

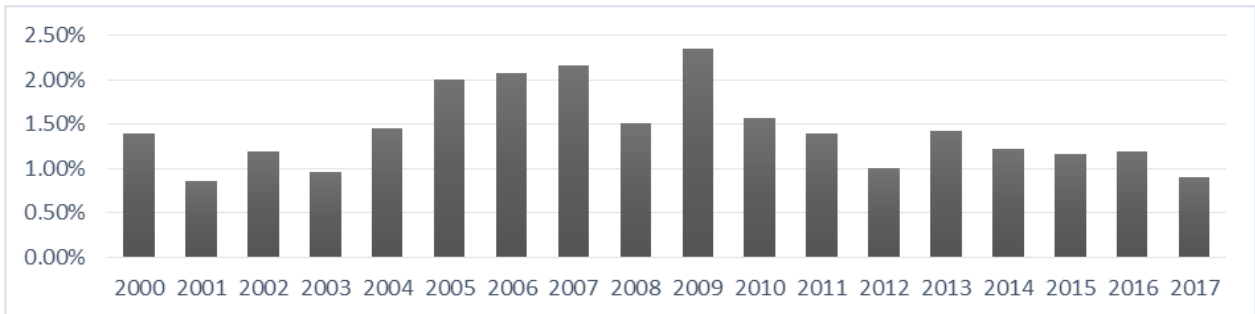
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| TO: | CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JANUARY 10, 2017 |
| FROM: | MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER |
| SUBJECT: | ASSESSMENT GROWTH FOR 2017, CHANGES IN TAXABLE 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 0.91% for 2017 taxation. The historical trend in weighted assessment growth is presented in bar graph format below.



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.

Schedule "A" attached details the growth which has occurred in weighted assessment for year 2017 taxation. Assessment has been weighted using tax ratios which were applicable in year 2016. The uniform base year which has been used for the determination of property valuations is 2016 phase-in values. Schedule "A" indicates that the total weighted assessment growth for 2017 for the City is 0.91%.

The decrease in the multi-residential property class on Schedule “A” is primarily related to properties in this class being reclassified into the residential property class after condominium conversions. In 1998 the Province amended the Assessment Act to permit owners of multi-residential properties to convert their rental buildings into condominiums and have the units in the building classified in the residential class. Prior to 1998 only owner occupied condominium units could be classified in the residential class.

Properties in the multi-residential class and the residential class are valued by different methods for property tax purposes. Rental buildings in the multi-residential class are valued based on the annual net income of the entire building multiplied by a capitalization rate. Rental buildings which have been turned into condominiums are valued based on the actual sales of individual owner occupied units in the local market.

The historical pattern based on recent reassessments in the City of London has been that the taxable value of multi-residential properties have increased at a much higher rate than the taxable value of properties in the residential class. This has increased the incentive for some multi-residential property owners to take the steps to transfer their properties to the residential class. Over the last four reassessments beginning in 2006 multi-residential values have increased at a rate 91% greater on average than the residential class. In 2017 multi-residential values are going up significantly more than the rate of residential properties. This has been in part addressed through the 2016 Tax Policy, which lowered the ratio for multi-residential properties. This will be further reviewed in subsequent years.

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

| Year | Assessment Growth | Year | Assessment Growth |
|------|-------------------|------|-------------------|
| 2000 | 1.40% | 2009 | 2.36% |
| 2001 | 0.86% | 2010 | 1.57% |
| 2002 | 1.20% | 2011 | 1.40% |
| 2003 | 0.96% | 2012 | 1.01% |
| 2004 | 1.45% | 2013 | 1.43% |
| 2005 | 2.00% | 2014 | 1.22% |
| 2006 | 2.08% | 2015 | 1.17% |
| 2007 | 2.16% | 2016 | 1.20% |
| 2008 | 1.51% | 2017 | 0.91% |

Change in Property Valuations from Reassessment to 2016 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 were phased in over a four year period beginning in 2013 and ending in 2016. For the years 2017, 2018, 2019, and 2020 taxation will be based on phasing in 2016 market values for the four years.

