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 20, 2017.

6
2017 - 2020 Property Tax Ratio Policy

Committee of the Whole recommends:

1. Receipt of the following communications regarding "Property Tax Ratios":

   a) Carolyn Lance, Council Services Coordinator, Town of Georgina dated February 16, 2017

   b) Kimberley Kitteringham, City Clerk, City of Markham dated March 7, 2017

   c) Samantha Kong, Council Coordinator, Town of Whitchurch-Stouffville dated March 30, 2017

2. Receipt and referral to staff of the communication from Kimberley Kitteringham, City Clerk, City of Markham dated March 7, 2017 regarding "Vacant Unit Property Tax Rebate Program".

3. Adoption of the following recommendations, *as amended*, contained in the report dated March 29, 2017 from the Commissioner of Finance:

   1. The property tax ratios for the taxation year 2017 be established in accordance with option 2 (revenue neutrality) in this report:

Option 2: Estimated Revenue Neutral Tax Ratios

	2016 Actual	2017 Estimated Tax Ratios
Residential	1.0000	1.0000
Multi-Residential	1.0000	1.0000
Commercial (incl. office)	1.1172	1.1803
Industrial	1.3124	1.4200
Pipelines	0.9190	0.9190

* Includes farmlands and managed forests at 0.25.

2. Council approve a bylaw to implement the tax ratios and the notional property tax rate calculation adjustment for 2017.

3. Staff bring a tax rate report to Council in May 2017 that reflects the tax ratio decision.

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

Report dated March 29, 2017 from the Commissioner of Finance now follows:

1. Recommendations

It is recommended that:

1. The property tax ratios for the taxation years 2017 through to 2020 be established in accordance with option one in this report:

Broad Property Class	2017 Tax Ratios	2018 Tax Ratios	2019 Tax Ratios	2020 Tax Ratios
Multi-Residential	1.0000	1.0000	1.0000	1.0000
Commercial (incl. office)	1.1172	1.1172	1.1172	1.1172
Industrial	1.3124	1.3124	1.3124	1.3124
Pipelines	0.9190	0.9190	0.9190	0.9190
Farmlands	0.2500	0.2500	0.2500	0.2500
Managed Forests	0.2500	0.2500	0.2500	0.2500

2. Council approve a bylaw to implement the tax ratios and the notional property tax rate calculation adjustment for 2017.

3. Staff bring a tax rate report to Council in May 2017 that reflects the tax ratio decision.

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

2. Purpose

This report identifies proposed property tax ratios for the 2017 - 2020 taxation years. It provides an analysis of the change in the relative tax burden due to the 2016 general property reassessment, and an analysis of the impact of capping on the business classes as a result of maintaining the current tax ratios.

In addition, this report proposes that the Region adopts a notional property tax rate calculation adjustment for 2017.

3. Background

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

Tax ratios represent the amount of taxation to be borne by each property class in relation to the residential class. The ratios reflect how the tax rate of a given property class compares to the residential tax rate, with the residential class tax ratio being equal to "one".

A consideration in setting tax ratios is the provincially established "Ranges of Fairness". The Ranges of Fairness aim to ensure equity among the classes, meaning one dollar of assessment value should generate the same amount of tax revenue regardless of class. In addition, the Ranges of Fairness also promote a fairness principle, in which the level of taxation on a class is related to the cost of providing services to that class.

Table 1 shows the tax ratios that the Region has had in place since 2003, the proposed 2017 – 2020 tax ratios and the provincially established "Ranges of Fairness".

Table 1
Region's Tax Ratios Since Tax Year 2003

Property Class*	2003 Ratios	2004 - 2005 Ratios	2006 - 2008 Ratios	2009 Ratios	2010 Ratios	2011 Ratios	2012 Ratios	2013 – 2016 Ratios	2017 – 2020 Ratios (Proposed)	Ranges of Fairness
Residential	1.0000	1.0000	1.0000	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	1.0000	1.0000	1.0 to 1.1
Commercial (incl. office)	1.1000	1.2070	1.2070	1.2070	1.1800	1.1431	1.1172	1.1172	1.1172	0.6 to 1.1
Industrial	1.3000	1.3737	1.3737	1.3737	1.3575	1.3305	1.3124	1.3124	1.3124	0.6 to 1.1
Pipelines	0.9190	0.9190	0.9190	0.9190	0.9190	0.9190	0.9190	0.9190	0.9190	0.6 to 0.7

Farmland	0.2500	0.2500	0.2500	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	0.2500	0.2500	0.2500

* Note that tax ratios were adjusted only for the business classes as Council maintained tax ratios unchanged for multi-residential, farmland, managed forests and pipelines.

Property assessment values for the taxation years 2017 - 2020 will be based on a January 1, 2016 reassessment

Under the Province's *Assessment Act*, the assessment of all properties in Ontario is carried out by the Municipal Property Assessment Corporation. For the tax years 2017 through to 2020 inclusive, properties have been reassessed to reflect a January 1, 2016 valuation. Since the 2009 taxation year, reassessments have taken place every four years, with increases phased in equally over the following four years. All current value assessment decreases are applied immediately.

Prior to the 2009 taxation year, the reassessment cycle was not four years in length. Since the adoption of the current value assessment system in 1998, reassessments occurred in 1999 for the 2001-2003 taxation years, in 2003 for the 2004-2005 taxation years, and in 2005 for the 2006-2008 taxation years.

Property reassessment creates changes in the relative tax burden

Whenever a general reassessment is undertaken, three types of changes to the relative tax burden will occur:

1. Between properties within the same property tax class when the assessed value of some properties increases more or less than the average increase for the class.
2. Between property classes within the Region as a whole, when the total value of assessment in one class increases relative to other property tax classes.
3. Between local municipalities within the Region when the total value of assessment in all property classes in one municipality increases relative to the total value of assessment in other municipalities.

Tax burden is calculated using a notional tax rate that would raise the prior year's tax revenues based on updated current values

The relative tax burden is calculated using the Province's Online Property Tax Analysis tool. The Province's methodology uses notional tax rates to quantify the change in tax burden on each taxpayer due to reassessment. 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.

The notional tax rate calculation is required to explain the changes in property tax payable due to reassessment and tax levy changes

The notional tax rate calculation is an input into staff's tax ratio analysis. Staff use notional tax rates to see how the relative burden of taxation will shift between 2016 and 2020. The notional tax rate is not used to establish the property tax rates that are determined to raise the Council-approved operating budget.

Changes in the relative tax burden can be mitigated through tax ratio adjustments

Council has the ability to shift the relative tax burden due to reassessment by adjusting tax ratios. However, the Province has enacted legislation that restricts tax ratio changes according to a specific formula:

- Tax ratio changes may move within or towards the Ranges of Fairness
- Tax ratio changes resulting in a move away from the Ranges of Fairness are only allowed when they are equal to or less than the "revenue neutral" ratios in each tax year
- Tax ratio changes are not allowed when the move away from the Ranges of Fairness exceeds "revenue neutral" tax ratios, unless approved under regulation by the Minister of Finance

Tax ratio policy can be evaluated based on the principles of equity, fairness and economic competitiveness

Tax policy decisions recommendations aim to reflect several key principles, found in Table 2.

Table 2
Regional Tax Ratio Policy Principles

Principle	Description
Equity	Every dollar of assessed value should generate the same level of revenue, regardless of class
Fairness	The level of taxation on a property class should be related to the cost of services provided to that class of property
Economic competitiveness	The Region should move ratios towards the Ranges of Fairness to reduce the relative tax burden on the commercial and industrial classes

The provincial formula related to moving tax ratios to the revenue neutral tax levels was first put in place in 2004. For the 2004 tax year, Council approved a move to revenue neutral tax ratios. These ratios were in place for the 2004 to 2009 tax years.

Since the 2008 reassessment, Council's policy has been to move tax ratios closer to the Ranges of Fairness when the opportunity presents itself. In practice, this has meant reducing ratios for business classes when business assessment values are increasing faster than residential values, and keeping ratios constant when residential assessment values are increasing faster than business class values. Table 3 displays the history of tax ratio policy decisions in the past few reassessment cycles.

Table 3
Tax Ratio Policy History

Reassessment Year	Tax Years Affected by Reassessment	Reassessment Impact	Council Decision
2003	2004 to 2005	Residential class values increased faster (19.5%) than commercial (7.6%) and industrial (10.4%) classes.	Adopt revenue neutral ratios for commercial and industrial classes
2005	2006 to 2008	No significant tax shifts between broad classes	Maintain the previous ratios
2008	2009 to 2012	Commercial class values increased faster (33.2%) than industrial (28.6%) and residential (19.5%) classes.	Maintain ratio in 2009 and phase-in lower commercial and industrial ratios between 2010 and 2012
2012	2013 to 2016	Residential class values increased faster (27.4%) than commercial (15%) and industrial (15.9%) classes.	Maintain ratios at 2012 levels from 2013 to 2016

The current value assessment framework is based on an “equity” principle

The policy framework underpinning property taxation in Ontario is current value assessment. Every property is assessed at its market value on a common base year.

The principle that properties should be taxed according to their market value is enshrined in legislation. If the equity principle was fully implemented, a given dollar of assessed value would attract the same amount of taxation as any other dollar of assessed value. The practical application of that principle is that the property tax ratio for all classes of assessment would be the same as the residential class (that is, “one”).

The fairness principle helps align tax burden with benefit received

The principle of fairness is that the level of taxation on a particular class of property should be related to the cost of the services provided to that class. The provincial “Ranges of Fairness” ratios are between 0.6 and 1.1 for business classes because business classes typically consume fewer municipal services than residential classes.

The higher taxation of the non-residential sector has been addressed in a few Canadian studies. These studies estimated the benefits that the non-residential sector receives from the consumption of local public services and compared this value to the property tax paid by the non-residential sector. All studies found that the residential sector receives proportionately more benefits from local municipal services than the non-residential sector.

It is prudent to keep business taxes as close to the Ranges of Fairness as possible to promote economic competitiveness

The taxation of business properties at higher rates than residential properties is a common practice among Greater Toronto and Hamilton Area municipalities, including York Region. However, York Region has the lowest business tax ratios in the Greater Toronto and Hamilton Area.

Council approved a strategic plan that includes initiatives with an emphasis on attracting multi-residential, office and industrial development. It is prudent to protect the Region’s competitive position when formulating tax ratio policy. Although property taxes have not been shown to be a significant factor in business location decision-making, York Region’s relatively low property tax rates theoretically help offset the cost of development charges (e.g., for office development).

A 38 per cent increase in the total value of assessment will be phased in over four years

As a result of the 2016 reassessment, there will be a 38 per cent increase in the assessed value of properties in York Region, to be phased-in over four years. Table 4 describes the results of the reassessment.

Table 4
Change due to Reassessment by Municipality

	2016 Total Assessed Value* ($M)	**2020 Total Assessed Value** ($M)**	**Increase/ (Decrease) ($M)**	**Increase/ (Decrease) (%)**
Aurora	11,492	15,932	4,440	38.6
East Gwillimbury	4,654	6,513	1,859	39.9
Georgina	6,206	8,361	2,155	34.7
King	7,144	9,363	2,219	31.1
Markham	69,456	98,461	29,005	41.8
Newmarket	14,056	19,333	5,277	37.5
Richmond Hill	43,350	63,497	20,146	46.5
Vaughan	76,639	100,739	24,100	31.4
Whitchurch-Stouffville	9,319	12,955	3,636	39.0
York Region	**242,317**	**335,154**	**92,837**	**38.3**

*Reflects January 1, 2012 valuation
**Reflects January 1, 2016 valuation

Overall, the reassessment has resulted in the 2020 values for Richmond Hill and Markham increasing more than the York Region average. Properties in these two municipalities will attract a relatively higher proportion of the Region’s overall tax requirement, holding all other factors constant.

Table 5 describes the results of the January 1, 2016 reassessment for 2020 (destination assessment) between the property classes and by municipality.

Table 5
Percentage change in Total Taxable Assessment Value due to Reassessment

	Residential (%)	Commercial (incl. office) (%)	Industrial (%)	Other[1] (%)	Total (%)
Aurora	41	18	39	29	39
East Gwillimbury	42	22	12	48	40
Georgina	35	21	14	46	35
King	29	48	89	39	31
Markham	47	18	11	21	42
Newmarket	40	28	16	36	38
Richmond Hill	50	21	7	28	46
Vaughan	36	19	11	39	31
Whitchurch-Stouffville	41	24	13	36	39
York Region*	**42**	**20**	**12**	**33**	**38**

*Weighted Average
[1]Other contains farmland, forests, multi-residential and pipeline classes

The value of the residential property class is increasing faster than the other classes

Although the average values of all property classes in the Region are rising as a result of the reassessment, the value of the residential property class is increasing faster than the other classes. Average values of residential properties have increased by 39 per cent, from $578,000 to over $803,000. Single family detached houses have seen a 43 per cent increase in value.

