
Subject: Multi-Residential Tax Class Ratio Reduction from 1.97 to 1

Report to: Corporate Services Committee

Report date: Wednesday, September 15, 2021

Recommendations

That Report CSD 54-2021 **BE RECEIVED** for information.

Key Facts

- The purpose of this report is to respond to a Councillor Information Request from the April 14, 2021, Corporate Services Committee which was as follows:
 - *Provide information on the financial impact of taxing all multi-residential properties at the same rate prior to the 2022 budget decisions.*
- There are currently two property tax classes for multi-residential properties: New Multi-Residential (NT) which has a Tax Ratio of 1 (same tax rate as Residential) and Multi-Residential (MT) which has a tax ratio of 1.97 meaning the tax rate is 1.97 times that of the residential rate.
- For a property to be classified as multi-residential, the property must be used for residential purposes and have seven or more self-contained units which are generally rental units (e.g. an apartment building) or vacant land that is principally zoned for multi-residential development.
- Staff have four tables included in this report which analyze the impacts that a ratio reduction for MT from 1.97 to 1 would have on the MT tax class as well as other tax classes. These tables can be summarized as follows:
 - Table 1 – Impact on average MT property by local area municipalities (LAM).
 - Table 2 – Summary of tax shift from MT to all other tax classes.
 - Table 3 – Summary of tax shifts between LAM.
 - Table 4 – Summary of change in tax burdens experienced by average Residential properties by LAM.

Financial Considerations

There are no direct financial considerations for the Region with this report. Similar to other tax policy decisions, changes to the Multi-Residential (MT) tax ratios would not impact the tax revenue generated by the Region, it would however, impact the tax burden experienced by other tax classes most notably Residential.

Analysis

The purpose of this report is to respond to a Councillor Information Request from the April 14, 2021, Corporate Services Committee which was as follows:

- *Provide information on the financial impact of taxing all multi-residential properties at the same rate prior to the 2022 budget decisions.*

There are currently two property tax classes for multi-residential properties: New-Multi Residential (NT) which has a Tax Ratio of 1 (same tax rate as Residential) and MT which has a tax ratio of 1.97 meaning the tax rate is 1.97 times that of the residential rate. For a property to be classified as multi-residential, the property must be used for residential purposes and have seven or more self-contained units which are generally rental units (e.g. an apartment building) or vacant land that is principally zoned for multi-residential development.

Staff have prepared four tables included below which analyze the impacts that a ratio reduction for MT from 1.97 to 1 would have on the MT tax class as well as other tax classes. These tables can be summarized as follows:

- Table 1 – Impact on average MT property by local area municipalities (LAM).
- Table 2 – Summary of tax shift from MT to all other tax classes.
- Table 3 – Summary of tax shifts between LAM.
- Table 4 – Summary of change in tax burdens experiences by average Residential properties by LAM.

It should be noted that the analyses contained in Tables 1-4 are all based on the Region's General Tax Levy for 2021 (\$405.3 million). At this time, neither the 2022 levy amount nor the 2022 returned roll for taxation has been finalized.

Table 1 demonstrates the estimated impact of an MT ratio reduction to 1 on an average current value assessment (CVA) MT property. Such a reduction would generate savings ranging from -\$2,552 to -\$41,415 for the average property per year depending on the LAM. Impacts for individual properties would vary depending on an individual property assessment relative to the average.

Table 1 - Impact on Typical Multi-Residential Property by LAM

Municipality	Multi-Res CVA Average	2021 Final Tax General Levy - MT Ratio 1.97	2021 Est. Tax General Levy - MT Ratio 1	Change (\$)	Change (%)
Fort Erie	1,404,079	\$16,252	\$8,412	\$(7,840)	-48.24%
Grimsby	2,245,750	\$25,995	\$13,455	\$(12,540)	-48.24%
Lincoln	1,646,292	\$19,056	\$9,863	\$(9,193)	-48.24%
Niagara Falls	2,654,015	\$30,721	\$15,901	\$(14,820)	-48.24%
NOTL	7,417,050	\$85,853	\$44,438	\$(41,415)	-48.24%
Pelham	1,608,455	\$18,618	\$9,637	\$(8,981)	-48.24%
Port Colborne	1,243,452	\$14,393	\$7,450	\$(6,943)	-48.24%
St. Catharines	3,325,747	\$38,496	\$19,926	\$(18,570)	-48.24%
Thorold	1,161,286	\$13,442	\$6,958	\$(6,484)	-48.24%
Wainfleet	457,000	\$5,290	\$2,738	\$(2,552)	-48.24%
Welland	2,159,170	\$24,993	\$12,936	\$(12,056)	-48.24%
West Lincoln	1,465,800	\$16,967	\$8,782	\$(8,185)	-48.24%

As can be noted in Table 2, the impacts of the MT ratio reduction to 1 would also generate substantial tax shifts to other tax classes with the majority of that shift being borne by the Residential Tax Class (RT). The ratio reduction would shift approximately \$7.7M in taxation away from the MT class in aggregate with \$5.8M (76%) being borne by the RT class. On a percentage basis, all other tax classes including the New Multi-Residential (NT) would see a tax rate increase of 1.97% before any budgetary increases, as required to offset the decrease in the MT class burden of -48.24%.