Schedule “B” attached indicates the changes that will occur in phase-in values between 2016 and 2017 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 2016 to 2017 will be 2.15%. The phase-in value change for each class is also shown separately in Schedule “B”.

Schedule “C” attached indicates the changes that will occur in taxable/phase-in values over the four year period 2017 to 2020. Schedule “C” indicates that the increase in total phase-in/taxable values for all properties in London over the four year period 2017 to 2020 will be 11.33%.

Potential Shifts in Municipal Taxation between Property Classes as a result of the 2017 Phase-in Values

Schedule “D” indicates the shifts in municipal taxation that will occur between property classes as a result of the 2017 phase-in values if no changes are made to 2016 tax ratios. Tax ratios determine how heavily a property class is taxed relative to the residential class. If no changes were made in tax ratios in 2017, the effect of the 2017 phase-in values on the average tax change in the various classes is shown in the final column of Schedule “D”. The tax change in the various

classes will be analysed and reviewed in greater detail later in the year when all of the regulations related to 2017 tax policy and education tax rates have been finalized by the Province.

Potential Shifts in Municipal Taxation between Property Classes as a result of the Phase-in Values for the years 2017, 2018, 2019, and 2020

Schedule "E" indicates the shifts in municipal taxation that would occur between property classes over the four year phase-in period 2017-2020 if no changes are made to 2016 tax ratios. Again the tax change in the various classes will be analysed and reviewed in greater detail later in the year when all the regulations related to 2017 tax policy and education tax rates have been finalized by the Province.

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|---|--|
| PREPARED BY: | CONCURRED BY: |
| | |
| JIM LOGAN DIVISION MANAGER- TAXATION AND REVENUE | ANNA LISA BARBON DIRECTOR, FINANCIAL SERVICES |
| RECOMMENDED BY: | |
| | |
| MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER | |

SCHEDULE "A"
ANALYSIS OF 2017 WEIGHTED ASSESSMENT GROWTH USING 2016 PHASE-IN VALUES

| Property Class | Weighted 2016 Assessment Roll (using 2016 Phase-in Values Per MPAC) | Weighted 2017 Assessment Roll (using 2016 Phase-in Values Per MPAC) | % Change | % of Total Assessment |
|---------------------------------------|--|--|-----------------|------------------------------|
| Commercial | \$5,921,975,821 | \$5,986,039,069 | 1.08% | 0.14% |
| Office Building | \$658,334,471 | \$651,315,943 | -1.07% | -0.02% |
| Farmland | \$44,743,978 | \$44,209,022 | -1.20% | 0.00% |
| Industrial | \$561,624,624 | \$565,414,284 | 0.67% | 0.01% |
| Large Industrial | \$387,125,303 | \$368,289,223 | -4.87% | -0.04% |
| Multi-residential | \$3,724,340,257 | \$2,816,646,380 | -24.37% | -1.99% |
| Pipeline | \$162,794,955 | \$164,352,072 | 0.96% | 0.00% |
| Residential | \$31,823,402,915 | \$33,096,706,831 | 4.00% | 2.79% |
| Shopping Centre | \$2,384,635,163 | \$2,393,767,697 | 0.38% | 0.02% |
| Managed Forest | \$116,350 | \$146,775 | 26.15% | 0.00% |
| | \$45,669,093,837 | \$46,086,887,297 | 0.91% | 0.91% |
| Commercial Including Optional Classes | \$8,964,945,455 | \$9,031,122,710 | 0.74% | 0.14% |
| Farmland | \$44,743,978 | \$44,209,022 | -1.20% | 0.00% |
| Industrial including optional classes | \$948,749,927 | \$933,703,507 | -1.59% | -0.03% |
| Multi-residential | \$3,724,340,257 | \$2,816,646,380 | -24.37% | -1.99% |
| Pipeline | \$162,794,955 | \$164,352,072 | 0.96% | 0.00% |
| Residential | \$31,823,402,915 | \$33,096,706,831 | 4.00% | 2.79% |
| Managed Forest | \$116,350 | \$146,775 | 26.15% | 0.00% |
| | \$45,669,093,837 | \$46,086,887,297 | 0.91% | 0.91% |

