

FEATURE

Sale of refinery follows provincial tax exemption by two months

Imperial Oil's Dartmouth refinery – for which the Halifax Regional Municipality (HRM) was required to extend a tax break in March 2012 – is selling the facility and terminals. After eight years of forcing HRM to subsidize property taxes, efforts have not helped prevent the company from deciding to sell the facility, said Mayor Peter Kelly. The break was a 2004 provincial measure forcing HRM to reduce the company's property tax from its then \$7.1-million bill. Kelly said that in being forced to subsidize the company, the HRM stands to lose some \$17.5 million overall should the agreement continue through the five-year term to 2017. "HRM residents and businesses have the single largest impact on the provincial economy, and we should not have been expected to carry a financial burden for a multi-billion dollar company," he said. "While we understand that the petroleum industry competes in a global economy, local concessions can't really tilt the economic balance for a company that deals with billions of dollars in capital [and] operating expenditures and that creates billions of dollars in profits."

Citing standard job losses, Liberal leader Stephen McNeil said more due diligence should have been exercised prior to extending the break, "but here we are giving over millions of dollars, and then two months later, the place is up for sale, ready to close." At that time, Liberal energy critic Andrew Younger had said he "would need to see an awful lot of evidence to show that the tax break actually makes sense in the context of an industry that is making record profits" and that there are "many, many more people than at that refinery that are not being offered similar tax breaks." While the threat of the refinery's closure was part of efforts to get the tax break extended, the refinery was expected to close within two years anyway. (See *Focus*, April 2012, 17: 4, "Nova Scotia extends 2004 tax break to refinery expected to close"). Local media

reported that Premier Darrell Dexter, who learned of the sale in early May, said higher taxes don't make the property more attractive and that whether the break would be given to a new owner "would be resolved in the future."

NS Reg. 63/2012: On the report and recommendation of the Minister of Service Nova Scotia and Municipal Relations dated February 13, 2012, and pursuant to Section 5 of Chapter 8 of the Acts of 2004, the *Oil Refineries and LNG Plants Municipal Taxation Act* is pleased to

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amend the Dartmouth Imperial Oil Refinery Municipal Property Taxation Regulations, NS Reg. 191/2004, made by [the] Governor in Council by Order in Council 2004-315 dated July 30, 2004, by striking out “2006-2007 municipal taxation year” in Section 3 and substituting “2012-13 to 2016-17 taxation years,” effective on and after March 6, 2012.

Opposition leaders also cited another botched “rescue deal” in the June 15 closure of the Bowater Mersey Paper Co. plant just outside Liverpool. Six months prior, the province gave the company a \$53-million package of support (\$25 million for upgrades was returned) that included forgivable loans. The company also received a a \$134,000 tax break in 2011. Bowater’s parent company Resolute Forest Products of Quebec also unloaded 10,000ha of land to the province for \$23 million.

FEATURE

Canadian banks re-evaluate appraisal strategies with OSFI guidelines

Some Canadian banks are re-evaluating appraisal strategies amid concerns about the accuracy of property values in unstable markets. Because lenders also use “drive-bys” and databases of market prices in determining loans to mortgage borrowers, banks are increasingly emphasizing who does the appraisal and on-site valuations, especially those above certain price points and those in rural areas. Appraisal accuracy is especially important in an environment in which home prices might be inflated and debt levels increase the risk of defaults. Bank of Montreal and Scotiabank are already committed to in-person appraisals.

The Office of the Superintendent of Financial Institutions (OSFI) is bringing in new underwriting rules requiring the banks to set clear policies of how properties are valued, urging them to use a combination of tools with a comprehensive on-site appraisal (unless there is good reason to do otherwise). Banks “should not use title insurance or valuation insurance as a substitute for a sound appraisal or valuation process,” OSFI stated. The regulators published a notice setting out what lenders can expect regarding residential mortgage underwriting practices, publishing a draft guideline proposing revisions. While a final version is to be issued, the OSFI released comments. No substantive changes will be made regarding the use of automated valuations versus on-site appraisals, OSFI said, and firms are expected to take a risk-based approach to assessing values, not relying on any single method for property valuations.

