

NIAGARA REGION
2020

Property Tax Policy, Ratios & Rates

Corporate Services Committee

April 8th, 2020



Key Themes

- Tax Policy Background, Responsibility & Definitions
- Assessment Growth versus Reassessment Impacts
- Tax Policy Recommendation & Consideration
- Next Steps

Tax Policy Background & Responsibility

- The Municipal Act requires the Region pass a by-law to establish tax ratios which create the tax rates to raise upper/lower-tier levies.
- Council is responsible for other tax policy decisions:
 - 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 in 2003 for new construction that would otherwise be classified as multi-residential (use residential tax ratio and rate). Became mandatory in 2017.

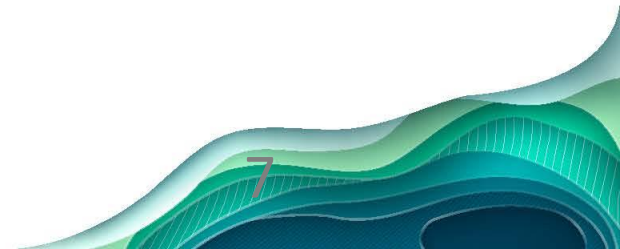
Property Tax Class Definitions

- 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.

Property Tax Class 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)
- Further discussion on subclass in CSD 9-2020

Assessment Growth versus Reassessment Impacts



2019 Annualized Revenue Growth by Property Class

(Additional Taxation Revenue)

- As presented with 2020 Operating Budget, taxable growth dollars resulted in an additional \$5.2 M or 1.42%
- Previous year levy plus growth represents starting point for 2020 tax policy analysis

Realty Tax Class	2019 General Levy As Returned	2019 General Levy As Revised	Revenue Growth \$	Revenue Growth %
Residential	\$265,269,922	\$270,354,281	\$5,084,359	1.92%
Farm	\$3,113,063	\$3,053,617	-\$59,446	-1.91%
Managed Forest	\$19,688	\$20,658	\$970	4.93%
New Multi-Residential	\$815,906	\$946,385	\$130,479	15.99%
Multi-Residential	\$15,025,478	\$14,820,813	-\$204,665	-1.36%
Commercial	\$67,237,042	\$66,487,298	-\$749,744	-1.12%
Industrial	\$11,865,167	\$12,830,257	\$965,090	8.13%
Landfill	\$58,884	\$58,884	\$0	0.00%
Pipeline	\$2,320,511	\$2,344,434	\$23,923	1.03%
Sub-Total Taxable	\$365,725,661	\$370,916,627	\$5,190,966	1.42%

2019
Approved
Levy

2019 Annualized Revenue Growth by Area Municipality

(Additional Taxation Revenue)

- In year growth varies between municipalities ranging from 0.12% to 3.86%

Local Municipality	2019 General Levy As Returned	2019 General Levy As Revised	Revenue Growth \$	Revenue Growth %
Fort Erie	\$22,904,182	\$23,243,261	\$339,079	1.48%
Grimsby	\$27,408,753	\$27,878,851	\$470,098	1.72%
Lincoln	\$21,366,840	\$21,888,554	\$521,714	2.44%
Niagara Falls	\$77,170,657	\$78,044,841	\$874,184	1.13%
Niagara-on-the-Lake	\$31,454,726	\$31,931,498	\$476,772	1.52%
Pelham	\$15,161,450	\$15,570,911	\$409,461	2.70%
Port Colborne	\$11,917,342	\$11,987,796	\$70,454	0.59%
St. Catharines	\$97,079,728	\$97,192,482	\$112,754	0.12%
Thorold	\$14,546,645	\$14,944,984	\$398,339	2.74%
Wainfleet	\$5,509,296	\$5,581,811	\$72,515	1.32%
Welland	\$29,841,788	\$30,992,734	\$1,150,946	3.86%
West Lincoln	\$11,363,949	\$11,658,904	\$294,955	2.60%
Niagara Region	\$365,725,356	370,916,627	\$5,191,271	1.42%

Reassessment Related Tax Impacts

(Tax Class Redistribution)

- Assessments are based on market values as at Jan. 1, 2016 (no physical property change)
- MPAC reassesses market value of properties every 4 years
- Increases are phased-in over 4 years and decreases are implemented in the first year of the assessment cycle
- Market value increase for 2020 is 3.83% and varies between property class

**The Residential class market value increase is 3.49% which is less than the 3.83%
Meaning 5.92% levy increase for 2020 will have lesser impact on the average household**

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 experience a reduction in tax burden of \$536K or 0.20%

Realty Tax Class	2019 General Levy As Revised	2020 General Notional Levy	Inter-Class Shifts \$	Inter-Class Shifts %
Residential	\$270,354,281	\$269,818,245	-\$536,036	-0.20%
Farm	\$3,053,617	\$3,243,194	\$189,577	6.21%
Managed Forest	\$20,658	\$21,435	\$777	3.76%
New Multi-Residential	\$946,385	\$950,601	\$4,216	0.45%
Multi-Residential	\$14,820,813	\$14,766,344	-\$54,469	-0.37%
Commercial	\$66,487,298	\$66,977,309	\$490,011	0.74%
Industrial	\$12,830,257	\$12,763,519	-\$66,738	-0.52%
Landfill	\$58,884	\$57,931	-\$953	-1.62%
Pipeline	\$2,344,434	\$2,317,856	-\$26,578	-1.13%
Sub-Total Taxable	\$370,916,627	\$370,916,434	-\$193	0.00%