Table 6 shows the average residential property value increase by municipality.

Table 6
Average Residential Home Values in York Region

	2012 Current Value Assessment ($)	2016 Current Value Assessment* ($)	Change (%)
Richmond Hill	635,314	930,713	46.5
Markham	586,080	840,814	43.5
Newmarket	450,249	626,483	39.1
Whitchurch-Stouffville	545,746	750,772	37.6
Aurora	548,215	750,534	36.9
Georgina	305,108	408,862	34.0
Vaughan	631,291	839,543	33.0
King	690,129	886,488	28.5
East Gwillimbury	468,196	580,212	23.9
York Region	**577,977**	**803,305**	**39.0**

* Destination value, to be phased in over the 2017-2020 period.

4. Analysis and Implications

Council has options to shift the impact of the reassessment

Council can, if it chooses, either move towards or away from the Ranges of Fairness and in so doing, change the relative tax burden due to reassessment.

The following tax ratio options were analysed for the 2017 - 2020 taxation years:

- Option 1: Leave tax ratios unchanged (recommended)
- Option 2: Increase tax ratios on the business classes to mitigate the change in relative burden as a result of the reassessment (revenue neutral option)

The impact of these options on different property classes in the local municipalities is shown in Attachment 1.

Option 1: Leave tax ratios unchanged (recommended)

Leaving the tax ratios as they are would mean that the results of the reassessment would be implemented without any new policy measures to shift assessment between classes. The resulting changes in the relative tax burden across municipalities and classes are outlined in Table 7.

Table 7
Option 1
Changes in Relative Tax Burden
by Municipality and Property Class between 2016 and 2020[2]

	Residential ($000s)	Commercial and Industrial ($000s)	Other ($000s)	Subtotal ($000s)	Notional Tax Rate Adjustments[1] ($000s)	Total (Net of Adjustments) ($000s)
Richmond Hill	13,592	(2,447)	(29)	11,117	(252)	**10,864**
Markham	15,615	(6,433)	(266)	8,916	(956)	**7,959**
Whitchurch-Stouffville	863	(377)	(10)	476	(85)	**391**
Newmarket	1,265	(681)	2	586	(463)	**124**
Georgina	(209)	(159)	(5)	(373)	(80)	**(453)**
Aurora	471	(876)	(26)	(430)	(127)	**(557)**
East Gwillimbury	(409)	(230)	13	(626)	(30)	**(657)**
King	(1,609)	122	(4)	(1,490)	(69)	**(1,559)**
Vaughan	(3,031)	(11,220)	(205)	(14,455)	(1,659)	**(16,114)**
York Region Total	26,550	(22,301)	(529)	3,720	(3,720)	**0**
York Region (Net of Adjustments)	**25,721**	**25,190**	**(531)**	**0**	**0**	**0**

[1] These are the result of the notional property tax rate adjustment introduced by the Province in 2016. This adjustment incorporates in-year assessment losses due to factual errors and methodological changes into the notional tax rate calculation formula.
[2] This table details the change in relative tax burden between 2016 and 2020, and does not detail the tax shift impacts for each intervening year

The detailed breakdown in Table 8 highlights the relative cumulative change in tax burden by property type. The positive shift to the residential class is offset by across-the-board reductions for properties in the commercial and industrial classes.

Table 8
2020 Relative Tax Burden by Property Type in York Region

Property Type within property classes	Percentage of Total Properties (%)	Relative Tax Change between 2016 and 2020 ($)	Relative Tax Change for an average Property ($)	Increase (decrease) in relative tax burden (%)
Residential				
Residential units	88.1	27,226,458	80.0	3.5
Various residential vacant lands	3.3	81,907	6.5	0.4
Other residential property types	0.7	(758,629)	(259.9)	(9.0)
Subtotal Residential	**92.1**	**26,549,736**	**75.0**	**3.3**
Commercial				
Business condominiums	4.2	(2,230,780)	(135.9)	(12.8)
Shopping centres	0.2	(1,767,663)	(1,983.9)	(5.4)
Business vacant lands	0.1	(149,858)	(279.1)	(4.6)
Other	1.8	(12,393,421)	(1,978.8)	(15.3)
Subtotal Commercial	**6.3**	**(16,541,722)**	**(686.09)**	**(12.3)**
Industrial				
Standard industrial properties	0.2	(3,833,963)	(3,932.3)	(18.7)
Industrial condominiums	0.2	(179,301)	(301.9)	(13.8)
Industrial vacant land	0.1	(229,541)	(509.0)	(6.5)
Other industrial property types	0.2	(1,516,045)	(2,045.9)	(15.4)
Subtotal Industrial	**0.7**	**(5,758,850)**	**(2,085.8)**	**(16.4)**
Other property classes				
Multi-residential	0.1	(388,497)	(1,339.6)	(4.7)
Pipelines	0.0	(197,645)	(14,117.5)	(18.7)
Farmland	0.7	54,463	19.1	3.9
Managed forests	0.1	2,853	10.6	5.0
Subtotal Other	**0.9**	**(528,827)**	**(154.5)**	**(4.9)**
Notional Tax Rate Adjustments		**($3,720,337)**		
Total	**100%**	**$0**	**$0**	**0%**

Properties with higher-than-average assessed values would pay proportionately more than those with lower-than-average assessed values

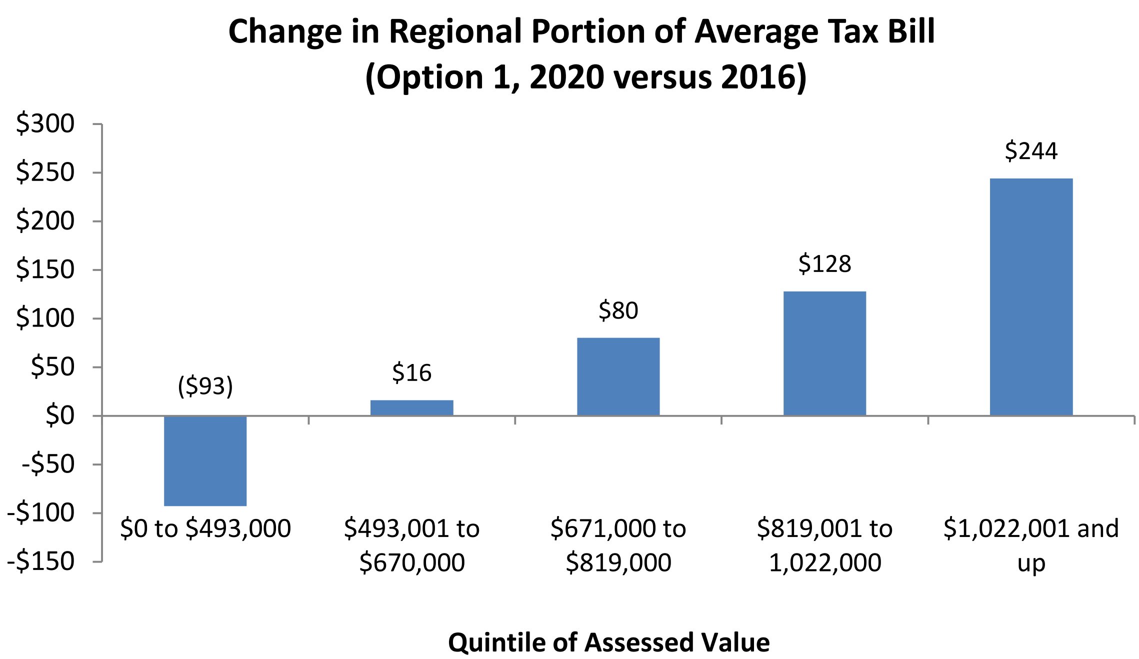
Although there is a large positive shift to the residential class under Option 1, the relative tax burden depends on the assessed value of the residential property.

Staff stratified the residential class into quintiles of assessed value and compared the Regional property tax bill paid by the average property in each quintile. Properties in the 5th quintile consist of the top 20 per cent of properties in the Region in terms of assessed values, whereas properties in the 1st quintile are the bottom 20 per cent.

Assuming no tax levy changes, the average property in the lowest quintile will be paying relatively less taxes in 2020 than they did in 2016. That is a negative tax shift.

On the other hand, those properties in the higher quintiles will be paying relatively more taxes in 2020 than they did in 2016. This is because the values of more expensive properties have been increasing faster than those with lower values. As a result, the tax burden is being shifted onto the highest value residential properties, while the lowest value properties see a reduction in their burden.

Figure 1



Holding tax ratios at current levels helps align tax burden with gains in valuation

Holding tax ratios at current levels would allocate the change in relative tax burden to those that economically benefitted the most over the last four years. Region wide, the residential class saw their property values increase more than 39 per cent over four years. This increase is significantly greater than the 20 per cent increase over four years experienced by the commercial class or the 12 per cent increase experienced by the industrial class.

Higher value residential properties will see proportionally larger increases in their tax burdens than lower value residential properties. In this way, the tax burden is aligned with the economic benefit realized by residents whose homes have appreciated the most.

York Region continues to have the lowest business class tax ratios in the GTA

York Region has the lowest tax ratios in the GTA for the multi-residential, commercial, industrial and pipeline classes. Option 1 would help to maintain this competitive edge.

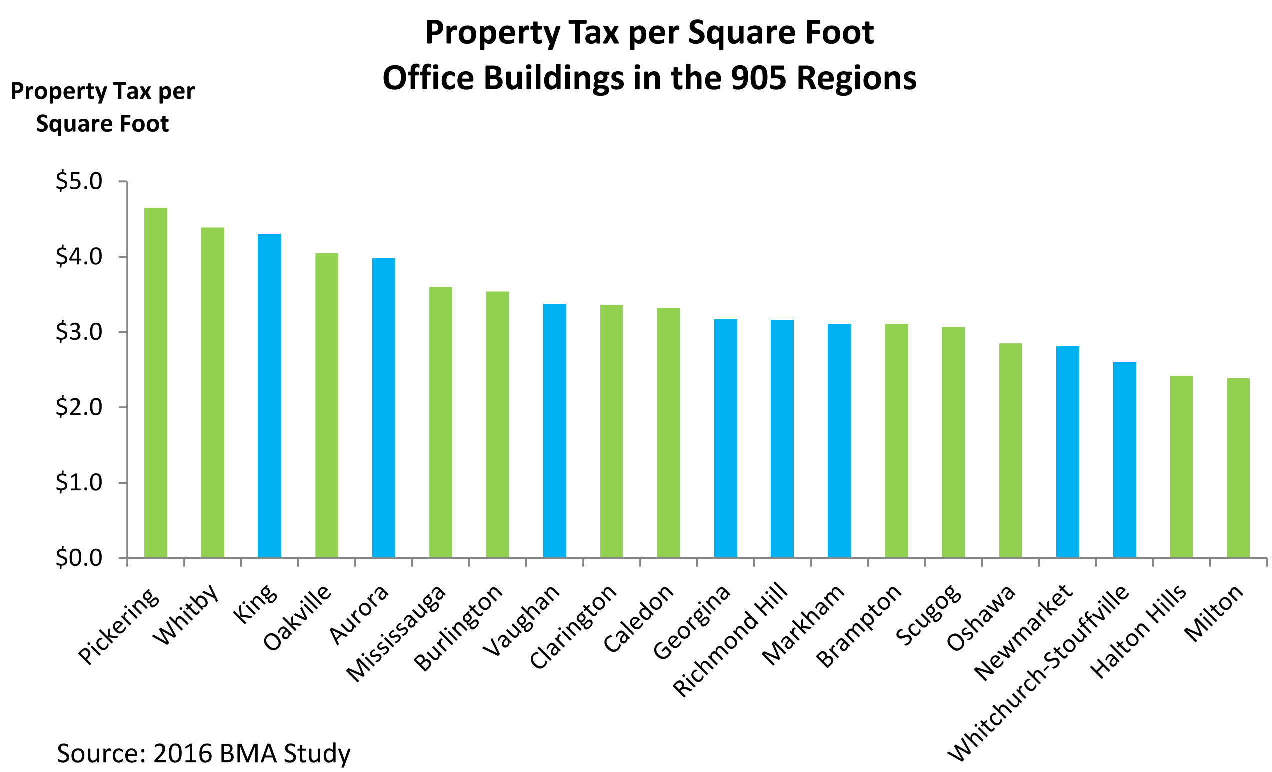
Table 9
Tax Ratios of GTA Municipalities as of 2016

2016	Multi-residential	Commercial (incl. office)	Industrial	Pipeline	Farmlands/ Managed Forests
York	1.0000	1.1172	1.3124	0.9190	0.25
Brampton	1.7788	1.2971	1.4700	0.9239	0.25
Caledon	1.6843	1.3124	1.5805	0.9239	0.17/0.25
Mississauga	1.7050	1.4098	1.5708	1.1512	0.25
Durham	1.8665	1.4500	2.2598	1.2294	0.2/0.25
Halton	2.2619	1.4565	2.3599	1.0617	0.2/0.25
Toronto	2.9044	2.9044	2.9044	1.9236	0.25

Most of the Region's municipalities are competitive with respect to commercial and industrial property taxes per square foot

When compared with other 905 municipalities, most of York Region's local municipalities offer competitive taxes for office buildings, measured by total property taxes per square foot, including Regional, local municipal and provincial property taxes. While King and Aurora have relatively high levels of property taxes per square foot, Newmarket and Whitchurch-Stouffville have low property taxes (Figure 2). The southern three municipalities, where most of York Region's office stock is located, fall in the middle of the pack.

