

2019

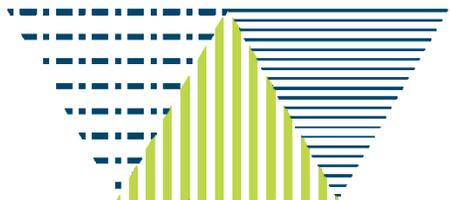
Property Tax Policy, Ratios & Rates

Corporate Services Committee

April 17, 2019

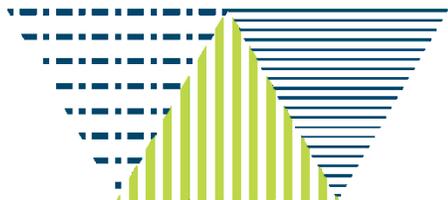
Agenda

- Tax Policy Background, Responsibility & Definition
- Assessment Growth versus Reassessment Impacts
- Tax Policy Background
- 2019 Recommended Tax Policy
- 2019 Provincial Policy
- Next Steps



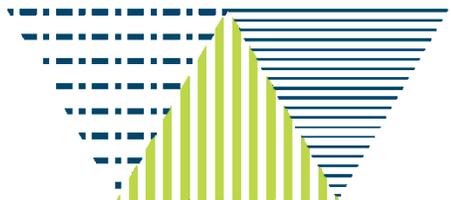
Tax Policy Background & Responsibility

- The Municipal Act requires that the Region pass a by-law in each year to establish tax ratios which will create the tax rates to raise the approved levy for the upper-tier and lower-tier municipalities.
- Regional Council is also responsible for many other tax policy decisions that must be established annually including:
 - Setting parameters for business tax capping
 - Optimal tax structure and subclass discounts
 - Other rebate, deferral and vacancy programs
- Tax Policy: [Relationship between property taxes and assessment](#)
- Tax Policy recommendations have been made in collaboration with Area Treasurers



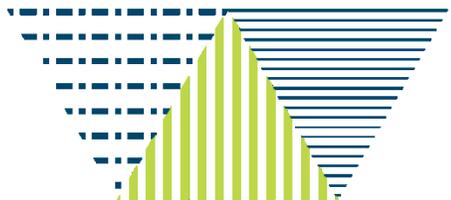
Property Tax Class Definitions

- Multi-Residential
 - Lands used for residential purposes that have 7 or more self contained units, (excludes condominiums which are in Residential Class)
- New Multi-Residential
 - Optional class adopted for the 2004 and subsequent tax years for new construction that would otherwise be classified as multi-residential (use residential tax ratio and rate). Became mandatory in 2017.



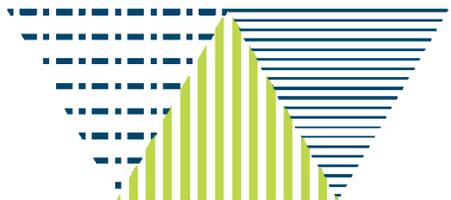
Property Tax Class Definitions

- Commercial
 - Properties that are primarily used for commercial purposes including retail, food service, office buildings.
- Industrial
 - Land and buildings used in connection with manufacturing, producing or processing.

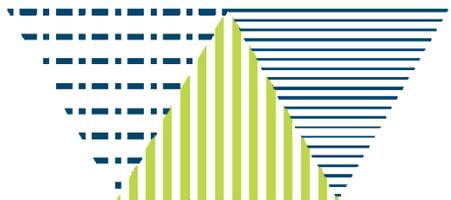


Select Property Tax Policy Definitions

- Excess Land
 - Portion of a parcel of land that has not been developed and is in excess of requirements for existing development elsewhere on the parcel
- Vacant Land
 - The land has no present use and no buildings or structures located on it (taxed based on applicable zoning)



Assessment Growth versus Reassessment Impacts



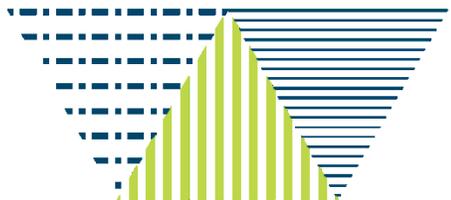
2018 Annualized Revenue Growth by Property Class (Additional Taxation Revenue)

