

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JANUARY 20, 2015
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	ASSESSMENT GROWTH FOR 2015, CHANGES IN TAXABLE PHASE-IN VALUES, AND SHIFTS IN TAXATION AS A RESULT OF REASSESSMENT

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and 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 1.17% for 2015 taxation. The historical trend in weighted assessment growth is presented in bar graph format as Schedule "A" to this report.

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 "B" details the growth which has occurred in weighted assessment for year 2015 taxation. Assessment has been weighted using tax ratios which were applicable in year 2014. The uniform base year which has been used for the determination of property valuations is 2014 phase-in values. Schedule "B" indicates that the total weighted assessment growth for 2015 for the City is 1.17%.

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%
2012	1.01%
2013	1.43%
2014	1.22%
2015	1.17%

The above information is presented in bar graph format on Schedule "A" attached to this report.

Change in Property Valuations from Reassessment to 2012 Base Year

As referred to above, 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 are being phased in over a four year period beginning in 2013 and ending in 2016. For 2009 to 2012 taxation, the base year for valuations was 2008. Schedule "C" (attached) indicates the changes that will occur in phase-in values between 2014 and 2015 based on information provided by the Municipal Property Assessment Corporation (MPAC). Schedule "C" indicates that the increase in phase-in values of all taxable properties in London from 2014 to 2015 will be 2.66%. The phase-in value change for each class is also shown separately in Schedule "C". Schedule "D" shows the changes in the taxable value of property when the phase-in of 2012 market values is complete in 2016.

Shifts in Municipal Taxation Between Property Classes as a Result of the 2014 Phase-in Values

Schedule "E" indicates the shifts in municipal taxation that will occur between property classes as a result of the 2015 phase-in values if no changes are made to 2014 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 thresholds for the commercial tax ratio. If no changes were made in tax ratios in 2015, the 2015 phase-in values would have some impact on the residential class (-.03%) and a more significant impact on the multi-residential class (+3.83%). These situations will be reviewed in more detail in the Tax Policy Report later in the year. As can be seen from Schedule "E", changes in taxable phase-in values from 2014 to 2015 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.

Schedule "E-1" indicates the shifts in municipal taxation that would occur between property classes if certain recommendations for 2015 that were described in the 2014 Tax Policy report were implemented for 2015. Those recommendations included reducing the industrial and multi-residential tax ratios to be equal to the commercial tax ratio by the year 2016. Under this scenario, 2015 municipal taxes for residential properties would increase by 2/10 of 1% on average, while 2015 municipal taxes in the industrial class would decrease by 12.0% on average and multi-residential taxes would increase by about 4.1% on average. These situations will be reviewed in more detail in the Tax Policy Report later in the year. Again, as can be seen from Schedule "E-1", changes in taxable phase-in values and tax ratios from 2014 to 2015 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.

Shifts in Municipal Taxation Between Property Classes Over the Three Year Period 2014-2016

Schedule "F" indicates the shifts in municipal taxation that will occur between property classes as a result of the 2013 reassessment over the two years 2015 to 2016 if no changes are made to 2014 tax ratios. Over the two year period the decrease in the residential class is relatively small. Commercial and industrial classes decrease somewhat and the multi-residential class increases.

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Attachments