STAFF REPORT
SUBMITTED BY: Chris Frotten
DATE: May 3, 2020
SUBJECT: COVID-19 Financial Assistance Options

ORIGIN

Over the past few weeks, local governments have been considering initiatives/programs to implement that could provide financial assistance to those facing financial difficulties due to COVID-19. Since we are in the midst of finalizing our budget and any assistance we offer may have an impact on our budget, Staff has prepared a list of additional measures and/or initiatives we could consider and is requesting your decision.

BACKGROUND

The Municipality has already implemented some measures intended to assist those facing financial hardship due to COVID-19 and help stabilize the turmoil of the initial closures ordered by the Province.

As our interim tax bill is typically sent out in the first week of April, we suspended billing until further notice and then made the decision to delay it until the first week of May. We also extended the interest-free period from 45 days to 60 days, bringing the due date to June 30th, 2020.

From March 17th to May 1st, we froze interest on all accounts to provide our taxpayers time to adjust to the new normal without the concern of increasing interest charges.

Finally, at our last budget meeting, Committee made a recommendation to Council to increase both the maximum income threshold and exemption amount to help low-income individuals and families.

The implementation of these measures will certainly help those facing hardship or find themselves in a vulnerable position. There has been discussion on trying to provide additional support to those facing financial hardship directly related to COVID-19. The list of options presented could help with this objective and is a combination of measures/initiatives being discussed provincially, have been implemented by other municipalities in our Province or in Canada or would be unique to us.

DISCUSSION

Tax Financing Program

As you know, The NSFM/AMANS worked tirelessly to develop a province wide tax deferral program that all municipalities could follow. Unfortunately, that idea did not come to fruition, so they reoriented their focus and developed a tax financing program – encouraging all municipalities to implement all or a part of it. This financing program also coincides with the Province's $380 million loan program available to Municipalities (please see below).

The model policy, along with some Q&As are attached to this report. Here is a summary:

- The property tax financing program is not a tax deferral or forgiveness program.
- The policy is authorized under Municipal Government Act sections 111-113
- Taxpayers would start amortized installments six months after tax bill due date.
- Taxpayers would have 24 months to make payments but no option for early repayment.
- Interest charged on financed payments would be the cost of the capital borrowing from the Province plus a potential admin fee.
- The Program eligibility would be criteria-based:
    - Financial hardship through loss of revenue related to the State of Emergency. I.e. individuals through proof of access to provincial or federal program or commercial through documentary proof of hardship.
    - Account must be in good standing before and during the period. This would include accounts where tax payment arrangements exist and are current.
- On the residential side, the program would be open to
    - Residents of Nova Scotia.
    - Registered property owners who are ordinary residents and have lost their jobs due to service reductions from the State of Emergency (documentation required).
    - Property owned and registered as a Tourism Operator with Tourism Nova Scotia for the 2019 tourist season.
- The program would exclude:
    - Vacant land
    - Properties owned by non-residents of Nova Scotia
- On the commercial side, the program would be open to:
    - A taxable commercial property used as commercial, shopping, office, industrial, farm (cumulative assessment) and has a total taxable 2020 property assessment value equal to or under a certain dollar value.
    - Without limitation on assessed value, owner occupied:
        - Land owned by a tourism operator registered with the *Tourist Accommodations Registration Act*
        - Automotive and recreational/leisure dealership
        - Private and non-profit recreation facilities
        - Hospitality industry – restaurants, bars, cafes, coffee shops

    - Service industry – hairdressers, nail salons, gyms, tattoo studios
    - Health care providers required to reduce hours – dentists, naturopaths, doctors, chiropractors, physiotherapists
- the program would exclude:
    - Property owners who have not experienced financial hardship through loss of revenue related to the State of Emergency.
    - Property owners who have received compensation from *Business Interruption Insurance* towards the payment of property taxes.
    - Provincially subsidized day care centers.
    - Properties used for landfill, pipeline, managed forest, parking, and commercial vacant land.
    - Properties with an active tax agreement with the Municipality through legislation or bylaw.
    - Municipally funded non-profit organizations with property taxes already partially exempted by the municipality.
    - All properties managed under Payment-In-Lieu (PILT) programs.
- In terms of implementation and administration, CBRM is developing a common online intake process to help reduce administrative burden for those municipalities who choose to adopt the model policy. The local interaction and monitoring of the program would be administered internally.

Both Leah and I have discussed this policy at length. Our efforts in assisting residents and businesses who are facing financial hardship due to COVID-19 all while considering our financial capacity has been at the core of each of our conversations. In terms of the policy, we do not have any issue with the concept or the eligibility criteria, but we are not fond of the 30-month repayment term and the possible administrative burden. Depending on the uptake, we may not have enough human resources to take in the applications and monitor the program and we are concerned with one's ability to pay two tax bills at once (once the October final bill, 2021 interim bill and so on are issued). We had originally thought of recommending a payment arrangement plan program but that did not seem to go far enough in assisting a resident or business bringing in much less income or revenue due to COVID-19. In the end, we would recommend this policy but change the repayment term to 12 months.