The FSB Principles for Sound Residential Mortgage Underwriting Practices include 3.3 which states: Where national frameworks specify controls, standards or incentives on LTV ratios, these jurisdictions should ensure that lenders satisfy themselves that the LTV ratio takes into consideration the “real value” of the available equity, which could be calculated on the basis of a robust and prudent approach to property appraisals (see Principle 4);

4. Effective collateral management and sound appraisal processes are essential, the property and the

appraised value of utmost importance for risk limitation and mitigation. Verbatim, this includes:

- 4.1 Jurisdictions should ensure that lenders adopt and adhere to adequate internal risk management and collateral management processes, which include sound appraisal processes. Proper collateral management should include onsite inspections by lenders or appraisers; but onsite inspections could be exempted if the lender or appraiser is able to demonstrate that the risk posed has been adequately assessed through the overall collateral management process. For example, a flat or an apartment in a multi-family building which had recently undergone an on-site inspection could be exempted.
- 4.2 Jurisdictions should ensure that lenders adopt appraisal standards and methods that lead to realistic and substantiated property appraisals. Property appraisal reports should be supportable and therefore reflect the current price level and the property’s function as collateral over the entire life of the mortgage. Property appraisal reports should not reflect expected future house price appreciation.
- 4.3 Jurisdictions should ensure that lenders require all appraisal reports to be prepared with appropriate professional skill and diligence, and that appraisers (whether internal or external) meet certain qualification requirements. Appraisers, and providers of appraisal systems, should be independent from the lender’s respective mortgage acquisition, loan processing and loan decision process. In addition, they should not have an interest in the result of the appraisal. Coercion, improper compensation schemes and other inappropriate influence on appraisers should be sanctioned.
- 4.4 Jurisdictions should recognise the importance of sound regulation and oversight of appraisers, either through self-regulation or statutory means.

- 4.5 Jurisdictions should ensure that lenders maintain adequate appraisal documentation for collateral that is comprehensive and plausible. It should include an examination of all aspects relevant to the property value. The scope and extent of the appraisal report should be commensurate with the property value and inherent risks.

See www.financialstabilityboard.org/publications/r_120418.pdf.

See Draft Guideline B-20 – Residential Mortgage Underwriting Practices and Procedures at www.osfi-bsif.gc.ca/osfi/index_e.aspx?ArticleID=4831.

FEATURE

North Dakota voters keep property tax

More than 76% of voters in North Dakota overwhelmingly voted against getting rid of property taxes in a statewide referendum. Connie Sprynczynatyk, executive director of the North Dakota League of Cities (www.ndlc.org), who opposed Measure 2, said residents realized the vote was about local control. An organization called Empower the Taxpayer was behind the initiative. North Dakota boasts the lowest state unemployment rate in the country and has become the nation's second-biggest oil producer. From 1997 to 2011 the state's tax revenue increased approximately 10% per year, while nationally tax

revenue rose approximately 4% per year, with North Dakota's revenue surging 44% last year, said Joe Henchman, vice president of the Tax Foundation's legal and state projects. North Dakota is one of 37 states that collects property taxes at the state and local levels. Henchman added that the \$812 million the state would have forgone in annual tax revenue represents approximately 23% of North Dakota's state and local tax revenue and if it had been approved, the state would have been the only one without a property tax. See <http://taxfoundation.org/state-tax-climate/north-dakota>.

PILT: Payment in Lieu of Taxes Roundup

Half-empty federal office buildings are costing taxpayers \$11.5 million a year to maintain, and documents that QMI Agency obtained through Access to Information show the cost will rise as the occupancy rate declines. With some one million square feet (90,000 m²) of empty federal offices and warehouses, 18 Public Works and Government Services (PWGS) buildings are more than 50% unoccupied in the **Ottawa–Gatineau** region, many sitting vacant for decades. By 2015, the empty space is expected to double, with additional costs such security expected to climb on buildings such as the old US Embassy – vacant since 1999 – which costs \$300,000 a year to maintain. Barry Nabatian, analyst with real estate appraisers Shore-Tanner and Associates, said, “They’re not really managing these things properly. No realty company, no private sector management company would allow this to happen. Nabatian said that “a couple of months of empty space is sometimes inevitable,” but year after year is unbelievable. PWGS spokesperson Sebastien Bois said \$74.63 million in PILTs were paid directly to the city in 2011.

