TO:	**CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON APRIL 25, 2017**
FROM:	**MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER AND CITY MANAGER**
SUBJECT:	**YEAR 2017 TAX POLICY**

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer and City Manager, the following actions be taken with respect to property taxation for 2017:

a) the Civic Administration BE DIRECTED to bring forward a proposed by-law for introduction and enactment at the Municipal Council meeting to be held on May 2, 2017, in accordance with Sub-sections 308(4) and 308.1(4) of *the Municipal Act, 2001*, to set tax ratios in the various property classes in keeping with the option selected by the Municipal Council from the attached Schedule “B”; it being noted that option A is recommended by Finance staff;

b) the Civic Administration BE DIRECTED to bring forward a proposed by-law for introduction and enactment at the Municipal Council meeting to be held on May 2, 2017 to fully utilize options available in 2017 to exclude properties in capped property classes which have reached current value assessment tax levels or higher in 2016 or 2017 from being capped again in 2017 and future years;

c) the Civic Administration BE DIRECTED to bring forward a proposed by-law for introduction and enactment at the Municipal Council meeting to be held on May 2, 2017 to initiate a 4 year phase out of capping for any of the non-residential property classes where London is eligible for such option;

d) the Civic Administration BE DIRECTED to bring forward a proposed by-law for introduction and enactment at the Municipal Council meeting to be held on May 2, 2017 to exclude vacant land from the capping phase-out eligibility criteria where all properties must be within 50% of CVA level taxes;

e) the Civic Administration BE DIRECTED to bring forward a proposed by-law for introduction and enactment at the Municipal Council meeting to be held on May 2, 2017 to limit capping protection only to reassessment related changes prior to 2017 and that reassessment changes in capped classes beginning in 2017 would not be subject to the cap;

f) the Civic Administration BE DIRECTED to bring forward a proposed by-law for introduction and enactment at the Municipal Council meeting to be held on May 2, 2017 to adopt the capping formulae for the commercial, industrial and multi-residential property classes as described in detail in this report;

g) the Civic Administration BE DIRECTED to bring forward a proposed by-law for introduction and enactment at the Municipal Council meeting to be held on May 2, 2017 to claw back a portion of tax decreases in each of the commercial, industrial and multi-residential classes sufficient to fully finance the capping of increases as required under Section 329 of the *Municipal Act, 2001*;

h) NO ACTION BE TAKEN to adopt a phase-in program for tax changes resulting from the reassessment of properties in the residential, farmland and managed forests property classes in accordance with Section 318 of the *Municipal Act, 2001*; it being noted that such a phase-in is unnecessary with the current system of four year phase-in of assessment values on the assessment roll;

it being noted that due to the delay in receiving the necessary information and related Regulations from the Ministry of Finance it was not possible to draft the by-laws related to the above-noted recommendations prior to the submission deadline for this report, however it is anticipated that the draft by-laws should be available during the week of April 24, 2017, in advance of the Municipal Council meeting to be held on May 2, 2017.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

Corporate Services Committee, March 28, 2017, Item # 3, Vacant Unit Rebate and Vacant/Excess Land Subclass Tax Reductions

Corporate Services Committee, January 10, 2017, Item #7, Assessment Growth for 2017, Changes in Taxable Phase-in Values, and Shifts in Taxation as a Result of Reassessment

Corporate Services Committee, April 26, 2016, Item # 9, Year 2016 Tax Policy

Corporate Services Committee, January 19, 2016, Item # 3, Future Tax Policy – Possible Directions

Finance and Administration Committee, September 28, 2011, Future Tax Policy

BACKGROUND

Tax Ratios for 2017 Taxation – (Recommendation a)

Definition of the Term "Tax Ratio"

Tax ratios compare the tax rate for municipal purposes in a particular property class to the residential class. The ratio for the residential class is deemed to be 1.00. A tax ratio of 2.00 would therefore indicate a municipal tax rate twice the residential municipal tax rate. Education tax rates are set by the Province and are not dependent on tax ratios approved by municipal Councils. Under subsection 308(4) of the *Municipal Act, 2001* all single tier municipalities are required to pass a by-law in each year to establish tax ratios for the year.

History of Tax Ratio Setting Restrictions

Beginning in the year 2001, the Province established threshold tax ratios for three property classes - commercial, industrial and multi-residential. At the time, the Province indicated that these threshold ratios represented the Provincial average in each class. Under provisions of the *Municipal Act* and related Regulations, municipalities were not permitted for the year 2001 or subsequent years to impose a general municipal levy increase on a property class which had a ratio exceeding the Provincial threshold or average. Beginning in 2004, this restriction was modified somewhat to permit levy increases at half the residential rate in property classes with tax ratios above Provincial thresholds. The Province has advised that this flexibility will be provided to municipalities again for 2017 taxation.

