

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, Deputy City Manager, Finance Supports

Subject: Assessment Growth for 2024, Changes in Taxable Phase-in Values, and Shifts in Taxation as a Result of Reassessments

Date: January 15, 2024

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, this report **BE RECEIVED** for information purposes.

Executive Summary

The Assessment Growth Policy requires annual reporting of assessment growth for the City of London. This growth represents assessed new construction less adjustments resulting from assessment appeals and property classification changes. The total weighted assessment growth for 2024 is 1.68%.

Linkage to the Corporate Strategic Plan

Council's 2023 to 2027 Strategic Plan for the City of London identifies "Well-Run City" as a strategic area of focus. The information contained in this report would assist in continuing to ensure London's finances are maintained in a transparent, sustainable, and well-planned manner by ensuring the efficient and effective allocation of resources.

Analysis

1.0 Background Information

1.1 Annual Assessment Growth Calculation

Each year, coinciding with the budget process, weighted assessment growth is calculated as it generates incremental tax revenue. The assessment growth calculation relies on information found in reports provided by the Municipal Property Assessment Corporation (MPAC)¹ and Ontario Property Tax Analysis (OPTA)² which are generally received in mid-December. The assessment increases provided in the MPAC report are based on completed new construction and will not have a direct correlation with the building permit data for the year. The allocation of this incremental tax revenue is reported to Council in early March in accordance with Council's Assessment Growth Policy.

1.2 Assessment

The concept of evaluating property at its actual or market value was introduced in the *Assessment Act* of 1850. The interpretation of market value has evolved through several property tax reforms before arriving at the current system. The *Assessment Act*, 1990, Section 19 (1) states that "the assessment of land shall be based on its current value." In this definition, current refers to a specific valuation date. Beginning January 1, 2008, reassessment was scheduled every four years. Due to the assessment freeze

¹ Municipal Property Tax Assessment Corporation

MPAC is an Ontario-based not-for-profit organization that determines the assessed value for all properties in Ontario.

² Ontario Property Tax Analysis:

OPTA is a website provided by Reamined Systems Inc. on behalf of the Ministry of Finance. The website contains business applications to help municipalities make decisions under the current property tax and assessment system.

imposed by the Province of Ontario to mitigate the impact of the pandemic, the 2024 assessment will continue to have a valuation date of January 1, 2016. Property taxes are calculated using the assessed value of the property and multiplying it by the combined municipal and education tax rates for the applicable property class. MPAC provides the assessed value of all properties annually which provides the assessment base used to calculate the property tax rate. Changes during the year, including class changes and improvements to properties, are included in the Municipal Change Profile provided by MPAC each December. The difference between the assessment base and the Municipal Change Profile represents assessment growth during the year.

Where there are questions or disputes about the assessed value of a property, the property owner has the option to appeal the assessment by contacting MPAC.

1.3 Previous Reports

Corporate Services Committee, January 30, 2023, Consent Item 2.3, Assessment Growth for 2023, Changes in Taxable Phase-in Values, and Shifts in Taxation as a Result of Reassessments

Corporate Services Committee, July 26, 2021, Consent Item 2.6, Council Policy Manual Review 2021

2.0 Discussion and Considerations

2.1 Assessment Growth

Assessment growth generally refers to the net increase in assessment attributable to new construction less adjustments resulting from assessment appeals and property classification changes. To determine the impact of assessment growth on tax revenue, assessment must be weighted with tax ratios which reflect the different tax rates applicable to the various property classes.

Measuring assessment growth also requires the use of values of a uniform base year. If a consistent base year for property valuations is not maintained, changes in assessment totals will be distorted by changes in property valuations and will not correctly reflect the actual new construction less adjustments resulting from assessment appeals and property classification changes.

Assessment has been weighted using tax ratios which were applicable in year 2023. The uniform base year which has been used for the determination of property valuations is 2023 phase-in values. Schedule “A” indicates that the total weighted assessment growth for 2024 for the City is 1.68%.