SCHEDULE "B"
CHANGES IN TAXABLE VALUE OF PROPERTIES FOR 2017 TAXATION

| Property Class | Assessments for 2017 Taxation at 2016 Phase-in Values | Assessments for 2017 Taxation at 2017 Phase-in Values | % Change |
|---------------------------------------|--|--|--------------|
| Commercial | \$3,104,164,112 | \$3,267,592,846 | 5.26% |
| Office Building | \$334,494,035 | \$345,345,586 | 3.24% |
| Farmland | \$252,334,600 | \$321,075,000 | 27.24% |
| Industrial | \$302,162,796 | \$312,909,166 | 3.56% |
| Large Industrial | \$190,898,752 | \$190,533,761 | -0.19% |
| Multi-residential | \$1,495,205,839 | \$1,548,459,590 | 3.56% |
| Pipeline | \$95,944,000 | \$98,093,375 | 2.24% |
| Residential | \$33,098,102,381 | \$33,531,261,317 | 1.31% |
| Shopping Centre | \$1,228,246,767 | \$1,349,201,749 | 9.85% |
| Managed Forest | \$587,100 | \$633,225 | 7.86% |
| | \$40,102,140,382 | \$40,965,105,615 | 2.15% |
| Commercial Including Optional Classes | \$4,666,904,914 | \$4,962,140,181 | 6.33% |
| Farmland | \$252,334,600 | \$321,075,000 | 27.24% |
| Industrial including optional classes | \$493,061,548 | \$503,442,927 | 2.11% |
| Multi-residential | \$1,495,205,839 | \$1,548,459,590 | 3.56% |
| Pipeline | \$95,944,000 | \$98,093,375 | 2.24% |
| Residential | \$33,098,102,381 | \$33,531,261,317 | 1.31% |
| Managed Forest | \$587,100 | \$633,225 | 7.86% |
| | \$40,102,140,382 | \$40,965,105,615 | 2.15% |

SCHEDULE "C"
CHANGES IN VALUES OF PROPERTIES FOR 2017 TAXATION

| Property Class | Assessments for 2017 Taxation at 2016 Phase-in Values/2012 Market Values | Assessments for 2017 Taxation at 2016 Market Values | % Change |
|---------------------------------------|--|--|---------------|
| Commercial | \$3,104,164,112 | \$3,950,880,590 | 27.28% |
| Office Building | \$334,494,035 | \$386,210,820 | 15.46% |
| Farmland | \$252,334,600 | \$527,808,000 | 109.17% |
| Industrial | \$302,162,796 | \$351,937,800 | 16.47% |
| Large Industrial | \$190,898,752 | \$202,394,800 | 6.02% |
| Multi-residential | \$1,495,205,839 | \$1,775,315,284 | 18.73% |
| Pipeline | \$95,944,000 | \$104,541,500 | 8.96% |
| Residential | \$33,098,102,381 | \$35,594,594,836 | 7.54% |
| Shopping Centre | \$1,228,246,767 | \$1,749,306,150 | 42.42% |
| Managed Forest | \$587,100 | \$815,100 | 38.83% |
| | \$40,102,140,382 | \$44,643,804,880 | 11.33% |
| Commercial Including Optional Classes | \$4,666,904,914 | \$6,086,397,560 | 30.42% |
| Farmland | \$252,334,600 | \$527,808,000 | 109.17% |
| Industrial including optional classes | \$493,061,548 | \$554,332,600 | 12.43% |
| Multi-residential | \$1,495,205,839 | \$1,775,315,284 | 18.73% |
| Pipeline | \$95,944,000 | \$104,541,500 | 8.96% |
| Residential | \$33,098,102,381 | \$35,594,594,836 | 7.54% |
| Managed Forest | \$587,100 | \$815,100 | 38.83% |
| | \$40,102,140,382 | \$44,643,804,880 | 11.33% |