Some **Michigan** communities are upset that PILTs for state-owned lands are too low and that payments are either not paid on time or in full. Legislation now before the state

senate is aimed at increasing those payments, as well as “swamp taxes.” Senator Tom Casperson said, “There is a cost to owning land; citizens have to [pay taxes] on their land ... I think the state should too.” The state currently owns approximately 4.6 million acres [1.8 million ha] of land, most of it located in the northern Lower and Upper Peninsula.

Huntley Power, the largest taxpayer in Tonawanda, **New York**, will collect more than \$8.7 million from the town, county and school district in property tax refunds to settle a 2011 lawsuit. Huntley filed the Article 7 petition last July and missed the March 1 deadline to implement a new 20-year PILT agreement. Its property therefore remained on the 2011 rolls, with bills based on current assessments. The lawsuit was filed after the town's Board of Assessment Review declined to grant Huntley exemption status or reduce assessments. According to the petition, the company proposed approximately \$24.8 million instead of \$193 million for its generating plant and \$189,000 instead of almost \$1.4 million for an approximately 116-acre [46-ha] parcel, both in New York state. Assessments for 2011 were set at roughly \$72.4 million and \$520,761, respectively. The PILT is in effect for the town's 2012 assessment roll.

Legal Briefs

Armour et al. v. City of Indianapolis, Indiana, et al. Syllabus: The Supreme Court of the United States. No. 11-161, June 4, 2012

By a 6-3 vote, the Supreme Court upheld a decision by Indianapolis city officials to deny refunds to residents who paid special assessment fees up front, while forgiving the taxes of those on an instalment plan, for the same sewage service. The city abandoned the instalment plan after a year, which one judge said “was a proper exercise of government, since it reduced administrative costs,” yet concluding “there is no equal protection violation.” The ruling held that “State law says nothing about forgiveness, how to design a forgiveness program, or whether or when rational distinctions in doing so are permitted,” and that the Supreme Court’s stepping in “would risk transforming ordinary violations of ordinary state tax law into violations of the federal Constitution.”

The Brisbane/Manning Sanitary Sewers Project began in 2001 to connect some 180 homes to the city’s existing sewage system, with 38 homeowners deciding to pay fees of \$9,278 up front. The rest chose monthly instalments spread over 10 to 30 years, including interest. The city soon decided to stop the instalment plan, concluding that lot-by-lot payments discouraged families from moving to more efficient systems (Indianapolis now has a flat \$2,500 fee to connect sewer lines). Outstanding payments were cancelled – some owners having paid \$309, one-quarter less than \$1,000 – but refunds were denied those who paid in full. Officials said that to provide refunds “would establish a precedent of unfair and inequitable treatment to all property owners,” so 31 homeowners

sued, the average claim some \$8,000. A dissenting judge said the result was a “gross disparity” as the city promised to treat all homeowners the same but charged some homeowners 30 times what it charged their neighbours for the same hook-ups. “Every generation or so, a case comes along when this court needs to say enough is enough, if the Equal Protection Clause is to retain any force in this context.” Institute for Justice attorney Robert McNamara said, “The Equal Protection Clause is supposed to mean what it says: that people are entitled to equal treatment,” adding the lesson is less that people must be treated equally and more like “never pay the government up front.” See www.supremecourt.gov/opinions/11pdf/11-161.pdf.

Louis Capra, Plaintiff, v. Cook County Board of Review et al., US District Court, Northern District of Illinois Eastern Division, Case No. 11-cv-4028

Plaintiff Louis Capra filed suit against the Cook County Board of Review, three commissioners, the Chief Deputy Commissioner of the board and two first assistant commissioner employees of the board. The purpose of the board is to hear appeals of property tax valuations made by the Cook County Assessor. Plaintiff claims that the Board of Review’s defendants revoked his property tax reduction without providing him due process and in violation of a number of constitutional provisions. Defendants moved to dismiss the plaintiff’s complaint in its entirety. Court granted the defendants’ motion to dismiss. For the 12-page decision, see www.abisoft.org/opinions/2012/1_11-cv-04028_20120530.pdf.

