



London
CANADA

City of London

2015 TAX POLICY

Definition - Tax Ratios



- Tax ratios are required to be set by council by by-law each year (used to be legislated to be complete by April 30 each year!)
- The residential tax ratio is always 1
- Tax ratios describe the structure of a municipal tax system (i.e. how heavily each property class is taxed relative to the residential class)
- Any changes to the ratio of one class affect the other classes...zero sum...just reallocates the municipal portion of the tax pie
- Tax ratios do not apply to the education rate

City of London Tax Ratios



	2014 Tax Ratio	Recommended 2015 Tax Ratio	Provincial Threshold (O.Reg. 73/03)
Commercial	1.980000	1.950000	1.98
Industrial	2.220000	1.950000	2.63
Multi-Residential	1.980000	1.950000	2.74
Residential	1.000000	1.000000	N/A
Farmland	0.204200	0.187600	N/A
Pipe Lines	1.713000	1.713000	N/A

CSC - Agenda item 2 Page 4

The impact of these changes on the various classes is shown in the table on CSC Agenda item 2 page 10.



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Municipal Property Tax Context

Property Tax: Who Does What



Assessment Policy:
How Land is Valued

Tax Policy:
How burdens are calculated and distributed over the tax base

Ontario

ARB

Assessment Review Board
(appeals)

Municipality
(local policy)

MPAC

Municipal Property Assessment Corporation
(assessments)

Taxpayer

Two Parts to the Property Tax Bill



- Set by Province
- Uniform provincial residential, multi-residential, and farmland classes
- Commercial and industrial rates vary by municipality

Education
Portion

Municipal
Portion

Property Tax Bill

How the Municipal Portion is Calculated...



- Varies by class
- Policy “goal posts” set by Ontario
- Council sets local policy within those “goal posts”

Tax Rate

Multiplied by

- Policy set by Ontario
- Assessments undertaken by MPAC
- Taxpayer may appeal to ARB

Assessed Value

Municipal Portion
of Property Tax Bill

Council Sets The Overall Budget



Budget

- Residential
- Multi-Residential
- Industrial
- Commercial
- Other specialty classes

Shifts among classes are zero-sum: For one to go down, another must go up...

Sets how much needs to be raised in total

Overall burden is divided among classes each year through the Tax ratios

We are here to discuss the relative ratios of Multi Res and Industrial



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Municipal Property Tax – Some Definitions

Definitions - Assessment



- This refers to the taxable value of property determined by the MPAC and provided to the municipality
- The determination of value and determination of property class is governed by the Assessment Act
- The taxable value changes every year as the old base year is phased in to the new base year (2008 → 2012)

Different valuation methods:

- ✓ Residential properties are valued on a market sale basis
- ✓ Commercial & multi-residential properties are valued based the value of rental income streams (cash flow) basis
- ✓ Industrial properties are valued on a construction cost basis

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Definitions - Tax policy



- Annual setting of tax ratios and tax rates determines how the “tax pie” is divided between the property classes
- A tax policy has long term consequences:
 - ❖ Once a ratio is reduced it can’t automatically be increased
 - ❖ can be positive or negative
 - ❖ may impact the achievement of Council’s strategies and goals



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2015 Tax Policy Recommendations

Guiding Principles



- Equity...similarly valued properties are treated the same, no bias built in to favour one class over another
- Economic Development...competitive/comparable with other major Centres
- Transparency...taxation system is understandable to taxpayers
- Administrative Efficiency...simple, cost effective
A good example of this is the use of capping which can be complex to administer and which 2015 tax policy will reduce

