York Region

Clause 6 in Report No. 7 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on April 19, 2018.

6
2018 Property Tax Ratios

Committee of the Whole recommends adoption of the following recommendations contained in the report dated March 27, 2018 from the Commissioner of Finance:

1. The property tax ratios for the 2018 taxation year be established as follows:

Broad Property Class	Proposed 2018 Tax Ratios
Multi-Residential	1.0000
Commercial (incl. office)	1.2323
Industrial	1.4973
Pipelines	0.9190
Farmland	0.2500
Managed Forests	0.2500

2. Council approve a bylaw to implement the tax ratios using the notional property tax rate calculation adjustment for 2018.

3. The Regional Clerk circulate this report to the local municipalities.

Report dated March 27, 2018 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that:

1. The property tax ratios for the 2018 taxation year be established as follows:

Broad Property Class	Proposed 2018 Tax Ratios
Multi-Residential	1.0000
Commercial (incl. office)	1.2323
Industrial	1.4973
Pipelines	0.9190
Farmland	0.2500
Managed Forests	0.2500

2. Council approve a bylaw to implement the tax ratios using the notional property tax rate calculation adjustment for 2018.

3. The Regional Clerk circulate this report to the local municipalities.

2. Purpose

This report identifies proposed property tax ratios for the 2018 taxation year.

3. Background

Tax ratios influence the share of taxation paid by each class of property

Tax ratios influence the relative amount of taxation that is borne by each property class. The tax rate for a given property class is determined by multiplying the residential tax rate by the tax ratio for the class. For example, if the proposed tax ratios are adopted, the tax rate for a property in the commercial class would be 1.2323 times the residential tax rate per one hundred dollars of assessment.

Table 1 shows the tax ratios that the Region has had in place since 2009.

Table 1
Region's Tax Ratios Since Tax Year 2009

Property Class*	2009 Ratios	2010 Ratios	2011 Ratios	2012 Ratios	2013-2016 Ratios	2017 Ratios	2018 Ratios (Proposed)
Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Multi-Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Commercial (incl. office)	1.2070	1.1800	1.1431	1.1172	1.1172	1.1813	1.2323
Industrial	1.3737	1.3575	1.3305	1.3124	1.3124	1.4169	1.4973
Pipelines	0.9190	0.9190	0.9190	0.9190	0.9190	0.9190	0.9190
Farmland	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500
Managed Forests	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500

* Note that tax ratios have only been adjusted for the business classes as Council policy has been to maintain tax ratios for multi-residential, farmland, managed forests and pipelines.

In 2017 Council adopted revenue neutral tax ratios

In 2017, Council endorsed revenue neutral tax ratios. Under this option, each property class would pay the same share of property taxes as it did prior to reassessment. The effect of revenue neutrality is that the same share of revenue is obtained from each class, even though some classes have changed in value well above or below the average rate of growth.

Increases to property values in the residential class as a result of the 2016 reassessment exceeded those in the business classes. Under "revenue neutrality," an increase to tax ratios for the business classes is required to achieve the same share of property taxation. In other words, the property taxes for the residential classes are lower than they would have been if tax ratios had remained at 2016 levels. The tax burden is shifted from residential classes to the commercial and industrial classes.

Shifting the tax burden away from the residential class does not benefit every household in the same way. Those who own homes that are in the highest levels of assessed value benefit the most under revenue neutrality, as they otherwise would have experienced the highest increases in property taxes if the burden hadn't been shifted to the business classes.

4. Analysis and Implications

As a result of the decision to approve revenue neutral tax ratios, Council is required to approve new revenue neutral tax ratios based on actual assessment outcomes for each year

Council needs to approve revenue neutral tax ratios based on actual assessment outcomes for each year, as the relative share of the total Current Value Assessment for each broad property class shifts from year-to-year due to the phase-in of the reassessed values and the addition of new assessment. The total Current Value Assessment is the sum of the assessed values of all taxable properties in the region based on the assessments of each individual property determined by the Municipal Property Assessment Corporation. The 2018 tax ratio outcomes were generated by the Online Property Tax Analysis System (“OPTA”), an online tool by Reamined Systems Inc. on behalf of the Government of Ontario that has various applications to help municipalities make decisions under the current property tax and assessment system.