Quirky but true...

Altus Group used standard valuation methods for office buildings to determine a value for the Centre Block of the Parliament Buildings, including the Peace Tower. Although Public Works is planning to spend almost \$500 million over the next decade on refurbishment, Altus estimated its value at \$87.9 million, a 138% increase from 12 years ago. “Considered one of the most iconic heritage buildings in Canada, the Centre Block is clearly a unique building that has value beyond what can be measured through traditional real estate methods,” said Colin Johnston, president of the company’s research, valuation and advisory practice. “However, the Centre Block is also an office building and influenced by factors and trends affecting the broader market.” The origi-

nal Centre Block cost more than \$1.37 million in 1866; after a 1916 fire that destroyed everything except the library, \$11 million was spent on rebuilding. Johnson said this valuation is the first in a series of assessments of famous Canadian landmarks. No word yet if these are on the list: Sudbury’s (ON) nickel, Wawa’s (ON) goose, Sydney’s (NS) fiddle, Komarno’s (MB) mosquito, Vulcan’s (AB) Starship Enterprise, Heisler’s (AB) baseball glove, Vegreville’s (AB) pysanka/Easter egg and Glover’s Harbour’s (NL) giant squid.

Resources: New & Noted

Unveiling the Municipal Subsidy Hall of Shame

Daniel Denvir explores elected officials using public resources to support mega-projects in the article “Great Moments in the History of Boondoggles.” As cities compete to attract jobs and investment, private entities such as corporations and sports teams are demanding public subsidies. “As a public service to the city council members and mayors of the world (not to mention the taxpayers they serve!) who are currently pushing for big subsidies, tax increment finance deals, or abatements for their pet mega-projects, we offer this quick look back at three of the most embarrassing municipal boondoggles in American history,” writes Denvir in *The Atlantic Cities*, May 30, 2012. See www.theatlanticcities.com/jobs-and-economy/2012/05/great-moments-boondoggle/2105.

Pew American Cities Project

For the first time since 1980, property tax revenue and state aid to cities across the United States is shrinking simultaneously, the Pew Charitable Trusts said, with the downward double spiral likely to continue for at least two to three years. “More tough choices lie ahead as leaders look to balance the day-to-day needs of their communities with their long-term prospects,” said Robert Zahradnik, research director for the Pew American Cities Project. The project is examining the biggest city in each of the country’s largest 30 metropolitan areas, using US Census Bureau data. In fiscal 2010, the most recent year for which Census data were available, local governments lost 2.6% of state aid and 2.5% of property tax revenue, nearly \$25 billion from the prior year, bringing the combined revenue to \$942.7 billion. The property tax revenue drop was the largest in three decades, Pew said, the two revenue sources together making up more than half of local revenue. The study cites numerous examples of local effects such as residents of Belvidere, New Jersey who now must haul their own garbage to the landfill or pay for private services, after the town cut trash collection entirely in early 2012. Alaska, flush with oil severance tax revenue, helped its municipalities pay down unfunded pension obligations between fiscal 2010 and 2013 by more than \$1.7 billion, the report said. The US has approximately 90,000 local governmental entities, including nearly 19,500 small and large cities, more than 16,500 towns, 13,000 school systems, 3,033 counties and nearly 37,400 special districts such as fire protection and hospitals. See www.pewstates.org/localsqueeze.

“Vallejo, Once Bankrupt, Now a Model for Cities in Age of Austerity” (article)

by Ariana Eunjung Cha

The Washington Post, May 23, 2012

Since declaring bankruptcy in 2008, the climb out hasn’t been

easy for Vallejo, California. But, after painful budget cuts in what was the largest municipal bankruptcy at the time, Eunjung Cha reports on its reinvention. “For the first time in five years, the city expects to have enough money to do such things as fill potholes, clear weeds, trim trees and repair tennis courts.” Two city council members, Marti Brown and Stephanie Gomes, decided the city needed to study best practices from around the world and bring some to California. By using technology to fill personnel gaps, volunteers to provide public services and asking local voters how money should be spent, Vallejo is in “better financial shape than many cities across the country.”