- As presented with 2019 Operating Budget, taxable growth dollars resulted in an additional \$5.7 M or 1.65% in 2018
- Previous year levy plus growth represents starting point for 2019 tax policy analysis

| Realty Tax Class | 2018 Regional General Levy | | Revenue Growth | |
|--------------------------|----------------------------|----------------------|--------------------|--------------|
| | As Returned | As Revised | \$ | % |
| <i>Taxable</i> | | | | |
| Residential | \$250,722,218 | \$256,369,618 | \$5,647,400 | 2.25% |
| Farm | \$2,832,219 | \$2,801,577 | -\$30,642 | -1.08% |
| Managed Forest | \$16,253 | \$18,205 | \$1,952 | 12.01% |
| New Multi-Residential | \$766,871 | \$780,797 | \$13,926 | 1.82% |
| Multi-Residential | \$14,913,471 | \$14,547,107 | -\$366,364 | -2.46% |
| Commercial | \$63,691,226 | \$64,130,454 | \$439,228 | 0.69% |
| Industrial | \$11,497,293 | \$11,482,587 | -\$14,706 | -0.13% |
| Landfill | \$57,780 | \$57,780 | \$0 | 0.00% |
| Pipeline | \$2,250,941 | \$2,265,299 | \$14,358 | 0.64% |
| Sub-Total Taxable | \$346,748,272 | \$352,453,424 | \$5,705,152 | 1.65% |

2018 Taxable Growth %

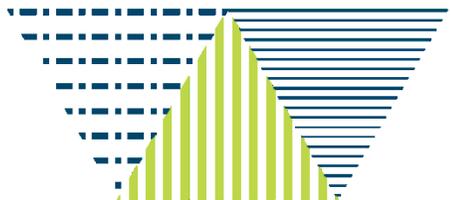
2018 Approved Levy



2018 Annualized Revenue Growth by Area Municipality (Additional Taxation Revenue)

- In year growth varies between municipalities ranging from 0.34% to 4.29%

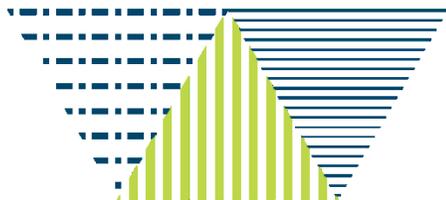
| Local Municipality | 2018 Regional General Levy | | Revenue Growth | |
|-----------------------|----------------------------|----------------------|--------------------|--------------|
| | As Returned | As Revised | \$ | % |
| Fort Erie | \$21,925,108 | \$22,428,328 | \$503,220 | 2.30% |
| Grimsby | \$25,095,975 | \$25,883,857 | \$787,882 | 3.14% |
| Lincoln | \$20,175,612 | \$20,443,857 | \$268,245 | 1.33% |
| Niagara Falls | \$72,858,490 | \$74,209,801 | \$1,351,311 | 1.85% |
| Niagara-on-the-Lake | \$29,461,668 | \$30,082,399 | \$620,731 | 2.11% |
| Pelham | \$14,413,733 | \$14,718,064 | \$304,331 | 2.11% |
| Port Colborne | \$11,512,654 | \$11,599,092 | \$86,438 | 0.75% |
| St. Catharines | \$93,484,979 | \$93,802,595 | \$317,616 | 0.34% |
| Thorold | \$13,560,338 | \$14,142,691 | \$582,353 | 4.29% |
| Wainfleet | \$5,203,681 | \$5,281,328 | \$77,647 | 1.49% |
| Welland | \$28,515,782 | \$29,032,299 | \$516,517 | 1.81% |
| West Lincoln | \$10,540,256 | \$10,829,113 | \$288,857 | 2.74% |
| Niagara Region | \$346,748,276 | \$352,453,424 | \$5,705,152 | 1.65% |



Reassessment Related Tax Impacts (Tax Class Redistribution)