Table 2 - Summary of Tax Shift from Multi-Residential to All Other Tax Classes

Municipality	2021 Final Tax General Levy - MT Ratio 1.97	2021 Est. Tax General Levy - MT Ratio 1	Change (\$)	Change (%)
Residential	295,846,605	301,668,163	5,821,558	1.97%
New Multi-Residential	1,063,648	1,084,578	20,930	1.97%
Multi-Residential	15,885,372	8,222,313	(7,663,059)	-48.24%
Commercial	69,391,214	70,756,674	1,365,460	1.97%
Commercial - Excess	849,301	866,014	16,713	1.97%
Commercial - Vacant	2,039,389	2,079,520	40,131	1.97%
landfill	62,331	63,557	1,226	1.97%
Industrial	12,218,362	12,458,790	240,428	1.97%
Industrial - Excess	350,508	357,405	6,897	1.97%
Industrial - Vacant	1,530,925	1,561,049	30,124	1.97%
Pipelines	2,524,675	2,574,353	49,678	1.97%
Farmland	3,509,193	3,578,234	69,041	1.97%
Total	\$405,300,597	\$405,300,296	\$(301)	0.00%

Similar to the tax shifts that would be incurred by other tax classes as a result of a MT ratio reduction, there would also be shifts in tax burdens between LAMs as can be seen in Table 3. It is estimated that the impacts between LAMs would range from -1.08 % to 1.92%. Generally speaking, LAMs with a higher percentage of MT building relative to other LAMs would see the larger decreases in their overall Regional tax burden.

Table 3 - Summary of Tax Shifts between LAM

Property Class	2021 Final Tax General Levy - MT Ratio 1.97	2021 Est. Tax General Levy - MT Ratio 1	Change (\$)	Change (%)
Fort Erie	25,180,908	25,432,233	251,325	1.00%
Grimsby	30,911,178	31,352,002	440,824	1.43%
Lincoln	24,457,388	24,798,037	340,649	1.39%
Niagara Falls	85,452,258	85,248,599	(203,659)	-0.24%
Niagara-on-the-Lake	35,091,268	35,695,567	604,299	1.72%
Pelham	17,149,157	17,378,492	229,335	1.34%
Port Colborne	13,008,738	13,036,858	28,120	0.22%
St. Catharines	104,739,824	102,857,983	(1,881,841)	-1.80%
Thorold	16,750,794	16,833,125	82,331	0.49%
Wainfleet	6,126,102	6,243,991	117,889	1.92%
Welland	33,587,266	33,366,026	(221,240)	-0.66%
West Lincoln	12,845,724	13,057,384	211,660	1.65%
Total Taxable Only	\$405,300,605	\$405,300,297	\$(308)	0.00%

Since the residential RT class is the largest section of tax payers for the Region representing 80% of the unweighted assessment total, Table 4 was also prepared to demonstrate the impact that a MT ratio reduction to 1 would have on the average RT property. For 2021, the impact of the increase would have ranged from \$24 to \$57 depending on the municipality. Impacts for individual properties will vary depending on an individual property assessment relative to the average.

Table 4 - Impact on Typical Residential Property by LAM

Municipality	Residential CVA Average	2021 Final Tax General Levy - MT Ratio 1.97	2021 Est. Tax General Levy - MT Ratio 1	Change (\$)	Change (%)
Fort Erie	216,145	\$1,270	\$1,295	\$25	1.97%
Grimsby	400,088	\$2,351	\$2,397	\$46	1.97%
Lincoln	364,773	\$2,143	\$2,185	\$42	1.97%
Niagara Falls	262,988	\$1,545	\$1,576	\$30	1.97%
NOTL	493,825	\$2,902	\$2,959	\$57	1.97%
Pelham	364,292	\$2,140	\$2,183	\$42	1.97%
Port Colborne	207,501	\$1,219	\$1,243	\$24	1.97%
St. Catharines	259,643	\$1,526	\$1,556	\$30	1.97%
Thorold	228,358	\$1,342	\$1,368	\$26	1.97%
Wainfleet	273,324	\$1,606	\$1,638	\$32	1.97%
Welland	214,079	\$1,258	\$1,283	\$25	1.97%
West Lincoln	323,030	\$1,898	\$1,935	\$37	1.97%

Alternatives Reviewed

If it was Council's desire to endorse in principle a reduction in the MT tax ratio, staff would recommend that any reduction be deferred to a future Committee meeting where the 2022 property tax policy report will be presented. This would allow for all 2022 property tax considerations to be reviewed in aggregate. Staff would also recommend that an analysis of the impacts also be presented during the 2022 budget deliberations as any impacts of a MT ratio reduction on other property tax class may be further compounded by any budgetary increase that may be approved for 2022.

Relationship to Council Strategic Priorities

This report addresses Council's strategic priorities of:

- Healthy and Vibrant Community
- Sustainable and Engaging Government

Other Pertinent Reports

None.

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Appendices

None.