Both NSFM and AMANS believes that the solution presented using Sections 111-113 is our best option. With these types of programs, it is important to look at what our neighbouring units intend to do to avoid residents questioning why we may not have a program, when the others do. In discussion with both the CAOs of Shelburne and Argyle, they intend to recommend either a version of this policy or a measure that resembles the policy. At this point, it is uncertain whether the Towns will implement a policy or measures allowing financing of property taxes.

Interest Rate Reduction

Some municipalities have made the decision to reduce their interest rate (Shelburne – 14% to 10%, Argyle 16% to 10% and Halifax 15% to 10%). Our interest rate is 18% and we typically generate anywhere between $11,000 and $14,000 per month in interest. Although this is not the revenue you want to generate, it is a considerable amount and the traditional tool used to penalize those that are overdue on taxes, area rates and other charges.

This potion has been discussed extensively internally and we would recommend keeping the interest rate as is. Our reasons are the following:

1. Reducing the interest rate would help those in arrears which are, on occasion, the most vulnerable, but it would also reward those who consistently do not pay taxes.
2. Most that may find themselves with overdue taxes will have an opportunity to participate in the financing program.

Waiving Non-Sufficient Funds (NSF) Charges

We charge a $25 NSF fee which we could waive for the next few months. We do not have control over the banks' NSF charges, but this could be a way to help those that have automatic payments or pay by cheque and are facing hardship due to COVID-19.

Some municipalities, town and cities are waiving this charge and it would be possible for us to do the same without any considerable impact on our revenues.

Waiving the Paymentus Credit Card Service Fee

Paymentus charges the taxpayer who pay by credit card for the use of their service to cover the cost of payment handling and processing. We do not receive any part of this service fee. The service fee charged by Paymentus Corporation for tax account payments is 1.75% of the payment amount and the amount is billed directly to the credit card used.

As our offices are closed to the public and that may be the case until June, we could consider paying this fee ourselves (waiving the fee to the resident or business) for a certain period. Although we have a number of alternative payment methods and this fee may only represent a $10-$50 savings to the resident, it could be a way of helping those that may need to use credit to pay their taxes because they don't have the funds available now.

If Council were interested in pursuing this option, I would first ask the Finance Department to determine its logistical possibility and determine the estimated cost we may incur.

Provincial Loan Program Available to Municipalities

On April 28th, a new operating loan program was introduced by the Province to help municipalities with financial losses due to COVID-19. The $380 million loan program, which was developed in collaboration with the Nova Scotia Federation of Municipalities and the Association of Municipal Administrators, is available through the Municipal Finance Corporation.

Municipalities interested in accessing a loan must first need to determine their revenue shortfall. We have estimated our shortfall to be approximately $2 million based on a calculation using "per sector" percentages that is more likely than not to apply for a tax deferral (i.e. hotel and accommodation, restaurants, salons are 100%, non-profit organisations are at 20% and residents are at 35%). We believe these percentages to be high for our municipality but were recommended to use the percentages to ensure a baseline for calculations among all municipalities.

Municipal councils will then be required to pass a temporary borrowing resolution and submit it to the Department of Municipal Affairs and Housing. The Department will analyze requests and if approved will forward the approval to the Nova Scotia Municipal Finance Corporation. Upon approval by the corporation's board of directors it will administer a loan agreement.

This loan program is intended to offset the cost, at a very low cost (1.1% interest rate), of providing a financing program to residents and businesses. It has been clear that the approval of the temporary borrowing resolution will weigh heavily on whether a municipal unit provides a financing program.

Other

There may be a program or initiative that we could design specifically for Barrington that would be unique. If we do choose this route, we should keep in mind that there are a lot of program out there already and we should focus on the gaps. Maybe we want to help seniors more by investing more in Senior Services. Maybe we want to help businesses by providing a subsidy program or rebate on the taxes charged on their increased assessment for this year. Maybe we want to help young families with childcare costs or reducing or waiving recreation costs for our summer programs. Whatever it may be, we have to be clear on the details and purpose and always keep in mind that we want to help those most affected that don't have anywhere else to go – all while doing it within our means.

BUDGET IMPLICATIONS

As mentioned, any assistance we offer may have an impact on our current budget. If the financing program were implemented, it would be difficult to predict what the impact would be on our budget as we do not have a clear idea of what the uptake would be. The interest cost will be passed on to the resident or business but if the uptake is substantial, we may be required to incur costs such as hiring a part-time employee to administer the program.

As for the waiving of NSF charges and credit card convenience fees, we do not see that having a substantial impact on the budget as we do not process many cheques or receive many post-dated payments and we do not typically have a large amount of payments through by credit card.