London's Tax Ratios, Provincial Thresholds and Municipal Comparisons

In reviewing tax policy for 2017, it should be noted that none of the property classes in the City of London are above the Provincial thresholds. The only property class in London that was ever above the Provincial threshold was the industrial class. Council moved the industrial ratio down to the threshold for 2001 taxation. At the time of the last reassessments in 2006, 2009 and 2013, Council maintained the policy of not permitting tax ratios in any property class to exceed Provincial thresholds.

The tax ratios in effect for the year 2016 and their proximity to the Provincial thresholds or averages established in 2001, as well as the Provincial targets or allowable ranges can be summarized as follows:

	City of London 2016 Tax Ratio	**Provincial Threshold/Average (O.Reg. 73/03)**	**Provincial Targets/Allowable Ranges (O.Reg. 386/98)**
Commercial	1.950000	1.98	0.6 to 1.1
Industrial	1.950000	2.63	0.6 to 1.1
Multi-Residential	1.888000	2.74	1.0 to 1.1
Pipeline	1.713000	N/A	0.6 to 0.7
Farm	0.175200	N/A	N/A
Residential	1.000000	N/A	N/A

Schedule "D" attached provides comparative information on how different municipalities tax the various different major property classes. The information from Schedule "D" comes from the 2016 BMA Municipal Study and includes all municipalities with populations greater than 100,000. The last column of Schedule "D" is a theoretical calculation that shows the tax increase that would be required in the residential property class in each municipality if all property classes had a tax ratio of 1. The Schedule indicates that the theoretical adjustment for the City of London would be at the median for the group.

Tax Ratios –Commercial and Industrial (Recommendation a)

Schedule "A" attached, summarizes the tax ratios for all municipalities with populations greater than 100,000 included in the 2016 Municipal Study prepared by BMA Management Consulting Inc. The attached Schedule "A" shows the tax ratios for the three main non-residential property classes – Commercial, Industrial, and Multi-residential. In 2015, the City of London achieved a long term objective identified in September 2011 of lowering and equalizing the tax ratios in the main non-residential property classes. Over a four year period the, City adjusted all the main non-residential tax ratios to a level of 1.95. Both the Region of Waterloo and the City of London had uniform ratios of 1.95 for all these property classes in 2015. In 2016, the City decreased the multi-residential ratio to equalize the municipal tax increase in the residential and multi-residential property classes.

For 2017, it is recommended that Commercial and Industrial tax ratios continue to be maintained at a uniform level. It would seem there is no logical justification for taxing industrial properties at higher rates than commercial properties as was a past practice. It would appear that the Province has accepted the validity of this position in the setting of education tax rates for commercial and industrial properties. For the first time in 2017, the Province has established equal education property tax rates for commercial and industrial properties.

For 2017, it is recommended that commercial and industrial tax ratios be set a level to equalize municipal tax increases in the commercial and residential property classes. This level is indicated in option A on schedule "B" attached. This option will result in the commercial and industrial ratios being set at what is generally described as a revenue neutral level. If no ratio adjustment is made in the commercial class the average municipal tax increase in the class would be 6.7% as indicated on Schedule "C". Schedule "A" indicates that the City of London commercial tax ratio in 2016 was above the average level.

Tax Ratios – Multi-residential (Recommendation a)

Schedule "A" indicates the multi-residential ratio in the City of London is below the average and the median when compared to the other municipalities listed. In December 2016, The Provincial Ministry of Finance issued a letter indicating that the Province had concerns with respect to the taxation of multi-residential properties and it was their intention to study the issue and consult with various stakeholders beginning in early 2017. In the letter, the Province indicated its intention to restrict tax increases in the multi-residential property class in 2017 in any municipality where the

2017 tax ratio was greater than 2.0. London is not subject to this restriction since its tax ratio is below the 2.0 level.

Since the year 2000, the City has decreased its multi-residential tax ratio from 2.3852 to 1.888000 in 2016. This has been the result of adopting a long term policy to equalize non-residential tax ratios and also to equalize municipal tax increases in the residential and multi-residential property classes in particular years. In 2015, the City equalized non-residential tax ratios. In 2016, the City equalized municipal tax increases in the residential and multi-residential property classes and decreased the multi-residential property class tax ratio below the commercial and industrial levels.

