

# **PROPERTY TAX POLICY FOR 2017**

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# Tax Policy Decisions

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## Setting of tax ratios

### Decision #1

- Setting of tax ratios

### Decision #2

- Determine the level of tax protection for the business classes (capping and clawback)

# Tax Ratios

What are tax ratios?

- Tax ratios are used to determine weighted assessment in order to generate a residential tax rate.

<b>Tax Class</b>	<b>Raw Assessment (\$ millions)</b>	<b>Tax Ratio</b>	<b>Weighted Assessment (\$ millions)</b>
Residential/New Multi-	13,794	1.000000	13,794
Residential	595	2.121738	1,263
Multi-Residential	1,980	2.066940	4,092
Commercial	190	4.310972	819
Industrial	144	4.886254	704
Large Industrial	<u>52</u>	2.179489	<u>113</u>
Pipelines	16,755		20,785
Total			

# Tax Ratios (cont'd)

## Calculation of Tax Rates

- Municipal levy divided by weighted assessment = residential tax rate (i.e. \$250 million/20 billion = 1.25%)
- Residential tax rate x commercial tax ratio = commercial tax rate

ie: Residential tax rate	1.25%
Commercial tax ratio	2.066940
Resulting commercial tax rate =	2.583675 %

# Items Affecting Inter-Class Shifting

- ❑ 2016 reassessment (tax years 2017-2020) reduced the large industrial assessments from \$266 million to \$144 million
- ❑ Loss of \$122 million raw assessment or \$500 million of weighted assessment under starting ratios
- ❑ Equates to 2.5% of the City's assessment base
- ❑ Provincial initiative to move multi-res threshold ratio from 2.74 to 2.00
- ❑ Above ratio of 2.00 - municipality cannot pass on levy increase
- ❑ Both issues have caused interclass shifting

# Decision One

## Setting of Tax Ratios

- **Option One**

Approve the same tax ratios for 2017 as were approved in 2016

- **Option Two**

Reduce multi-residential, commercial and industrial tax ratios to the provincial threshold

- **Option Three (Recommended)**

Approve revenue neutral tax ratios, which maintains the relative tax burden with each class from 2016 to 2017

# Decision One

## Setting of Tax Ratio

Taxation for 2017	Option 1 Starting Ratios (\$ million)	Option 2 Multi-Res, Commercial & Industrial at Threshold Ratios 2.00 – Multi-Residential 1.98 – Commercial 2.63 – Industrial (\$ million)	Option 3 (Recommended) Revenue Neutral Rates (\$ million)
Residential	\$9.2	\$12.3	\$5.9
Multi-Residential	\$0.3	\$0.3	\$0.0
Commercial	\$2.2	\$1.3	\$0.6
Industrial	(\$0.2)	(\$1.5)	\$2.7
Large Industrial	(\$6.4)	(\$7.4)	(\$4.2)

# Decision Two

## Tax Capping Tools Recommended

- ❑ Implement a 10% tax increase cap
- ❑ Implement a minimum annual increase of 10% of CVA level taxes for capped properties
- ❑ Move capped and clawed back properties within \$500 of CVA taxes directly to CVA taxes
- ❑ Eliminate commercial properties that were at Current Value Assessment in 2016 from the capping exercise
- ❑ Eliminate commercial properties that crossed between capping and clawback in 2017 from the capping exercise
- ❑ Put a hold on the capping phase-out in the industrial class



# Properties Affected by Implementing Recommended Tax Tools

	Commercial	Industrial
Decrease Clawback %	100.0000%	41.4330%
Clawback \$	\$63,640	\$2,060,019
Shortfall \$	\$21,895	\$0
# of Capped Properties	18	286
# of Clawback Decreasing Properties	12	32
# of CVA Tax Properties	2,641	84
Total # in Class	2,671	402

