

TO:	CHAIR AND MEMBERS FINANCE AND ADMINISTRATIVE SERVICES COMMITTEE MEETING ON JANUARY 16, 2012
FROM:	MARTIN HAYWARD CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	ASSESSMENT GROWTH FOR 2012, CHANGES IN TAXABLE PHASE-IN VALUES, AND SHIFTS IN TAXATION AS A RESULT OF THE 2012 CHANGES IN TAXABLE PHASE-IN VALUES

RECOMMENDATION

That, on the recommendation of the City Treasurer, Chief Financial Officer this report **BE RECEIVED** for information purposes.

BACKGROUND

Each year as part of the budgeting process, weighted assessment growth is calculated as this generates incremental tax revenue. This report indicates that weighted assessment growth is calculated to be 1.01% for 2012 taxation.

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. In order 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.

The attached Schedule "A" details the growth which has occurred in weighted assessment for year 2012 taxation. Assessment has been weighted using tax ratios which were applicable in year 2011. The uniform base year which has been used for the determination of property valuations is 2011. Schedule "A" indicates that the total weighted assessment growth for 2012 for the City is 1.01%.

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

2000	1.40%
2001	0.86%
2002	1.20%
2003	0.96%
2004	1.45%
2005	2.00%
2006	2.08%
2007	2.16%
2008	1.51%
2009	2.36%
2010	1.57%
2011	1.40%

Change in Property Valuations from Reassessment to 2008 Base Year

As referred to above, change in property valuations is a separate and distinct topic from assessment growth. For year 2012 taxation, all properties in Ontario were valued using a 2008 base year for market value determination. The 2008 values were phased in over a four year period beginning in 2009 and ending in 2012. For 2006 to 2008 taxation the base year for valuations was 2005. Schedule "B" (attached) indicates the changes that will occur in phase-in values between 2011 and 2012 based on information provided by the Municipal Property Assessment Corporation (MPAC). Schedule "B" indicates that the increase in phase-in values of all taxable properties in London from 2011 to 2012 will be 3.95%. The phase-in value change for each class is also shown separately in Schedule "B".

Shifts in Municipal Taxation between Property Classes as a result of the 2012 Phase-in Values

Schedule "C" indicates the shifts in municipal taxation that will occur between property classes as a result of the 2012 phase-in values if no changes are made to 2011 tax ratios. Tax ratios determine how heavily a property class is taxed relative to the residential class. The City of London is at the provincial threshold for Commercial and Industrial tax ratios and administration will not be making any recommendation to increase these ratios. The 2011 phase-in values have a small impact on the residential class (-0.09%) and a more significant impact on the multi-residential class (+0.90%). These situations will be reviewed in more detail in the Tax Policy Report later in the year. As can be seen from Schedule "C" changes in taxable phase-in values from 2011 to 2012 per se have no effect on the total tax revenue of the City but do have some effect on how taxes are allocated amongst properties and property classes.

PREPARED BY:	CONCURRED BY:
JIM LOGAN DIVISION MANAGER-REVENUE & TAX COLLECTOR	MIKE TURNER DEPUTY CITY TREASURER
RECOMMENDED BY:	
MARTIN HAYWARD CITY TREASURER, CHIEF FINANCIAL OFFICER	