories, and you can't just look at one and make modifications to that," said Paul McLauchlin.

The difficulties that the energy sector has been facing for the past five years are affecting the county's bottom line, too, he says.

"We've actually had to write down about $3 million in taxes, which represents roughly 20 per cent of our taxes over the course of the last three or four years," he said.

But according to the Canadian Association of Petroleum Producers, some businesses are not going to be able to survive unless the province gets on with its changes.

"We still strongly recommend that the government proceed with a decision on reforming the assessment system this year. There will really never be a better time to do it," said CAPP's vice president of oilsands and fiscal policy, Ben Brunnen.

"This is a difficult choice in the best of circumstances."

Brunnen says CAPP's own analysis found that, under the proposed changes, the vast majority of municipalities could get by without a deficit by drawing on their reserves. In some areas even, counties would win, he said.

That's because oil and gas firms will be better able to boost investment in existing operations if they feel they're being taxed under a fairer assessment model, he said.

McLauchlin says it's important to realize that in rural areas like his, there's lots of overlap between the energy business and the farmers who let companies operate on their land.

"A lot of folks around here actually support their farming habit with being oil and gas operators or working in the industry," he said.

"So we're very aware of the stress on the industry and the stress that's occurred for a few years now. And so I think the tension might be falsely created by some advocacy by some groups."

McLauchlin also noted that the taxes paid by oil and gas companies largely gets reinvested to maintain and improve the infrastructure used disproportionately by those firms.

"I think most people don't understand the wear and tear the oil and gas industry has on our assets, on our roads," he said.

BRITISH COLUMBIA

Property tax hike of up to 12% needed to balance City of Vancouver's 2021 budget

Vancouver City Council is facing some difficult choices ahead with the municipal government's budget for 2021, based on a presentation city staff will be providing in a meeting on November 4.

Due to COVID-19's continuing impact, revenues from programs and services, parking, license, and development will still be lower, yet there will also be rising costs related to the pandemic response, such as managing street disorder, homelessness, and the opioid crisis, as well as increased street cleaning.

A full year of operating costs in 2021 is anticipated from restarted programs and reopened facilities that were previously closed, including community and recreational facilities, and public libraries.

The city also considers initiatives and programs under "equity" and climate change action to be essential to the budget.

This past spring, the provincial government provided municipal governments across BC with the legal ability to run deficits in 2020 to help them manage their revenue shortfalls and maintain essential services. However, given that continued deficits are unsustainable, cities will be required to balance their budgets by the end of 2021.

Several possible budget and taxation scenarios, with the potential tradeoffs, have been drafted for city council's consideration.

A 12% property tax hike would be necessary in 2021 to balance the budget, but only if the city does not draw up to $57 million from reserves.

City staff have indicated they are generally reluctant to depend on reserves, which are deemed as a one-time funding source, and a balance needs to be maintained to respond to future emergencies, such as snowfall response and the evolving nature of the pandemic. Over time, the reserve balances also need to be replenished.

But up to $8 million from the recalibrated capital plan — achieved by deferring construction projects and scopes — can be reallocated to the operational budget.

The base scenario of a 5% property tax hike incorporates the full savings from the capital plan recalibration, which could be used for recently approved city council initiatives, and reduce the tax increase or reserve transfer. Staff vacancies of 1% to 1.8% from the 2020 cuts would continue.

The 4.3% property tax increase scenario is made possible by redirecting nearly all of the capital plan recalibration savings to reduce the hike by 0.7% from the base scenario.

A 3% property tax increase scenario was also drafted, but city staff are not recommending this option as it targets major layoffs to frontline staff. This includes reducing 106 officers with the Vancouver Police Department, laying off of 25 firefighters, cutting back on 20 full-time staff in the Park Board, reducing hours or closing two small branch public libraries affecting 19 full-time staff, and reducing the allocated staffing time to the Engineering department to conduct infrastructure maintenance. Non-frontline staff were not listed for workforce cuts.

Further details on next year's draft budget will be presented to city council in early December.