The reduction of our interest rate would be the largest impact on our budget as our rate, at 18%, typically generates anywhere between $11,000 and $14,000 per month. Although this is not the revenue you want to generate, it is a considerable amount.

LEGAL IMPLICATIONS

The policy has been reviewed by Charles Thompson of Burchell MacDougall, who sees minimal risk in using the policy. He points out that there is nothing in the MGA that explicitly prohibits such a policy, and that the MGA needs to be interpreted flexibly in this extraordinary time. In addition, the amendments to section 2 and new 9A and 14A added to the MGA in 2019 mandate a broad interpretation of municipalities' and councils' powers. AMANS, therefore, believes that it is a reasonable solution for the difficult problem we are facing at this time. That being said, they do recommend that each unit have it reviewed their own solicitor, so we have sent it to ours for their review and comments.

PUBLIC CONSULTATION/COMMUNICATIONS

N/A

RECOMMENDATION

This report is not intended to advocate for or against any of these measures/initiatives but rather outline possible options. A brief explanation on the feasibility or necessity of implementing each option is included in the discussion and we also want to be clear the decision to move forward with any option would require more work (i.e. policy development, administrative procedures, etc.).

SUGGESTED MOTION

N/A

ATTACHMENTS

- Property Tax Financing Program Model Policy
- Property Tax Financing Program Policy Q&A

Chapter [--]
COVID-19 Property Tax Financing Program Policy

Title

1. This Policy is entitled the "COVID-19 Property Tax Financing Program Policy."

2. **Objective:**

   [Enter Municipality Name Here] is concerned about the health and safety of residents. **[Enter Municipality Name Here]** recognizes that facilitating the payment of property taxes in installments will better allow Nova Scotians to follow the public health directives endorsed by the Government of Nova Scotia. This Policy responds to that need by establishing a one-time property tax installment payment program (the "Program") for owners of residential and commercial properties negatively affected by the COVID-19 global pandemic.

3. **Authority:**

   Sections 111 and 112 of the *Municipal Government Act* give Council the authority to provide for the payment of taxes by installments.

   Section 113 of the *Municipal Government Act* allows Council to charge interest for non-payment of taxes when due, at a rate determined by policy.

4. **Scope:**

   4.1 Residential - The following owners of residential property are eligible to participate in the Program:

   4.1.1 An owner of a residential property that is the owner's primary residence, where the owner has experienced financial hardship through a significant reduction in income due to the State of Emergency declared by the Government of Nova Scotia in response to COVID-19, demonstrated through receipt of Provincial or Federal program assistance, or a Record of Employment (ROE) demonstrating layoff from employment after March 15, 2020;[1]

[1] Facilitating residential property tax installment payments is expected to help residents stay home and weather the pandemic in place. As written here, the criteria for eligibility request a demonstration of hardship. However, it

4.1.2 An owner of a residential property where the owner was a registered Tourism Operator with Tourism Nova Scotia for the 2019 tourist season (excluding AirBNBs);[2]

[4.1.3 An owner of a residential property that is rented to one or more tenants, where the owner has experienced a significant reduction in rental income from the property due to the State of Emergency, demonstrated through the following:

[4.1.3.1….insert any criteria that the owner must meet and/or documentation they must provide to be eligible]][3]

4.2 Commercial - The following owners of commercial property are eligible to participate in the Program:

4.2.1 An owner of a taxable commercial property where the property has a total taxable 2020 property assessment value equal to or less than **[insert value here]**[4] and where the owner's business or building located on the property has experienced financial hardship through loss of revenue related to the State of Emergency, demonstrated through the following:

[4.2.1.1…. insert any criteria that the owner must meet and/or documentation they must provide to be eligible][5]

4.2.2 An owner of a taxable commercial property who has experienced financial hardship through loss of revenue related to the State of Emergency, regardless of the assessed value, where:[6]

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is recommended that these criteria be interpreted loosely: although targeted approaches are desirable in principle, they are difficult to enforce effectively. The primary deterrent against program participation for those not actually requiring this help is the interest rate on the funding envelope making this program possible. March 15, 2020 has been selected as this was around the time that COVID-19 related layoffs began, but a different date could be used here.

[2] The consequences for the tourism industry are expected to be significant.

[3] Include 5.1.3 if the policy is to apply to residential rental properties. Municipalities will have to determine what criteria will apply and the documentation they will require for rental properties to be eligible. This could include things like a maximum assessed value, similar to with commercial, to exclude larger apartment buildings etc. It could also include a requirement that the rental income from the property be down by a certain amount, for example by at least 30% in May and June vs February.

[4] Municipalities are encouraged to carefully consider the implications of setting a threshold for inclusion or exclusion of commercial properties in this program. Based on a province-wide analysis of assessments in Nova Scotia and a scan of similar proposals across Canada, a suggested starting point for consideration is $5 million in commercial assessment.