- CVA reflect current market conditions with an effective date of Jan. 1, 2016 (no physical property change)
- MPAC reassesses all properties every 4 years
- Any CVA increases are phased-in over 4 years and any CVA decreases are implemented in the first year of the assessment cycle
- Phase-in related impacts are 4.05% and vary between property class

| Realty Tax Class | Phase Adjusted CVA | | Change in Phased CVA | |
|--------------------------|-----------------------|-----------------------|----------------------|--------------|
| | 2018 Revised | 2019 Returned | \$ | % |
| <i>Taxable</i> | | | | |
| Residential | 45,240,747,203 | 46,877,880,220 | 1,637,133,017 | 3.62% |
| Farm | 1,976,142,587 | 2,199,003,701 | 222,861,114 | 11.28% |
| Managed Forest | 12,840,739 | 13,907,719 | 1,066,980 | 8.31% |
| New Multi-Residential | 137,687,680 | 144,085,061 | 6,397,381 | 4.65% |
| Multi-Residential | 1,302,167,148 | 1,346,916,747 | 44,749,599 | 3.44% |
| Commercial | 6,623,548,330 | 6,954,686,379 | 331,138,049 | 5.00% |
| Industrial | 808,952,273 | 839,898,339 | 30,946,066 | 3.83% |
| Landfill | 3,465,350 | 3,536,625 | 71,275 | 2.06% |
| Pipeline | 234,691,343 | 240,756,173 | 6,064,830 | 2.58% |
| Sub-Total Taxable | 56,340,242,653 | 58,620,670,964 | 2,280,428,311 | 4.05% |

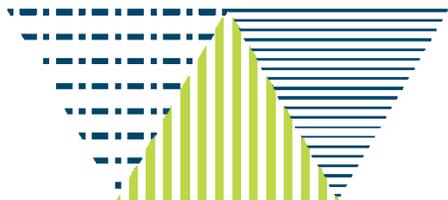


Reassessment Related Impacts (Tax Class Redistribution)

- Varying phase-in changes between classes results in a redistribution of taxes
- This redistribution of taxes by class does not effect the total levy amount
- Residential class will be a shift away in 2019 compared to 2018 year-end of \$726,422 or 0.28%

| Realty Tax Class | Regional General Levy | | Inter-Class Shifts | |
|--------------------------|-----------------------|----------------------|--------------------|--------------|
| | 2018 as Revised | 2019 Notional | \$ | % |
| <i>Taxable</i> | | | | |
| Residential | \$256,369,618 | \$255,643,196 | -\$726,422 | -0.28% |
| Farm | \$2,801,577 | \$3,000,078 | \$198,501 | 7.09% |
| Managed Forest | \$18,205 | \$18,975 | \$770 | 4.23% |
| New Multi-Residential | \$780,797 | \$786,297 | \$5,500 | 0.70% |
| Multi-Residential | \$14,547,107 | \$14,480,189 | -\$66,918 | -0.46% |
| Commercial | \$64,130,454 | \$64,796,932 | \$666,478 | 1.04% |
| Industrial | \$11,482,587 | \$11,434,577 | -\$48,010 | -0.42% |
| Landfill | \$57,780 | \$56,746 | -\$1,034 | -1.79% |
| Pipeline | \$2,265,299 | \$2,236,301 | -\$28,998 | -1.28% |
| Sub-Total Taxable | \$352,453,424 | \$352,453,291 | -\$133 | 0.00% |

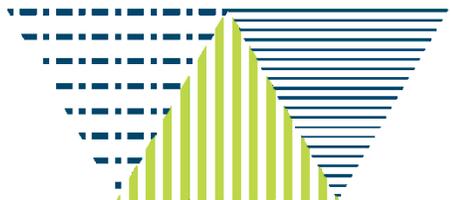
2019 Starting Levy (after growth)



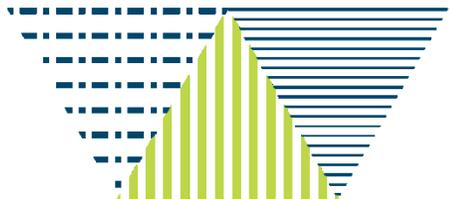
Year-Over-Year Upper-Tier Levy Shifts

- Varying phase-in changes between classes results in shifts between municipalities
- Impacts of varying assessment phase-in between municipalities results in shifts ranging from -1.58% to 2.05%
- In aggregate these changes are 0%

| Local Municipality | Rate of Phase-In Change | Inter-Municipal Shifts | |
|-----------------------|-------------------------|------------------------|--------------|
| | | \$ | % |
| Fort Erie | 2.33% | -\$355,349 | -1.58% |
| Port Colborne | 2.87% | -\$114,235 | -0.98% |
| Welland | 2.93% | -\$273,483 | -0.94% |
| Thorold | 3.03% | -\$123,951 | -0.88% |
| Pelham | 3.42% | -\$106,828 | -0.73% |
| St. Catharines | 3.51% | -\$245,940 | -0.26% |
| Niagara Region | 4.05% | -\$133 | 0.00% |
| Niagara Falls | 4.13% | \$160,580 | 0.22% |
| Niagara-on-the-Lake | 5.01% | \$230,818 | 0.77% |
| Lincoln | 5.29% | \$147,570 | 0.72% |
| Wainfleet | 5.56% | \$28,033 | 0.53% |
| Grimsby | 5.98% | \$530,219 | 2.05% |
| West Lincoln | 6.52% | \$122,433 | 1.13% |