All of this is in addition to the 7.7% property tax hike that went ahead in 2020, which was the highest property tax increase in at least a decade.

City proposal would chop mixed-use property values

Bylaw could reduce some real estate values by up to 30%, according to city documents

Over staff objections, City of Vancouver council has recommended a policy change that the city admits could reduce the value of affected commercial property by up to 30%.

In November 2019, council proposed to add C-2 zoned properties – which mix commercial use with residential rentals – to Vancouver rental housing stock regulations that require all existing rentals to be replaced if the building is demolished or redeveloped.

About 80% of the properties affected by the proposed amendment are small retail buildings with 10 or fewer residential rentals.

"For property owners who are intending to sell or redevelop their properties, the impact will include a reduction in land value of approximately 10% to 30%," according to a city report on the policy. "A reduction in land value in some cases may result in a current or future owner's ability to access credit/financing and current and future redevelopment potential."

The policy would mean that nearly 400 city property owners could not redevelop a building for pure commercial use or sell the land for residential strata development without replacing all of the existing rental apartments and securing them as rentals for 60 years.

Submissions to a city survey on the proposal, originally scheduled to end October 5, have been extended to October 19, according an email from a city spokeswoman.

If council approves the amended bylaw, it will come into force in early 2021.

"This may require a separate air space parcel from the rest of a new development, as well as separate ongoing management of the replacement rental units," according to city documents.

Mark Goodman, a multi-family specialist with Vancouver's Goodman Commercial Inc., said the policy is being considered despite the robust creation of rental units in C-2 zoned areas.

City documents show that, over the past 10 years, 497 new rental units have been built in C-2 zoned areas of the city, while just 77 rental units have been lost due to strata development or property renovations. Currently, C-2 zoned areas account for approximately 4% of the city's residential rental inventory.

During a marathon 13-hour city council meeting last November 26, city planners cited this increase in rental units and the negative impact on C-2 property values in urging the city not to proceed with the amendment.

"For these reasons staff are not recommending this policy," said Vancouver city senior planner Edna Cho.

Anne McMullin, president and CEO of the Urban Development Institute, which has been fighting the amendment since last year, said the deliberate devaluation of property could drive some owners out of business because they would be restricted in financing their property for renovations or improvement.

The policy would reduce the number and quality of rentals, she said, which is “the exact opposite of what the city is trying to achieve.”

When asked if she believed the amendment would be approved, McMullin said, “I would hope not, but with, this city council, what goes into the wash is very different from what comes out.

Province apologizes after sending 900 letters to seniors in error threatening legal action

B.C.'s Ministry of Finance is apologizing after seniors participating in a tax deferment program were sent letters threatening legal action.

In September, roughly 900 letters were sent to seniors saying their property tax deferment had been suspended and the province was taking them to court.

"Your tax deferment agreement may be reactivated once the court proceedings have ended," wrote the ministry in a copy of the letter obtained by CBC News.

In British Columbia, land owners over the age of 55 can apply to defer their property tax and either pay the balance if they sell their land or have it recovered from their estate when they die.

"Our concern is that if the property is sold to satisfy the debt, the net proceeds may not be sufficient to cover the taxes deferred," the letter stated.

No one was available for comment from the Ministry of Finance, but in a written statement officials said the letters were sent in error and apologized for the alarm they caused. The origin of the letter is being investigated and the department will send out a second set of letters confirming the correct status of seniors' property tax deferment accounts, it added.

NEW BRUNSWICK

Burnaby's windfall in tax revenue from oil-tank farm highlights Saint John's struggles

Trans Mountain promising B.C. city 16 times tax from terminal expansion than what Saint John receives

The expansion of a crude oil and refined petroleum tank farm and marine terminal in Burnaby, B.C., that is being promoted to residents on the promise of $13 million in annual municipal property taxes highlights major differences in how Canadian cities benefit from their oil industry infrastructure.

In Saint John, a similar sized crude oil facility at Canaport pays less than $1 million in annual municipal property tax, one of the reasons the city wants more say over how local properties are assessed and taxed.