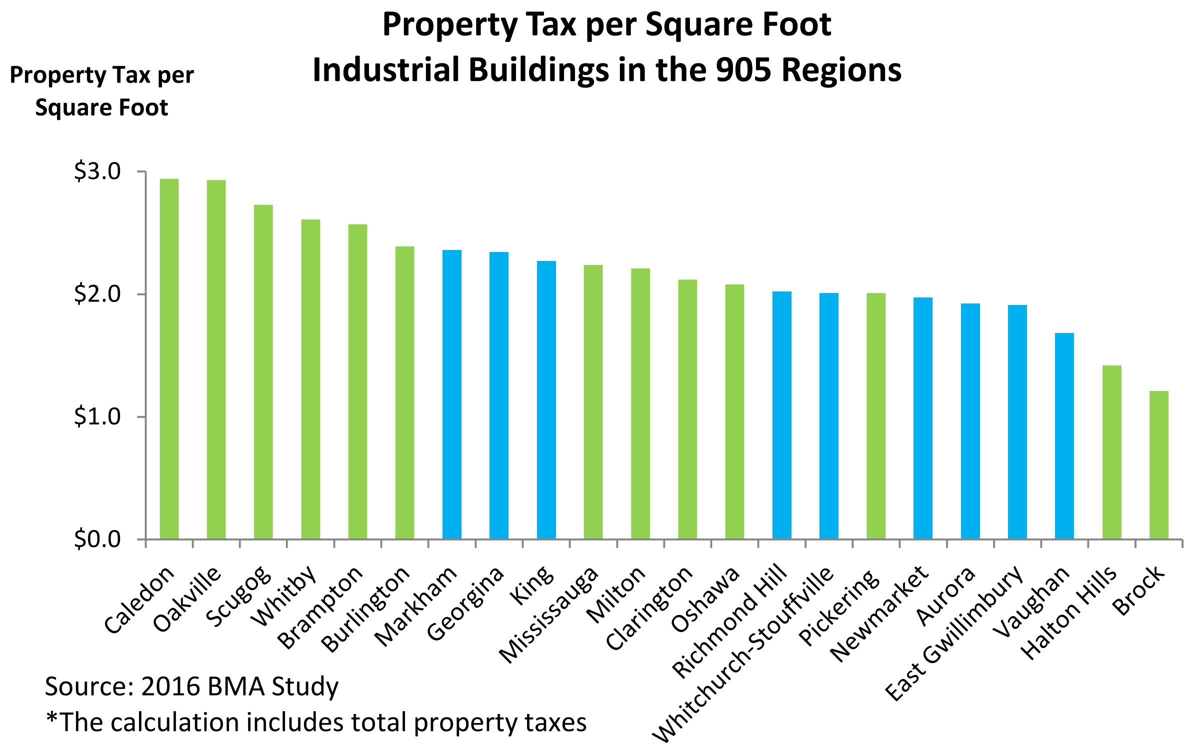
Figure 2



Source: 2016 BMA Study
*The calculation includes total property taxes

A comparison of total property taxes per square foot of industrial buildings shows that York Region municipalities are tax competitive when compared to other 905 municipalities (see Figure 3). Vaughan, where much of York Region's industrial development is concentrated, has the third-lowest tax burden per square foot in the 905 municipalities.

Figure 3



Option 1 would likely accelerate movement of commercial properties out of the capping program

When the Province introduced Current Value Assessment in 1998, there was concern that taxpayers in the business property classes would have to absorb extraordinarily high property tax increases due to the change in their assessment valuation. To alleviate that impact, the Province enacted a number of transitional provisions to limit the allowable assessment-based annual property tax increases for the business classes. Since then, Council has approved the application of all available capping options for business and multi-residential properties that would maximize the movement of properties to their Current Value Assessment level taxes, while at the same time minimizing the cost of capping.

Council approved three new capping options in 2016 to help accelerate the Region's exit from the capping program:

- Increase the maximum annual increase for capped properties to 10 per cent of the previous year's current value assessment level taxes (from 5 per cent).

- Move properties to current value assessment level if they are within $500 of their current value assessment level taxes (up from $250).

- Make all properties in a class eligible for a 4-year capping phase-out following the year that property class has no capped properties below 50 per cent of current value assessment level taxes.

With the addition of the above options, the industrial class can now begin to exit the capping program starting in 2017, resulting in a phase-out of capping for that class.

The Province also introduced two new options in 2017:

- Municipalities may exclude vacant properties from the phase-out eligibility criteria.

- Municipalities may also limit capping protection only to reassessment-related changes prior to 2017.

With the additional 2017 capping options, internal staff analysis indicates that the commercial class will likely be eligible to begin phase-out in 2018 under Option 1, pending Council approval of the new provincial options. At the time of authoring this report, the Province has not set the 2017 education rate, which is needed for a complete analysis.

Option 2: Change tax ratios so that the shares of tax revenue collected from each property class remain the same as the shares prior to reassessment (revenue neutral option)

Under this option, each property class would pay the same share of property taxes as it did prior to reassessment. This is known as “revenue neutral” tax ratio setting. The effect of revenue neutrality is that the same share of revenue is obtained from each class, even though some classes have increased in value well above or below the average rate of growth.

Increases to property values in the residential class as a result of the recent reassessment exceeded those in the business classes. As a result, Option 2 would require an increase to tax ratios for the business classes to achieve the same share of property taxation, as shown in Table 10.

Table 10
Option 2: Estimated Revenue Neutral Tax Ratios

	2016 Actual	2017 (Online Property Tax Analysis)	Ranges of Fairness
Residential	1.0000	1.0000	1.0
Multi-Residential	1.0000	1.0000	1.0-1.1
Commercial (incl. office)	1.1172	1.1803	0.6-1.1
Industrial	1.3124	1.4200	0.6-1.1
Pipelines	0.9190	0.9190	0.6-0.7

* Includes farmlands and managed forests at 0.25.

Council would need to approve revenue neutral tax ratios based on actual assessment outcomes for each year

The 2017 tax ratio outcomes were generated for Option 2 by the Online Property Tax Analysis. Due to changes in the assessment base that take place from year to year, revenue neutral tax ratios for future years cannot be known in 2017. For the purposes of this analysis, staff used 2018 to 2020 revenue neutral tax ratio estimates generated by the Online Property Tax Analysis tool. Council would need to approve revenue neutral tax ratios based on actual assessment outcomes for each year.

Revenue neutrality would benefit the residential classes by shifting the tax burden towards the business classes

All residential property types in the nine local municipalities would see lower property taxes under Option 2 (revenue neutrality) than Option 1 (keeping ratios the same). This would be accomplished by shifting the tax burden to the commercial and industrial classes.

However, while Option 2 mitigates the change in the relative tax burden, it does not eliminate the impact of the reassessment on the residential class. Under Option 2 and using 2016 estimates, the residential properties in Richmond Hill and Markham would still experience an increase in the relative tax burden, given that assessment values in those municipalities have increased more than the rest of the Region (see Table 11).

Table 11
Option 2
Changes in Relative Tax Burden
by Municipality and Property Class between 2016 and 2020[2]

	Residential ($000s)	Commercial (incl. office) and Industrial ($000s)	Other ($000s)	Subtotal ($000s)	Notional Tax Rate Adjustments[1] ($000s)	Total (Net of Adjustments) ($000s)
Richmond Hill	8,460	483	(103)	8,840	(191)	**8,649**
Markham	8,018	289	(358)	7,948	(722)	**7,226**
Newmarket	(201)	802	(27)	574	(350)	**225**
Whitchurch-Stouffville	(174)	165	(24)	(33)	(64)	**(97)**
East Gwillimbury	(907)	77	2	(828)	(23)	**(851)**
Aurora	(791)	44	(41)	(788)	(96)	**(884)**
Georgina	(888)	67	(20)	(841)	(60)	**(901)**
King	(2,346)	353	(23)	(2,017)	(52)	**(2,069)**
Vaughan	(10,230)	432	(248)	(10,046)	(1,253)	**(11,299)**
York Region Subtotal	**941**	**2,712**	**(842)**	**2,811**	**(2,811)**	**0**

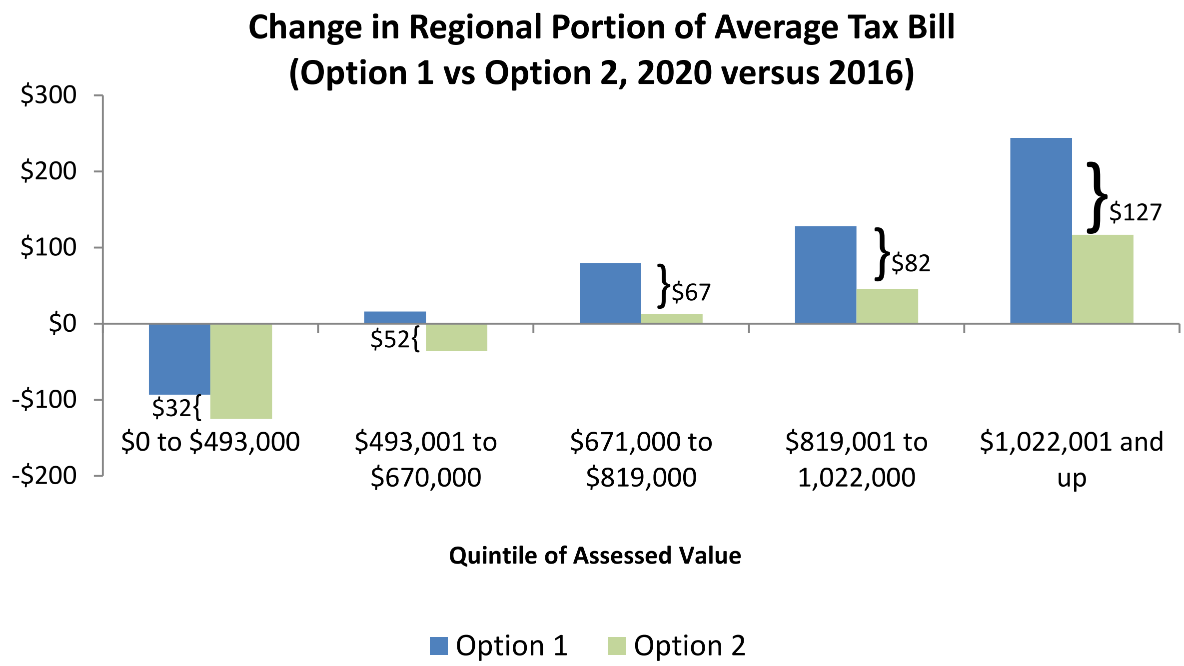
Source: York Region Finance
[1] These are the result of the notional property tax rate adjustment introduced by the Province in 2016. This adjustment incorporates in-year assessment losses due to factual errors and methodological changes to the notional tax rate calculation formula. The removal of these properties results in a net tax shift of zero
[2] This table details the change in relative tax burden between 2016 and 2020, and does not detail the tax shift impacts for each intervening year

Shifting the tax burden away from the residential class would benefit homeowners with higher assessed values the most

Under Option 2, the relative tax burden would be shifted away from the residential class and towards the commercial and industrial classes when compared to Option 1. This would benefit the residential class overall.