Tax Policy Background



Tax Burden – BMA Study Averages

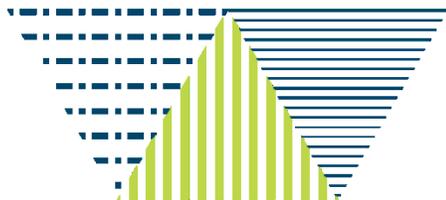
- BMA combines Region, LAM and Education Rates and compares against 108 Ontario Municipalities
- Residential – All property types above BMA study average
- Commercial – Hotel, Shopping above; Office, Motels below
- Multi-Res – Mid/High Rises at par; Walk-up above

| Property Class | Property Type | Comparison Metric | Niagara Average* (\$) | Study Average (\$) | Variance | | Comparison to Study |
|----------------|------------------------|-------------------|-----------------------|--------------------|----------|---------|---------------------|
| | | | | | \$ | % | |
| Residential | Bungalow | Tax/Unit | 3,466 | 3,397 | 69 | 2.03% | Above |
| | 2 Storey | Tax/Unit | 4,656 | 4,524 | 132 | 2.92% | Above |
| | Executive | Tax/Unit | 6,296 | 6,286 | 10 | 0.16% | Above |
| Multi-Res | Walk-Up | Tax/Unit | 1,577 | 1,382 | 195 | 14.11% | Above |
| | Mid/High-Rise | Tax/Unit | 1,716 | 1,715 | 1 | 0.06% | Par |
| Commercial | Office Buildings*** | Tax/ Sq. Ft. | 2.77 | 3.04 | (0.27) | -8.88% | Below |
| | Shopping | Tax/ Sq. Ft. | 3.75 | 2.63 | 1.12 | 42.59% | Above |
| | Hotels** | Tax/Unit | 1,844 | 1,602 | 242 | 15.11% | Above |
| | Motels | Tax/Unit | 1,084 | 1,240 | (156) | -12.58% | Below |
| Industrial | Industrial Vacant Land | Tax/Acre | 3,118 | 3,673 | (555) | -15.11% | Below |
| | Standard Industrial | Tax/ Sq. Ft. | 1.82 | 1.67 | 0.15 | 8.98% | Above |
| | Large Industrial*** | Tax/ Sq. Ft. | 0.87 | 1.11 | (0.24) | -21.62% | Below |

*Calculated using a simple average of all LAMs.

**Classified to be in the high range.

***Classified to be in the low range.

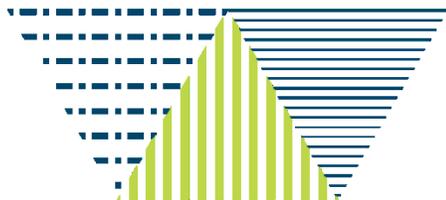


Tax Burden – BMA Study Averages

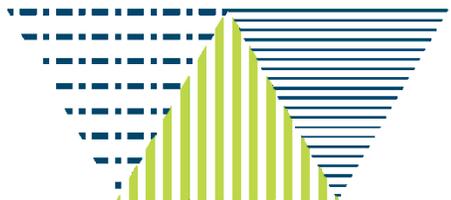
- Niagara weighted average residential property tax burden greater than BMA survey average
- Average property tax per unit is lower than average
- However, offset by lower than average household income

| | Niagara Average* | Study Average | Variance | | Comparison to Study |
|---|------------------|---------------|----------|--------|---------------------|
| | | | \$ | % | |
| Total Property Taxes (\$) Per Median Dwelling Value | \$3,832 | \$3,836 | (4) | (0.10) | Below |
| Total Property Taxes as % of Hhld. Income | 4.0% | 3.8% | | | Above |
| Total Municipal Burden: Taxes and W/WW (\$) | \$4,768 | \$4,910 | (142) | (2.89) | Below |
| Total Municipal Burden: Taxes and W/WW as % of Hhld. Income | 4.9% | 4.8% | | | Above |

*Calculated using a simple average of all LAMs (weighted average is 5.2%).