At this time it is uncertain what future action the Province may take or not take with respect to the taxation of the multi-residential property class. Consultations with stakeholders has begun and staff from the City of London are participating in these discussions with the Province. It would be reasonable to expect that legislation changes involving tax sections of the *Municipal Act, 2001* and the *Residential Tenancies Act* are likely.

For 2017, it is recommended that Council adopt the same policy as adopted in 2016 and in some previous years to equalize municipal tax increases in the multi-residential and residential property classes. This approach is reflected in option A on Schedule "B". We anticipate in the near future there will much clearer policy direction and legislation from the Province after the consultations which have begun in early 2017 are completed.

Farm Property Class Tax Ratio (Recommendation a)

The tax ratio for the farm property is set in accordance with Section 308.1 of the *Municipal Act, 2001*. Under the provisions of that Section, the ratio is automatically reset to .25 every year unless the Municipality sets it at a lower level by by-law each year. The farm property class is a very small class in the City of London, and changes in the tax ratio for the farm class have no significant impact on any other property classes. In the past, the City has always followed a policy of setting the farm property class tax ratio at a level that would result in the farm class receiving the average municipal tax increase subject to the .25 maximum in the legislation. We recommend continuation of this policy for 2017. This policy will result in the tax ratio indicated on Schedule "B" in the farm class in 2017. The 2016 ratio was 0.1752.

Pipeline Tax Ratio (Recommendation a)

Unlike the commercial, industrial, and multi-residential classes, the Province has not set any threshold tax ratio level or levy restriction with respect to the pipeline class. However there are significant restrictions on increases in pipeline tax ratios set out in section 308 of the *Municipal Act, 2001*. It is therefore recommended that the tax ratio for the pipeline class not be changed for the year 2017.

Summary of Tax Ratio Recommendations for 2017 (Recommendation a)

In summary, for 2017 we are recommending council select option A as shown on Schedule "B". Schedule "B" indicates the alternative tax ratios and the % increases in taxes in the various property classes both including and excluding the education component of the property tax bill.

Property Tax Rate Calculation Adjustment

In 2017, the Province is permitting an optional technical adjustment in the calculation of levy increases required to be disclosed on tax bills (Ontario Regulation 75/01). The option would be appropriate in situations where the municipality has not adequately included provisions for future losses from assessment appeals and similar adjustments in tax levies and budgets of previous years. This is not currently the situation in the City of London and we do not recommend the selection of this option. This option was mentioned in a letter to municipal treasurers from the Ministry of Finance dated December 21st 2016.

Ongoing Reductions in Business Education Taxes

In April 2005, London City Council passed a resolution requesting that the Minister of Finance for the Province of Ontario "review the entire process for setting education property tax rates for business properties and that education tax rates for properties in the City of London be lowered to a level consistent with other municipalities in the Province". The resolution, along with a letter from the Mayor went to the then Minister of Finance, Greg Sorbara in April 2005. After a letter from the Minister in June 2005, the Mayor followed up with a second letter in February 2006 to a new Minister of Finance – Dwight Duncan. In 2007, Dwight Duncan announced that major tax reform would occur in the area of education property taxes along the lines requested by the City beginning in 2008 and would be phased-in over the seven year period ending in 2014. As a result of this major reform, the Province had indicated that by the year 2014 when the phase-in was complete, education property taxes in the City of London will be reduced by $33.6 million each and every year into the future from what they otherwise would have been.

In the Ontario budget introduced in the legislature on March 27, 2012, however, it was announced that business education property tax cuts previously scheduled for 2013 and 2014 would be deferred until 2017-2018 after Ontario is returned to a balanced budget. It is estimated that the reductions that the 2012 Provincial budget has deferred until at least 2017-2018, should be in the $10 million range for commercial and industrial properties in London.

Utilizing Options Available to Bring an End to Capping Tax Increases and Clawing Back Tax Decreases in the Commercial, Industrial and Multi-Residential Property Classes (Recommendations b, c, d, and e)

Since major Province wide tax reform began in 1998, the Province has mandated a complex system of capping tax increases and clawing back tax decreases in the commercial, industrial and multi-residential property classes. We have long believed the entire system was unfair to taxpayers, damaging to economic development and administratively onerous. Based on consultation with municipal representatives including the City of London during 2008, the Province provided increased flexibility under the business tax capping program for 2009 and future years. It appears the Province decided to provide this very significant increase in flexibility to municipalities because of the new tax mitigation provided by the four year phase-in of assessment values beginning with the reassessment for 2009 taxation.