2018 Current Value Assessment is 10.2% higher than 2017, of which 9.5% can be attributable to the phasing-in of the 2016 reassessment

Table 2 illustrates the increase in total value assessment between 2017 and 2018.

Table 2
Current Value Assessment Comparison

Broad Property Class	2017 CVA	2018 CVA	% Increase
Residential	224,675,306,633	249,613,414,750	11.1
Multi-Residential	2,230,073,734	2,386,632,022	7.0
Commercial (incl. office)	32,163,609,025	33,945,695,763	5.5
Industrial	7,420,870,209	7,659,354,112	3.2
Pipelines	296,014,250	350,052,836	18.3
Farmland	1,528,921,482	1,630,772,552	6.7
Managed Forests	62,951,400	66,492,900	5.6
Total	268,377,750,424	295,652,414,935	10.2%

The 2018 Current Value Assessment is used as the basis to calculate the revenue neutral tax ratios for 2018 (Table 3).

Table 3
Estimated Revenue Neutral Tax Ratios for 2018

	2017 Actual	2018 (Online Property Tax Analysis)
Residential	1.0000	1.0000
Multi-Residential	1.0000	1.0000
Commercial (incl. office)	1.1803	1.2323
Industrial	1.4200	1.4973
Pipelines	0.9190	0.9190
Farmland	0.2500	0.2500
Managed Forests	0.2500	0.2500

Even with revenue neutral ratios, York Region still has the lowest commercial and industrial property tax ratios in the GTA

While revenue neutrality increases the ratios for commercial and industrial classes relative to what they would have been without revenue neutral ratios, the Region still has the lower tax rates for commercial and industrial properties in the GTA (Charts 1 and 2).

Chart 1
2017 Commercial Tax Ratios for GTA Municipalities

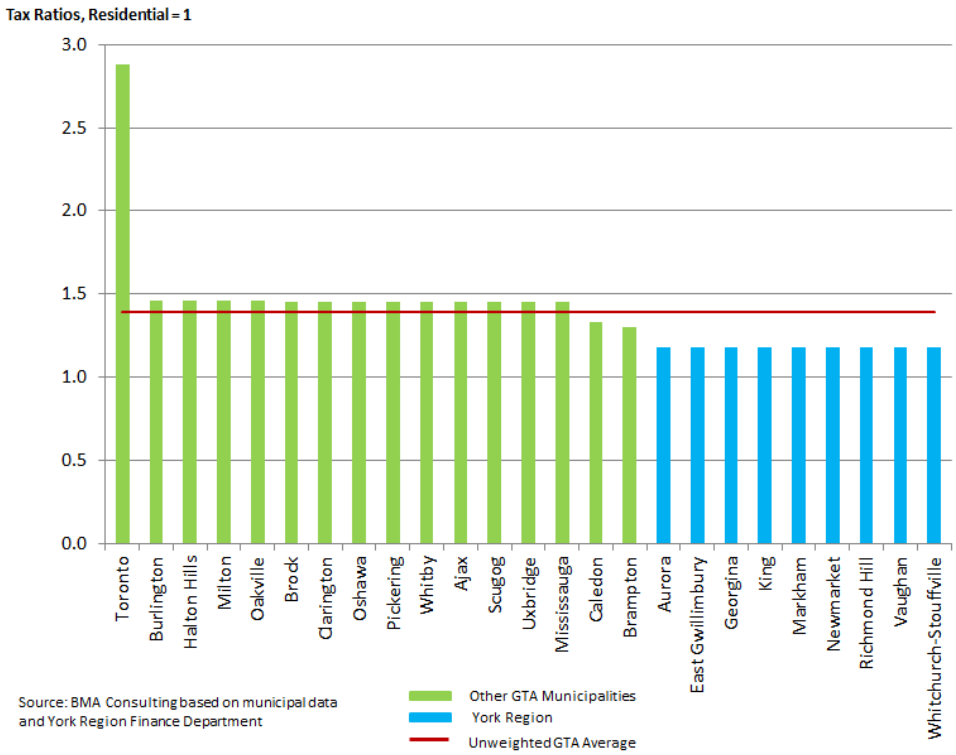
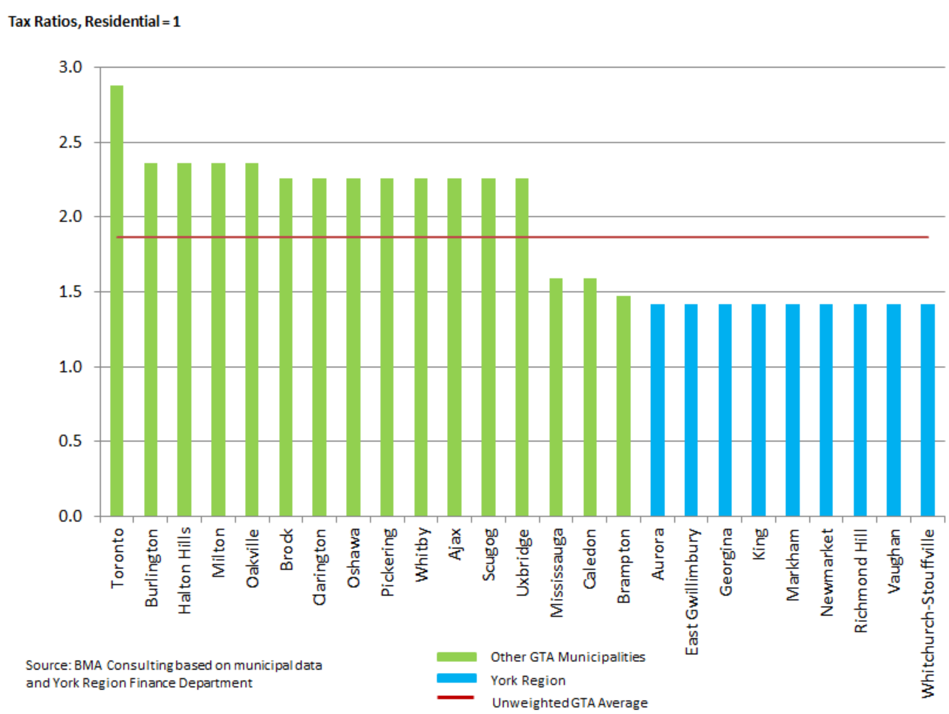