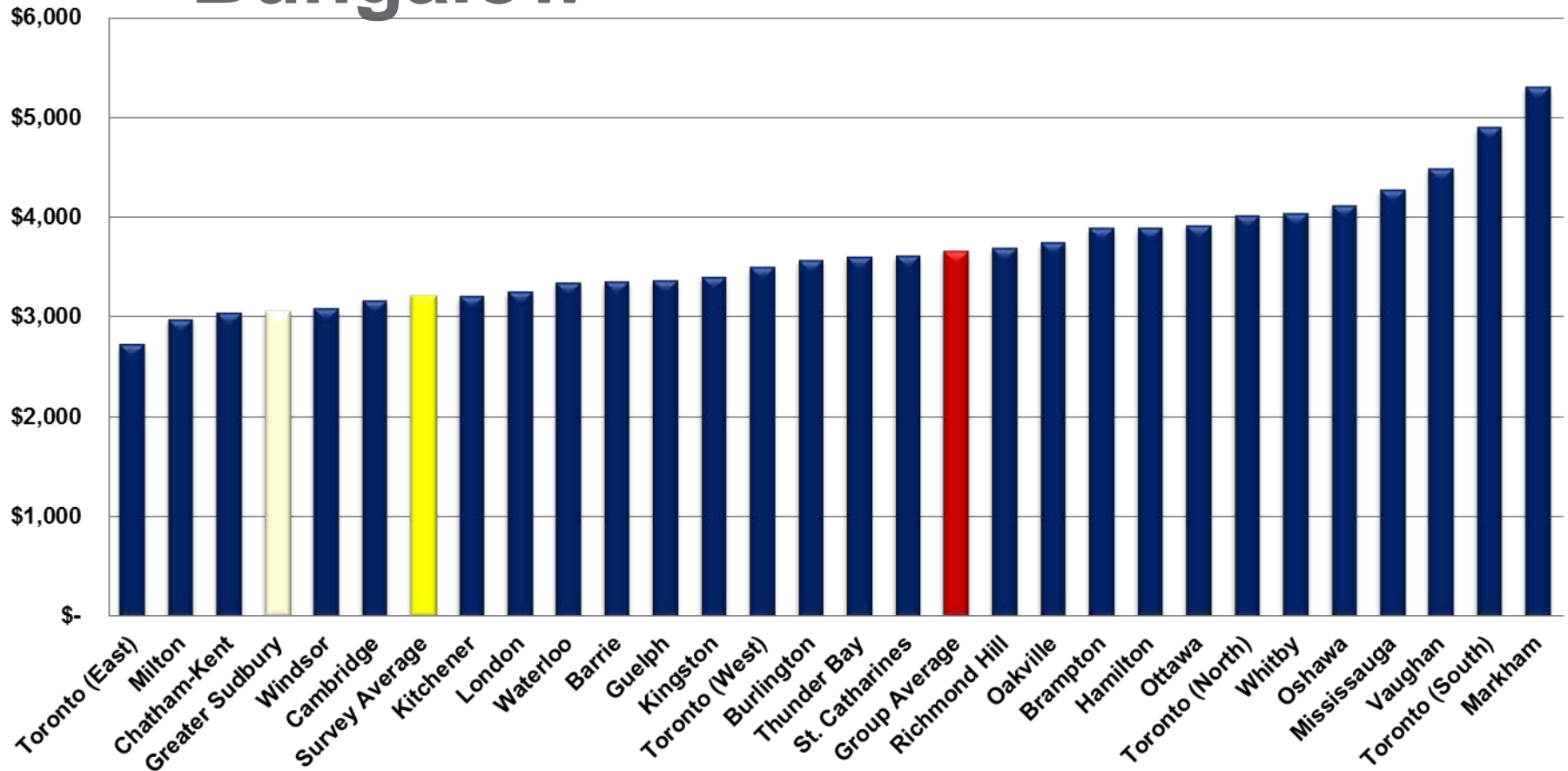
# Frequency Distribution for Total Residential Taxation (Municipal and Education)

\$ Impact	Increasing Properties	Decreasing Properties
0 - \$100	12,835	1,945
\$100 - \$200	31,380	985
> \$200	7,800	2,688
Total	52,015	5,618