For the first time in 2009, municipalities had options to permanently remove properties from the capping and claw-back system once they have reached their CVA (current value assessment) level taxes. Municipalities can have these options apply to all capped property classes or limit the options to individual capped classes. For 2017, this means that any property which had paid CVA taxes or higher (i.e. clawed back) in 2016 can be excluded from having a tax increase capped in 2016. At the same time, a property that had a tax increase capped in 2016 cannot have a tax decrease clawed back in 2017 if the options are chosen. Preliminary calculations indicate continuing to fully utilize the options available will significantly reduce the capping of tax increases and clawing back of tax decreases.

For 2016 and future years where there are no properties taxed at less than 50% of CVA levels, then a municipality may enter a 4 year phase out program to end capping from reassessment related changes prior to 2017. London was eligible for this program in the industrial class for 2016 and it is anticipated that London will be eligible in the Commercial and Multi-residential property classes in the near future.

For 2017, the Province is providing new flexibility to exclude vacant land from the phase-out eligibility criteria for capping of reassessment related changes prior to 2017. In addition for 2017 and future years, Municipalities will also have the option to limit capping protection only to reassessment changes prior to 2017. For municipalities that select this option, reassessment related increases, beginning in 2017, would not be subject to the cap. These options would be implemented through municipal by-laws. At the time of drafting of this report the regulations to authorize these options have not been filed.

We recommend that Council take advantage of any opportunities to bring the capping of tax increases and the clawing back of tax decreases to an end as soon as possible. In 2016, the City utilized all options available to exclude properties from future capping and no problems were encountered. The continued implementation of all available options to end capping in 2017 will require Council to pass by-laws in accordance with the Municipal Act, 2001. We believe the continuation of the capping program is unnecessary because of the 4 year phase in of assessed values that began in 2009. Capping can create a situation where some properties never pay their share of the levy in the property class based on market values and uniform tax rates for the various property classes.

By-law to Set a Formula for Calculating Caps in the Commercial, Industrial and Multi-Residential Property Classes (Recommendation f)

Since 2008, Council has adopted several options permitted by Section 329.1 to reduce the amount of capping of tax increases and clawing back of decreases in the commercial, industrial and multi-residential property classes. The selected options were as follows:

- capping at 10% of previous years taxes instead of the 5% minimum;
- utilizing the option of 10% of previous years CVA taxes where applicable;
- reducing cap adjustments equal to or less than $500 to nil;
- new construction was taxed without any cap adjustment.

The use of all these options significantly reduced the amount of clawing back of decreases as can be seen on Schedules “E” and “F” of this report. No significant problems or issues were encountered by the City Tax Office in past billings as a result of utilizing the above options. The by-law to use the options only referred to the particular tax year. The use of these option will expedite the eventual end of the capping and clawing back system as more and more properties reach their CVA level taxes.

It is therefore recommended that a by-law be enacted under section 329.1 of the *Municipal Act, 2001* for 2017 and subsequent years where applicable, to adopt the capping formula described above.

By-law to Claw back a Portion of Tax Decreases in Capped Property Classes (Recommendation g)

Under Section 329 of the *Municipal Act*, Council is still required to cap some year-over-year tax increases after 2001 in certain property classes (i.e. commercial, industrial, and multi-residential). In the year 2008, many properties still had tax increases resulting from the reassessment for 1998 taxation which had not been completely phased-in. In many cases, the reassessments for 2001, 2003, 2004, 2006, 2009, and 2013 created additional tax increases and decreases subject to new capping and clawing back rules as set out in the *Municipal Act*.

Council does theoretically have the option of financing the capping of tax increases on the capped property classes by increasing the general tax levy. We do not recommend this course of action however because of adjustment required to the general tax rate.

Since 1998, tax decreases that otherwise would have been implemented have been clawed back at the rates indicated on Schedule “E” to finance the capping of properties with tax increases within each capped property class.

Final claw back percentages that will be applicable for year 2017 are not yet available. As has been the practice in the past, City staff will work closely with the Province to calculate caps and claw backs applicable for 2017 prior to the issuance of final bills for the capped classes. The dollar amounts of cap adjustments by year from 1998 to 2016 are attached as Schedule “F”.
It is recommended that Council pass the necessary by-law to authorize the clawing back of tax decreases in the capped property classes sufficient to finance the capping of tax increases (i.e. the maximum claw back rate permitted by Section 330 of the *Municipal Act*).

Phase-In Program for Residential Property Class Recommendation h)

All residential properties in the City of London were reassessed for 2017 taxation based on January 1, 2016 market values. The January 1, 2016 market values are being phased-in over a 4 year period from 2017 to 2020 as required by Provincial legislation. Assessment related tax changes for 2017 occurring in the residential class have been analyzed and compared to the

2013, 2009, 2006, 2004, 2003, 2001 and 1998 reassessments. The results of this analysis are shown on Schedule “G” attached.