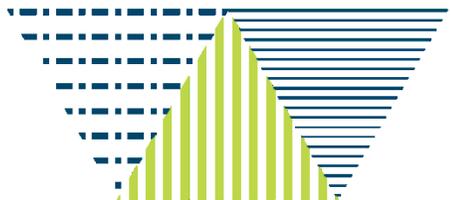
2019 Recommended Tax Policy



Property Tax Policy Definitions

- Tax Ratios

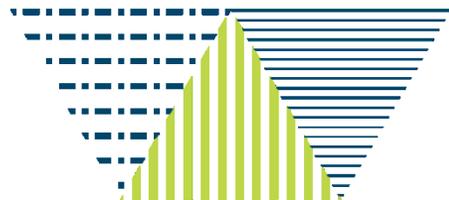
- Tax ratios represent the relationship between the tax rate applicable to the residential property class and the rates for other property classes
- Ratios distribute tax burden between classes relative to the residential class tax ratio, which is equal to "one"
- Province establishes ranges of fairness that guide tax ratio setting by municipalities



Tax Ratio Summary

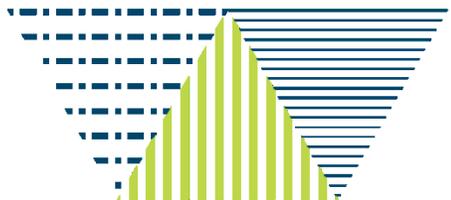
| Realty Tax Class | 2014 Ratios | 2015 Ratios | 2016 Ratios | 2017 Ratios | 2018 Ratios | 2019 Start Ratios | Ranges of Fairness | | Threshold Ratios | |
|--------------------------|-------------|-------------|-------------|-----------------|-----------------|-------------------|--------------------|-------------|------------------|-----------------------------|
| | | | | | | | Lower Limit | Upper Limit | Threshold | Subject to Levy Restriction |
| Residential | 1.000000 | 1.000000 | 1.000000 | 1.000000 | 1.000000 | 1.000000 | 1.00 | 1.00 | - | N/A |
| Farm | 0.250000 | 0.250000 | 0.250000 | 0.250000 | 0.250000 | 0.250000 | - | 0.25 | - | N/A |
| Managed Forest | 0.250000 | 0.250000 | 0.250000 | 0.250000 | 0.250000 | 0.250000 | 0.25 | 0.25 | - | N/A |
| New Mult-Res | 1.000000 | 1.000000 | 1.000000 | 1.000000 | 1.000000 | 1.000000 | 1.00 | 1.10 | - | N/A |
| Multi-Residential | 2.044000 | 2.044000 | 2.044000 | 2.000000 | 1.970000 | 1.970000 | 1.00 | 1.10 | 2.00 | No |
| Commercial | 1.758600 | 1.758600 | 1.758600 | 1.758600 | 1.734900 | 1.734900 | 0.60 | 1.10 | 1.98 | No |
| Industrial | 2.630000 | 2.630000 | 2.630000 | 2.630000 | 2.630000 | 2.630000 | 0.60 | 1.10 | 2.63 | No |
| Landfill | N/A | N/A | N/A | 2.940261 | 2.940261 | 2.940261 | 0.60 | 1.10 | 25.00 | No |
| Pipeline | 1.702100 | 1.702100 | 1.702100 | 1.702100 | 1.702100 | 1.702100 | 0.60 | 0.70 | - | N/A |

Recommended Ratios for
2019 Taxation

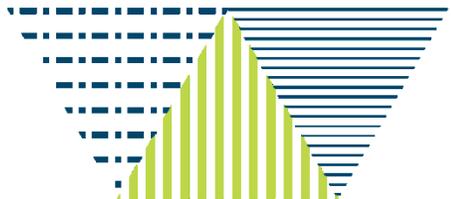


Recommended 2019 Tax Ratios

- Recommended to maintain 2018 Tax Ratios for 2019 Taxation
- This recommendation will keep negative shift with Residential class:
 - Residential property class responsible for 73% of total tax levy
 - Previously utilized negative residential shift to reduce commercial/multi-residential class ratios
 - Higher than average residential property taxes as percentage of household income (as identified from BMA)



