

## 2021 Reassessment Appeal Contingencies

### ISSUE

It has been a longstanding practice for the City of Saskatoon to collect an additional levy in order to smooth out the effects of appeal losses. As these appeals can be for significant amounts and may take several years to be resolved, the Administration is requesting City Council approval to add a \$30,000 appeal contingency to the property tax levy for the residential property class, \$50,000 to the property tax levy for the multi-residential property sub-class, and a \$1,000,000 appeal contingency to the property tax levy for the commercial/industrial property class for 2021.

### RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council:

1. That an appeal contingency of \$30,000 be added to the property tax levy for the residential property class for 2021;
2. That an appeal contingency of \$50,000 be added to the property tax levy for the multi-residential property sub-class for 2021; and
3. That an appeal contingency of \$1,000,000 be added to the property tax levy for the commercial/industrial property class for 2021.

### BACKGROUND

In past reassessment years, an appeal contingency has been levied against residential property classes as substantially more appeals are filed in the first year of reassessment. The non-residential appeal contingency amount recommended to City Council is reviewed and levied annually based on estimates for the outstanding commercial assessment appeal decisions. The residential, multi-residential and commercial appeal contingencies have been established to offset large spikes that occur in the event of significant appeal decisions.

Since 2011, the Greater Saskatoon Chamber of Commerce and the North Saskatoon Business Association (NSBA) have supported that the impacts of commercial appeal decisions would be levied against the commercial/industrial property class. The annual appeal contingency levy has ranged from \$500,000 to \$1,000,000 in order to maintain a balance that is representative of the outstanding commercial assessment appeals.

### DISCUSSION/ANALYSIS

#### Residential Appeal Contingency

Historically, an appeal contingency has been levied in reassessment years on the residential property class and the multi-residential property sub-class to mitigate the risk of potential tax losses due to reassessment.

The following table illustrates the contingency amounts levied and the appeal losses during the previous reassessment cycle, as well as the starting and ending balance in the contingency reserves for each of the residential property class and the multi-residential property sub-class.

## 2021 Reassessment Appeal Contingencies

Property Class	Balance Jan 1, 2017 Surplus/(Deficit)	Levy 2017-2020	Appeal Losses	Balance Dec 31, 2020 Surplus/(Deficit)
Residential/Condo	\$22,445	\$ 0	\$ 29,895	(\$7,450)
Multi-Residential	\$52,272	\$100,000	\$153,509	(\$1,237)

Residential/Condominium: The contingency balance is a deficit of \$7,450. No contingency was levied in the last reassessment cycle as the contingency balance was deemed sufficient to offset any appeal decisions. For the current reassessment cycle, the Administration is recommending a \$30,000 contingency to cover any future potential losses in this reassessment cycle. The 2021 appeal contingency levy rate for residential properties would be \$0.001 per \$1,000 of residential assessment.

Multi-Residential: The contingency balance is a deficit of \$1,237. During the last reassessment cycle, the multi-residential property sub-class saw a significant aggregate fair value shift of 51%, which resulted in a number of appeals being filed. Given that the 2021 reassessment shift for this sub-class is a decrease of 11%, the Administration is expecting fewer appeals over this reassessment cycle. Based on the above, the Administration is recommending a \$50,000 contingency for 2021 to cover any future potential losses in this reassessment cycle. The 2021 appeal contingency levy rate for multi-residential properties would be \$0.03 per \$1,000 of multi-residential assessment.

### Commercial Appeal Contingency

Currently, there is only one significant commercial assessment appeal decision outstanding from 2019-2020. The Administration estimates that the outcome of the outstanding commercial appeal will see a reduction to the appeal contingency fund of approximately \$873,120. During 2020 there were significant appeal decisions heard where the resulting loss was greater than the available contingency balance.

The following shows the actual 2020 balance and the estimated 2021 balance for the commercial appeal contingency. The 2020 closing contingency balance had a deficit of \$332,924.

Commercial Appeal Contingency	2020	2021
Opening Balance Surplus/(Deficit)	(\$ 35,359)	(\$ 332,924)
Contingency Levy	\$1,000,000	\$1,000,000
Appeal Decisions	(\$1,297,564)	(\$1,028,100)*
Closing Balance Surplus/(Deficit)	(\$ 332,924)	(\$ 361,024)

*\*Estimated 2021 appeal losses*

The 2021 appeal contingency levy rate is \$0.119 per \$1,000 of commercial assessment.

## FINANCIAL IMPLICATIONS

The financial implications are outlined within this report.

**OTHER IMPLICATIONS**

The Administration consulted with representatives from the Greater Saskatoon Chamber of Commerce and the NSBA. Representatives from both groups support the recommendation of a \$1,000,000 commercial contingency levy for 2021.

There are no privacy, legal, social or environmental implications identified.

**NEXT STEPS**

The contingency amount will be added to the residential property class, multi-residential property sub-class, and commercial/industrial property class tax rates, and will be included in the 2021 Property Tax Levy Bylaw for City Council approval before the end of April 2021.

**REPORT APPROVAL**

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