Assessment related tax changes exclude tax increases that result from levy increases. The levy increase is imposed in addition to assessment related tax changes (increases and decreases).

As can be seen from Schedule “G”, the amount of assessment related decreases and increases for 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010 and 2009 are significantly less than the increases and decreases which have occurred in reassessments in the City prior to 2009. The reason for this is that for the first time in 2009, the Province included a phase-in of all reassessment changes on the 2009 assessment roll. This phase-in process will be continued over the period 2017 to 2020. For 2020, residential properties will be valued on the roll at their January 1, 2016 value.

For 1998 and subsequent reassessments up to and including 2013, Council decided that a phase-in under section 318 of the *Municipal Act, 2001* of assessment related tax changes was not necessary. Based on the above data and the fact that the Province has already instituted a four year phase-in of assessment values on the roll, it appears clear that no further tax mitigation in the residential class is necessary.

In summary, based on our analysis of the reassessment data and the existence of a four year phase-in of values on the assessment roll, we believe any additional phase-in of the residential class under section 318 of the *Municipal Act, 2001* is not warranted.

Comments on Unusual Tax Increases after a Reassessment

Whenever a general reassessment occurs, there will always be a small number of large tax increases. Inevitably, when over 100,000 properties are valued, some errors and inaccuracies will occur. If a property is overvalued when a reassessment occurs, the remedy is to contact the Municipal Property Assessment Corporation and have the valuation corrected or appeal the assessment in accordance with the provisions of the Assessment Act.

When a property is undervalued or incorrectly classified to the taxpayers benefit, the taxpayer has no financial incentive to have the error or inaccuracy corrected. The error or inaccuracy will typically be corrected at the next reassessment and surface as an unusually large increase. Focusing on the amount or percentage of the increase obscures the real cause of the tax change (i.e. an inaccuracy in the valuation or classification of the property in the past). Phasing-in or capping taxes in these situations only perpetuates errors and inaccuracies in the assessment system and represents a major departure from the fundamental principle of fairness (i.e. that every property owner <u>within a class</u> pays the same tax rate on the market value of his or her property).

SUMMARY

Schedule “B” attached shows the various options recommended for Council’s consideration. The schedule shows the % increase in each property class both including and not including the education component of the property tax. Schedule “B” also shows the ratios required to implement each identified alternative. The option as recommended in this report is option A.

The percentages shown on Schedule “B” represent **<u>average</u>** tax changes only. In reality virtually no-one is exactly at the average. Most property owners will be slightly above or slightly below the average.

Schedule “A” attached is a very important schedule. It shows how London’s tax ratios compare to other municipalities in the Province. Schedule “A” indicates that the City of London currently has tax ratios in place which are competitive with other major cities in Ontario.

Properties in the capped property classes will still be subject to limitations on year-over-year tax increases and decreases in accordance with Provincial legislation. These limitations, however, would also be subject to options adopted to prevent properties from re-entering the Province's capping and clawing back system in the future as recommended in this report.

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**	

Attachments:

LIST OF ATTACHMENTS

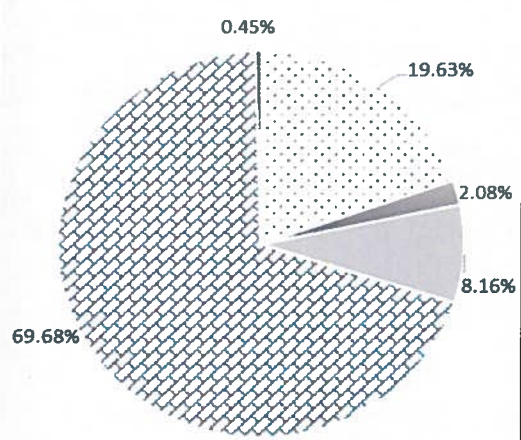
YEAR 2017 TAX POLICY

Schedule A	Tax Ratios for Municipalities in BMA Study with Populations Over 100,000
Schedule B	2017 Tax Policy – Alternative Tax Ratios for Consideration
Schedule C	Municipal Tax Impact by Property Class for 2017 Levy Change and No Change in Tax Ratios
Schedule D	Shift in Tax Burden – Un-weighted to Weighted Residential Assessment for Municipalities in BMA Study with Populations Over 100,000
Schedule E	Claw Back Percentages by Year
Schedule F	Cap Adjustments by Year
Schedule G	Assessment Related Tax Changes in the Residential Property Class
Schedule H	Rating/Evaluation of Economic Development Strategies - Municipalities