"Why aren't we seeing the same thing here? Why such a difference," said former Saint John city councillor and MLA Gerry Lowe, a long time advocate of higher industrial property taxes

Although it is on the other side of the country, the expansion of the marine oil terminal in British Columbia has a connection to New Brunswick

Earlier this summer a tanker at the existing Burnaby oil terminal loaded up on western Canadian crude and sailed 11,900 kilometres through the Panama Canal to Saint John, where it delivered the cargo to Irving Oil.

It was heralded by the oil industry as an important national moment and the expansion of the Burnaby facility has been promoted as a feasible way to move more western Canadian oil to New Brunswick.

"From the BC Coast to the Bay of Fundy, our shipment of western Canadian crude has arrived in Saint John, NB and unloaded at Irving Canaport," Irving Oil tweeted in July about the Burnaby shipment, "We're thrilled to celebrate this milestone as we work to bring more Canadian energy home to #NB."

The crude oil marine terminal in Burnaby is owned by the federal crown corporation Trans Mountain and includes a 76 hectare onshore tank farm with a 1.7 million barrel capacity. A coastal loading facility for tankers on Burrard Inlet, about three kilometres away is connected to the tank farm by pipeline.

Trans Mountain is building an expanded interprovincial pipeline to more than double the amount of crude oil it transports from Alberta to British Columbia and its plan is to increase the Burnaby tank farm to 5.8 million barrels of storage by 2022 and rebuild the marine terminal to handle multiple ships at a time.

The two Burnaby facilities are already valued for property taxes by BC Assessment to be worth $259.5 million but that will grow substantially following the redevelopment, according to the company

"Trans Mountain's major storage, distribution and marine shipping facilities are located in Burnaby, paying the city more than $7 million a year in property taxes," it explains in materials promoting the project.

"Expansion of Trans Mountain facilities in Burnaby would boost Trans Mountain's property taxes to $13 million per year."

Room for change

Lowe believes Canadian cities like Burnaby that receive substantially more revenue than Saint John from similar industrial operations prove there is room for taxation changes in New Brunswick

"Why can't we even be somewhere in the same vicinity for the money that they're getting out there? That would make (Saint John) completely prime to live in. It would make it so much more to want to live in the city when industry is paying that kind of taxes," said Lowe

Irving Oil's crude oil marine terminal at Canaport is slightly larger than an expanded Burnaby facility will be. According to property records it sits on 132 hectares and according to a company description its tanks contain "more than six million barrels of storage capacity."

Canaport also occupies 680 hectares of ocean floor around the onshore facility where tankers attach to a company buoy to unload their cargos through an underwater pipeline.

However, despite size similarities to the Burnaby terminal, Canaport is valued for taxes by Service New Brunswick to be worth just $29.5 million and based on that assessment pays Saint John $790,000 in municipal property tax.

Given the "over 100 million barrels" of crude Irving Oil claims Canaport receives in some years, the property tax bill amounts to less than one cent per barrel. The crude terminal also has an exemption from paying any provincial property tax.

Valuation unchanged

Service New Brunswick did not respond to a request for information about its valuation of the Canaport crude oil terminal, which it has not changed in seven years. But it is difficult to find an ocean side oil facility that large which is assessed for less, at least in Canada.

A crude oil marine terminal serving offshore suppliers in Arnold's Cove, N.L., is assessed for taxes by the province's Municipal Assessment Agency to be worth $79.2 million, more than double Canaport's assessment, even though at 3 million barrels, it has half the tank capacity.

Saint John has complained regularly about Service New Brunswick's assessment of property in the city, but there are no mechanisms available to municipalities to challenge valuations.

Municipalities are also forbidden in New Brunswick from setting different tax rates for different types of properties, leaving Saint John powerless to raise property taxes on a facility like Canaport unless it raises rates on homeowners by the same percentage at the same time.

Last month Saint John Mayor Don Darling said he hoped the province, which has committed itself to municipal reform over the next four years, will give cities more power over local taxation.