“China’s Property Tax Reform: Progress and Challenges” (article)

by Joyce Yanyun Man

Land Lines, April 2012

Lincoln Institute

Unlike many developed countries, China’s local governments have not been granted legal authority for taxing or borrowing; property tax plays a limited role in local public finance. As a result, many governments turn to extra-budgetary revenue, fees for leasing land use rights, surcharges and indirect borrowing from banks to finance infrastructure investment and economic development. From 1991 to 2008, land leasing fees (land transfer fees) increased from 5.7% of total local budgetary revenue to 43.5%. This overreliance has been criticized as a factor in rising housing prices, corruption cases and land disputes. Property tax reform “has begun to accumulate

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QUOTABLE QUOTE

“Climb the mountain not to plant your flag, but to embrace the challenge, enjoy the air and behold the view. Climb it so you can see the world, not so the world can see you. Go to Paris to be in Paris, not to cross it off your list and congratulate yourself for being worldly.”

– David McCullough, Jr. from his “You Are Not Special” commencement speech. See www.youtube.com/watch?v=Ds5wBOPKcps.

momentum towards better understanding and acceptability among citizens and local governments.” The successful establishment of property tax as a major revenue source “in a modern local public finance system requires not only assessment techniques and tax design but also political determination and administrative reform.” This article reviews problems with the current system, developments and achievements in property tax reform and challenges. See www.lincolninst.edu/pubs/2018_Land-Lines-April-2012.

“Reconsidering Preferential Assessment of Rural Land” (article)

by Richard W. England

Land Lines, April 2012

Lincoln Institute

Modifications of rural land assessments and property tax began in Maryland in 1957 when an agricultural-use assessment law was enacted. This statute provides that farm fields and pastures can be assessed below market value when being “actively used” for agricultural purposes. Several factors prompted dozens of states to enact Use Value Assessment (UVA) programs during the 1960s and 1970s: massive expansion of metropolitan regions, agricultural land on the fringes that escalated in price and assessors who frequently gave *de facto* preferences to farmers despite constitutional provisions requiring tax uniformity and equality. This article discusses the diversity and extent of UVA, farming and agricultural land, tax shifting and the reform of UVA programs. See www.lincolninst.edu/pubs/2018_Land-Lines-April-2012.

Analysis of Detroit Property Tax Revenue Options (working paper)

by Mark Skidmore & Gary Sands

This study offers a detailed parcel-level evaluation of property tax in Detroit where the base has narrowed, resulting in a decline in its revenue-raising potential. Despite challenges, the potential use of special assessments offers an opportunity to broaden the tax base, reduce horizontal inequities and generate additional revenue while reducing tax payments for many property owners. Several land-based tax scenarios are offered to evaluate the potential impacts of shifting to special assessment. While many economists favour land-based tax over the traditional property value-based tax on grounds of stimulating development, caution is warranted as the city represents only one-third of the overall property tax burden. Thus, any proposed change to city tax policies, though potentially helpful to margin development, will be dampened by the weight of the tax burden imposed by overlying jurisdictions. See www.lincolninst.edu/pubs/1997_Analysis-of-Detroit-Property-Tax-Revenue-Options.

Transitions

Edmonton, Alberta city councillor **Karen Leibovici** was acclaimed president of the Federation of Canadian Municipalities. **Ron Shaw**, Chief Administrative Officer for the City of Stratford, Ontario was elected president of the Canadian Association of Municipal Administrators.

In British Columbia, the District of Squamish welcomed **Corien Speaker** as its new Chief Administrative Officer. In Quesnel, **Byron Johnson** returns as its City Manager. Lake Country’s Chief Administrative Officer **Alberto De Feo** is the new president of the Local Government Management Association of BC.

Sturgeon County, Alberta’s new Chief Administrative Officer is **Peter Tarnawsky**. **Scott Smith** was appointed Chief Administrative Officer for the RM of Springfield, Manitoba.