Optional Tax Policy

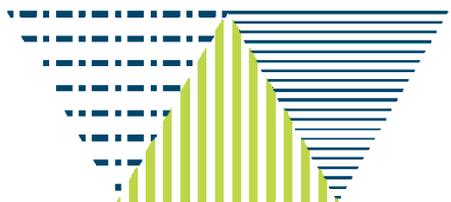


Agri-Food Business Subclasses for Farm Properties (Property Tax Impact Summary)

- Province announced a new optional subclass for commercial and industrial improvements on farm properties
- Intended to reduce taxation on value added farming activities

Optional Subclass NOT Recommended

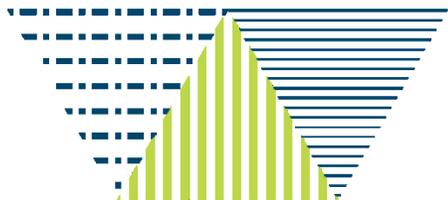
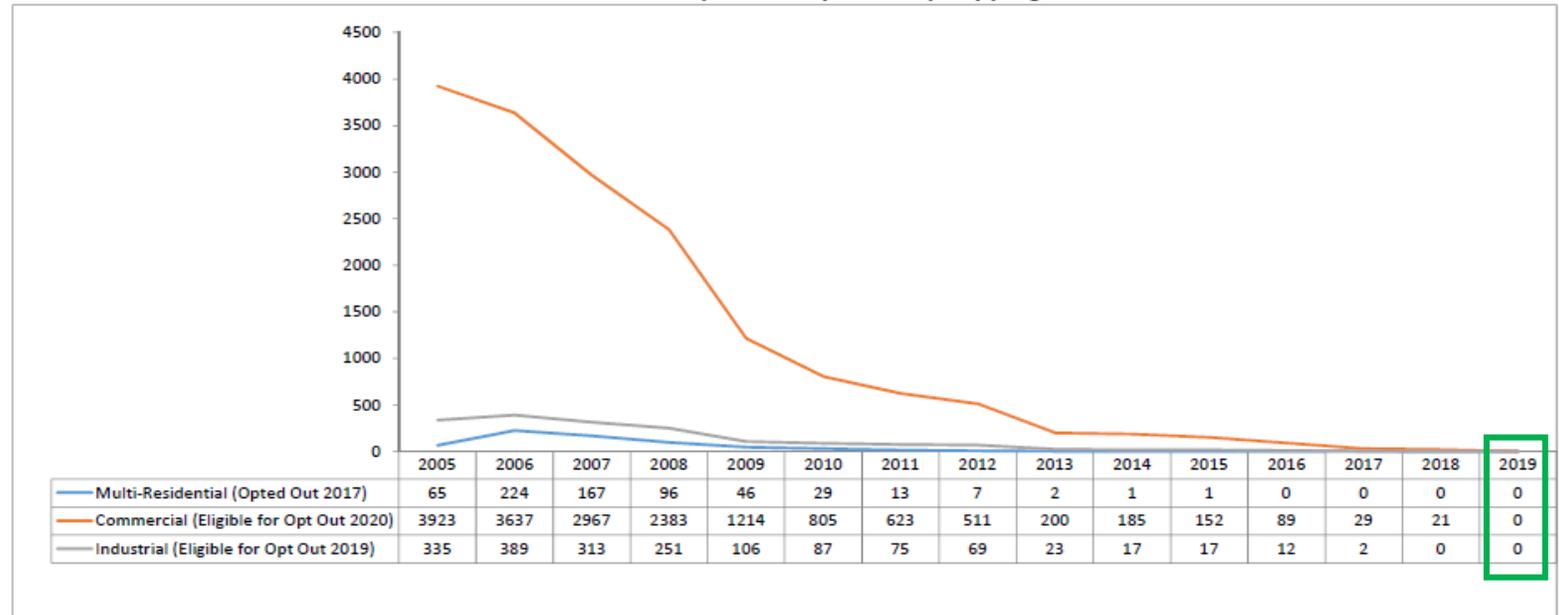
- Limited properties eligible
- Farm property assessment already receive 75% reduction
- Limited property benefit (range \$600 to \$1,000)
- Adopting this subclass may result in significant farm appeals from farms not currently eligible (6,000 farm properties)