"If we were able to get a tax system that was very similar to other provinces, then I think that the city would thrive," said Darling.

"We're simply asking for a change to these archaic, out-of-date policies and a chance to thrive and grow."

Irving Oil did not respond to an email asking for comment on Canaport's assessment, but last year company executive Andrew Carson told a committee of MLAs that included Lowe it pays substantial amounts of property and other taxes in the province already.

"New Brunswick is not a low cost jurisdiction," he said.

Lowe says if oil companies elsewhere can afford to pay substantial property taxes on infrastructure that handles billions of dollars in petroleum products annually, he does not see why it would be different in New Brunswick.

"If the people that own these things are making many millions and billions of dollars, it's quite obvious that they can pay more in taxes. It's just common sense," he said.

'More questions than answers': Measly tax base growth stuns Saint John's mayor

Don Darling is upset record housing prices and development spending appear to go undetected

Despite rising real estate prices and near-record amounts of new construction, Service New Brunswick's failure to detect much growth in Saint John property values this year has guaranteed there will be little new tax revenue for the cash-strapped city in 2021.

It has also revived concerns in Saint John about the dependability of Service New Brunswick's property assessment work and the agency's role in worsening the city's ongoing budget crises.

"It is incredibly frustrating," said Saint John Mayor Don Darling. "We want to have confidence in the assessment system. People want to trust it. [I'm] so, so disappointed."

Last week, the provincial Department of Environment and Local Government released updated community funding calculations for each municipality in New Brunswick for 2021, based on property valuations done by Service New Brunswick, which showed only marginal growth of $8.3 million in Saint John's tax base.

That ranked 16th among New Brunswick municipalities, and came in behind places such as Bathurst, Campbellton and the Fredericton suburb of New Maryland, and it was a fraction of the growth calculated for the two other larger cities of Fredericton ($165.5 million) and Moncton ($149.9 million).

It was also the least amount of growth recorded in Saint John since 2014 when the city's tax base shrank following a $55-million reduction by Service New Brunswick in the assessed value of two J.D. Irving Ltd. paper mills.

Darling is disheartened by how low the province's 2021 growth numbers are for Saint John, but mostly because he does not believe they are true.

"We can't sustain ourselves with a growth rate of 0.12 per cent. We need to understand what is going on in our city, what is going on with an assessment process, which is, of course, led by the province," said Darling.

Tax base amounts in each municipality are derived from property assessments carried out annually by Service New Brunswick. In Saint John this year, there was little worry about valuations being stagnant given the city's active real estate market and significant projects already under construction.

A $200-million upgrade of Saint John Port facilities, which counts toward the city's tax base, is fully underway and several multimillion dollar commercial and residential developments are rising around the city.

Three weeks ago, Saint John's deputy commissioner of growth and community development, Amy Poffenroth, told a city council committee that construction activity in the city in both June and July was the highest of the last decade and $75 million in building permits had been issued before the start of August.

"This is much higher than a typical year," said Poffenroth.

"Permit revenue projections for the end of the year have been modified to reflect a better year than what we had even anticipated, despite the slow spring we had with the COVID pandemic situation."

Two of the largest developments are in the heart of what has become an active uptown real estate market, including a six-storey commercial and residential building on Canterbury Street and a seven-storey luxury apartment complex going up five blocks to the east on the site of the demolished Gothic Arches building.

Those developments are part of a larger trend in real estate in the city's core south end where residential properties have been selling for record amounts for more than a year.

Real estate agents in Saint John routinely list properties and close deals at 50 per cent or more above official Service New Brunswick assessed values in uptown neighbourhoods.

However, that has not generated significant growth in the city's tax base because the agency has been reluctant to accept the transactions as true market prices, instead substituting its own market analysis in setting taxable assessments.

In July on Mecklenburg Street, a restored heritage home assessed and taxed to be worth $229,500 by Service New Brunswick was listed for sale at $599,000 and eventually sold for $565,000. Rather than accept that as a true market price, the agency has adjusted its own property value estimate only slightly to $256,400.