SCHEDULE "A"
TAX RATIOS FOR MUNICIPALITIES IN BMA STUDY WITH POPULATIONS OVER 100,000

Municipality with > 100,000 Population in 2016 BMA Study	Multi-Residential Tax Ratio	Commercial Tax Ratio (Residual)	Industrial Tax Ratio (Residual)	Industrial Tax Ratio (Large)	Average of Large and Residual Industrial Tax Ratios
Barrie	1.0000	1.4331	1.5163	1.5163	1.5163
Brampton	1.7050	1.2971	1.4700	1.4700	1.4700
Durham	1.8665	1.4500	2.2598	2.2598	2.2598
Greater Sudbury	2.1574	2.1432	3.1412	3.5604	3.3508
Guelph	1.9979	1.8400	2.2048	2.2048	2.2048
Halton	2.2619	1.4565	2.3599	2.3599	2.3599
Hamilton	2.7400	1.9800	3.0900	3.6234	3.3567
Kingston	2.1639	1.9800	2.6300	2.6300	2.6300
London	1.8880	1.9500	1.9500	1.9500	1.9500
Mississauga	1.7788	1.4098	1.5708	1.5708	1.5708
Niagara	2.0440	1.7586	2.6300	2.6300	2.6300
Ottawa	1.4245	1.9570	2.6625	2.2864	2.4745
Thunder Bay	2.6310	2.0677	2.4453	3.3762	2.9108
Toronto	2.9044	2.5042	2.9044	2.9044	2.9044
Waterloo	1.9500	1.9500	1.9500	1.9500	1.9500
Windsor	2.5403	2.0020	2.3384	2.8666	2.6025
York	1.0000	1.1172	1.3124	1.3124	1.3124
Average	2.0032	1.7821			2.3208
Median	1.9979	1.9500			2.3599
Minimum	1.0000	1.1172			1.3124
Maximum	2.9044	2.5042			3.3567
Provinical Threshold	2.7400	1.9800	2.6300	2.6300	2.6300
London Compared to Median	-5.5%	0.0%			-17.4%
London Compared to Average	-5.7%	9.4%			-16.0%
Change in group averages since 2006	-11.08%	-6.01%			-9.60%

SCHEDULE "B"
2016 TAX POLICY
ALTERNATIVE TAX RATIO OPTIONS FOR CONSIDERATION



	Option A	Option B	Option C	Option D
	Equalize average municipal tax increase in: - residential - farm - multi-residential; and - commercial property classes	**Equalize average municipal tax increase in: - residential - farm; and - multi-residential classes**	**Reduce non-residential property classes to equal tax ratio. Maintain average increase in residential class at 2.9% including education.**	**Reduce multi-residential tax ratio to 1.6. Maintain average increase in the residential class at 2.9% including education (reduce commercial and industrial tax ratios to equal level of 1.85)**
average tax increases in property classes **including education**	residential = 2.1% farm = 6.4% multi-residential = 2.6% commercial = 3.8% industrial = -3.6%	residential = 1.1% farm = 5.5% multi-residential = 1.6% commercial = 6.2% industrial = -1.3%	residential = 2.9% farm = 7.1% multi-residential = 0.8% commercial = 2.2% industrial = -5.1%	residential = 2.9% farm = 7.1% multi-residential = -9.3% commercial = 4.1% industrial = 3.3%
average tax increases in property classes **excluding education**	residential = 3.0% farm = 3.0% multi-residential = 3.0% commercial = 3.0% industrial = -1.3%	residential = 1.9% farm = 1.9% multi-residential = 1.9% commercial = 6.9% industrial = 2.5%	residential = 3.9% farm = 3.9% multi-residential = 1.0% commercial = 0.3% industrial = -3.8%	residential = 3.9% farm = 3.9% multi-residential = -10.0% commercial = 3.4% industrial = -0.9%
tax ratios used	residential = 1.000000 farm = 0.139500 multi-residential = 1.847000 commercial = 1.859700 industrial = 1.859700 pipelines = 1.713000 managed forests = 0.250000	residential = 1.000000 farm = 0.139500 multi-residential = 1.847000 commercial = 1.950000 industrial = 1.950000 pipelines = 1.713000 managed forests = 0.250000	residential = 1.000000 farm = 0.139500 multi-residential = 1.795000 commercial = 1.795000 industrial = 1.795000 pipelines = 1.713000 managed forests = 0.250000	residential = 1.000000 farm = 0.139500 multi-residential = 1.600000 commercial = 1.850000 industrial = 1.850000 pipelines = 1.713000 managed forests = 0.250000