[5] If municipalities want to include criteria for a commercial property to be eligible (other than a simple statement that they have suffered financial hardship due to a loss in revenue), they will have to identify that criteria and insert it here.

[6] Section 4.2.2 does not intend to limit program participation only to the listed businesses. The classes of businesses flagged for inclusion without assessment criteria are those specifically targeted for shutdown or service reductions by the public health directives endorsed by the Government of Nova Scotia, and this list may expand per those directives.

4.2.2.1 The owner of the property is a tourism operator registered under the *Tourist Accommodations Registration Act* and the property is used for tourist accommodations (e.g., hotels, motels, bed and breakfasts);

4.2.2.2 The owner of the property carries on the business of an automotive or leisure/recreational vehicle dealership on the property;

4.2.2.3 The owner of the property uses the property as a private or non-profit recreation facility (e.g., golf courses, indoor playgrounds, campgrounds, racing venues);

4.2.2.4 The owner of the property carries on a business on the property in the hospitality industry, including bars, cafes, and coffee shops;

4.2.2.5 The owner of the property carries on a business on the property in the service industry, including hairdressers, nail salons, gyms, tattoo parlours;

4.2.2.6 The owner of the property carries on a business on the property as a health care provider (including, but not limited to, dentists, naturopaths, chiropractors, physiotherapists, physicians and other doctors), where that business has been required to reduce hours as a result of the State of Emergency.

4.3 Exclusions: Regardless of sections 4.1 and 4.2 of this policy, the following are not eligible to participate in the Program:

4.3.1 Property owners who have not experienced financial hardship through loss of revenue related to the State of Emergency;

4.3.2 Property owners who have received compensation from Business Interruption Insurance towards the payment of property taxes;

4.3.3 Properties occupied by daycare centres in receipt of federal or provincial funding, or those in receipt of other emergency funding;

4.3.4 Properties used for landfill, pipeline, managed forest, parking, and commercial vacant land;

4.3.5 Properties for which there is an active tax agreement with the Municipality through legislation or bylaw;

4.3.6 Properties owned by non-profit organizations that are funded by the Municipality or that are partially exempted from property tax;

4.3.7 All properties managed under payment-in lieu-programs.[7]

[7] Municipalities may want to add to the list of excluded uses or industries in 4.3 if additional federal or provincial financial support programs for those industries are introduced after the creation of this program.

4.4 General Requirements

4.4.1 Installments shall be payable by the person, company or other entity assessed for the property for the current fiscal year.

4.4.2 In order for taxes for a property to qualify for the Program, the taxes for the property must not be in arrears at the time of application.

4.5 Application

4.5.1 Property owners wishing to apply to participate in the Program for a property must complete and submit to the Municipality an application in the form attached as Schedule "A" to this policy.

4.4.3 The application deadline to participate in the Program is June 30th, 2020.

5. **Administration**

5.1 Tax Installments

5.1.1 For applications meeting the Program criteria set out above, property tax payments normally due between April 1st, 2020 and September 30th, 2020 for approved properties may be paid in installments as follows.[8]

5.1.2 For each property, Program participants will pay tax installments as follows:

5.1.2.1 Payments of $25 per month for six months, payable on or before the last day of each month, commencing in the month the property tax payment is normally due.[9]

5.1.2.2 Following these six months at $25 per month, monthly payments equal to 1/24th of the balance of the amount eligible for the Program plus interest as set out below. These monthly payments are payable on or before the last day of each month and continue for 24 months.

5.1.4 The rate of interest for the Program will be 1.35% per year.[10]

5.1.5 Interest on amounts owing under the Program will be calculated commencing on the date the property tax payment is normally due and continuing until all installments have been paid.

[8] Municipalities have a variety of tax billing dates and are encouraged to alter the details of the dates listed in 5.1.1 as required. The intent is to provide taxpayers with a window of time in which their property taxes are eligible for the installment program.

[9] The $25 figure listed here is a suggestion and may be altered to fit municipal need.

[10] This rate of 1.1% is the Municipal Finance Corp interest rate and is specific to this program alone.

5.2 Terms of the Program

5.2.1 The Treasurer, or his or her delegate, shall approve qualifying applicants.

5.2.2 Payments under the Program must remain in good standing with the municipality throughout the duration of the Program.

5.2.3 Default in payment of an installment when due will result in the following:[11]

5.2.3.1 The balance of outstanding taxes on the applicable property and interest will become immediately due and payable; and[12]

5.2.3.2 The outstanding taxes and interest then owing will become subject to the municipality's regular rate of interest for overdue taxes of **[insert rate here]**.[13]

5.2.4 All amounts owing and payable on the property tax account that are not included in the Program are due on their normal dates and any amounts not paid when due will be subject to the municipality's regular rate of interest for overdue taxes of **[insert rate here]**.