However, shifting the tax burden away from the residential class will not benefit every household in the same way. Those who own homes that are in the highest quintiles of assessed value will benefit the most under Option 2. Figure 4 compares the tax reduction for residential properties for Options 1 and 2. The figures beside the brackets indicate the difference in tax shift between the two options.

Figure 4



As a result of raising business class tax ratios, in 2020 the average homeowner with a house valued at under $493,000 would see a tax reduction of $32 more by 2020 under Option 2 than Option 1. A homeowner with a house valued at over $1.02 million would save $127. The benefit to the top twenty per cent of property owners would be roughly four times the benefit to the bottom 20 per cent of property owners.

Businesses located in Markham, Richmond Hill and Vaughan would pay more under Option 2 (revenue neutrality)

Under Option 1, eight out of nine municipalities would see a reduction in tax burden for their commercial classes; the outlier, King, would see a small positive tax shift of $40,000 between 2016 and 2020.

Conversely, seven of the nine local municipalities would see an increase in the tax burden for their commercial class under Option 2. The greatest changes would occur in Vaughan and Markham, where the tax burden on the commercial classes would increase by $7.4 million and $5.6 million, respectively (see Table 12).

Table 12
Commercial Tax Shift by Municipality under Options 1 and 2

Commercial Class (incl. office)	Option 1 2016 to 2020 Tax Shift ($)	Option 2 2016 to 2020 Tax Shift ($)	Difference between Option 1 and 2 ($)
Aurora	(718,040)	(16,513)	701,527
East Gwillimbury	(176,795)	64,716	241,511
Georgina	(145,500)	63,996	209,496
King	39,721	192,846	153,125
Markham	(5,460,561)	177,713	5,638,274
Newmarket	(430,762)	719,331	1,150,093
Richmond Hill	(1,935,067)	470,756	2,405,823
Vaughan	(7,477,295)	(47,425)	7,429,870
Whitchurch-Stouffville	(237,424)	136,533	373,957
York Region	**(16,541,722)**	**1,761,953**	**18,303,675**

The industrial classes would also pay more under Option 2. While eight of the nine local municipalities would see a reduction in tax burden from 2016 to 2020 for their industrial classes under Option 1, all nine would see an increase in tax burden under Option 2. The largest change would occur in Vaughan; the tax burden under Option 2 would be $4.2 million higher than under Option 1. Industrial properties in Markham would also be significantly affected (see Table 13).

Table 13
Industrial Tax Shift by Municipality under Options 1 and 2

Industrial Class	Option 1 2016 to 2020 Tax Shift ($)	Option 2 2016 to 2020 Tax Shift ($)	Difference Between Option 1 and 2 ($)
Aurora	(157,471)	60,374	217,845
East Gwillimbury	(53,453)	12,213	65,666
Georgina	(13,908)	2,671	16,579
King	82,530	159,673	77,143
Markham	(972,797)	110,811	1,083,608
Newmarket	(250,150)	83,087	333,237
Richmond Hill	(511,719)	12,305	524,024
Vaughan	(3,742,232)	479,809	4,222,041
Whitchurch-Stouffville	(139,649)	28,910	168,559
York Region	**(5,758,850)**	**949,854**	**6,708,704**

Revenue neutrality may have some effect on the Region's competitiveness in relation to other GTA municipalities

Staff examined how Option 2 would change taxes per square foot for representative property types in the business classes relative to Option 1. Table 14 shows that Option 2 would increase Regional property taxes per square foot by 15.5 per cent for office buildings and by 22.9 per cent for industrial properties by 2020. This translates to an annual increase of 4.6 per cent for office buildings and by 6.4 per cent for standard industrial properties.

Table 14
Average Regional Property Tax per Square Foot, 2020

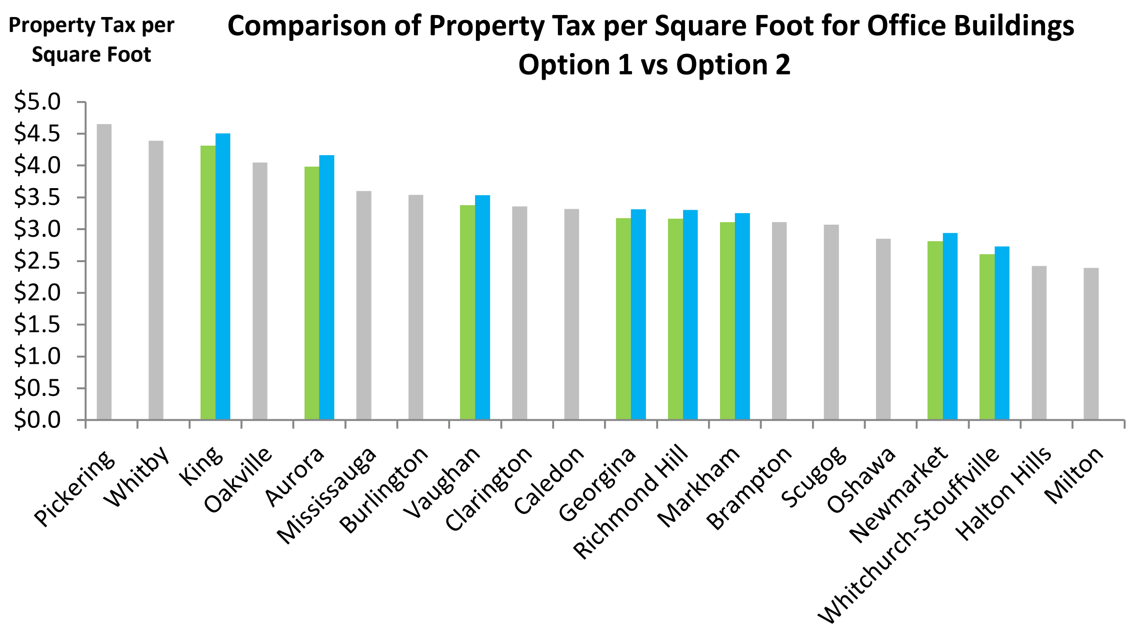
	Average Tax per Square Foot (Option 1)	Average Tax per Square Foot (Option 2)
Office Buildings	$0.70	$0.81
Standard Industrial Properties	$0.52	$0.65

Note: Office buildings includes both small and large offices
Source: MPAC returned roll with square footage data

Staff also conducted an interjurisdictional comparison by applying the Region's tax ratios to data found in the 2016 BMA municipal competitiveness study. The study is prepared annually by BMA Management Consulting in partnership with municipal clients. Staff calculated the increase in the total average property tax per square foot that would occur under revenue neutral ratios for the tax year 2017. This analysis combines the Regional, local municipal and education property tax components.

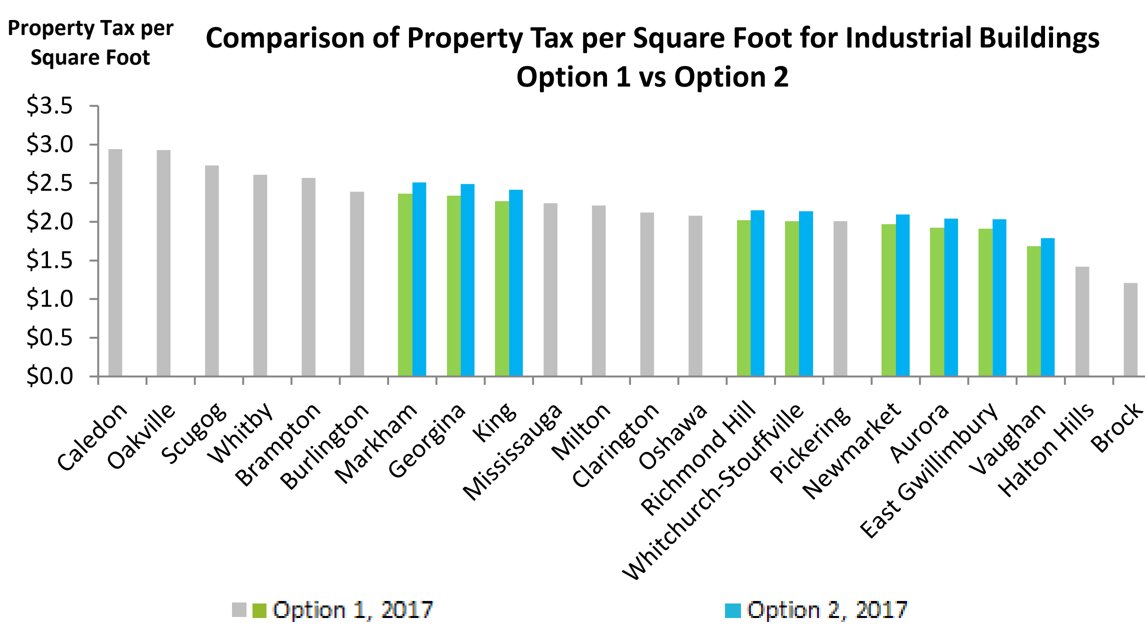
Figures 5 and 6 compare the total property tax per square foot for office and industrial buildings under the first two options. Option 2 ratios would worsen the Region's competitive position, and in a few cases would shift the ranking of York Region's municipalities.

Figure 5



Source: BMA 2016 Study. Staff assumed no tax ratio changes for other GTA Regions or municipalities. Staff applied the ratio between 2017 Option 1 and Option 2 tax rates to the BMA data to determine the tax burden under Option 2

Figure 6



Source: BMA 2016 Study. Staff assumed no tax ratio changes for other GTA Regions or municipalities. Staff applied the ratio between 2017 Option 1 and Option 2 tax rates to the BMA data to determine the tax burden under Option 2

Commercial capping phase-out is still likely under Option 2 (revenue neutrality)

Under Option 2, commercial capping phase-out is likely to occur in 2018, although somewhat less likely than under Option 1. There is one property in the commercial class that paid capped taxes below 50 per cent of its current value assessment level taxes in 2016. Once it passes the 50 per cent threshold, the commercial capping program can begin phase-out the following year.

Table 15 shows this commercial property's 2017 capped taxes as a percentage of current value assessment level taxes, if the education tax rate remains the same as it was in 2016. Scenarios for Option 1 and Option 2 are outlined.

As long as business class education tax rates either remain the same or fall, capping phase-out can begin in 2018 under either option. If the education tax rate rises, capping phase-out may not be able to start in 2018. This is more of a risk for Option 2 than it is for Option 1.

Table 15
Capping Phase-out Threshold Test using the 2016 Education Tax Rate

	Current 2016 Education Tax Rate	2017 Capped Taxes as Percentage of Current Value Assessment Level Taxes
Option 1 (Status Quo)	1.0009%	56.87%
Option 2 (Revenue Neutral)	1.0009%	54.57%

5. Financial Considerations

Regardless of the tax ratio options, the Region will raise the amount of revenue that Council approves through the annual budget process. Staff will report to Council when the Online Property Tax Analysis system finalizes the clawback rates and capping protection for business properties.

6. Local Municipal Impact

For each tax ratio option, the local municipalities will realize relative tax burden specific to the composition of their property tax classes. Attachment 1 highlights the impacts of the options on the Region's portion of the average tax bill for each local municipality.

Staff have consulted with the local municipalities with respect to tax ratio policy.

7. Conclusion

It is recommended that Council retain the current tax ratios for the 2017 – 2020 taxation years (Option 1) and approve a bylaw to implement these tax ratios for 2017. In addition, it is proposed that Council approve the notional property tax rate calculation adjustment for 2017 to mitigate the consequences of in-year assessment adjustments.

Maintaining the current ratios would continue to apply the underlying principle of market value assessment. By preserving the current ratios, Option 1 allows the impact of the reassessment to flow through to the various property tax classes, without adding any new policy measures.

Opting for the property tax rate adjustment would increase the accuracy of the relative tax burden analysis and improve the communication on annual property tax changes contained on the final property tax bills.

For more information on this report, please contact Dave Williams, Acting Director, Treasury Office, at 1-877-464-9675 ext. 71620.

The Senior Management Group has reviewed this report.