Chart 2
2017 Industrial Tax Ratios for GTA Municipalities



Council approval is required for municipalities to adopt the notional tax rate calculation adjustment

The notional tax rate calculation is an input for determining the revenue neutral tax ratios. Notional tax rates are the tax rates that would raise the same amount of property taxes as the previous year while using the updated assessment roll information for the current year. As the total assessment value increases each year due to assessment value phase-in, the notional tax rate declines to keep revenues at the previous year's level. While the notional tax rate has no impact on the respective tax rates, it is used to explain changes in the tax levies year over year. The notional tax rate is not used to establish the property tax rates that are used to raise the Council-approved operating budget.

In 2016, the province introduced an option for municipalities to adjust the notional tax rate calculation. This option allows municipalities to remove in-year assessment losses due to factual errors and methodological changes when calculating notional tax rates. In calculating the 2018 property tax ratios, staff utilized the notional tax rate adjustment as it provides a more accurate illustration of the impact of assessment growth.

Adopting the provincial methodology for calculating notional tax rates does not materially affect revenue neutral tax ratios

The notional rate calculation adjustment has only immaterial impact on revenue neutral tax ratios. Where this adjustment impacts the final bills would be the overall levy change and disclosure notices, since the overall levy change is calculated by comparing the notional rates as a base rate to the adopted tax rates.

The notional tax rate adjustment option was adopted in 2017 and is reflected in the proposed 2018 revenue neutral tax ratios.

5. Financial Considerations

The adoption of tax ratios enables the Region to set the tax rates to raise the amount of revenue that Council approves through the annual budget process.

6. Local Municipal Impact

Revenue neutral ratios do not eliminate tax shifts between municipalities

While revenue neutrality mitigates the change in the relative tax burden, it does not eliminate the impact of the reassessment on the residential class among municipalities. Using 2018 estimates, residential properties in Richmond Hill and Markham would continue to experience an increase in relative tax burden, given that the Current Value Assessments in those municipalities have increased more than the rest of the Region.

7. Conclusion

The proposed 2018 tax ratio will raise the property tax levy requirement that was approved by Council in December 2017.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at 1-877-464-9675 ext. 71644.

The Senior Management Group has reviewed this report.

March 27, 2018

8293198

Accessible formats or communication supports are available upon request