5.2.5 Payments received by the municipality from a property owner will first be applied to any installments due under the Program, in priority to any other taxes or other amounts owing by the owner to the municipality.[14]

6. Responsibilities

6.1 Council will:

7.1.1 Monitor the implementation and administration of this policy and make any amendments required for the effective and efficient operation of the Program.

7.2 The **[Chief Administrative Officer/Clerk-Treasurer]** will:

7.2.1 Be responsible for the administration and implementation of this policy and the Program; and

7.2.2 Identify necessary amendments to this policy in consultation with Council and managerial staff and make recommendations accordingly to Council.

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[11] The wording here is only a suggestion. Your municipality may prefer to use a "two strikes and you're out" or "three strikes and you're out" arrangement for missed payments.

[12] The wording of section 5.2.2 assumes program funding is secured through a one-time arrangement with the Municipal Finance Corporation, under which municipalities would be required to agree to terms for borrowing. After making that arrangement, the Municipality will be obligated to repay the borrowed monies to MFC at the agreed-upon schedule and rate of interest, even if individual taxpayers crash out of the program.

[13] The suggestion of a compound rate described here will help avoid complications in calculating interest for those leaving the program at different times.

[14] Your own municipal approach may differ from the one described here. You are encouraged to carefully consider and set a prioritization schedule for receivables throughout the Tax Installment Payment Period.

7. General Provisions

Payments received by mail are deemed to be paid on the date received by the Municipality.[15]

[15] This general provision is intended to serve as an example.

Application for COVID-19 Property Tax Financing Program

Residential Property

Civic address of property: ______________________
Assessment Account Number (as it appears on your tax bill): _______________________

Name of owner (as it appears on your tax bill): ___________________________
Mailing address (include civic number): ______________________________
Phone number: ____________________
Email address: ____________________

I declare that:

a) I have not received compensation from business interruption insurance toward payment of property taxes in relation to the above property;
b) The property is not occupied by a daycare centre in receipt of federal or provincial funding or other emergency funding;
c) The property is not used for a landfill, pipeline, managed forest, or parking, and is not commercial vacant land;
d) There is no active tax agreement in place with the Municipality with respect to property taxes for the property through legislation or bylaw;
e) The property is not owned by a non-profit organizations that is funded by the Municipality and the property is not partially exempted from property tax; and
f) The property is not managed under a payment-in lieu-program.

Complete one of I, II, or III below

I. Owner-occupied residence

I also declare that:

a) I reside in the above property;
b) I have experienced financial hardship through due to a significant reduction in income as a result of the State of Emergency declared by the Province of Nova Scotia related to COVID-19; and
c) I am receiving federal or provincial financial assistance related to COVID-19 OR I was laid off from my employment after March 15, 2020.

Dated this __ day of ______________________, 2020.

____

Signature of owner

Enclose: Documentation (email, letter, payment statement, or other) showing that you are in receipt of federal or provincial financial assistance related to COVID-19 OR enclose a Record of Employment indicating that you were laid-off from your employment after March 15, 2020.

II. Registered tourism operator

I also declare that:

a) I was a registered Tourism Operator with Tourism Nova Scotia for the 2019 tourist season with respect to the above property;
b) There is no current agreement in place with the Municipality regarding payment of property taxes;
c) I have experienced a significant reduction in income from the property as a result of the State of Emergency declared by the Province of Nova Scotia related to COVID-19; and
d) The property is not used as an AirBnB.

Dated this __ day of _______________________, 2020.

____
Signature of owner

Enclose: Documentation showing registration as a Tourism Operator with Tourism Nova Scotia for the 2019 tourist season.

III. Rental residential property

I also declare that:

a) I rent the above property to one or more residential tenants;
b) I have experienced a significant reduction in income from the property as a result of the State of Emergency declared by the Province of Nova Scotia related to COVID-19;
c) **[any other criteria to qualify for the program for residential rental properties]**

Dated this __ day of _______________________, 2020.

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Signature of owner

Enclose: **[list of documents and information to show the applicant meets any criteria listed in 4.1.3]**

Application for COVID-19 Property Tax Financing Program

Commercial Property

Civic address of property: ______________________
Assessment Account Number (as it appears on your tax bill): _______________________

Name of owner (as it appears on your tax bill): ___________________________
Mailing address (include civic number): ______________________________
Phone number: ____________________
Email address: ____________________

I declare that:

g) I have not received compensation from business interruption insurance toward payment of property taxes in relation to the above property;
h) The property is not occupied by a daycare centre in receipt of federal or provincial funding or other emergency funding;
i) The property is not used for a landfill, pipeline, managed forest, or parking, and is not commercial vacant land;
j) There is no active tax agreement in place with the Municipality with respect to property taxes for the property through legislation or bylaw;
k) The property is not owned by a non-profit organizations that is funded by the Municipality and the property is not partially exempted from property tax; and
l) The property is not managed under a payment-in lieu-program.