SCHEDULE "D"

ESTIMATED SHIFTS IN MUNICIPAL TAXATION BETWEEN PROPERTY CLASSES WITH NO CHANGE IN TAX LEVY OR TAX RATIOS FOR 2017

| Property Class | Allocation of General Levy Using 2016 Phase-in Values | Allocation of General Levy Using 2017 Phase-in Values | % Change |
|---------------------------------------|--|--|--------------|
| Commercial | \$70,312,660 | \$72,171,547 | 2.64% |
| Office Building | \$7,650,427 | \$7,708,739 | 0.76% |
| Farmland | \$519,284 | \$644,908 | 24.19% |
| Industrial | \$6,641,417 | \$6,690,983 | 0.75% |
| Large Industrial | \$4,325,965 | \$4,213,150 | -2.61% |
| Multi-residential | \$33,084,645 | \$33,436,488 | 1.06% |
| Pipeline | \$1,930,498 | \$1,926,435 | -0.21% |
| Residential | \$388,757,559 | \$384,402,743 | -1.12% |
| Shopping Centre | \$28,117,453 | \$30,144,825 | 7.21% |
| Managed Forest | \$1,724 | \$1,815 | 5.27% |
| | \$541,341,632 | \$541,341,632 | 0.00% |
| Commercial Including Optional Classes | \$106,080,540 | \$110,025,111 | 3.72% |
| Farmland | \$519,284 | \$644,908 | 24.19% |
| Industrial including optional classes | \$10,967,382 | \$10,904,133 | -0.58% |
| Multi-residential | \$33,084,645 | \$33,436,488 | 1.06% |
| Pipeline | \$1,930,498 | \$1,926,435 | -0.21% |
| Residential | \$388,757,559 | \$384,402,743 | -1.12% |
| Managed Forest | \$1,724 | \$1,815 | 5.27% |
| | \$541,341,632 | \$541,341,632 | 0.00% |

SCHEDULE "E"

ESTIMATED SHIFTS IN TAXATION BETWEEN PROPERTY CLASSES WITH NO CHANGE IN TAXATION FOR 2017 TO 2020

| Property Class | Allocation of Levy Using 2016 Phase-in Values (2012 Market Values) | 2016 Allocation of Levy Using 2020 Phase-in Values (2016 Market Values) | % Change |
|---------------------------------------|---|--|-----------------|
| Commercial | \$70,312,660 | \$79,085,634 | 12.48% |
| Office Building | \$7,650,427 | \$7,826,396 | 2.30% |
| Farmland | \$519,284 | \$962,591 | 85.37% |
| Industrial | \$6,641,417 | \$6,781,392 | 2.11% |
| Large Industrial | \$4,325,965 | \$4,061,696 | -6.11% |
| Multi-residential | \$33,084,645 | \$34,774,012 | 5.11% |
| Pipeline | \$1,930,498 | \$1,864,137 | -3.44% |
| Residential | \$388,757,559 | \$370,498,691 | -4.70% |
| Shopping Centre | \$28,117,453 | \$35,484,961 | 26.20% |
| Managed Forest | \$1,724 | \$2,121 | 23.04% |
| | \$541,341,632 | \$541,341,632 | 0.00% |
| Commercial Including Optional Classes | \$106,080,540 | \$122,396,991 | 15.38% |
| Farmland | \$519,284 | \$962,591 | 85.37% |
| Industrial including optional classes | \$10,967,382 | \$10,843,088 | -1.13% |
| Multi-residential | \$33,084,645 | \$34,774,012 | 5.11% |
| Pipeline | \$1,930,498 | \$1,864,137 | -3.44% |
| Residential | \$388,757,559 | \$370,498,691 | -4.70% |
| Managed Forest | \$1,724 | \$2,121 | 23.04% |
| | \$541,341,632 | \$541,341,632 | 0.00% |