March 29, 2017

Attachments (1)

7476123

Accessible formats or communication supports are available upon request

Attachment 1

Average Regional Portion of the Tax Bill, by Municipality

Aurora	Average 2016 Tax Bill ($)	Option 1: Average 2020 Tax Bill ($)	Option 2: Average 2020 Tax Bill ($)
Residential	2,183	2,208	2,141
Single-Family Detached	2,469	2,522	2,445
Link Home	1,844	1,921	1,863
Townhouse	1,533	1,564	1,516
Semi-Detached	1,508	1,554	1,506
Condominium	1,463	1,362	1,320
Commercial (includes Office)	8,563	7,389	8,536
Industrial	10,080	8,649	10,629

East Gwillimbury	Average 2016 Tax Bill ($)	Option 1: Average 2020 Tax Bill ($)	Option 2: Average 2020 Tax Bill ($)
Residential	1,750	1,707	1,655
Single-Family Detached	1,874	1,856	1,800
Townhouse	1,215	1,256	1,218
Semi-Detached	1,387	1,447	1,403
Condominium	732	666	646
Commercial (includes Office)	6,281	5,641	6,516
Industrial	7,561	6,373	7,832

Georgina	Average 2016 Tax Bill ($)	Option 1: Average 2020 Tax Bill ($)	Option 2: Average 2020 Tax Bill ($)
Residential	1,213	1,202	1,165
Single-Family Detached	1,183	1,205	1,168
Link Home	1,141	1,111	1,077
Townhouse	988	978	948
Semi-Detached	1,020	1,078	1,046
Condominium	789	701	680
Commercial (includes Office)	2,409	2,175	2,512
Industrial	1,514	1,270	1,561

King	Average 2016 Tax Bill ($)	Option 1: Average 2020 Tax Bill ($)	Option 2: Average 2020 Tax Bill ($)
Residential	2,780	2,606	2,527
Single-Family Detached	3,127	3,013	2,921
Link Home	2,338	2,096	2,032
Townhouse	2,094	1,966	1,906
Semi-Detached	1,943	1,837	1,781
Condominium	1,900	1,644	1,594
Commercial (includes Office)	3,076	3,205	3,702
Industrial	4,208	5,561	6,825

Markham	Average 2016 Tax Bill ($)	Option 1: Average 2020 Tax Bill ($)	Option 2: Average 2020 Tax Bill ($)
Residential	2,316	2,471	2,395
Single-Family Detached	2,869	3,145	3,049
Link Home	1,929	2,114	2,050
Townhouse	1,822	1,948	1,888
Semi-Detached	1,857	1,991	1,930
Condominium	1,381	1,222	1,184
Commercial (includes Office)	4,331	3,766	4,349
Industrial	11,206	9,314	11,422

Newmarket	Average 2016 Tax Bill ($)	Option 1: Average 2020 Tax Bill ($)	Option 2: Average 2020 Tax Bill ($)
Residential	1,795	1,843	1,787
Single-Family Detached	1,979	2,032	1,970
Link Home	1,508	1,572	1,524
Townhouse	1,373	1,428	1,384
Semi-Detached	1,328	1,401	1,358
Condominium	1,153	1,090	1,057
Commercial (includes Office)	6,399	6,047	6,985
Industrial	9,269	7,909	9,720

Richmond Hill	Average 2016 Tax Bill ($)	Option 1: Average 2020 Tax Bill ($)	Option 2: Average 2020 Tax Bill ($)
Residential	2,517	2,738	2,654
Single-Family Detached	3,014	3,377	3,274
Link Home	2,009	2,119	2,055
Townhouse	1,926	2,015	1,954
Semi-Detached	1,841	1,997	1,936
Condominium	1,253	1,090	1,057
Commercial (includes Office)	5,084	4,520	5,222
Industrial	12,046	9,859	12,099

Vaughan	Average 2016Tax Bill ($)	Option 1: Average 2020 Tax Bill ($)	Option 2: Average 2020 Tax Bill ($)
Residential	2,502	2,470	2,395
Single-Family Detached	2,904	2,911	2,823
Link Home	1,956	1,971	1,911
Townhouse	1,835	1,819	1,764
Semi-Detached	1,861	1,826	1,771
Condominium	1,477	1,267	1,228
Commercial (includes Office)	7,578	6,555	7,571
Industrial	15,606	12,976	15,943

Whitchurch-Stouffville	Average 2016 Tax Bill ($)	Option 1: Average 2020 Tax Bill ($)	Option 2: Average 2020 Tax Bill ($)
Residential	2,153	2,209	2,141
Single-Family Detached	2,314	2,434	2,360
Link Home	1,671	1,708	1,656
Townhouse	1,508	1,559	1,511
Semi-Detached	1,522	1,603	1,554
Condominium	1,515	1,264	1,226
Commercial (includes Office)	4,024	3,664	4,231
Industrial	6,585	5,535	6,802

Martin, Carrie

From: Carolyn Lance [mailto:clance@georgina.ca]
Sent: February-16-17 9:27 AM
To: Barbara McEwan; Raynor, Christopher; Fernando Lamanna (flamanna@eastgwillimbury.ca); Isabel Leung; Kathryn Moyle; Kimberley Kitteringham; Lisa Lyons; Samantha Yew; Stephen Huycke
Cc: Rebecca Mathewson; David Reddon; John Espinosa
Subject: Property Tax Ratios

Good morning.

Please be advised that Council for the Town of Georgina at its meeting held on February 15th considered Report No. AD-2017-0007 entitled '2017-2020 Property Tax Ratios' and passed the following motion:

RESOLUTION NO. C-2017-0101

1. That Council receive Report No. AD-2017-0007 prepared by the Taxation and Revenue Division, Administrative Services Department dated February 15, 2017 for information.

2. That the Council of the Town of Georgina support no change to property tax ratios for the years 2017- 2020.

3. That this resolution of Council of the Town of Georgina be forwarded to the Region of York and each of its' lower tier Municipalities.

Accordingly, I have attached Report No. AD-2017-0007 for your review and information purposes. Please contact either David Reddon, Manager of Taxation and Revenue/Tax Collector at dreddon@georgina.ca, or Rebecca Mathewson, Director of Administrative Services and Treasurer at rmathewson@georgina.ca with any questions or comments or if you require clarification.

Carolyn Lance
Council Services Coordinator
Clerk's Division | Town of Georgina
26557 Civic Centre Rd., Keswick, ON L4P 3G1
T: 905-476-4301 ext 2219
905-722-6516
705-437-2210
E: clance@georgina.ca
www.georgina.ca

Black back page

CORPORATION OF THE TOWN OF GEORGINA

REPORT NO. AD-2017-0007

FOR THE CONSIDERATION OF COUNCIL FEBRUARY 15, 2017

SUBJECT: 2017 - 2020 PROPERTY TAX RATIOS

1. RECOMMENDATIONS:

1. **That Council receive Report No. AD-2017-0007 prepared by the Taxation and Revenue Division, Administrative Services Department dated February 15, 2017 for information.**

2. **That staff recommend Council of the Town of Georgina support no change to property tax ratios for the years 2017- 2020.**

3. **That this resolution of Council of the Town of Georgina be forwarded to the Region of York and each of its' lower tier Municipalities.**

2. PURPOSE:

The purpose of this report is to provide Council with information regarding pending adoption of tax ratios by the Region of York for taxation years 2017-2020 and the resulting shifts of taxation between property classes.

3. BACKGROUND:

The Municipal Property Assessment Corporation completed a Province-wide property reassessment in 2016 with revised current market values established at January 1, 2016. Provincial assessment legislation requires the revised increased values to be phased-in over a four year period being 2017 and ending in 2020.

As a result of reassessment, tax shifts occur when the assessed value of one property type increases more than that of another property type, reallocating a greater burden of tax dollars from one class of property to another. A further complication occurs when a local municipality within the Region of York experiences an increase in a property class greater than that in other municipalities within the same tax class, creating an additional "local" shift of tax burden to other property types as a result of Region-wide tax ratios.

Tax ratios represent the relative burden shared by each property class in relation to the residential class which is always 1. For example, in 2016 the commercial tax ratio was 1.1172, which means that the commercial tax rate is 1.1172 times higher than the residential tax rate. Each property class has a specific ratio. The legislative responsibility to adopt tax ratios is that of the

Region of York. A bylaw must be passed to set the specific ratios for both the upper tier and each of the lower tier municipalities.

In 1998, the Province of Ontario established a "Range of Fairness" for property tax ratios. Generally, municipalities may only move or align their tax ratios within or closer to the Range of Fairness for administrative ease or mitigation of significant tax shifts. Since 2010, the Region of York has continued to move business class tax ratios closer to the Range of Fairness in an effort to promote and ensure fairness, equity, economic competitiveness and efficiency.

Chart 1 below indicates the history of tax ratios for the Region of York from 2010 to 2016.

Chart 1 – History of Tax Ratios

Property Class	Approved Ratios 2004 to 2009	Approved Ratios 2010	Approved Ratios 2011	Approved Ratios 2012	Approved Ratios 2013 to 2016
Residential	1.0	1.0	1.0	1.0	1.0
Multi-residential	1.0	1.0	1.0	1.0	1.0
Commercial	1.2070	1.1800	1.1431	1.1172	1.1172
Industrial	1.3737	1.3575	1.3305	1.3124	1.3124
Farm and Managed Forests	0.25	0.25	0.25	0.25	0.25
Pipelines	0.919	0.919	0.919	0.919	0.919

Source: Region of York

Chart 2 below provides an interjurisdictional tax ratio scan for the GTA and surrounding municipalities:

Chart 2 – Inter-Jurisdictional Tax Ratio Scan

2016	Multi-residential	Commercial	Industrial	Pipeline	Farm /Forest
York Region	1.0	1.1172	1.3124	0.919	0.25
Durham	1.8665	1.45	2.2598	1.2294	0.2/ 0.25
Halton	2.2619	1.4565	2.3599	1.0617	0.2/0.25
Toronto	2.9044	2.9044	2.9044	1.9236	0.25
Caledon	1.6843	1.3124	1.5805	0.9239	0.1668/ 0.25
Mississauga	1.7050	1.4098	1.5708	1.1512	0.25
Brampton	1.7788	1.2971	1.4700	0.9239	0.25

Source: Region of York

4. ANALYSIS:

At the upcoming Regional Council Committee of the Whole meeting of March 9, 2017, Regional Financial staff will present their tax ratio policy report and recommendations to Council. The report will provide analysis regarding three tax ratio scenarios as follows:

1. Keep ratios the same
2. Move commercial and industrial ratios to revenue neutral ratios
3. Move commercial and industrial ratios to the upper bound of the Ranges of Fairness while holding the multi-residential and pipeline ratios in line with Regional Council policy.

Chart 3 below demonstrates the preliminary tax shifting associated with no change to tax ratios by property classes and local municipalities.

Chart 3 – Scenario 1, No Change to Tax Ratios

($000s)	Residential	Commercial	Industrial	Other[1]	Subtotal	Notional Tax Rate Adjustments[2]	Total (Subtotal minus Adjustments)
Aurora	471	(718)	(157)	(26)	(430)	127	**(557)**
East Gwillimbury	(409)	(177)	(53)	13	(626)	30	**(657)**
Georgina	(209)	(146)	(14)	(5)	(373)	80	**(453)**
King	(1,609)	40	83	(4)	(1,490)	69	**(1,559)**
Markham	15,615	(5,461)	(973)	(266)	8,916	956	**7,959**
Newmarket	1,265	(431)	(250)	2	586	463	**124**
Richmond Hill	13,592	(1,935)	(512)	(29)	11,117	252	**10,864**
Vaughan	(3,031)	(7,477)	(3,742)	(205)	(14,455)	1,659	**(16,114)**
Whitchurch-Stouffville	863	(237)	(140)	(10)	476	85	**391**
York Region	**26,550**	**(16,542)**	**(5,759)**	**(529)**	**3,720**	**3,720**	**0**

[1] Other includes pipelines, managed forests, farmland and multi-residential

[2] These revenues are removed from the calculation because these represent equity changes due to specific in year property assessment changes, such as assessment appeal losses

Source: Region of York

Chart 4 below demonstrates the preliminary tax shifting associated with applying the revenue neutral option between property classes the relative tax burden shift between municipalities.