Complete one of I *or* II below

I. I also declare that:

a) I have experienced financial hardship through loss of revenue of my business or building located on the property as a result of the State of Emergency declared by the Province of Nova Scotia related to COVID-19;
b) The total taxable 2020 assessed value for the property is equal to or less than **[insert the threshold value from 4.2.1]**;
c) **[any other criteria to qualify for the program for commercial properties assessed at less than the threshold value]**

Dated this __ day of ______________________, 2020.

____
Signature of owner

<u>Enclose</u>: **[list documents and information that the owner must provide to show they meet any criteria listed in 4.2.1]**

II. I also declare that:

a) I have experienced financial hardship through loss of revenue of my business or building located on the property as a result of the State of Emergency declared by the Province of Nova Scotia related to COVID-19;
b) The total taxable 2020 assessed value for the property is greater than **[insert the threshold value from 4.2.1]**, but (*choose any of the following that apply*):
   ___ (i) I am a tourism operator registered with the *Tourist Accommodations Registration Act* and the property is used for tourist accommodations (e.g., hotels, motels, bed and breakfasts);
   ____ (ii) I carry on the business of an automotive or leisure/recreational vehicle dealership on the property;
   ___ (iii) I use the property as a private or non-profit recreation facility (e.g. golf course, indoor playground, campground, racing venue);
   ___ (iv) I carry on a business on the property in the hospitality industry (eg. bar, café, restaurant, coffee shop);
   ___ (v) I carry on a business on the property in the service industry (eg. hair salon, nail salon, gym, tattoo parlour);
   ___ (vi) I carry on a business on the property as a health care provider (eg. dentist, naturopath, chiropractor, physiotherapist, physician), and that business has been required to reduce hours as a result of the State of Emergency.

Dated this __ day of ______________________, 2020.

____
Signature of owner

2020-04-28 – COVID-19 Property Tax Financing Program Policy Q&A

Q: For clarity, delaying provincial mandatory costs is now off the table with the COVID-19 Property Tax Financing Program?

A: Yes, this option is not being considered by the Province.

Q: What implication will this program have on the tax sale process within the period of the program?

A: Taxpayers in the program are 'in good standing', as they have arranged to make payments through a tax installment pre-payment plan. Default of payment of an installment when due will result in removal from this program with the balance of outstanding taxes becoming immediately due and payable. Collection procedures would then begin as per local policy.

Q: If Council Approves this new policy would that imply that those residents would then be exempt from being taken to Tax Sale; currently we do not offer payment arrangements.

A: The assumption would be that in adopting the model policy Council would be accepting payment arrangements. Taxpayers in this program are considered to be in good standing and would therefore be exempt from being taken to or sheltered from a tax sale. Collection procedures would begin as per local policy should the applicant default on payment.

Q: Does it have to be owner occupied for the residential properties?

A: As the policy is written, the applicant must be the owner of the residential property, the property must be the owner's primary residence, and the owner must have experienced financial hardship through a significant reduction in income due to the State of Emergency declared by the Government of Nova Scotia in response to COVID-19, demonstrated through receipt of Provincial or Federal program assistance, or a Record of Employment.

Q: Once this policy is in place, we must assume only taxes owing for 2020-21 are eligible, as we do not have the financial backing to continue in subsequent years, correct?

A: Yes, that is correct.

Q: Footnote 9 says 5.2.2 assumes program funding is secured through MFC. Is this a requirement to offer the tax financing program to property owners?

A: Municipalities are not required to offer this financing program to their property owners. Should municipalities choose to finance their own program in their own method, this is also allowed.

Q: Is the June 30 deadline (Section 4.4.3) a suggestion or tied to an MFC / DMAH timeline?

A: The June 30 deadline is only a suggestion. This date can be adjusted by individual councils.

Q: Are the first six months interest free?

A: The decision to charge interest during the first six months is a local decision which must be made by individual councils. However, the municipality would have to absorb the MFC borrowing rate if the choice is made to provide six months of interest free payments to applicants in the program.

Q: How do we address the increased resources municipal units will need to manage the program?

A: The policy contemplates an administration fee of 25 basis points. AMANS is developing a central portal to receive applications to further reduce the costs associated with program administration for those units that closely adhere to the model policy. Individual units will decide whether costs incurred as a result of program administration are offset by the program's benefits.

Q: Type of business relates to commercial entity, but they may not be owner. The owner may have tenants with only one business qualifying. How do we provide relief to only part of the commercial assessment?

A: Commercial landlords that have experienced a loss in revenue as a result of the COVID-19 crisis are eligible for the program under s. 4.2.1. It is recommended that municipalities only accept applications for specific properties, and not the entirety of the owner's commercial real estate holdings within the municipal unit.

Alternatively, municipalities may choose to exclude commercial landlords from the program. There are specific programs in place, such as the Canada Emergency Commercial Rent Assistance (CECRA) program and COVID-19 Rent Deferral Support Program (CRDSP), that have been created to provide targeted support to commercial landlords.