Around the corner on Queen Square in August, a home sold for $340,000, 70 per cent above its official assessment. That sale too has been ignored as a sign of the property's true market worth. Instead, Service New Brunswick has increased its valuation of the building $4,000 to $204,100.

Since May, property records show there have been 18 residential sales in the uptown area for a combined $2 million above what Service New Brunswick had valued their market prices to be. But instead of those record prices fuelling a $2-million increase in the city's tax base, Service New Brunswick has raised its assessments on the group by a combined $54,500.

It's at least the second year in a row Service New Brunswick has been reluctant to accept real estate sales in Saint John's uptown area that are significantly above assessed values as being true market prices.

Earlier this year, after issuing lower assessed values for a group of houses bought on Horsfield Street, an apartment building on Union Street and a row of commercial buildings on King Street, Service New Brunswick put out a statement listing a number of reasons it does not consider sales prices to necessarily reflect a property's true market price.

"In some cases, properties are purchased based on interests that are specific to the purchaser and not necessarily a reflection of the general market for the area," the statement said.

"In other situations, the property may have been purchased without firsthand knowledge of the local market. Some properties may also be acquired by real estate developers and/or investors with an intent of future redevelopment which may not be reflective of the current use of the property."

On the issue of ongoing construction projects in the city, Service New Brunswick says those values have not been prepared yet since properties have until Jan. 1 to gain or lose value before their final assessments and tax bills are set.

The agency will not reveal what dollar values it assigned to developments that are in progress to form the 2021 tax base estimates released last week, but acknowledged the city might not be getting full credit for what they are worth on Jan. 1.

"If assessments increase between now and January 1, then the figures will be captured in the 2022 tax base," said Service New Brunswick spokesperson Valerie Kilfoil.

She said a meeting has been scheduled for this Friday in Saint John for Service New Brunswick to explain to city officials how assessments were done this year and to "answer any questions or concerns."

Darling says with development in the city booming but Service New Brunswick appearing to pick up little of that in it its assessment, there will be plenty of questions.

"It's not translating to the cranes and the record starts and record real estate sales. We have more questions than answers," said Darling.

J.D. Irving facing higher tax assessments

The property tax assessments for J.D. Irving's pulp and paper mills have arrived, and the New Brunswick based business giant is taking issue with the new numbers.

"Those assessments have risen from $96-million to $110-million in total, roughly a 15% increase over what we had seen previously," says Mary Keith, vice-president of communications at J.D. Irving.

The assessments include those for Irving Pulp and Paper, and Irving Tissue on Saint John's west side, Irving Paper on Bayside Dr. in Saint John, and Lake Utopia Paper which is west of the city.

According to J.D. Irving, the demand for paper has dropped dramatically in recent years because of advancements in technology.

"So that whole shift has certainly reduced demand for paper," says Keith. "We've seen a 50 per cent drop since 2013."

In 2013, there was a review of six New Brunswick pulp and paper mills, which saw their assessed value drop.

According to Service New Brunswick, a total reinspection was done for the 2021 tax year.

Property assessment services noted there has been significant improvements made to some of the mills, and the economic factors for certain products has also changed since 2013.

In the meantime, the assessments have raised some questions and concerns.

Saint John councillor Donna Reardon says the system makes it difficult for the city to do long-term financial planning.

"It's the uncertainty every year. It's great this year, but what if it doesn't, what happens next year," says Reardon.

J.D. Irving says it will be reviewing the assessments it has received for this site.

Property owners have 30 days from the mailing date to appeal their assessments.

Irving Pulp and Paper Mills Receive New Property Tax Assessments from Service New Brunswick

Like most property owners across the Province we are in receipt of our 2021 assessments for Irving Pulp & Paper (Saint John), Irving Paper (Saint John), Irving Tissue (Saint John) and Lake Utopia Paper (near St. George).

