

**Subject:** 2024 Property Tax Policy, Ratios and Rates

**Report to:** Corporate Services Committee

**Report date:** Wednesday, March 6, 2024

## Recommendations

1. That Regional Council **APPROVE** the following tax ratios and sub-class reductions for the 2024 taxation year:

Property Classification	Tax Ratio	Sub-Class Reduction
Residential	1.000000	
New Multi-Residential	1.000000	
Multi-Residential	1.970000	
Commercial	1.734900	
Commercial – Excess Land	1.734900	
Commercial – Vacant Land	1.734900	
Industrial	2.630000	
Industrial – Excess Land	2.630000	
Industrial – Vacant Land	2.630000	
Pipeline	1.702100	
Farmland	0.250000	
Managed Forest	0.250000	
Farmland Awaiting Development 1	1.000000	25.00%
Farmland Awaiting Development 2	Class Ratio	
Landfill Sites	2.940261	

2. That the necessary by-laws **BE PREPARED** and **PRESENTED** to Council for consideration and **BE CIRCULATED** to the Councils of the Area Municipalities for information; and
3. That Report CSD 07-2024 **BE CIRCULATED** to the Councils of the Area Municipalities for information.

## Key Facts

- The purpose of this report is to set the tax policy for 2024 which includes tax ratios, and other policy considerations which are required to set tax rates. Tax policy accounts for property assessment changes and affects the distribution of actual taxes paid by property owners or classes.
- The recommended tax policy for 2024, supported by Regional staff and Area Treasurers, is to maintain the status quo tax ratio adopted for the 2024 taxation year.
- 2023 represented the last year of the Council approved phase-out schedule of the commercial/industrial vacant/excess land subclass discounts of 7.50%.
- In order for the Area Municipalities to complete final tax billings in June, which includes Regional taxes, the Regional tax rate bylaw need to be established no later than April.
- The analysis in Appendix 1 to Report CSD 07-2024, is based on the actual Region's General Tax Levy for 2023 being \$444 million. The 2024 Budget presentation included \$7.4 million in assessment growth dollars or 1.66% on approved 2023 General Tax Levy. The tax policy decisions also apply to the Special Tax Levies for waste and transit.
- The proposed tax policy and approved Regional General Tax Levy will result in an increase of approximately \$126 for the typical residential property with a current value assessment (CVA) of \$298,000 for an annual Regional property tax of \$1,985.

## Financial Considerations

There are no direct costs to the Region as a result of setting 2024 tax policy. There are however, taxpayer impacts as a result of tax shifts between property classes due to assessment growth and tax ratio/discount decisions. Detailed analysis of these impacts are included in the Tax Policy Study attached as Appendix 1 to Report CSD 07-2024.

## Analysis

The *Municipal Act, 2001*, provides the Region with the responsibility to establish tax policy to raise levy requirements. Reassessment impacts, assessment growth and Provincial legislation can create tax shifts in burden across all property classes. These factors are outside the control of Niagara Regional Council and the budget process. The only opportunity to affect these is through a thorough analysis of options available for ratios and resulting impacts.

Regional staff engaged the Area Treasurers in the review of the tax study as completed by the Region's external tax consultant as well as discussed potential scenarios for

2024. Based on the feedback provided, both Regional staff and Area Treasurers are recommending to maintain the status quo tax ratio for the 2024 taxation year including the commercial/industrial vacant/excess land subclass discount phase-out from 7.50% to 0%, which results in a shift away from residential taxes and on the other classes of 0.10%, or \$0.3 million.

The following are the key factors that support the recommendation; these are expanded on further in this report:

- Prior to the delay in the reassessment cycle MPAC data indicated larger increases in residential assessment in relation to business classes may result which would result in significant shift of taxes onto the residential classes. While reassessment information is unknown at this time it would be prudent to anticipate the outcome.
- The BMA study demonstrates that all residential taxation categories are above the BMA study average and data provided by the Region's Affordable Housing Strategy Steering Committee indicates that many of the households in core housing need currently reside in single detached homes (included in the residential tax class).
- The Region and local area municipalities offer many incentive programs including tax increment and development charge related grants that reduce the actual tax burden experienced by some business property classes in Niagara.

## **Analysis of Current State**

### **1. Assessment Growth**

The overall real assessment growth that occurred in 2023 for the Region was 1.66%, equivalent to \$7.4 million in General Tax Levy dollars from new taxpayers. The overall assessment growth is net of reduction in assessment due to property assessment appeals.

Table 1 summarizes the overall assessment growth that occurred in 2023 (see Assessment Growth Impacts column) as well as the impacts affecting each of the tax classes based on maintaining the status quo tax ratios and the adjustment to the vacant/excess land subclass discounts from 7.50% to 0% as per the Council approved phase-out schedule (Inter-Class Shift column). Note this phase-out schedule was approved by the Province and has been written into Provincial legislation. Any subsequent changes to the phase-out schedule would require Council to lobby the Province to amend the Ontario regulations 325/01.