- In all the alternatives shown above municipal tax increases for residential and farm property classes have been equalized.
- % calculations above do not include business education tax rate on new construction in commercial and industrial property classes
- % calculations including education taxes for the commercial and industrial classes exclude vacant and excess land

SCHEDULE "C"
MUNICIPAL TAX IMPACT BY PROPERTY CLASS FOR 2017 LEVY CHANGE AND NO CHANGE IN TAX RATIOS

Summary by Class	2016 Tax Rates on 2016 Year End Assessments	2017 Taxes (2017 Approved Budget)	Tax Change From Reassessment Phase-in and Budget	2016 Tax Ratios Used
Commercial	$70,312,660	$74,256,479	5.6%	1.950000
Office Building	$7,650,427	$7,931,434	3.7%	1.950000
Farmland	$519,284	$663,539	27.8%	0.175200
Industrial	$6,641,417	$6,884,276	3.7%	1.950000
Large Industrial	$4,325,965	$4,334,862	0.2%	1.950000
Multi-residential	$33,084,645	$34,402,419	4.0%	1.888000
Pipeline	$1,930,498	$1,982,087	2.7%	1.713000
Residential	$388,757,559	$395,507,582	1.7%	1.000000
Shopping Centre	$28,117,453	$31,015,665	10.3%	1.950000
Managed Forest	$1,724	$1,867	8.3%	0.250000
	$541,341,632	$556,980,210	2.9%	

Summary by Class				
Commercial Including Optional Classes	$106,080,540	$113,203,577	6.7%	1.950000
Farmland	$519,284	$663,539	27.8%	0.175200
Industrial Including Optional Classes	$10,967,382	$11,219,138	2.3%	1.950000
Multi-residential	$33,084,645	$34,402,419	4.0%	1.888000
Pipeline	$1,930,498	$1,982,087	2.7%	1.713000
Residential	$388,757,559	$395,507,582	1.7%	1.000000
Managed Forest	$1,724	$1,867	8.3%	0.250000
	$541,341,632	$556,980,210	2.9%	

SCHEDULE "D"
SHIFT IN TAX BURDEN - UNWEIGHTED TO WEIGHTED RESIDENTIAL ASSESSMENT FOR MUNICIPALITIES IN BMA STUDY WITH POPULATIONS OVER 100,000

Municipality with > 100,000 Population in 2016 BMA Study	Note A Residential Unweighted Assessment	Note B Residential Weighted Assessment	% Change	Implied Adjustment to Residential Taxes
Toronto	74.5%	53.1%	-21.4%	40.3%
Windsor	74.0%	57.4%	-16.6%	28.9%
Thunder Bay	78.2%	61.8%	-16.4%	26.5%
Greater Sudbury	80.2%	64.2%	-16.0%	24.9%
Cambridge	74.9%	61.4%	-13.5%	22.0%
Hamilton	80.6%	66.3%	-14.3%	21.6%
Kingston	76.8%	63.6%	-13.2%	20.8%
Guelph	79.1%	66.5%	-12.6%	18.9%
London	81.0%	68.7%	-12.3%	17.9%
Waterloo	79.7%	67.6%	-12.1%	17.9%
Kitchener	79.4%	67.5%	-11.9%	17.6%
St. Catherines	78.9%	67.3%	-11.6%	17.2%
Ottawa	78.3%	66.9%	-11.4%	17.0%
Oshawa	79.1%	67.9%	-11.2%	16.5%
Burlington	78.2%	69.1%	-9.1%	13.2%
Mississauga	72.3%	64.3%	-8.0%	12.4%
Oakville	83.7%	76.3%	-7.4%	9.7%
Milton	80.8%	74.5%	-6.3%	8.5%
Whitby	84.7%	78.3%	-6.4%	8.2%
Barrie	76.4%	70.9%	-5.5%	7.8%
Brampton	79.8%	75.3%	-4.5%	6.0%
Vaughan	77.2%	75.0%	-2.2%	2.9%
Markham	83.1%	81.8%	-1.3%	1.6%
Richmond Hill	87.9%	86.9%	-1.0%	1.2%

If all non-residential classes were at 1, residential taxes would increase by 17.9%

Average	15.8%
Median	17.1%
Maximum	40.3%
Minimum	1.2%

London Compared to Median	4.5%
London Compared to Average	13.2%

Notes:

A - Residential unweighted assessment does not reflect any weighting of various classes with tax ratios.

B - Residential weighted assessment reflects the weighting of non-residential assessment with tax ratios.