As expected, there were changes at some of our pulp and paper mills reflecting Service New Brunswick's independent review of the market values. Overall, our assessments went up 15% on average. We cooperated fully with the work of Service New Brunswick (SNB). While we have not yet had time to review our new assessments in detail, we note that the market for pulp and paper mills continues to be a buyers' market.

Paper use in particular is declining as a result of increased digital technology; this is reflected in the number of mills that have idled or closed across North America. Since 2013 demand for our paper products across North America has decreased by 50% and a significant number of mills have been closed.

Turner Drake and Partners, Ltd. (property tax experts) recently reviewed all Eastern Canadian pulp and paper mill property taxes and confirmed that our New Brunswick mills were in the top quartile for taxes paid.

Unfortunately, there continues to be misinformation about a "deal" or "break" given to NB pulp and paper mills in 2013/2014. In fact, what actually occurred was a reassessment of the mills by SNB at the request of industry as we suspected our mills were substantially over assessed. This request to review assessments is a regular occurrence and is performed by SNB for all properties: residential; commercial; and industrial.

The same assessment review requests were made by pulp and paper mills in Ontario in the early 2010's and assessments were subsequently reduced by 60% to 75%. This was clearly not a "tax break" or a "deal" by the Province of Ontario – it was simply an acknowledgement that the pulp and paper mills were over assessed at the time. The same thing occurred in NB in 2013/2014.

Like homeowners and commercial businesses, we firmly believe in paying property taxes based on the market value of our mills.

ONTARIO

Ontario counties call for tax updates

As a result of the province's property tax valuation structure, owners of active gravel pits sometimes pay less tax than homeowners and small business owners

Representatives of several counties in Ontario recently expressed concern over the property valuation and taxation processes for aggregate sites.

"Property valuations for aggregate sites generate significantly less revenue for municipalities than other uses for the land. In fact, 100-acre gravel pits pay less property tax than some middle-class families and a fraction of the property tax incurred by adjacent industrial properties," Ken DeHart, Wellington County's treasurer, said to Farms.com.

"Property taxes are zero-sum, meaning that lower rates for one class of properties (including aggregate sites) translate to higher rates for other classes of properties (such as single-family homes or small businesses – including farms). This (situation) means that residents and businesses in aggregate-producing municipalities pay higher than their fair share of taxes to fund the break that gravel producers receive" under the current valuation structure, DeHart explained.

Municipal Property Assessment Corp. (MPAC) classifies gravel pits among the lowest forms of farmland, an August release from Wellington County said. This assessment leads to low property taxes.

Under the existing valuation structure, community members may be disadvantaged, DeHart said.

"The flawed assessment process leads to artificially low valuations for aggregate sites, meaning that communities miss out on millions of dollars in lost tax revenue every year – funds that could go to critical services, such as improving roads or supporting community programs. Municipalities have infrastructure deficits that we're trying to fund and (we're in) an economic climate where there is little appetite for tax increases," he said.

"If gravel pits and quarries paid their fair share in taxes, we could fund more programs, services and infrastructure without a tax impact to residents and businesses."

So, representatives of Wellington County and other Top Aggregate Producing Municipalities of Ontario (TAPMO) presented Government of Ontario officials with policy-driven solutions that could make MPAC's property tax valuations more equitable, the release said.

One solution would be for officials in Ontario's Ministry of Finance to create a separate property class for aggregate-producing sites, the release said. The ministry took a similar approach to the classification of landfills in 2015. This change enabled municipalities to maintain stability in local taxation levels and meet community needs.

Another alternative would be for the ministry to support MPAC in assessing aggregate-producing properties based on the sites' true industrial or market value, the release said. Such directives could include using the same land values as comparable properties in the area or removing the exemption of aggregate in the Assessment Act that limits MPAC's ability to assess the full value of properties, the release added.

Wellington County and TAPMO have taken initial steps to establish an improved valuation approach.

These members have "provided a submission to the Ministry of Finance to be discussed for the MPAC review that the province announced in the 2019 budget. As far as I'm aware, the review is ongoing and decisions have yet to be made on how to assess these properties in the future," DeHart said.