2015 Tax Policy Recommendations

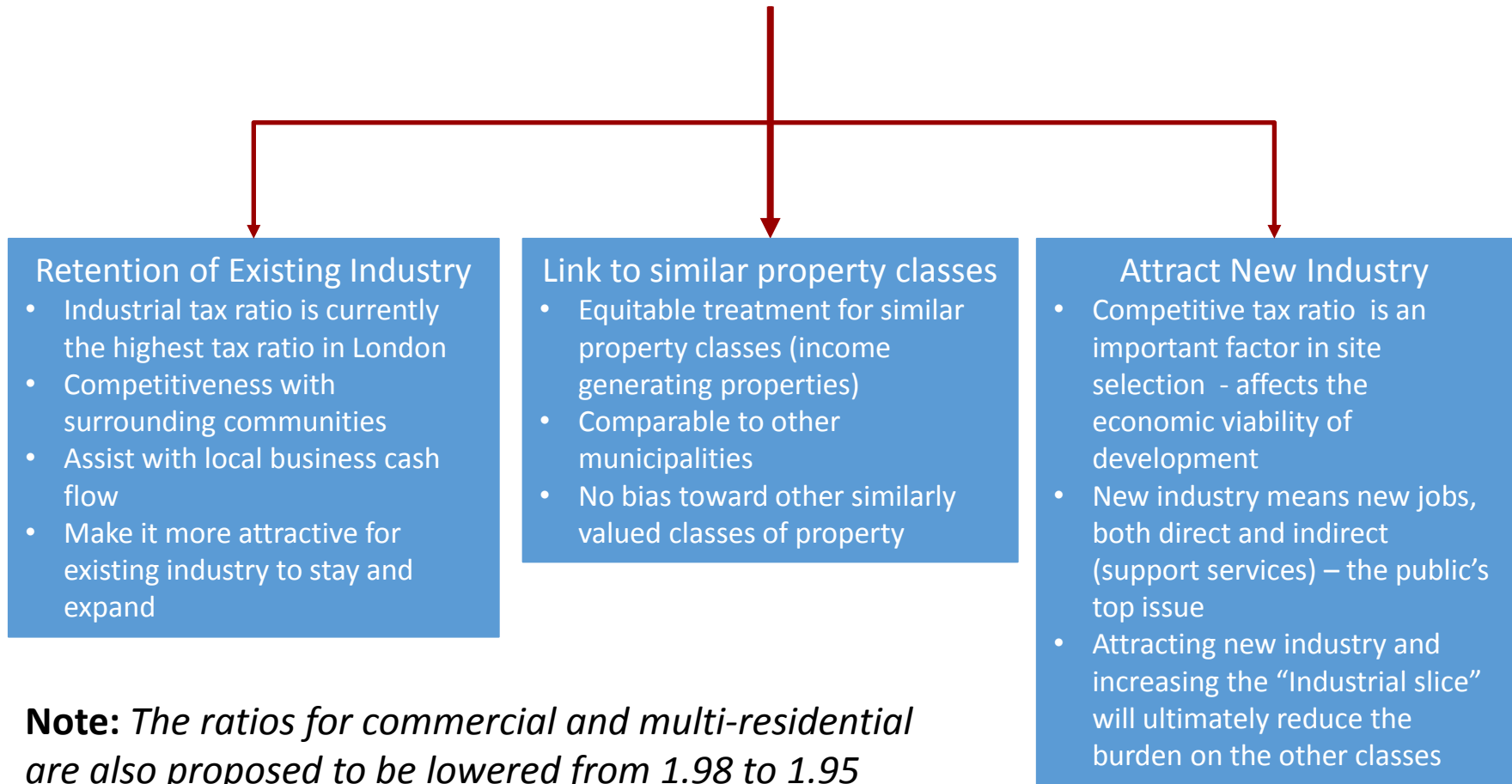
SUMMARY



- Establish a single ratio for 3 main classes that are valued on a similar basis (Industrial, Commercial and Multi-residential), while maintaining the total property tax increase in residential class at 2.5%
- Adjust the farmland ratio so that the increase in municipal levy is the same as total levy increase
- Adopt same formulae for capping and clawing back properties in the commercial, industrial, and multi-residential property classes as was utilized in 2014
- Adopt available options to prevent properties from re-entering the capping and claw-back system for 2015 and beyond

Why the recommendation?