Historically the City of London has recorded the following percentage weighted assessment growth in the years indicated as shown in the chart below:

Chart 1: Twenty Year Table of Weighted Assessment Growth (2005 to 2024)

Year	Weighted Assessment Growth		Year	Weighted Assessment Growth
2005	2.00%		2015	1.17%
2006	2.08%		2016	1.20%
2007	2.16%		2017	0.91%
2008	1.51%		2018	1.27%
2009	2.36%		2019	1.96%
2010	1.57%		2020	1.63%
2011	1.40%		2021	1.38%
2012	1.01%		2022	1.40%
2013	1.43%		2023	1.82%
2014	1.22%		2024	1.68%

2.2 Change in Property Valuation from Reassessment to 2016 Base Year

Change in property valuations is a separate and distinct topic from assessment growth. For year 2013 taxation, all properties in Ontario were valued using a 2012 base year for market value determination. The 2012 values were phased in over a four-year period beginning in 2013 and ending in 2016. For the years 2017, 2018, 2019, and 2020, taxation was based on phasing in 2016 market values for the four-year period.

Starting in 2021, the Province decided, due to the Covid-19 pandemic situation in Ontario, there would be no reassessment of properties as was previously scheduled for the 2021 property tax year. As reassessment has not yet resumed, all properties in Ontario will continue to be valued based on 2016 market values in 2024.

Schedule “B” attached indicates no change will occur in the taxable phase-in values between 2023 and 2024 based on information provided by the Municipal Property Assessment Corporation (MPAC). Schedule “B” indicates that the increase in total phase-in values of all taxable properties in London from 2023 to 2024 will be 0.00% for all property classes.

2.3 Potential Shifts in Municipal Taxation between Property Classes as a result of the 2024 Phase-in Values

Schedule “C” indicates there will be no shifts in municipal taxation in 2024 between property classes as a result of the 2024 phase-in values if no changes are made to 2024 tax ratios. Schedule “C” reflects the fact that no reassessment phase-in is occurring in the year 2024.

Tax ratios determine how heavily a property class is taxed relative to the residential class. The tax change in the various classes including education taxes will be analysed and reviewed in greater detail later in the year after the 2024 City Budget is approved by Council and all of the regulations related to 2024 tax policy and education tax rates have been finalized by the Province.

3.0 Financial Impact/Considerations

3.1 Assessment Growth Revenue Allocation

In accordance with the Assessment Growth Policy, for budgeting purposes, assessment growth will be fully allocated to growth costs. This means that the increase in revenue will fund the increased demand in the service level which is driven by growth and is not to be used to fund new programs. Assessment growth and its allocation are reported annually. Based on a total weighted assessment growth of 1.68%, incremental property tax revenue in 2024 would be \$12,336,405.

Conclusion

Weighted assessment growth is an important part of municipal taxation as it generates additional incremental revenue. This growth represents new construction in the municipality less adjustments resulting from assessment appeals and property classification changes which is not to be confused with changes in the value of existing properties. Total weighted assessment growth in 2024 is 1.68% (1.82% 2023).

Looking ahead, Civic Administration will be bringing forward a “Tax Policy Report” presenting alternatives for tax ratios for 2024 property taxation and the factors that may impact tax ratio decisions.

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Submitted by: Ian Collins, CPA, CMA, Director, Financial Services
Recommended by: Anna Lisa Barbon, CPA, CGA, Deputy City Manager, Finance Supports

SCHEDULE "A"

ANALYSIS OF 2024 WEIGHTED ASSESSMENT GROWTH USING 2023 PHASE-IN VALUES

Property Class	Weighted 2023 Assessment Roll (using 2023 Phase-in Values Per MPAC)	Weighted 2024 Assessment Roll (using 2023 Phase-in Values Per MPAC)	% Change	% of Total Assessment Growth
Commercial	\$7,841,264,889	\$7,993,752,887	1.94%	0.27%
Office Building	\$697,480,545	\$677,607,785	-2.85%	-0.04%
Farmland	\$47,738,198	\$49,377,724	3.43%	0.00%
Industrial	\$782,851,817	\$828,280,330	5.80%	0.08%
Large Industrial	\$398,659,081	\$558,874,847	40.19%	0.28%
Multi-residential	\$3,006,713,473	\$3,003,931,063	-0.09%	0.00%
New Multi-residential	\$425,585,300	\$476,798,900	12.03%	0.09%
Pipeline	\$192,423,003	\$194,845,185	1.26%	0.00%
Residential	\$39,815,987,306	\$40,364,036,648	1.38%	0.97%
Shopping Centre	\$3,087,107,906	\$3,091,913,247	0.16%	0.01%
Managed Forest	\$469,925	\$487,275	3.69%	0.00%
	\$56,296,281,443	\$57,239,905,891	1.68%	1.68%
Commercial Including Optional Classes	\$11,625,853,340	\$11,763,273,919	1.18%	0.24%
Farmland	\$47,738,198	\$49,377,724	3.43%	0.00%
Industrial including optional classes	\$1,181,510,898	\$1,387,155,177	17.41%	0.37%
Multi-residential	\$3,006,713,473	\$3,003,931,063	-0.09%	0.00%
New Multi-residential	\$425,585,300	\$476,798,900	12.03%	0.09%
Pipeline	\$192,423,003	\$194,845,185	1.26%	0.00%
Residential	\$39,815,987,306	\$40,364,036,648	1.38%	0.97%
Managed Forest	\$469,925	\$487,275	3.69%	0.00%
0	\$56,296,281,443	\$57,239,905,891	1.68%	1.68%

