

Property Tax Assessments and Property Tax Collection Policies Response

ISSUE

The Cities Act (the “Act”) codifies the property assessment process for all properties within Saskatchewan, including Reassessment timelines, Base Dates, Appeals, and the way assessments are created. While City Assessors have some discretion, it must be used within the context of *the Act* and past decisions of the courts. Provincially, work is underway to explore possible reforms to Saskatchewan’s property assessment and tax system.

BACKGROUND

In June of 2021, a [letter on behalf of the Riversdale Business Improvement District](#) was written to City Council outlining suggestions to change the City’s assessment and tax collection policies.

At its meeting on July 19, 2021, the Governance and Priorities Committee (GPC) when considering the Erroneous Property Tax Assessments and Property Tax Collection agenda item under communications Committee resolved the following:

- “1. That the Administration report back on the concerns / recommendations identified in the Riversdale Business Improvement District correspondence dated June 30, 2021, as well as the feasibility of establishing a permanent 4-year assessment phase-in policy. Please indicate what components are legislated provincially and which the City of Saskatoon has the authority to change without requesting changes in the legislation;
2. That the Administration report back on the mass appraisal system and where potential reforms could be made which would improve the perception of the system's transparency, fairness, and predictability for property owners;
3. That the Administration report back on options to gather community input on assessment phase-in; and
4. That the Administration report back on options to better communicate to residents and businesses earlier, about upcoming changes to assessment.”

This report provides a response to outstanding issues from the July 19, 2021, GPC and includes updates on phase-in options, potential changes to the Saskatchewan assessment legislation and policy, as well as ways to inform and engage the community on assessment changes.

CURRENT STATUS

The City of Saskatoon's (City) annual budget process involves establishing the amount of funding required from property tax. The amount of the total budgeted revenue from property tax an individual property is required to pay is established through the property assessment process and the City's taxation policy.

As per *the Act*, all assessments must be created using mass appraisal techniques with equity being the controlling and dominant factor. The province of Saskatchewan is on a four-year assessment cycle with a base date two years prior to the release of new assessments. For example, the 2025 provincial reassessment will be based on the market values as of January 1, 2023. The reassessment process ensures that assessments are updated and reflective of changes which have occurred in the market. This allows for properties that have seen an increase, or decrease, in value to pay their fair portion of the property tax.

The Act does not give municipalities the ability to impact the assessment process; however, it does give a municipality the ability to determine tax policy. *The Act* allows City Council to set Property tax bylaws, classes and sub-classes of property, and provides the ability to use tax tools such as tax ratio, minimum tax, base tax, and phasing in the effects of reassessment. City Council may phase-in a tax increase, or decrease, for a class or sub-class of taxable properties as a result of reassessment with the caveat that the phase-in occurs within the time period of the assessment cycle (i.e., four years in Saskatchewan). Phase-in policy can differ between property classes or sub-classes.

Historically, the City's process has been that both reassessment and phase-in be revenue neutral. This means the impact of reassessment and phase-in policies does not increase or decrease the funding the City receives from property tax established in the budget process. For reassessments this means that if assessments increase, there must be a corresponding decrease in tax rates to ensure that only the budgeted property tax revenue is collected. The budgetary adjustments and tax policy decisions are then applied to the new reduced revenue neutral tax rate.

If a phase-in is enacted on a reassessment, the City still proceeds to collect the amount of property tax revenue that was budgeted. However, properties with increases in their assessment see this increase phased in over time and other properties whose values have decreased or stayed consistent will pay more in the meantime to fund the phase-in impact for those properties that saw increases.

It should also be noted that physical changes to a property or property tax increases as a result of the budget process are not phased in.

DISCUSSION/ANALYSIS

Phase-In Policy

In Saskatchewan, and most of North America, an Ad Valorem taxation system is used for municipal taxation, meaning ability to pay is attributed to the value of the real estate

one owns. Assessment is the process of determining the value of the real estate for taxation purposes.

The underlying goal of Saskatchewan's legislated assessment regime is to establish a fair and equitable way of distributing the property tax burden. City Council determines the total tax required and assessment distributes the tax burden by determining the market value of each property using legislatively prescribed assessment methods (i.e., mass appraisal). Market value, in this case, is determined by using allowable market data so that similar properties are assessed equitably.

Reassessment (or revaluation) is the tool used to update values of properties to account for shifting markets that may occur in the market. It is an important part of the process as it assures a property's tax burden is updated if the value of the property changes. In past revaluation cycles, the City has seen shifts in value by location, tax class, and even property types within a tax class depending on how active a market is.