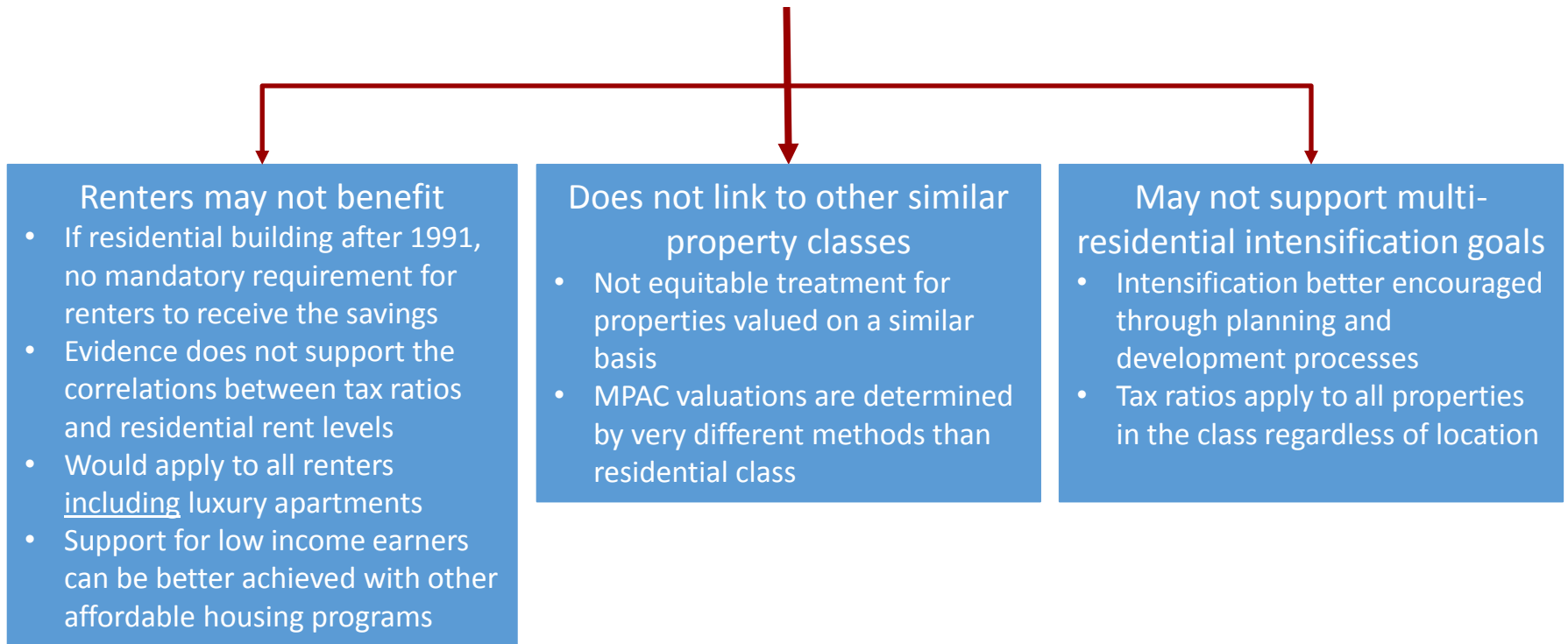
Lower the Industrial Tax Ratio from 2.22 to 1.95



Why not the alternative proposal?



Why Administration does not recommend lowering the Multi-residential Tax Ratio below 1.95



Excerpt from City of Hamilton Report Feb 2009



No documented evidence that a reduced multi-residential tax ratio equates to lower rents:

- Municipalities who have reduced their multi-residential tax ratio have seen rent increases at the same rate or higher than those communities with minimal or no reduction to their multi-residential tax ratio (rents are market driven).
- Although Hamilton has a high multi-residential tax ratio, the average rent for a two-bedroom apartment in Hamilton (CMA) continues to be among the lowest in Ontario, with average rent increases being one of the lowest (below the rent guideline).
- Ottawa lowered multi-residential ratios from 1998-2008 by 25% and still saw a 32% increase in rents

Impact of Tax Ratio Changes



CSC – Agenda Item 2, Page 10 summarizes and isolates the impacts of the various decision points on each property class.

A Property Class	B City Portion of Tax Bill in 2014	C City Levy Increase	D=BxC City Levy Increase on Total Bill	E Reassessment and Education Tax Changes	F Tax Ratio Changes	G=D+E+F 2015 <u>Average</u> Change in Total Property Taxes
Residential	85.16%	2.49%	2.12%	(0.26%)	0.64%	2.51%
Farm	82.42%	2.49%	2.05%	7.94%	(6.80%)	3.19%
Multi-Residential	91.91%	2.49%	2.29%	3.78%	(0.78%)	5.29%
Commercial	61.24%	2.49%	1.53%	(1.01%)	(0.50)%	0.02%
Industrial	62.37%	2.49%	1.55%	(1.20%)	(7.10%)	(6.74%)
Pipelines	56.12%	2.49%	1.40%	(0.65%)	0.42%	1.16%