SCHEDULE "B"
CHANGES IN TAXABLE VALUE OF PROPERTIES FOR 2024 TAXATION

Property Class	Assessments for 2024 Taxation at 2023 Phase-in Values	Assessments for 2024 Taxation at 2024 Phase-in Values	% Change
Commercial	\$4,185,985,480	\$4,185,985,480	0.00%
Office Building	\$354,768,474	\$354,768,474	0.00%
Farmland	\$480,234,627	\$480,234,627	0.00%
Industrial	\$433,804,026	\$433,804,026	0.00%
Large Industrial	\$292,604,632	\$292,604,632	0.00%
Multi-residential	\$1,758,931,864	\$1,758,931,864	0.00%
New Multi-residential	\$476,798,900	\$476,798,900	0.00%
Pipeline	\$113,745,000	\$113,745,000	0.00%
Residential	\$40,365,099,248	\$40,365,099,248	0.00%
Shopping Centre	\$1,618,802,747	\$1,618,802,747	0.00%
Managed Forest	\$1,949,100	\$1,949,100	0.00%
	\$50,082,724,098	\$50,082,724,098	0.00%

Commercial Including Optional Classes	\$6,159,556,701	\$6,159,556,701	0.00%
Farmland	\$480,234,627	\$480,234,627	0.00%
Industrial including optional classes	\$726,408,658	\$726,408,658	0.00%
Multi-residential	\$1,758,931,864	\$1,758,931,864	0.00%
New Multi-residential	\$476,798,900	\$476,798,900	0.00%
Pipeline	\$113,745,000	\$113,745,000	0.00%
Residential	\$40,365,099,248	\$40,365,099,248	0.00%
Managed Forest	\$1,949,100	\$1,949,100	0.00%
	\$50,082,724,098	\$50,082,724,098	0.00%

SCHEDULE "C"

ESTIMATED SHIFTS IN MUNICIPAL TAXATION BETWEEN PROPERTY CLASSES WITH NO CHANGE IN TAX LEVY OR RATIOS FOR 2024

Property Class	Allocation of General Levy Using 2023 Phase-in Values	Allocation of General Levy Using 2024 Phase-in Values	% Change
Commercial	\$104,572,804	\$104,572,804	0.00%
Office Building	\$8,864,234	\$8,864,234	0.00%
Farmland	\$645,944	\$645,944	0.00%
Industrial	\$10,835,281	\$10,835,281	0.00%
Large Industrial	\$7,311,011	\$7,311,011	0.00%
Multi-residential	\$39,296,412	\$39,296,412	0.00%
New Multi-residential	\$6,237,321	\$6,237,321	0.00%
Pipeline	\$2,548,898	\$2,548,898	0.00%
Residential	\$528,028,604	\$528,028,604	0.00%
Shopping Centre	\$40,447,357	\$40,447,357	0.00%
Managed Forest	\$6,374	\$6,374	0.00%
	\$748,794,241	\$748,794,241	0.00%
Commercial Including Optional Classes	\$153,884,396	\$153,884,396	0.00%
Farmland	\$645,944	\$645,944	0.00%
Industrial including optional classes	\$18,146,292	\$18,146,292	0.00%
Multi-residential	\$39,296,412	\$39,296,412	0.00%
New Multi-residential	\$6,237,321	\$6,237,321	0.00%
Pipeline	\$2,548,898	\$2,548,898	0.00%
Residential	\$528,028,604	\$528,028,604	0.00%
Managed Forest	\$6,374	\$6,374	0.00%
	\$748,794,241	\$748,794,241	0.00%