# 2016 BMA Study

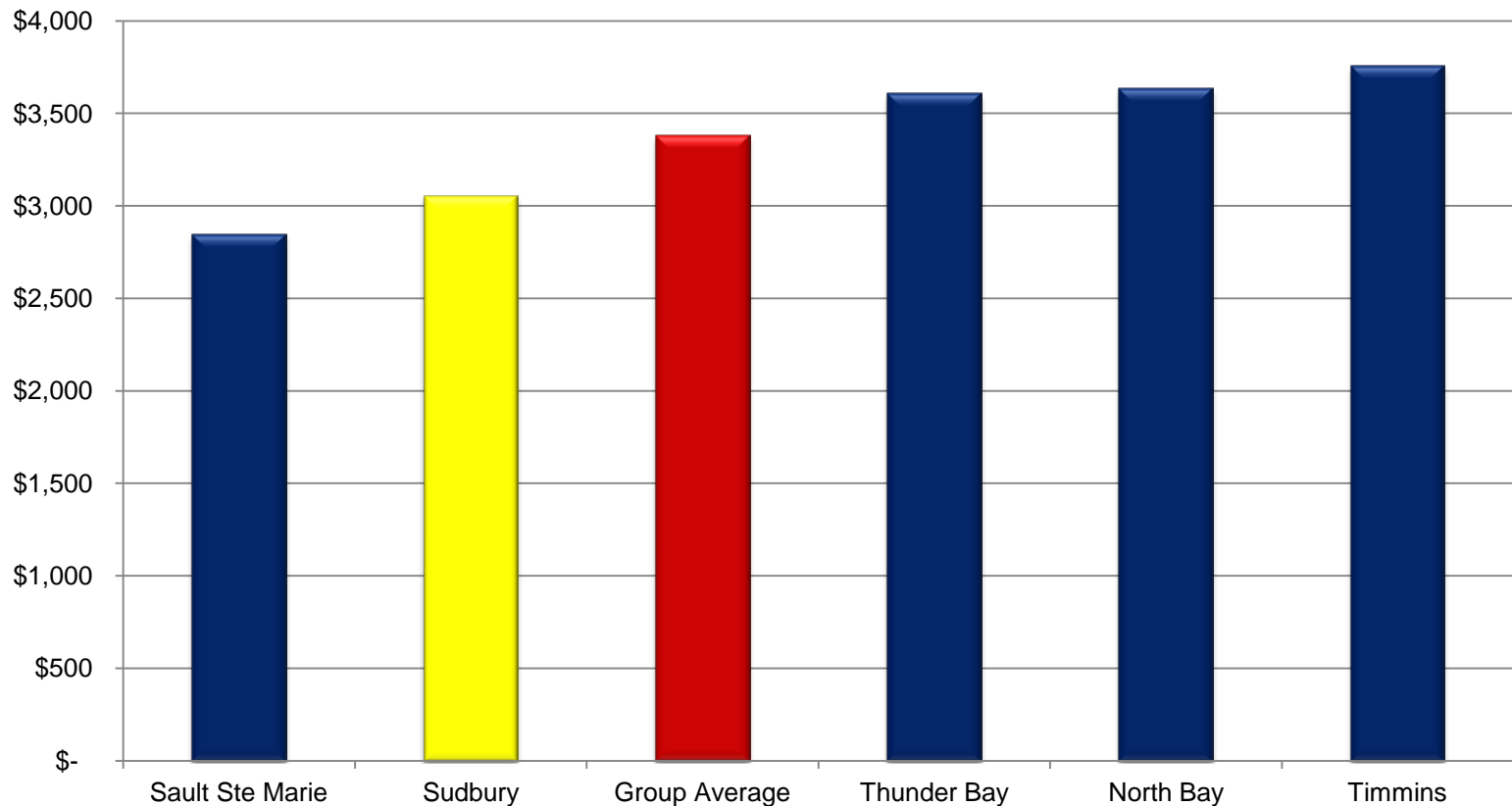
## Residential Detached

### Bungalow



# 2016 Tax Comparison

Property tax comparison for a typical bungalow - Northern Ontario



# Issues for 2017 and 2018

- Initiate and continue the dialogue with mining companies regarding the revised valuations
- City has 13 appeals on mining properties
- Initiate the process regarding analysis of discounts for commercial and industrial subclasses
- Initiate the process regarding analysis of the vacancy rebate program

# Summary

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- Recommendations are consistent with property tax policy decisions made in the past
- Provides for the least tax impact allowed for the residential classes
- Continue with assessment protection measures with intent to stabilize and grow the assessment base
- Investigate discount rates for commercial/industrial subclass and vacancy rebate program

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