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 -1.42% to 1.90%
- In aggregate these changes are 0%

Local Municipality	Rate of Phase-In Change	Inter-Municipal Shifts \$	Inter-Municipal Shifts %
Fort Erie	2.27%	-\$355,349	-1.42%
Port Colborne	2.71%	-\$113,890	-0.95%
Welland	2.77%	-\$291,928	-0.94%
Thorold	2.91%	-\$116,073	-0.78%
Pelham	3.29%	-\$95,464	-0.61%
St. Catharines	3.29%	-\$308,364	-0.32%
Niagara Region	3.83%	-\$193	0.00%
Niagara Falls	3.94%	\$190,405	0.24%
Niagara-on-the-Lake	4.67%	\$218,964	0.69%
Lincoln	4.98%	\$158,046	0.72%
Wainfleet	5.27%	\$32,084	0.57%
Grimsby	5.62%	\$530,267	1.90%
West Lincoln	6.08%	\$125,620	1.08%

Tax Policy Recommendation & Consideration

Recommended 2020 Tax Ratios

- Recommended to maintain 2019 Tax Ratios for 2020 Taxation
- A reduction in other property ratios will erode positive benefit on Residential class from the 2020 phase-in

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 **below**; Walk-up **above**

Property Class	Property Type	Ranking	Comparison Metric	Niagara Average* (\$)	Study Average (\$)	Variance \$	Variance %	Comparison to Study
Residential	Bungalow	Mid	Tax/Unit	3,574	3,449	125	3.62%	Above
	2 Storey	Mid	Tax/Unit	4,772	4,611	161	3.49%	Above
	Executive	Mid	Tax/Unit	6,455	6,418	37	0.58%	Above
Multi-Res	Walk-Up	Mid	Tax/Unit	1,594	1,403	191	13.61%	Above
	Mid/High-Rise	Mid	Tax/Unit	1,744	1,756	(12)	-0.68%	Below
Commercial	Office Buildings	Low	Tax/ Sq. Ft.	2.84	3.13	(0.29)	-9.27%	Below
	Shopping	Mid	Tax/ Sq. Ft.	3.93	3.72	0.21	5.65%	Above
	Hotels	High	Tax/Unit	1,880	1,628	252	15.48%	Above
	Motels	Mid	Tax/Unit	1,110	1,239	(129)	-10.41%	Below
Industrial	Industrial Vacant Land	Mid	Tax/Acre	3,514	4,097	(583)	-14.23%	Below
	Standard Industrial	Mid	Tax/ Sq. Ft.	1.87	1.69	0.18	10.65%	Above
	Large Industrial	Low	Tax/ Sq. Ft.	0.92	1.16	(0.24)	-20.69%	Below

Tax Burden – BMA Study Averages

- Niagara residential property tax burden above BMA survey average
- Residential taxes & W/WW per unit is lower than average
- However, impacted by lower than average household income

	Niagara Average	Study Average	Variance \$	Variance %	Comparison to Study
Total Property Taxes (\$) Per Median Dwelling Value	\$3,944	\$3,928	16	0.40%	Above
Total Property Taxes as % of Hhld. Income	3.9%	3.7%			Above
Total Municipal Burden: Taxes and W/WW (\$)	\$4,927	\$5,008	-81	-1.65%	Below
Total Municipal Burden: Taxes and W/WW as % of Hhld. Income*	5.0%	4.9%			Above

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

Recommended 2020 Tax Ratios

Summary of Considerations

- Multi-residential
 - New-Multi-Residential properties taxed at same level as Residential
 - Multi-Res class below Provincial threshold
 - Majority of modest income households live in traditional residential buildings
- Industrial
 - Region offers many incentives directed towards industrial tax class
- Commercial
 - Office, Motel and Shopping rank in Low to Moderate range in BMA
 - Commercial tax ratio near BMA survey average

Status Quo Ratios Recommended

Further Consideration - Anticipated Re-Assessment Trends

2021 to 2024 Taxation Years

- MPAC residential assessment anticipated to increase 50% (12.5% per year)
- Non-Residential assessment anticipated to increase 20% (5% per year)

Residential class will experience an increase in tax burden

Limited ability to influence the anticipated shift

Industrial/Commercial Excess/Vacant Land Subclass

Rebates & Reductions

Rebates:

- 2020 last year for vacant unit rebate
- No vacant unit on education portion for 2020

Tax Reductions:

- No discounts on education portion for 2020
- Region phasing-out 2021-2023
- Opportunity to review Regional phase-out of subclasses for 2021.
 - See CSD 9-2020

Year	<u>Region</u> Vacant Unit Rebate %	<u>Region</u> Vacant/Excess Land Reduction %	<u>Provincial</u> Vacant Unit Rebate %	<u>Provincial</u> Vacant/Excess Land Reduction %
2020	10%	30%	0%	0%
2021	0%	22.50%	0%	0%
2022	0%	15%	0%	0%
2023	0%	7.50%	0%	0%
2024 and onwards	0%	0%	0%	0%

Next Steps

- Tax Policy Bylaws - Council – April 23, 2020
- Approved Tax Policy Distributed to Area Treasurers – April 24, 2020
- Area Municipalities Establish Tax Rate (own levy)
- Area Municipalities Complete Tax Billing – June 2020



Questions?

Rob Fleming, MBA
Senior Tax & Revenue Analyst