Municipal government representatives highlight the importance of a policy-driven and equitable approach to MPAC's valuation system to better support residents and businesses, especially during these unprecedented times amid the COVID-19 pandemic, the Wellington County release said.

Ottawa finance committee approves three per cent property tax hike for 2021

Ottawa residents will pay more for transit, police, libraries and water as the fall-out from the COVID-19 pandemic hits the city's bottom line.

The city's Finance and Economic Development Committee (FEDCo) met Tuesday to discuss the 2021 draft budget.

The committee unanimously approved raising the overall property tax rate by three per cent next year.

That translates into a $115 increase for most urban residents. The tax hike for rural residents is about $88.

Bus and LRT fares are scheduled to increase by 2.5 per cent and the transit levy on the tax bill will be increased by 4.6 per cent.

However, Mayor Jim Watson has directed city staff to find a way to freeze transit fares for low-income residents.

OC Transpo has seen its ridership plummet during the pandemic as mostly empty buses and trains still maintain regular schedules.

The pandemic has blown a massive hole in the budget from lower parking revenues to a large deficit in Ottawa Public Health.

The city is hoping that senior levels of government will provide another round of funding in the tens of millions of dollars.

For now, the city plans to cap property taxes at three per cent, no higher than the cap the mayor promised during the last municipal election. Watson has said numerous times during the pandemic that, despite the budgetary pressures the city is facing, there is "no appetite" for a tax increase above three per cent.

The City of Ottawa 2021 budget will be tabled Nov. 4.

A vote by City Council is set for Dec. 9.

Residents can have their say on the budget and provide feedback by visiting Ottawa.ca

QUEBEC

Quebec slams door on any hope of property tax relief for businesses impacted by COVID-19 pandemic

Since the start of the COVID-19 pandemic, the Quebec government introduced state of emergency rules to help ensure health security. These have resulted in business closures limiting their ability to generate income and, most recently, a 28 day lock down. All of this had a negative impact on the assessment of their properties.

While legislation was coming into play to provide much needed property tax relief to these businesses, on September 30 the Government of Quebec introduced Bill 67 to suspend the Act Respecting Municipal Taxation, which would allow property values to be revised in order to take into account the negative impacts resulting from a legal restriction on the possible uses of a building.

If enacted in its entirety, Bill 67 would slam the door on any potential of tax relief for Quebec businesses that have been negatively impacted by the government enforced COVID-19 pandemic restrictions.

This is an unfortunate consequence, especially since unlike many other provinces, Quebec property taxpayers cannot appeal their municipal assessment every year.

Montreal unveils property tax freeze for 2021 amid coronavirus crisis

The City of Montreal is freezing property taxes for businesses and homeowners in 2021 as the second wave of the novel coronavirus pandemic takes hold.

Mayor Valérie Plante announced the measure Thursday as the region enters a partial lockdown for the next 28 days to prevent the spread of COVID-19.

The health crisis, which has lasted more than six months, has taken its toll on residents and merchants alike, she added. The tax break comes to about $56 million.

“We needed to give a little bit of relief to Montrealers,” she said.

The move comes as the Greater Montreal region is in the red zone, the highest designation in the province’s coronavirus alert level system. As a result, several businesses have been forced to close for most of the month, including bars, theatres and the dining rooms of restaurants.

Benoit Dorais, the executive committee chair, said the tax break is one measure to help impacted business owners and the city is looking at more solutions.

“This freeze is a first step for our merchants,” he said.

Plante also said the city is projecting a deficit that is between $109 million and $129 million, which is lower than initially predicted.

“We are in a financial situation that is difficult, but manageable,” she said.

The Canadian Taxpayers Federation lauded the decision, describing it as “good news for everybody.”

“It’s not just the city budget that was hard hit, it is people’s budget as well,” said Renaud Brossard.

The official opposition at Montreal City Hall, however, took to social media and said more needs to be done to support people during the health crisis.