
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

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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. Fiscal and Asset Management

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