Chart 4 – Scenario 2, Adjust Tax Ratios for Revenue Neutrality

($000s)	Residential	Commercial	Industrial	Other	Subtotal	Notional Tax Rate Adjustments*	Grand Total (Subtotal minus Adjustments)
Aurora	(791)	(17)	60	(41)	(788)	96	**(884)**
East Gwillimbury	(907)	65	12	2	(828)	23	**(851)**
Georgina	(888)	64	3	(20)	(841)	60	**(901)**
King	(2,346)	193	160	(23)	(2,017)	52	**(2,069)**
Markham	8,018	178	111	(358)	7,948	722	**7,226**
Newmarket	(201)	719	83	(27)	574	350	**225**
Richmond Hill	8,460	471	12	(103)	8,840	191	**8,649**
Vaughan	(10,230)	(47)	480	(248)	(10,046)	1,253	**(11,299)**
Whitchurch-Stouffville	(174)	137	29	(24)	(33)	64	**(97)**
York Region	**941**	**1,762**	**950**	**(842)**	**2,811**	**2,811**	**(0)**

*These revenues are removed from the calculation because these represent equity changes due to specific in year property assessment changes, such as assessment appeal losses

Source: Region of York

Chart 5 below demonstrates the tax shifting associated with moving ratios within the Ranges of Fairness further increasing shift and burden on the residential class.

Chart 5 – Scenario 3, Adjust Tax Ratios further within the Range of Fairness

($000s)	Residential	Commercial	Industrial	Other	Subtotal	Notional Tax Rate Adjustments *	Total (Subtotal minus Adjustments)
Aurora	756	(757)	(306)	(22)	(329)	136	**(465)**
East Gwillimbury	(296)	(190)	(98)	15	(569)	33	**(602)**
Georgina	(56)	(157)	(25)	(1)	(239)	85	**(325)**
King	(1,442)	31	30	1	(1,380)	74	**(1,454)**
Markham	17,331	(5,773)	(1,712)	(246)	9,600	1,024	**8,576**
Newmarket	1,596	(495)	(477)	8	633	496	**137**
Richmond Hill	14,751	(2,069)	(869)	(12)	11,801	270	**11,531**
Vaughan	(1,405)	(7,890)	(6,620)	(195)	(16,110)	1,777	**(17,887)**
Whitchurch-Stouffville	1,097	(258)	(255)	(6)	578	91	**487**
York Region	**32,334**	**(17,558)**	**(10,333)**	**(458)**	**3,985**	**3,985**	**0**

*These revenues are removed from the calculation because these represent equity changes due to specific in year property assessment changes, such as assessment appeal losses

Source: Region of York

Staff are of the opinion that Scenario 1, No Change to Tax Ratios promotes good and sound tax policy, consistent with the framework of the current market value assessment system of property taxation. Further, the impact of the recent reassessment contributes to a shift of property taxes to the business property classes in favour of the residential classes. Although a property by property analysis is currently not available the affect to an individual property owner's total tax levy will be negligible.

5. RELATIONSHIP TO STRATEGIC PLAN:

This report provides information to Council regarding the impacts of the recent reassessment of property current values for the purposes of property taxation, and the related policy decisions to be made by the Council of the Regional Municipality of York. Consequently, this report does not have a direct relationship with the goals outlined in the Town's Strategic Plan. Regardless, there exists an indirect relationship between property tax ratios and the strategic goal listed below:

GOAL 1: "Grow Our Economy" – SUSTAINABLE ECONOMIC GROWTH & EMPLOYMENT.

The impact of property tax ratios to the business property classes are considered to be one of many cost drivers that may impact the affordability of multi-residential housing, and the economic environment of commercial and industrial businesses.

6. FINANCIAL AND BUDGETARY IMPACT:

There is no financial or budgetary impact at the lower tier budget level. Impacts of shifting between tax classes is included in the 2017 Region of York Tax Rates.

7. PUBLIC CONSULTATION AND NOTICE:

No public consultation or notice are required at the lower tier municipal level as establishing property tax ratios are the responsibility of the Region of York.

8. CONCLUSION:

This reports provides information to Council regarding the pending adoption of property tax ratios by the Region of York for taxation years 2017-2020 and preliminary impacts on property taxes classes as a result of the recent Province wide property reassessment.

Prepared by:

David Reddon
Manager of Taxation and Revenue/
Tax Collector

Recommended by:

Rebecca Mathewson

Rebecca Mathewson, CPA, CGA
Director of Administrative Services
& Treasurer

Approved by:

W Grant

Winanne Grant, B.A., AMCT, CEMC
Chief Administrative Officer

Communication #2

April 11, 2017

Mr. Chris Raynor
Regional Clerk
Regional Municipality of York
17250 Yonge St.
Newmarket, On L3Y 6Z1
Email: Christopher.raynor@york.ca

RE: 2017 PROPERTY TAX RATIOS POLICY (7.3)
Presentation

Dear Mr. Raynor:

This will confirm that at a meeting held on March 1, 2017, Council of the City of Markham adopted the following resolution:

> "Whereas Markham assumes that the property assessment for the residential class will continue to increase at a greater amount than that of the non-residential classes for the foreseeable future; and,
>
> Whereas Markham proposes that York Region amend its current Tax Ratio Policy as follows:
>
> 1. To maintain a relative tax burden (revenue neutral) between all property classes while ensuring a non-residential competitive advantage based on relative tax ratios amongst GTA municipalities (Peel, Halton, Durham and Toronto).
>
> 2. This policy will ensure that the property taxes collected year over year will be the same in each class as long as York Region maintains the lowest tax ratios of GTA municipalities;
>
> Now therefore be it resolved that:
>
> 1) The presentation entitled "2017 Property Tax Ratios Policy" be received; and,
>
> 2) Council support setting the Region-wide tax ratios to "revenue neutral" such that the relative tax burden of each property class in York Region is the same after the reassessment as it was before the reassessment; and,

…..2/

3) This resolution be forwarded to the Regional Municipality of York; and,

4) That staff be directed to provide an update at the March 6, 2017 General Committee meeting regarding the York Region report that will be considered at the York Region Committee of the Whole meeting on March 9, 2017 relative to the 2017 – 2020 tax ratio policy; and further,

5) Staff be authorized to and directed to do all things necessary to give effect to this resolution.

If you have any questions, please contact Shane Manson, Sr. Manager, Revenue & Taxation, at 905-477-7000 ext. 7514.

Yours sincerely,

Kimberley Kitteringham
City Clerk

2017 PROPERTY TAX RATIO POLICY

PRESENTATION TO GENERAL COMMITTEE

FEBRUARY 21, 2017

AGENDA

1) PURPOSE
2) EXECUTIVE SUMMARY
3) BACKGROUND - TAX RATIOS
4) TAX RATIO ANALYSIS 2017 - 2020
5) SUMMARY
6) RECOMMENDATION
7) NEXT STEPS

1. PURPOSE

The purpose is to provide General Committee;

1. Background information related to property tax ratios; and
2. Indication of the relative tax burden resulting from the 2016 reassessment; and
3. Potential mitigating options

Terms and Definitions

- Tax Burden: the property tax revenue collected from each property class
- Tax Shift: the move of a tax burden from one property class to another
- Property Class – includes residential, commercial and industrial classes

2. EXECUTIVE SUMMARY

Property taxes are calculated by multiplying the CVA by the total tax rate (City, Region and Education)

Assessed Value (CVA) x Total Tax Rate = Total Taxes

Property taxes are annually impacted by;

1. Budget Impact – City of Markham
2. Budget Impact – Region of York
3. Budget Impact – Province (Education)
4. Reassessment – Property assessments that increase higher than the city-wide average, will realize an increase in their property taxes due to reassessment
5. Tax Ratios – Property reassessments create tax shifts
   - Between property tax classes
   - Between the local municipalities within the Region

2. EXECUTIVE SUMMARY

In 2016, a typical $600,000 home would have paid **$4,697** in property taxes

Region's Proposed Method

	2016 Property Taxes	2017 Tax Increase (Budget Related)	2017 Tax Increase (Tax Shifting)	2017 Property Taxes
Markham	$1,186	$41	$15	$1,242
Region	$2,383	$68	$53	$2,504
Education	$1,128	-	-	$1,128
Total Tax Levy	**$4,697**	**$109**	**$68**	**$4,874**

Markham's 3.46% tax increase will cost an average Markham home $41 in 2017, therefore…

A **$68 INCREASE** IS EQUIVALENT TO AN ADDITIONAL **5.7%** TAX INCREASE ON THE CITY PORTION OF THE TAX BILL IN 2017 (OR A **17.6%** TOTAL TAX INCREASE OVER THE NEXT FOUR YEARS)

BUILDING MARKHAM'S FUTURE TOGETHER
2015-2019 Strategic Plan

MARKHAM

2. EXECUTIVE SUMMARY

In 2016, a typical $600,000 home would have paid **$4,697** in property taxes

Markham's Proposed Method

	2016 Property Taxes	2017 Tax Increase (Budget Related)	2017 Tax Increase (Tax Shifting)	2017 Property Taxes
Markham	$1,186	$41	$3	$1,230
Region	$2,383	$68	$28	$2,479
Education	$1,128	-	-	$1,128
Total Tax Levy	**$4,697**	**$109**	**$31**	**$4,837**

Markham's 3.46% tax increase will cost an average Markham home $41 in 2017, therefore…

A **$31 INCREASE** IS EQUIVALENT TO AN ADDITIONAL **2.6%** TAX INCREASE ON THE CITY PORTION OF THE TAX BILL IN 2017 (OR A **8.0%** TOTAL TAX INCREASE OVER THE NEXT FOUR YEARS)

2. EXECUTIVE SUMMARY

Property tax impact

- An average Markham home with a 2016 CVA of $600,000 will pay $566 dollars more because of tax shifting over the next four years
- Markham's proposed policy would reduce the $566 impact to $257, for a $309 savings to an average Markham home
- Would reduce the equivalent tax impact due to tax shifting from 17.6% to 8.0%

Benefits of adjusting the tax ratios

- Adjusting the tax ratios will assist in mitigating the tax shift to the residential class, which represents 85% of the assessment base in Markham
- It will have minimal impact to the commercial and industrial classes from an economic development perspective
- York Region will still maintain the lowest tax ratios of GTA municipalities

2. EXECUTIVE SUMMARY

Markham's recommendation

- Whereas Markham assumes that the property assessment for the residential class will continue to increase at a greater amount than that of the non-residential classes for the foreseeable future
- Therefore, Markham proposes that York Region amend its current Tax Ratio Policy as follows:
    - To maintain a relative tax burden (revenue neutral) between all property classes while ensuring a non-residential competitive advantage based on relative tax ratios amongst GTA municipalities (Peel, Halton, Durham and Toronto)
    - This policy will ensure that the property taxes collected year over year will be the same in each class as long as York Region maintains the lowest tax ratios of GTA municipalities.

3. BACKGROUND – TAX RATIOS

- In 1998, the province implemented property assessment reform known as "Current Value Assessment" CVA. With this reform, the province also introduced tax ratios
  - o Tax ratios were implemented to prevent shifts in tax burden between property classes as a result of the assessment reform
- Tax ratios represent how tax rates of property classes compare to the residential tax class.
  - o The residential class tax ratio is always equal to **"1"**
- Responsibility for establishing tax ratios rests with the Region of York

How Tax Ratios Work

	Residential Class	Commercial Class	Industrial Class
Property Value (CVA)	$100,000	$100,000	$100,000
Tax Ratio	**1.00 (Legislated)**	**1.1172**	**1.3124**
Tax Rate (Markham Portion)	0.1976%	0.2208%	0.2593%
Total Taxes	$197.61	$220.77	$259.35

3. BACKGROUND – TAX RATIOS

Provincial Target: "Ranges of Fairness"

- In 1998, the Province also established target ranges or "Ranges of Fairness" for tax ratios, with the objective to achieve a level of fairness between property classes for all jurisdictions in Ontario
  - The "Ranges of Fairness" represents what the Province determines to be a fair level of taxation for the Non-Residential property classes relative to the tax burden on the Residential class
- The following chart illustrates Provincial "Ranges of Fairness"

Residential	Commercial	Industrial
1	0.6 to 1.1	0.6 to 1.1

3. BACKGROUND – TAX RATIOS

Mitigating tax shifts due to reassessment:

- Provincial legislation governs how municipalities adjust "tax ratios" for the commercial, industrial and multi-residential property classes

Provincial tax ratio adjustment rules

1. Tax ratios should move towards or within the Ranges of Fairness
2. Tax ratios may move away from the Ranges of Fairness, only when the change is to "achieve a Revenue Neutral tax position" in each tax year

Revenue Neutral = the relative tax burden for each property class will be the same after reassessment as it was before the reassessment

3. If the ratios are greater than the "Revenue Neutral" ratios, approval from the Minister of Finance is required

3. BACKGROUND – TAX RATIOS

York Region Policy

Region of York report dated March 20, 2013

- "In recent years, York Region's position has been to move tax ratios closer to the provincial Ranges of Fairness"
- "Doing so reduces the relative tax burden on the commercial and industrial classes to strengthen the Region's economic competitiveness"