Q: If the program is not for vacant land, how will units handle tax bills that have both residential and resource assessment on accounts, would be whole bill be eligible or only the part that has residential assessment?

A: The policy as drafted only covers occupied land. Individual councils may choose to alter the eligibility criteria to include vacant land.

Q: What is the timeline you would want municipalities to approve the policy?

A: It is recommended that Council approve as soon as possible.

Q: Implementing the policy will likely ensure we need to access MFC op line. Will the 3-year repayment on a large borrowing impact the debt ratio indicator? Do units have room in debt ratio?

A: This will be looked at when municipal affairs reviews cashflow, but this portion of the loan will not be taken into consideration with the debt-ratio indicator. For impact on your FCI scores please contact your municipal advisor.

Q: What solicitor has reviewed?

A: The policy was reviewed by the Association of Municipal Administrators' solicitor Burchell-MacDougall Law. Councils are encouraged to conduct their own due diligence.

Q: Would the commercial side of this be in contradiction of MGA 57(2) A municipality shall not grant a tax concession or other form of direct financial assistance to a business or industry. If the program is not open to all commercial.

A: No, commercial accounts in this program will not receive direct financial assistance as a result of this program. The program provides an opportunity for property owners to spread taxes due over a longer time horizon. A commercial property owner in the program will ultimately end up paying more in taxes, fees and interest than an owner who opts to make payment by the scheduled due date.

Q: So, the AMA would take the applications, but the Municipalities are responsible for the vetting and everything afterwards? This sounds to be quite a significant increase in administration and just wondering if there is concern with staffing required to run and track the program - It appears there will be 2 different interest rates, and 2 different collection processes.

A: Yes, AMA would assist in reducing the administrative burden required to develop an intake form, but municipalities are responsible for vetting. There will be an increase in administration as a result of 2 different interest rates and 2 different collection processes. It is up to the municipality to weigh the administrative burden of implementing this program and the need for cashflow against another to determine if they'd like to implement this policy.

Q: As I read the policy this program only applies to property tax and excludes levies (streetlights, fire, etc.), fees (sewer, solid waste, etc.) and local improvement charges, which may all appear on the same bill. Am I understanding that correctly?

A: The program has been designed for property tax but other items that are covered by uniform charge may also be included. Utilities were purposely excluded because residents are expected to pay their utility bills.

Q: The AMANS application model would be positive in terms of its simplicity, however I am not sure the public would fully understand who they are submitting their personal information to (third party organization vs their expectation of local gov't), how and where it is handled/stored, and who has access to it.

A: The idea would be for citizens to be redirected to a third-party platform via a link on the municipal website. If we weren't able to have a form via a third-party, there may be some confusion from residents using an online form that is embedded on the AMA website. We will look into a redirect link from each individual units' website instead of a form embedded on the AMA website. NOTE: the redirect link would provide criteria based on the sample policy. Should the sample policy be veered from the intake form may not encompass the individual changes completed by each unit.

Q: Throughout the repayment term, is the outstanding balance attracting interest because OUR outstanding balance is. If it IS attracting interest, then it is in arrears? Please clarify.

A: If under this program, it is determined that if you are making payments you are not in arrears.

Q: Was the intent to capture just interim bills? The Sept 30 date may pick up both interim and final for some units, meaning full year tax gets installments.

A: No. The intention was to support municipalities during this time and months after for COVID-19.

Q: What about rural municipalities where internet is a challenge and the online option does not work for them?

A: Municipalities may want to look at using a delivered via mail option or have the ability for someone to call a number and the municipality will input the appropriate information into the form. Individual municipalities will be responsible for determining the groups which need to be reached offline and the best ways to reach them, if not via an online in-take form

Q: If the application process is all online, particularly through a central application portal, how will applicants submit their supporting documentation (ie. CERB benefits, ROE, commercial property proof of loss of revenue, etc.)? Not all applicants will have the ability to scan/email documents.

A: Documents can be uploaded via many different avenues. IE: taking a photo or dragging and dropping files from their computer. PNG and JPEG files will both be supported. The online application will also be mobile user friendly

Q: Will the amounts approved for borrowing by the municipal unit be backed up by a list of approved accounts that have applied for deferred taxes and the related receivables to be collected over the 24 months? Or will it be based on estimates that units think they will need?

A: Municipalities are asked to reach out to their municipal advisor to know what information is to be included with the ask. It is likely that it will be based on estimates.

Q: The draft policy provides that the registered property owners that have experienced significant reduction in income can apply. Has there been any thought to extending the income reduction to the family as opposed to the registered owner to cover situations where the main income earner in the household is not the registered owner? For example, if professionals/small business owners opt to have the home in their partners / spouse's name to protect the asset. The draft policy would not apply to this group because the registered owner has not experienced a significant reduction in income, but the family will have suffered the loss.