The residential increase noted in Table 1 below of 6.92% (which is below the 2024 Regional levy impact of 7.02%) is net of the shift due to the subclass discount reduction (See Appendix 1, Table 6).

**Table 1 – 2024 General Tax Levy Impacts by Property Class (Status Quo Policy)**

Property Class	2023 Approved General Tax Levy (as revised)	Assessment Growth (AG) Impacts	Inter-class Shift*	2024 General Tax Levy Impacts (net of AG)	2024 Approved General Tax Levy	Avg. General Tax % Increase
Residential	326,174,688	5,485,557	(338,737)	22,895,692	354,217,200	6.92%
New Multi-Res	1,652,208	463,823	(2,161)	146,078	2,259,948	8.71%
Multi-Residential	16,640,413	172,083	(17,159)	1,160,631	17,955,968	6.87%
Farm	3,815,182	139,884	(4,033)	273,035	4,224,068	7.05%
Managed Forest	25,745	(448)	(26)	1,747	27,018	6.68%
Commercial	78,045,275	504,636	206,437	5,442,362	84,198,710	7.24%
Industrial	15,317,343	585,637	158,368	1,109,901	17,171,249	8.28%
Pipelines	2,718,425	17,973	(2,792)	188,903	2,922,509	6.55%
Landfill	57,811	-	(59)	3,991	61,743	6.80%
Total	444,447,090	7,369,145	(162)	31,222,340	483,038,413	7.02%
% Increase		1.66%	0%	7.02%	8.68%	

\* Represents a tax shift away from residential of 0.10% as a result of the decrease in vacant/excess land subclass discount from 7.50% to 0% as per Council approved phase-out schedule.

## 2. Re-Assessment Phase-In and Tax Shift

Reassessments of all properties is mandated by the Province every four years, however, as a result of COVID-19, the 2020 re-assessment has been delayed and the Province has not provided any guidance as to when the next assessment cycle will take place. Therefore, the assessment values for the 2024 tax year will remain the same based on the 2016 valuation date resulting in no tax shift impacts caused by assessment phase-in changes.

Table 2 shows the relative tax share of each tax class from 2023 to 2024. The 2024 amounts are based on the recommended tax policy.

**Table 2 – Multi-Year Tax Distribution by Tax Class**

<b>Property Class</b>	<b>2023 Year End (As Revised)</b>	<b>% Share</b>	<b>2024 Levy (As Revised)</b>	<b>% Share</b>
Residential	\$326,174,688	73.39%	354,217,200	73.33%
New Multi-Residential	1,652,208	0.37%	2,259,948	0.47%
Multi-Residential	16,640,413	3.74%	17,955,968	3.72%
Farm	3,815,182	0.86%	4,224,068	0.87%
Managed Forest	25,745	0.01%	27,018	0.01%
Commercial	78,045,275	17.56%	84,198,710	17.43%
Industrial	15,317,343	3.45%	17,171,249	3.55%
Pipelines	2,718,425	0.61%	2,922,509	0.61%
Landfill	57,811	0.01%	61,743	0.01%
<b>Total</b>	<b>\$444,447,090</b>	<b>100%</b>	<b>483,038,413</b>	<b>100%</b>

### 3. Education Rates (no change)

The education tax rates are established by the Province to meet their revenue targets for the year. Typically, the education tax rates decrease from one year to the next as the Provincial policy is to maintain revenue neutrality. In prior years, this Provincial policy has created savings in Niagara which generally assist in offsetting municipal increases. Similar to 2023, the Province has maintained the education tax rates in 2024 for all classes. What this means is that with no changes in property assessment due to reassessment properties will typically pay the same dollars in education taxes as in the prior year.

### 4. Waste Management Special Levy Rates

Waste management Special Levy tax rates are also set based on the Regional tax ratios. The waste management requisition by municipality was approved through Report CSD 48-2023; however the by-law setting for the waste management special levy tax rates for the 2024 requisitions are brought forward with the 2024 general tax levy by-law as the rates are based on each municipality's assessment and are dependent on the tax ratios (with the exception of Niagara-on-the-Lake). The household impacts reported in the budget will vary based on the tax policy being approved in this report in addition to variations in final assessment growth.

## Niagara Transit Commission Special Levy Rates

Similar to Waste Management, Niagara Transit Commission Special Levy tax rates are also set based on the Regional tax ratios. The Transit requisition by municipality was approved through Report NTC 17-2023 and BRC-C 40-2023; however, the by-law setting for transit special levy tax rates for the 2024 requisitions are also brought forward with the 2024 general tax levy by-law as the rates are based on each municipality's assessment and are dependent on the tax ratio. The household impacts reported in the budget will vary based on the tax policy being approved in this report in addition to variations in final assessment growth.