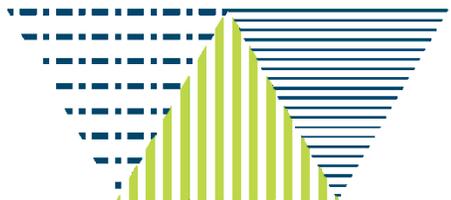
2019 Pro Forma Capping

- Mandatory capping introduced in 1998 for Multi-Res, Commercial & Industrial classes
- Designed to protect properties from annual tax increases above maximum threshold - Funded from claw backs from other properties
- Multi-Residential class - opted out of in 2017
- Industrial class – eligible for opt out in 2019
- Commercial class – No properties capped in 2019, eligible for opt out in 2020

Number of Properties Impacted by Capping



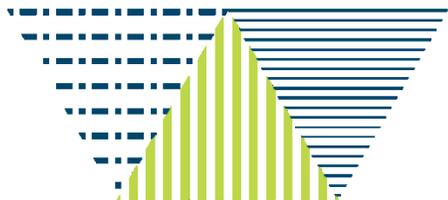
2019 Provincial Policy



Education Tax Rate Background & 2019 Rates

- Education rates set annually by the Province
- Current rates creates education “tax room” (i.e., -5.29% rate change vs +3.62% reassessment impact)

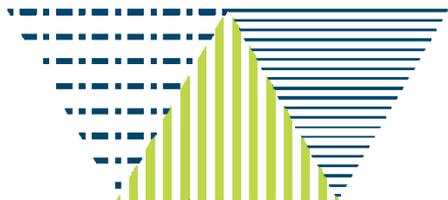
| Realty Tax Class | Education Rates | | % Change |
|-----------------------|-----------------|-----------|----------|
| | 2018 | 2019 | |
| Residential | 0.0017000 | 0.0016100 | -5.29% |
| Farm | 0.0004250 | 0.0004025 | -5.29% |
| Managed Forest | 0.0004250 | 0.0004025 | -5.29% |
| Multi-Residential | 0.0017000 | 0.0016100 | -5.29% |
| New Multi-Residential | 0.0017000 | 0.0016100 | -5.29% |
| Commercial | 0.0109000 | 0.0103000 | -5.50% |
| Landfill | 0.0178518 | 0.0174921 | -2.02% |
| Industrial | 0.0134000 | 0.0129000 | -3.73% |
| New Industrial | 0.0109000 | 0.0103000 | -5.50% |
| Pipeline | 0.0109000 | 0.0103000 | -5.50% |



Education Commercial/Industrial Vacant Unit/Sub-class Discounts

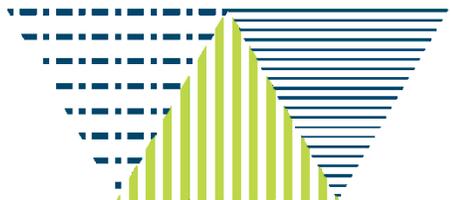
- Province announced phase-out of vacancy programs on education taxes
- More aggressive timeline for phase-out compared to Region approved phase-out plan

| Property Class | Adopted <u>Regional</u> Policy | | Adopted <u>Provincial</u> Policy | | | |
|------------------|--------------------------------|-----------------------|----------------------------------|--------------------|----------------------|--------------------|
| | Commercial/Industrial | Commercial/Industrial | Commercial | Commercial | Industrial | Industrial |
| Year | Vacant Unit Rebate % | Vacant/Excess Land | Vacant Unit Rebate % | Vacant/Excess Land | Vacant Unit Rebate % | Vacant/Excess Land |
| 2019 | 20% | 30% | 15% | 15% | 15% | 15% |
| 2020 | 10% | 30% | 0% | 0% | 0% | 0% |
| 2021 | 0% | 22.50% | 0% | 0% | 0% | 0% |
| 2022 | 0% | 15% | 0% | 0% | 0% | 0% |
| 2023 | 0% | 7.50% | 0% | 0% | 0% | 0% |
| 2024 and onwards | 0% | 0% | 0% | 0% | 0% | 0% |



Next Steps

- Tax Policy Bylaws - Council – April 25, 2019
- Approved Tax Policy Distributed to Area Treasurers – April 26, 2019
- Area Municipalities Establish Tax Rate (own levy)
- Area Municipalities Complete Tax Billing – June 2019



Questions?



Contact Details:

Rob Fleming, MBA

Senior Tax & Revenue Analyst

E: robert.fleming@niagararegion.ca

T: 905-980-6000 x3272