3. BACKGROUND – TAX RATIOS

YORK REGION'S TAX RATIO HISTORY						
Property Class	**2004 - 2009 Ratio**	**2010 Ratio**	**2011 Ratio**	**2012 Ratio**	**2013 - 2016 Ratios**	**Ranges of Fairness**
Residential	1.0000	1.0000	1.0000	1.0000	1.0000	**1.0000**
Commercial	**1.2070**	**1.1800**	**1.1431**	**1.1172**	**1.1172**	**0.6 to 1.1**
Industrial	1.3737	1.3575	1.3305	1.3124	1.3124	**0.6 to 1.1**

YORK REGION'S COMMERCIAL AND INDUSTRIAL TAX RATIOS HAVE BEEN DECLINING SINCE 2009

3. BACKGROUND – TAX RATIOS

- When a reassessment occurs, the following types of property tax shifts will likely occur:
  1. Between property tax classes
     - o When a property class experiences a reassessment increase more than another property class, a greater burden of taxes will shift from one class to another.
       - o Residential class will pay more taxes as a result of larger CVA increases
  2. Between the local municipalities within the Region
     - o When a municipality within the Region has a reassessment increase in a property class greater than in other municipalities.
       - o Richmond Hill's and Markham's residential class has increased more than other municipalities within York Region

MARKHAM'S RESIDENTIAL CLASS WILL PAY PROPORTIONATELY MORE THAN OTHER MUNICIPALITIES DUE TO TAX SHIFTING

3. BACKGROUND – TAX RATIOS

Tax Ratio Adjustment Options

- Option 1: Leave tax ratios Unchanged;
  - leaving the tax ratios the same as the previous year will result in tax shifts to other property classes due to reassessment

- Option 2: Adjust tax ratios to a "Revenue Neutral" tax position
  - Revenue Neutral = the relative tax burden for each property class will be the same after reassessment as it was before reassessment

ADJUSTING TAX RATIOS MITIGATES TAX SHIFTS RESULTING FROM REASSESSMENT

3. BACKGROUND – TAX RATIOS

<u>Option 1</u>: Example of leaving tax ratios **<u>"Unchanged"</u> –** (for illustration purposes only)

- if a reassessment results in a larger increase to the residential class than the commercial class
  - this option will result in an <u>increased</u> tax burden to the residential class and a decrease to the non-residential class.

TAX RATIO - "UNCHANGED "

2016	Residential	Non - Residential	Total	Tax Ratio
CVA	$5,000,000	$1,000,000		1.1172
Tax Rate	0.80%	0.89%		
Taxes Collected	**$40,000**	**$8,938**	**$48,938**	

2016 Reassessment Change	**47%**	**18%**

2017	Residential	Non - Residential	Total	Tax Ratio
CVA	$7,350,000	$1,180,000		1.1172
Tax Rate	0.56%	0.63%		
Taxes Collected	**$41,495**	**$7,443**	**$48,938**	
IMPACT	**$1,495**	**($1,495)**	**$0**	**No change**

RESULTS IN A TAX INCREASE TO THE RESIDENTIAL CLASS

3. BACKGROUND – TAX RATIOS

Option 2: Example of adjusting tax ratios to **"Revenue Neutral"** (for illustration purposes only)

- If a reassessment results in larger increase to the residential class than the commercial class
  - This option will mitigate the tax shift on the residential class

TAX RATIO – "REVENUE NEUTRAL"				
2016	**Residential**	**Non - Residential**	**Total**	**Tax Ratio**
CVA	$5,000,000	$1,000,000		1.1172
Tax Rate	0.80%	0.89%		
Taxes Collected	**$40,000**	**$8,938**	**$48,938**	

2016 Reassessment Change	**47%**	**18%**

2017	**Residential**	**Non - Residential**	**Total**	**Tax Ratio**
CVA	$7,350,000	$1,180,000		1.3918
Tax Rate	0.54%	0.76%		
Taxes Collected	$40,000	$8,938	$48,938	
IMPACT	**$0**	**$0**	**$0**	**Ratio Increase**

RESULTS IN THE SAME TAX BURDEN AFTER REASSESSMENT AS IT WAS BEFORE

3. BACKGROUND – TAX RATIOS

- In previous years, York Region has mitigated tax shifts resulting from reassessments by adjusting the tax ratios

2003 - (Taxation Years 2004 - 2009)

- Residential class increased 1**5%** , Business classes increased **3%**
- ✓ Tax ratios were set to "Revenue Neutral"

Result: Residential class tax shift increase was mitigated

2008 - (Taxation Years 2010 – 2012)

- Residential class increased **19%,** Business classes increased **31%**
- ✓ Tax ratios were set to "Revenue Neutral"

Result: Tax shift onto the residential class

2013 - (Taxation Years 2013 – 2016)

- Residential class increased **27%**, Business classes increased **15%**
- ✓ Tax ratios were set to "Unchanged" - same as previous year

Result: Tax shift onto the residential class

4. TAX RATIO ANALYSIS 2017 - 2020

2016 reassessment results by municipality

Municipality	Residential (% Change)	Commercial (% Change)	Total (% Change)
Aurora	41.2%	17.9%	38.6%
East Gwillimbury	41.8%	21.7%	39.9%
Georgina	35.2%	21.2%	34.7%
King	29.4%	48.2%	31.1%
Markham	**46.7%**	**17.9%**	**41.8%**
Newmarket	39.7%	27.5%	37.5%
Richmond Hill	50.1%	20.3%	46.5%
Vaughan	35.6%	18.9%	31.4%
Whitchurch-Stouffville	40.9%	23.5%	39.0%
York Region	**42.2%**	**19.6%**	**38.3%**

- The 2016 reassessment resulted in significant property assessment increases
  - Residential class 42.2% (Region-wide), Commercial class of 19.6% (Region-wide)

Note: all reassessment and tax shift data included within section 5 has been provided by the Region of York.

4. TAX RATIO ANALYSIS 2017 - 2020

York Region preliminary tax ratio analysis

- A tax ratio analysis was completed on the preliminary 2016 reassessment data by Regional Staff
  - *The analysis assumed leaving the tax ratios (1) unchanged, (2) revenue neutral and (3) moving closer to the ranges of fairness*

Leaving the Tax Ratios "Unchanged" indicate;

- Tax shift off of the commercial class and to the residential class
  - ❖ Increases the residential tax burden in five (5) out of the nine (9) lower-tier municipalities in the Region
- Residential: will result in a property tax increase to the majority homes with high assessment values and a tax decrease to homes with lower CVA's, such as residential condominiums.
- Commercial: will result in a tax shift away from large retail and office properties, and to small commercial properties, such as commercial condominiums

4. TAX RATIO ANALYSIS 2017 - 2020

Tax Shift: "Unchanged" Ratios

MUNICIPALITY Tax Shift ($000)	RESIDENTIAL	COMMERCIAL	TOTAL
Aurora	471	(718)	(557)
East Gwillimbury	(409)	(177)	(657)
Georgina	(209)	(146)	(453)
King	(1,609)	40	(1,559)
Markham	**15,615**	**(5,461)**	**7,959**
Newmarket	1,265	(431)	124
Richmond Hill	13,592	(1,935)	10,864
Vaughan	(3,031)	(7,477)	(16,114)
Whitchurch-Stouffville	863	(237)	391
York Region	**26,550**	**(16,542)**	**0**

- Leaving the Tax Ratios "Unchanged";
  - Results in a tax shift <u>to</u> the residential class for Markham and Richmond Hill
  - Tax shift <u>off</u> of King where house values have increased less than the average
  - Shift <u>off</u> of Vaughan due the increase of industrial and commercial properties

4. TAX RATIO ANALYSIS 2017 - 2020

Tax shift: "Revenue Neutral" Ratios

MUNICIPALITY Tax Shift ($000)	RESIDENTIAL	COMMERCIAL	TOTAL
Aurora	(791)	(17)	(884)
East Gwillimbury	(907)	65	(851)
Georgina	(888)	64	(901)
King	(2,346)	193	(2,069)
Markham	**8,018**	**178**	**7,226**
Newmarket	(201)	719	225
Richmond Hill	8,460	471	8,649
Vaughan	(10,230)	(47)	(11,299)
Whitchurch-Stouffville	(174)	137	(97)
York Region	**941**	**1,762**	**0**

- Adjusting the tax ratios to revenue neutral reduces the tax shift to the residential class by $7.6M
- Revenue neutral ratios results in a nominal tax impact to the commercial class

4. TAX RATIO ANALYSIS 2017 - 2020

Comparison of the 2016 property tax ratios

PROPERTY CLASS	YORK REGION	HALTON REGION	DURHAM REGION	PEEL REGION			CITY OF TORONTO
				Mississauga	Brampton	Caledon	
Commercial	**1.1172**	**1.4565**	**1.4500**	**1.4098**	**1.2971**	**1.3124**	**2.9044**
% higher than York		30.4%	29.8%	26.2%	16.1%	17.5%	160.0%

- York Region maintains the lowest tax ratios in the GTA
- As such, there is an opportunity to adjust the tax ratios which will reduce the tax shift on the residential property class, while still maintaining the Region's economic competitiveness for the commercial and industrial classes

4. TAX RATIO ANALYSIS 2017 - 2020

2017 property assessment

(Proportion of Residential / Non-Residential Taxable Assessment)

Municipality	Residential	Non- Residential
King	95.63%	4.37%
Georgina	94.18%	5.82%
Whitchurch-Stouffville	91.65%	8.35%
East Gwillimbury	90.77%	9.23%
Richmond Hill	90.15%	9.85%
Aurora	88.29%	11.71%
Markham	**85.43%**	**14.57%**
Newmarket	85.29%	14.71%
Vaughan	78.55%	21.45%
Regional Total	**85.14%**	**14.86%**

4. TAX RATIO ANALYSIS 2017 - 2020

In 2016, a typical $600,000 home would have paid **$4,697** in property taxes

Region's Proposed Method

	2016 Property Taxes	2017 Tax Increase (Budget Related)	2017 Tax Increase (Tax Shifting)	2017 Property Taxes
Markham	$1,186	$41	$15	$1,242
Region	$2,383	$68	$53	$2,504
Education	$1,128	-	-	$1,128
Total Tax Levy	**$4,697**	**$109**	**$68**	**$4,874**

Markham's 3.46% tax increase will cost an average Markham home $41 in 2017, therefore…

A **$68 INCREASE** IS EQUIVALENT TO AN ADDITIONAL **5.7%** TAX INCREASE ON THE CITY PORTION OF THE TAX BILL IN 2017 (OR A **17.6%** TOTAL TAX INCREASE OVER THE NEXT FOUR YEARS)

4. TAX RATIO ANALYSIS 2017 - 2020

In 2016, a typical $600,000 home would have paid **$4,697** in property taxes

Markham's Proposed Method

	2016 Property Taxes	2017 Tax Increase (Budget Related)	2017 Tax Increase (Tax Shifting)	2017 Property Taxes
Markham	$1,186	$41	$3	$1,230
Region	$2,383	$68	$28	$2,479
Education	$1,128	-	-	$1,128
Total Tax Levy	**$4,697**	**$109**	**$31**	**$4,837**

Markham's 3.46% tax increase will cost an average Markham home $41 in 2017, therefore…

A **$31 INCREASE** IS EQUIVALENT TO AN ADDITIONAL **2.6%** TAX INCREASE ON THE CITY PORTION OF THE TAX BILL IN 2017 (OR A **8.0%** TOTAL TAX INCREASE OVER THE NEXT FOUR YEARS)

4. TAX RATIO ANALYSIS 2017 - 2020

Property tax impact

- An average Markham home with a 2016 CVA of $600,000 will pay $566 dollars more because of tax shifting over the next four years
- Markham's proposed policy would reduce the $566 impact to $257, for a $309 savings to an average Markham home
- Would reduce the equivalent tax impact due to tax shifting from 17.6% to 8.0%

Benefits of adjusting the tax ratios

- Adjusting the tax ratios will assist in mitigating the tax shift to the residential class, which represents 85% of the assessment base in Markham
- It will have minimal impact to the commercial and industrial classes from an economic development perspective
- York Region will still maintain the lowest tax ratios of GTA municipalities

5. SUMMARY

- The 2016 reassessment will result in tax shifts
  - Shift to the residential class from commercial and industrial classes
    - ❖ Impacts the residential tax burden for five (5) out of the nine (9) municipalities in York Region
    - ❖ Significant tax shifts to the residential class in Markham and Richmond Hill

- Adjusting tax ratios mitigates tax shifts
  - Adjusting tax ratios to "Revenue Neutral" will mitigate the tax shift on the residential class
    - ✓ Results in the relative tax burden for each property class being the same after reassessment as it was before reassessment

- York Region maintains the lowest tax ratios in the GTA
  - Staff recommend that the Region amend its current tax ratio policy; and
    - ✓ Adopt a Revenue Neutral approach to ensure the relative tax burden for each property class is the same after reassessment as it was before; and
    - ✓ The revised policy will still maintain the Region's economic competitiveness for the commercial and industrial classes

6. RECOMMENDATION

Whereas Markham assumes that the property assessment for the residential class will continue to increase at a greater amount than that of the non-residential classes for the foreseeable future; and,

Whereas Markham proposes that York Region amend its current Tax Ratio Policy as follows:

1) To maintain a relative tax burden (revenue neutral) between all property classes while ensuring a non-residential competitive advantage based on relative tax ratios amongst GTA municipalities (Peel, Halton, Durham and Toronto)

2) This policy will ensure that the property taxes collected year over year will be the same in each class as long as York Region maintains the lowest tax ratios of GTA municipalities.