In Ontario, the City of Kitchener announced that **Jeff Willmer** is its new Chief Administrative Officer. **Art Zuidema** was confirmed as London’s new City Manager. **John Baird** is Hamilton Township’s new Chief Administrative Officer.

In Nova Scotia, **Maureen MacDonald** takes over as the province’s Finance Minister. The town of Annapolis Royal announced the appointment of **Carol St-Amour** as its new Chief Administrative Officer.

Dr. David Lorenz, FRICS, is the new dedicated professor in Property Valuation and Sustainability. The Royal Institution of Chartered Surveyors and Karlsruhe Institute of Technology shared professorship encourages sustainable development among valuation professionals by developing globally applicable and adaptable teaching and training modules.

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Factoids

Annual revenue North Dakota would lose if residents had voted to abolish property taxes: US\$812 million.

* * *

Country entertainer Ricky Van Shelton’s log home on a 148-acre [60-ha] farm in Tennessee with a 2007 appraised value of \$1.2 million sold for \$671,000.

Coast to Coast to Coast to Coast

Canada

Saskatchewan

Saskatoon's Building Standards Branch issued 1,866 building permits as of the end of May, nearly 230 more permits more than in 2011. The construction value on the 2012 permits is \$403 million. The current value tops last May's figures by \$99 million, when 1,638 permits valued at \$304 million had been issued, the most issued in its 105-year history. The number of open building permits is also at a historic high: 5,953 valued at approximately \$1.75 billion. "We've never seen this before," says City Manager Murray Totland. "These numbers and dollar amounts give everyone a vivid idea of what's really happening in Saskatoon, what it means for job creation and how the city invests in what matters"

Regina's \$1-billion revitalization initiative includes buying 17.5 acres [17.5 ha] from CP Rail and hiring consultants to advise on design options for a new stadium. In April, the city requested \$230 million from the provincial government, suggesting \$88.3 million from the city and another \$30 million from the federal government. The stadium portion of the project was estimated at \$200 million from the province and \$50 million from the city. For non-stadium components, the city anticipates \$550–\$650 million from the private sector.

Manitoba

The majority of residents affected by flooding are receiving **compensation for the 2011 flood**. The province hired four additional property assessors for affected properties around Lake Manitoba and added six new commissioners (for a total of 12) to help with the claims appeals process. Teams of appraisers have been assessing approximately 50 properties per week, and all appraisals are to be completed by the end of August. The geographical scope of the flood affected 141 rural municipalities. Under the Building and Recovery Action Program, most applicants have received advance or final payments for some \$66.4 million; under the Disaster Financial Assistance Program, more than 50% of claims are complete, with more than \$300 million paid out. The flood is expected to cost nearly \$1 billion. The province has already spent more than \$880 million for flood fighting, recovery and compensation. See www.gov.mb.ca.

Nova Scotia

The Canadian Taxpayers Federation filed a freedom of information request for the terms and conditions of assistance worth \$304 million made by the province to help **Irving Shipbuilding Inc.** secure \$25 billion in federal shipbuilding work. The request was denied owing to a third party's information, reportedly that "disclosure could hurt the financial interests of a public body."

Halifax Regional Municipality agreed to pay the outstanding bill from the city's concert scandal after a promoter got a cash advance for two concerts in 2010, funneled through Trade Centre Ltd. and Ticket Atlantic. Concert promoter Harold MacKay repaid some \$38,000, leaving an outstanding bill for taxpayers of \$322,000.

USA (NB: All figures in US\$)

Louisiana

Receiving a unanimous house vote to proceed, state residents will be asked on the November ballot whether they want to offer a **10-year local property tax break**, currently given to manufacturers, to a longer list of businesses. If approved, regions would offer tax breaks to digital media businesses, data centres, corporate headquarters, and research and development firms. The businesses would have to make a capital investment in Louisiana greater than \$25 million and create at least 50 new jobs. If voters agree, local governing and taxing bodies would decide if they want to participate before the break would be offered as part of a larger incentive package.