## Tax Policy Considerations

The Region considers council priorities, the current environment, as well as utilizing several BMA tax related performance metrics as seen in Appendix 3 of Report CSD 07-2024 to assess policy options.

- Residential taxpayer - The residential class is responsible for 73.33% of the overall tax levy. Under the recommended tax policy, the tax shift away from the residential class will mitigate the overall levy increase on the class from 7.02% to 6.92% (see Table 1). As identified in the most recent BMA study, Niagara's average residential property taxes (including water and wastewater) payable as a percentage of household income is above the BMA study average (2023 - Niagara 5.24% versus BMA average 4.80%). This gap between Niagara and the survey average has increased from 2022 (Niagara 5.33% versus BMA average 5.00%). The benefit of reducing the subclass discount for commercial/industrial vacant/excess lands from 7.50% to 0% will assist with narrowing the gap between Niagara and the BMA average.
- Multi-Residential Tax Class - the multi-residential tax category consists of two property tax classes. The multi-residential class is responsible for 3.72% of the overall tax levy while the new-multi-residential category (which includes multi-residential structures constructed after 2003) is responsible for 0.47%. It is important to note that new construction of purpose-built rental would be in the new multi-residential class, which is taxed at the same rate as residential.

Appendix 3 provides BMA metrics related to two multi-residential structure types (Walk-up and Mid/High-Rise). The walk-up style structure was identified as above the survey average by \$328 and the high-rise structure types are also above the average by \$35 for 2023.

- **Industrial Tax Class** - The relative tax burden averages for standard industrial for the Region is higher than the BMA survey average as provided in Appendix 3 (Niagara is taxing \$2.00/square foot, while the BMA average is \$1.65/square foot). However, this is partially offset by the many incentive programs currently offered by the Region including tax increment and development charge related grants, specifically under the Employment and Brownfield pillars, that reduce the actual tax burden experienced by some industrial properties in Niagara.
- **Commercial Tax Class** - These properties pay the second largest share (after residential) of Regional taxes at 17.43%. Appendix 3 illustrates that Niagara taxation of office buildings and motels are lower than the BMA average (\$3.11 tax/square foot vs. \$3.21 tax/square foot and \$1,223 tax/unit vs. \$1,253 tax/unit respectively) while Niagara's taxation of shopping centres and hotels (\$4.39 tax/square foot vs. \$3.89 tax/square foot and \$2,054 tax/unit vs. \$1,675 tax/unit respectively) are above the BMA averages. Tax appeals in this class are significant and the property class has benefited from significant reduction due to assessment appeals such that it has generated the lowest assessment growth percentage. The impact of reduced assessment further increases the overall burden experienced by properties in other classes. This property class is also eligible for Employment and Brownfield related tax increment grant programs.

## 2023 Property Tax Impacts

**Table 3 – Regional Tax Increases for Status Quo Policy**

Taxation Class	2023 Avg. CVA	2023 Regional Taxes	2024 Avg. CVA	2024 Regional Taxes*	\$ Increase
Residential	\$298,000	\$1,859	\$298,000	\$1,985	\$126
Multi-Residential	\$2,517,300	\$30,913	\$2,517,300	\$33,033	\$2,120
Commercial - Occupied	\$846,692	\$9,157	\$846,692	\$9,784	\$628
Industrial - Occupied	\$1,095,946	\$17,967	\$1,095,946	\$19,200	\$1,232
Farmland	\$411,679	\$642	\$411,679	\$686	\$44

\*Based on draft rates utilizing the recommended 2024 tax policy.

## **Alternatives Reviewed**

Regional staff considered alternatives to the recommendations proposed in this report. After engaging with the Area Treasurers and reviewing the tax study and historical Regional tax ratios, it was determined to maintain the status quo tax ratio for the 2024 taxation year.

## **Relationship to Council Strategic Priorities**

This tax policy report is aligned to Effective Region, Delivery of fiscally responsible and sustainable core services.

## **Other Pertinent Reports**

- Bill 2023-95 – 2024 Operating Budget and Tax Levy
- CSD 3-2019 – Vacancy Program Revisions to Ministry of Finance
- CSD 48-2023- Waste Management Services Operating Budget and Requisition
- NTC 17-2023 and BRC-C 40-2023– NTC 2024 Operating Budget Additional Information

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**Appendices**

Appendix 1	Niagara Region 2024 Tax Policy Report
Appendix 2	History of Regional Tax Ratios
Appendix 3	Performance Measures
Appendix 4	History of Regional Tax Ratios