While phase-ins may be a way tool to help mitigate large property tax shifts for some property owners/classes that can occur within the four-year reassessment cycle, it effectively delays the intent of reassessment. For example, with a two-year lag time on the base date and four-year phase-in, a property owner may benefit by not having to pay their accurate fair share of the tax burden until six years after their properties value experienced a shift in value, regardless of if that shift is up or down. This means other property owners are effectively subsidizing the phase in.

Phase-in has been implemented in past years; however, it is both a complex and time-consuming process as each tax transaction occurring for a property must be calculated multiple times to adjust for any changes that have been phased in. There are both positive and negative operational impacts of phase-in, including:

Positive Impacts

- Property owners have additional time to address increases to their property tax caused by reassessment.
- Provides City Council with a tax tool to smooth out shifts caused by reassessment without impacting the cities overall budget.

Negative Impacts

- Difficulties in Administering
 - Phase-in is a calculation separate from the typical budget and assessment process. Only market changes as result of reassessment are phased-in, which means separate tax rates must be calculated and careful consideration is needed so that the base and revised assessments do not include changes to the physical characteristics of the property. This also has an impact on the assessment process as it delays adding physical changes to the assessment roll which may reduce supplementary assessment growth.

- Issues with appealed properties
 - If a property is successfully appealed in the reassessment year, phase-in is adjusted for the appealed property, but it is not recalculated for the base tax rate applied to the property’s tax class. This means the phase-in calculation is no longer revenue neutral for that tax class.
 - Further complications arise when an appeal is reversed or altered in a secondary appeal, or the process is delayed for years.
 - If a property is successfully appealed after the reassessment year, the phase-in calculation is not adjusted. Again, limiting the revenue neutral status.
- Confusion for property owners
 - Phase-in is a line item on a tax bill that is often confusing for property owners. For example, if a property should see a decrease in property tax due to reassessment, the phase-in calculation is displayed as a positive adjustment/charge, meaning their tax bill shows an increase beyond what the budget and their assessed value dictates.
 - Any estimates provided prior to actual tax billing will not be the actual tax bill until phase-in calculations are completed. Since phase-in does not include budget or physical changes, the tax bill will be different once tax bills are issued in May. Phase-in uses a hypothetical tax change, so it can not be calculated by the average property owner.
- Property owners who should be seeing decreases in their property taxes pay more. In other words, these properties subsidize the phase in recipients.
 - To enact a phase-in both properties that have an increase and decrease are phased-in to ensure the City collects the amount of property taxes budgeted to deliver the expected service levels. This means the impact of reassessment is delayed and while owners who saw an increased assessment pay less while phase-in is enacted, property owners who should be experiencing a decrease end up paying more than they otherwise would be in the absence of a phase-in.

Current Process

The City’s current process for a phase-in requires Administration to report to City Council to assist in making an informed decision on the appropriate phase-in approach for each reassessment. In-depth analyses including looking at percentage change and not dollar amount of tax shifts, utilizing GIS mapping to identify areas, tax classes and property types that will see shifting are all incorporated in this report. Community engagement is also addressed in this report.

The last three assessment cycles the City has used a phase-in as follows:

	Residential Tax Class	Commercial Tax Class
2021	0	2
2017	2	4

2013	4	4
------	---	---

Comparatively the City of Regina used:

	Residential Tax Class	Commercial Tax Class
2021	0	3
2017	0	3
2013	0	3

Currently, the cities of Swift Current and Prince Albert do not use phase-in for the purpose of distributing property tax burden following a reassessment cycle. Outside of Saskatchewan, Ontario is the only other province with a four-year assessment cycle, however, their legislation is different where assessment is phased-in over the four-year cycle and taxes are not. Saskatchewan legislation does not allow for this type of phase in.

Historically, evaluating the need for phase-in at every reassessment cycle provides an opportunity to weigh the benefits (mainly smoothing out significant value shifts) vs. the negatives (administrative time, confusion for property owners, etc.). Transitioning to a permanent four-year phase in regardless of the reassessment impact eliminates this analysis and, in many cases, requires significant resources to shift minimal amounts between properties. This would be most notable on the residential tax class which historically has seen less significant swings because of reassessment therefore limiting the need for phase-in. By contrast, the commercial tax class tends to see more fluctuations each reassessment period, creating a more reasonable environment to utilize a phase-in. That said locking in a four-year phase-in regardless of circumstances creates a more complex property tax model to maintain and explain to property owners when, more generally, a shorter or no phase-in cycle may be more transparent and less complex.