Pennsylvania

A proposal from Governor Tom Corbett would give up to \$1.675 billion in tax credits over the next 25 years to **Shell Oil Co.** and others that locate an ethane facility in the state. The proposed \$67 million in annual tax credits would begin in 2017, when the plant is expected to begin operating. The credit is aimed at attracting companies that process gas liquids, for up to 20% of their eligible tax liability. Specifics of the financial incentives have remained mostly in camera even after the location was made public in March. Officials and staffers said a measure expanding the Keystone Opportunity Zones and offering 15 years of tax breaks helped win over the company.

The amount owing by **Philadelphia** property tax delinquents rose by \$43.8 million in new debt over the last year, increasing the total amount owed to \$515.4 million, an increase of 9.3%. There are now some 103,000 delinquent properties, approximately 18% of all parcels. The *Philadelphia Inquirer*/PlanPhilly estimates that "no other big city in the nation approaches that level of property tax delinquency."

New Jersey

Atlantic City wants out of an \$860,000 a year assessment as part of an expansion of the Special Improvement District into a new state-run tourism district. Borgata Hotel Casino & Spa filed a lawsuit to get out of the Special Improvement District, which it said provides services that disproportionately benefit casinos on the boardwalk. Media reported that the

case underscores the growing competitive tension between the Marina District and boardwalk as Atlantic City's gaming revenue continues to fall.

Kansas

The Court of Appeals declined to reconsider its ruling that **TransCanada** qualifies for an exemption allowing it to avoid paying nearly \$19 million in property taxes on a pipeline bringing oil into the United States. Officials in six counties crossed by the Keystone pipeline said they are losing millions of dollars because of the ruling. The property valuation division in the Department of Revenue argued the state's three refineries don't have direct access to the pipeline's oil, which it claims is required under the law establishing the exemption. Kansas lawmakers passed the exemption in 2006, when Calgary-based TransCanada was exploring the route through Kansas. The law was designed to encourage energy projects and included income tax credits, financing and 10-year tax exemptions for projects, including pipelines. Kansas is the only state along the route with such an exemption. The Court of Tax Appeals ruled that the law doesn't require refineries to have direct access to the pipeline, noting the refineries are getting the oil indirectly, satisfying the law. The section in Kansas is separate from TransCanada's disputed Keystone XL project, but would link Keystone XL to facilities in Oklahoma and the Gulf of Mexico. House Energy and Utilities Committee Chairman Carl Dean Holmes said the state's three refineries, down from 20 three decades ago, need some 335,000 barrels of oil a day for full operations, more than three times the amount produced: by using the tax break to encourage construction of the pipeline, the state is helping to meet US energy needs. The state Department of Revenue is appealing the ruling. "We were pleased that the Court of Tax Appeals denied PVD's Petition for Reconsideration and remain confident that Keystone Pipeline's entitlement to the tax abatement afforded to it by Kansas law will be upheld on appeal," TransCanada spokesperson Terry Cunha wrote in an email to Associated Press.

WORK WORD

security seepage, *n.* Risk posed to companies whose trade secrets are stored on employee computers that are preyed upon by laptop snatchers at airports. The integrity of such devices might also be compromised by their use in playing Minesweeper and Internet backgammon.

From *A Devil's Dictionary of Business Jargon*
by David Olive

FOCUS & MUNICIPAL ASSESSMENT & TAXATION

EXECUTIVE EDITOR
Peter A. Milligan
Associate Counsel
Assessment and Property Taxation
Miller Thomson
Toronto, Ontario

MANAGING EDITOR
Cynthia Martin
cmartin@longwoods.com
Longwoods Publishing Corporation

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DESIGN AND PRODUCTION
Jonathan Whitehead

ASSOCIATE PUBLISHER
SUBSCRIBER SERVICES
For address/contact information
changes, please contact
Barbara Marshall
bmarshall@longwoods.com

MAILING ADDRESS:
260 Adelaide Street East
No. 8, Toronto, Ontario
Canada M5A 1N1
Telephone: (416) 864-9667
Facsimile: (416) 368-4443
Email: cmartin@longwoods.com
Internet: www.longwoods.com

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