6. RECOMMENDATION

Now therefore be it resolved that:

1) The presentation entitled "Property Tax Ratios" be received; and,

2) Council support setting the Region-wide tax ratios to “revenue neutral" such that the relative tax burden of each property class in York Region is the same after the reassessment as it was before the reassessment; and,

3) This resolution be forwarded to the Region of York; and further,

4) Staff be authorized to and directed to do all things necessary to give effect to this resolution .

7. NEXT STEPS

- City of Markham next steps
  - Council support setting the tax ratios to "Revenue Neutral" and that a copy of the resolution be sent to the Region of York

- York Region next steps
  - Committee of the Whole meeting on March 9th will include the 2017 – 2020 tax ratio policy and 2017 tax rate reports
    - Regional Council meeting on March 23rd

From: Samantha Kong [mailto:samantha.kong@townofws.ca]
Sent: March-30-17 12:09 PM
To: Raynor, Christopher
Subject: Town of WS Council Resolution - March 21, 2017

Good afternoon Chris,

Please be advised that Council passed the following resolution at its meeting on March 21, 2017:

Report No. FS-002-17
Tax Ratio Policy - 2017 (F00)

Moved by Councillor Ferdinands
Seconded by Councillor Kroon

1) **That Council receive Report No. FS-002-17 for information; and**

2) That Council direct staff to forward this resolution to York Region.

Carried as amended

The report is attached for your information.

Kind regards,
Samantha Kong | Council Coordinator | Corporate Services
Town of Whitchurch-Stouffville, 111 Sandiford Drive, Stouffville, Ontario L4A 0Z8
905-640-1910 or 1-855-642-8697 (TOWS) Ext. 2222
www.townofws.ca

TOWN OF
WHITCHURCH–STOUFFVILLE

Item # 12

Council Report FS-002-17
March 21, 2017

Tax Ratio Policy – 2017 (F00)

Report prepared by: Director of Finance/Treasurer

RECOMMENDATION:

The Director of Finance recommends:

1) **That Council support setting the Region-wide tax ratios to "revenue neutral" such that the relative tax burden of each property class in York Region is the same or similar after the reassessment as it was before the reassessment; and**

2) **That Council direct staff to forward this resolution to York Region.**

1. PURPOSE:

The purpose of this report is to inform Council of tax policy available to York Region to mitigate a shift of tax burden to the Town and to the Residential property class, and to recommend that Council advise the Region of its desire to achieve "revenue neutrality" for the Residential property class.

2. EXECUTIVE SUMMARY:

The recent property 'reassessment' by MPAC will shift an estimated $867,000 of Regional taxes to the Residential property class owners in the Town, and $395,000 of Regional taxes to the Town overall during this four-year phase-in cycle. The Region can mitigate this shift by utilizing 'tax revenue neutrality' and adjusting the tax ratios for the Commercial and Industrial property classes. This policy would save Residential property owners an estimated $1.0 million and the Town an estimated $0.4 million of Regional taxes overall during the four-year period. Additionally, Residential property owners would save further estimated local municipal taxes of $128,000 per year, or $512,000 over the four-year period.

3. BACKGROUND:

The Municipal Act, 2001 vests the responsibility for tax ratio policy with the upper-tier or regional level of municipal government. Tax ratios were introduced in 1998 as a way of allowing municipalities to adjust the relative tax burden between property classes. When tax ratios were introduced, the Province set a 'Range of

Fairness' to represent the optimal range, from the perspective of the Province, for each class of tax ratio. The tax ratio for the Residential property class is 1.0 and as an example, the Range of Fairness for the Commercial and Industrial classes is 0.6 to 1.1, relative to the Residential class.

In general, a tax ratio may be moved toward the Range of Fairness, but may only be moved away from the Range of Fairness if permitted by the Minister, either for the purposes of 'tax revenue neutrality' or by specific permission.

4. ANALYSIS & OPTIONS:

The Recent General Assessment (or 'Reassessment') Changed the Relative Burden of Taxes by Property Class and Municipality

The recent 'reassessment' created a very significant increase in Residential property values in a number of local municipalities within York Region, and because of the magnitude, for the Region overall. Whitchurch-Stouffville is one of the municipalities experiencing a dramatic increase in the Residential property class assessment.

When the assessment for one property class increases at a greater rate than other property classes, there is a shift of taxation to the rapidly increasing property class (or classes) of local municipal and Regional taxes. Further, there may also be an inter-municipal shift of Regional taxes, depending on the relative increase between municipalities and the overall assessment base.

Drawing from information provided by York Region, the Residential class assessment growth for Whitchurch-Stouffville is 40.9% for the 2017-2020 period, while Commercial growth is 23.5% for the same period. The author will use information provided by York Region to allow for inter-municipal comparison.

The Residential property class comprises just under 92% of the taxable assessment for the Town. If tax ratios remain static, there will be a shift of **$867,000** of Regional tax burden to the Residential class and a tax reduction of **$387,000** to the non-residential classes with an overall tax burden shift of **$395,000** to Whitchurch-Stouffville of Regional taxes. In fact, Vaughan, King, East Gwillimbury, Aurora, and Georgina see a net reduction of Regional taxes with a shift to Richmond Hill, Markham, Whitchurch-Stouffville and Newmarket, in order of magnitude.

The Province Allows the Region to Adjust Tax Ratios to Achieve Revenue Neutrality

Normally tax ratios can only be moved toward the range of fairness. However, with a directive from the Minister, tax ratios may be moved away from the range of fairness only to the point of returning the relative burden of taxation to the pre-reassessment levels, or a modification of the above that the revenue neutrality applies only to specific property classes such as Commercial and Industrial and not to Multi-residential, Pipeline, Farmland, or Managed Forest.

The Region's Tax Ratios Are Very Competitive for the GTA

The Region's Commercial tax ratio at 1.1172 and Industrial tax ratio at 1.3124 are the most competitive tax ratios in the GTA. There is a point of discussion that low tax ratios support commercial and industrial development. While at the extreme end this may have some influence, for example Toronto's Commercial is 2.9004 but was formerly around 3.7 (2006) and Industrial is 2.9004 but was formerly in excess of 4.0 (2006). In 2005 and thereafter, Toronto undertook a policy to reduce the Commercial and Industrial ratios to create a more competitive business environment.

Durham, Halton, Mississauga and Brampton are above York Region (Mississauga & Brampton) or well above York (Durham, Halton, Toronto), however, this does not seem to have adversely impacted their commercial development. Indeed, studies have shown that other factors tend to have a more significant influence on the decision to locate a commercial endeavour.

The point arising from the above is that the Region can move its tax ratios considerably and still not be 'less competitive' than its neighbours, as much as that is a significant concern.

Tax Ratio Policy Presents Tax Shift Mitigation Options

As part of the Region's annual tax ratio by-law review, and in particular for the first year of a four-year phase-in cycle, the Region is proposing a number of options:

Option A: No change to the tax ratios. (Region Preferred)
As indicated above, the net shift of tax burden to Whitchurch-Stouffville is $395,000 and to the Residential property class, $867,000.

There are a number of principles that the Region presents for the position of no change, and these principles are supported by some of the local municipalities.

1. Fairness: The level of taxation on a property class should be related to the cost of services provided to that class of property.
2. Equity: Every dollar of assessed value should generate the same level of revenue, regardless of class.

3. Economic Competitiveness: Setting ratios closer to the Ranges of Fairness reduces the relative burden on the Commercial and Industrial Classes.

While these are worthy principles, the reality is that the Town, and residential property owners in particular, are facing very significant shifts of tax burden for which the Region is in a position to mitigate.

Option B: Relative Tax Revenue Neutrality for the Commercial and Industrial Classes (Recommended by Staff)
The move to revenue neutrality for the Commercial and Industrial classes at the Regional level would shift an estimated $1,037,000 of Regional taxes off the Residential class, and shift $374,000 to the Commercial class and $169,000 to the Industrial class.

The overall reduction of taxation to the residents of the Town would be an estimated $488,000. Additionally, Residential taxpayers would save an additional $128,000 of municipal taxes per year, or $512,000 over four years.

The respective Regional tax ratios in year 1 would be 1.1803 for Commercial and 1.4110 for industrial, still below the rest of the GTA, however, the other GTA municipalities may change their ratios at any time.

Option C: Tax Revenue Neutrality until the Tax Ratios Correspond to the Nearest Competitor (or some modification thereof)
In the first year the result would be the same as Option B, the tax ratios would be reviewed annually and adjusted to an agreed upon level thereafter. The relevant reductions have not been computed other than a net reduction of Residential class taxes and taxes overall would accrue at least in the first two years.

5. FINANCIAL IMPLICATIONS:

The selection of the recommended Option B would reduce the Residential property class Regional tax burden by an estimated $1.0 million and the overall Regional tax burden to residents of $0.48 million over the four-year period. Additionally, it is estimated that residential property owners would save an additional $0.5 million during the same period.

6. ALIGNMENT WITH STRATEGIC PLAN:

This report is aligned with the Town's Strategic Plan in the following manner:

2. <u>Fiscal and Asset Management</u>
   As stewards of the public trust, manage the Town's resources in a fiscally responsible manner, promote partnership opportunities and advance Town interests

2.1 Increase revenues and reduce costs
2.2 Sustainable long term fiscal plan for all infrastructure and buildings
2.3 Explore partnerships to deliver new infrastructure/services
2.4 Long term asset management and infrastructure planning, including adequacy of reserves
2.5 Promote inter-government relations and local government advocacy

7. ATTACHMENTS:

None

For further information on this report, please contact Brian Parrott, Director of Finance/Treasurer at 905-640-1910 or 1-855-642-8697 ext. 2243 or via email at brian.parrott@townofws.ca

Communication #4

March 7, 2017

Mr. Chris Raynor
Regional Clerk
Regional Municipality of York
17250 Yonge Street
Newmarket, On L3Y 6Z1
Email: Christopher.raynor@york.ca

RE: VACANT UNIT PROPERTY TAX REBATE PROGRAM (7.0)

Dear Mr. Raynor:

This will confirm that at a meeting held on March 1, 2017, Council of the City of Markham adopted the following resolution:

> "Whereas the Province of Ontario has provided municipalities broad flexibility for 2017 and future years to tailor the vacant unit property tax rebate program to reflect community needs and circumstances, while considering the interests of local businesses; and,
>
> Whereas municipalities can implement changes by notifying the Minister of Finance of their intent to utilize this flexibility and providing details of the proposed changes along with a Council resolution; and,
>
> Whereas municipalities wishing to utilize the flexibility available to them must submit details of the proposed changes to the Minister along with a Council resolution by March 1, 2017, April 1, 2017 or July 1, 2017; and;
>
> Whereas in two-tiered municipalities, any program changes to be implemented will be an upper-tier municipal decision; and,
>
> Now therefore be it resolved:
>
> 1) That Markham City Council request the Regional Municipality of York ask the Minister of Finance for an extension to the Province's prescribed period to November 30, 2017 to allow for additional public input; and,

2) That a copy of this resolution be circulated to all municipalities within the Regional Municipality of York.

If you have any questions, please contact Shane Manson, Senior Manager, Revenue and Taxation, at 905-477-7000 ext. 7514.

Yours sincerely,

Kimberley Kitteringham
City Clerk

Copy to: York Region Municipalities