Potential Reforms and work with SUMA/City Mayors Caucus/SAMA

Since 2021, discussions, reports, and working groups have been created to work towards potential changes to the assessment regime in Saskatchewan. On August 22, 2022, the [IPTI Report](#) commissioned by SUMA and the City Mayors Caucus was presented to GPC and outlined the areas of change identified in the report. From that report, a working group was created that consists of representatives from assessment service providers, SUMA, SARM, Government Relations, UMAAS, and City Managers to discuss the recommendations with a focus on:

- Elimination of use of the percentage of value (POV).
- Shortening the current four-year reassessment cycle to two or one year.
- Changing the base date of valuations from 24 months to 12 months.
- Shifting to a true market valuation system affecting both regulated and no regulated properties.

To date, two recommendations (Appendix 1) suggesting elimination of POV and shortening the reassessment cycle have been made to the Province and discussion on

the other options remain ongoing. The general acknowledgement has been that there is an opportunity to review and improve on the legislation; however, it must be carried out thoughtfully, include all stakeholders, and take into consideration the why and how our legislation was created.

Internally, the City of Saskatoon Assessment Office has been reviewing potential opportunities that do not require legislative changes. Along with communication options discussed later in this report, the Assessment Office has undertaken a review of how it may utilize technology like GIS Mapping and instituted process reviews with the goal of improving the accuracy and transparency of the assessment models. In addition, meetings were held in the summer of 2023 with commercial appraisers, commercial real estate agents, and property managers. This discourse allowed Administration to open a dialogue on valuation issues and services provided as well as gain feedback on the assessment models used. These meetings will continue throughout the reassessment process.

Community Engagement on Phase-in and Assessment

The City will engage with residential and commercial property owners in 2024 on the property assessment phase-in options available to the City in 2025 as it is the next legislated reassessment year. Engagement participants will be provided with the necessary information so they may provide informed input on this complicated subject. Therein, this engagement will include an educational component regarding property assessment and assessment phase-in. An Engage page will be added to the City's website saskatoon.ca to host assessment information, survey(s), and to promote engagement opportunities. A wide variety of communication tools and tactics will be used to promote this engagement.

Topics for engagement will include preferences for assessment phase-in options (i.e., two-year, or four-year), and options to amplify the City's communications to best reach all stakeholders with timely information on their property's assessment.

Commercial property owner stakeholder engagement will include discussions with the Chamber of Commerce, North Saskatoon Business Association, and the Business Improvement Districts and others, with the goal to gain insight on the concerns and preferences of the business community. Surveys will also be conducted to receive input from commercial and residential property owners.

Input received through public engagement will help inform Administration's recommendations regarding the City's property assessment phase-in approach as well as reassessment communication and topics.

Communication on Upcoming Changes

Legislation requires that cities must issue assessment notices and open the assessment roll for 30 days (60 days on reassessment year) to allow for review and appeals to be filed. Notice is considered delivered, by legislation, if an assessment notice containing specific details regarding assessment, tax status, school support, and

appeal deadlines is mailed to the property owner as well as advertised in a local paper. In reassessment years, notices are mailed to every property, in non reassessment years, notices are mailed to only properties that have had a change in their assessment, tax status, and/or ownership change. Notices are mailed to the registered owner but may be mailed to a tenant or property manager upon request.

In a reassessment year, additional communication has been completed in the form of informative videos, social media posts, information on the city website (including who to call, property information, reassessment tax estimator, how to appeal, etc.) and notices provided in utility bills. A public report containing an Assessment Overview is provided to City Council with a media release in conjunction.

Further to the communication efforts noted previously in this report, over the past two years, letters have gone out to all the Business Improvement Districts, the Chamber of Commerce and the North Saskatoon Business Association identifying dates the assessment roll is open and offering opportunities to discuss assessments. This letter has created opportunities to speak to property owners through meetings and phone conversations to discuss property assessments.

Additional opportunities to improve communication will come from electronic assessment notices, the community engagement completed on phase-in and assessment, and further meetings that will take place once updated assessment models are completed for 2025. Administration will also identify areas that may be experiencing significant shifting and develop targeted communication towards those groups.

FINANCIAL IMPLICATIONS

As phase-in is intended to be revenue neutral, there are no immediate financial implications.

OTHER IMPLICATIONS

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

APPENDICES

1. Letters to Minister from Mayors Caucus and Response

REPORT APPROVAL

Written by: Bryce Trew, City Assessor
Reviewed by: Mike Voth, Director of Corporate Revenue
Mike Jordan, Chief Public Policy and Government Relations Officer
Cindy Yelland, City Solicitor
Approved by: Clae Hack, Chief Financial Officer