A: Administratively, AANs and titles are nicely tied to the names of registered owners. Individual municipalities may choose to amend the policy, but accepting an ROE registered to the same address may substantially increase administrative burden.

Q: What are the thoughts on documentation commercial taxpayers must provide to prove financial hardship?

A: Commercial taxpayers can show a loss of revenue, or ROEs filed for their employees as an example.

Q: If there are 4 people on the DEED, and 2 live in the home, but not all were affected by income loss would this situation be included.

A: Yes, as long as the applicant is the owner of the residential property, the property is the owner's primary residence, and the owner has experienced financial hardship through a significant reduction in income due to the State of Emergency declared by the Government of Nova Scotia in response to COVID-19, demonstrated through receipt of Provincial or Federal program assistance, or a Record of Employment.

Q: Any concerns we are inadvertently allowing residents to incur debt for taxes and that things like CERB won't go to basics (like taxes) and inability to pay will grow, not shrink over time??

A: Taxpayers are best positioned to determine what is financially prudent for their households. As governments, we can only ensure that taxpayers are provided with the information necessary to make an informed decision.

Q: If a resident is in the program, I assume they are still paying the interest rate charged by the Municipality which is 10 percent per year

A: The rate of interest will be the Municipal Finance Corporation Borrowing Rate, plus 25 basis points to cover administration fees. Section 113(2) of the *Municipal Government Act* talks about a rate of interest for non-payment of taxes when due. This is the rate already in place for municipalities.

The Policy is setting up an installment plan for eligible taxpayers. As long as they pay the installments on schedule, the taxes are not "overdue" under 112(4) or 113(2) and therefore do not have to attract the higher interest rate. There is nothing explicit in s. 112 and 113 that says there cannot be a lower rate of interest payable on taxes being paid in installments.

If the applicant defaults on payment, then they are removed from the program. Removal from the program will result in the addition of municipality's normal rate of interest for overdue taxes to the Special Tax Installment Rate, resulting in a compound rate.

Q: Does this policy have to be in place prior to council setting the tax rate?

A: No. The tax rate could have been set prior to this policy being implemented.

Q: Can municipalities choose to administer the program without involvement from AMANs?

A: Yes, municipalities may choose to administer the program themselves. The idea is that AMANS is meant to assist in providing an online in-take form that can help reduce the administrative burden in getting one set up for municipalities.

Q: When is the due date to apply for MFC?

A: Municipalities may apply to draw from the fund within the current fiscal year ending March 31, 2020.

Q: When is the due date for clients to apply for the program?

A: The due date for applications for the program is to be set by individual municipalities.

Q: Can you also comment on how providing 30 months to pay this year's tax bill will impact the next two year's taxes that would be issued in 2021 and 2022.

A: Next year's taxes will be issued and will not impact the 2021, 2022 tax bill. If people are in this program and are paying, they are not considered to be in arrears.

Q: What about consistency? Some units do an interim billing during April to Sept and some do one tax bill.

A: It will be up to the municipal units to determine when they need their cashflow.

Q: Just trying to understand what this would look like on the AR side. We have our bills sent out under a common tax code that is linked to a common interest code. It appears that for example if 500 people participated in the program, would the Province "pay for those bills" and then the AR for them would be zero and therefore a loan set up with a new code and new interest rate just for those people. I ask because when we run our monthly interest, there is not a way to have two interest for the same tax code as the bills are already sent with the one code.

If our tax bill is due July 31, then does that mean that the 6 months is after that, in which case it must be assume that #1 is applied and that those "500 people " are now set up with different codes as they will receive 6 months limited payments and then 24 moths equal payments. While all other taxpayers would be charged the normal MDS interest rate come July 31

A: This seems to make sense, although not familiar with the system this appears to be a way around needing two tax rates, and two tracking processes.

Q: Has any consideration been given to how this will be recorded administratively?

A: This would be recorded as a tax receivable, as it is not a load, as the taxpayer is not receiving anything other than time to pay their taxes.

Q: Tax payments are applied to the oldest charges to an account. If we schedule payments over 2 years, how is a payment next year to be applied to the account?

A: Payments for taxes next year are to be applied to the 2021 account. This financing program is separate from regular tax payments not during COVID. It will require a separate tracking.

Q: What was the cost to the Province for arranging this debt for municipalities?

A: MFC added 10 basis points to the cost of borrowing, instead of the normally 25 basis points.

Q: S. 112(1) says instalment policy needs to be in place before the tax rate is set. So, councils need to get this in place no later than the date they plan to set the rates?

A: No, councils can have this policy in place after they have set their rates. Section 112(1) allows for municipalities to send out interim bills before the current year's tax rate is set, but it doesn't prevent councils from providing for the payment of taxes by installments at other times. These other dates need to be clearly set out as described in s.112(2), and the way the amount of each installment is calculated also needs to be clear.