SCHEDULE "E"
CLAW BACK PERCENTAGES BY YEAR

	Reassessment Year 1998	1999	2000	Reassessment Year 2001	2002	Reassessment Year 2003	Reassessment Year 2004	2005	Reassessment Year 2006	2007	2008
Multi-Residential	42.96%	29.54%	20.16%	65.56%	40.89%	48.34%	42.73%	24.84%	38.69%	36.97%	88.84%
Commercial	60.88%	42.07%	25.38%	66.18%	58.29%	73.90%	75.18%	53.87%	36.71%	59.00%	42.72%
Industrial	40.73%	16.47%	7.99%	21.18%	21.95%	78.54%	63.44%	53.23%	33.37%	67.51%	46.38%

	Reassessment Year with phase-in 2009	2010	2011	2012	Reassessment year with phase in 2013	2014	2015	2016
Multi-Residential	11.11%	10.93%	10.78%	6.49%	25.35%	8.53%	14.40%	5.38%
Commercial	21.46%	21.96%	6.34%	7.46%	11.42%	18.26%	9.52%	8.32%
Industrial	20.19%	17.36%	4.44%	5.45%	6.69%	1.16%	0.98%	0.00%

Note: Clawback percentages are not proportionate to amounts.

SCHEDULE "F"
CAP ADJUSTMENTS BY YEAR

	Reassessment Year			Reassessment Year		Reassessment Year	Reassessment Year		Reassessment Year		
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Multi-Residential	$861,955	$456,005	$320,089	$951,130	$390,568	$725,782	$833,525	$213,377	$414,312	$175,561	$147,361
Commercial	$8,161,158	$6,268,157	$5,410,929	$8,745,043	$5,818,822	$5,935,519	$6,200,165	$3,302,585	$4,514,056	$2,625,310	$1,530,497
Industrial	$1,347,038	$757,655	$454,271	$959,260	$461,648	$1,019,716	$1,121,642	$662,151	$506,016	$351,547	$263,380
Total	**$10,370,151**	**$7,481,817**	**$6,185,289**	**$10,655,433**	**$6,671,038**	**$7,681,017**	**$8,155,332**	**$4,178,113**	**$5,434,384**	**$3,152,418**	**$1,941,238**

	Reassessment Year with phase-in				Reassessment Year with phase-in			
	2009	2010	2011	2012	2013	2014	2015	2016
Multi-Residential	$49,289	$34,468	$22,117	$12,141	$11,235	$7,075	$5,023	$4,249
Commercial	$1,063,691	$876,641	$583,670	$412,698	$298,044	$209,216	$138,795	$90,398
Industrial	$186,855	$187,789	$94,371	$74,571	$47,394	$18,019	$10,170	$0
	$1,299,835	**$1,098,898**	**$700,158**	**$499,410**	**$356,673**	**$234,310**	**$153,988**	**$94,647**

SCHEDULE "G"
ASSESSMENT RELATED TAX CHANGES IN THE RESIDENTIAL PROPERTY CLASS

	2017 Reassessment	2016 Phase-in	2015 Phase-in	2014 Phase-in	2013 Reassessment	2012 Phase-in	2011 Phase-in	2010 Phase-in	2009 Reassessment	2006 Reassessment	2004 Reassessment	2003 Reassessment	2001 Reassessment	1998 Reassessment
# of Assessment Related Tax Decreases	118,456	97,618	97,796	95,998	69,923	76,549	69,240	61,079	54,704	63,520	61,220	57,887	52,265	39,905
Average Assessment Related Tax Decrease	$72.00	$28.00	$31.00	$34.00	$43.00	$26.00	$29.00	$31.00	$41.00	$108.00	$79.00	$72.00	$92.00	$230.00
# of Assessment Related Tax Increases	27,942	42,552	40,462	39,673	64,536	56,027	61,940	65,042	70,186	54,125	49,262	49,864	49,769	57,307
Average Assessment Related Tax Increase	$68.00	$47.00	$49.00	$51.00	$53.00	$24.00	$28.00	$29.00	$32.00	$128.00	$98.00	$84.00	$97.00	$160.00

SCHEDULE "H"
RATING/EVALUATION OF ECONOMIC DEVELOPMENT STRATEGIES - MUNICIPALITIES

Economic Development Issue	Development Charge Exemption	Water Pricing Rate Structure	Community Improvement Plans	Property Tax Ratios
Broad focus on all industry types in London - old and new, large and small	Low	Low	Low	High
Long term time frame in business planning	Low	High or Low depending water consumption of industry type	Low	High for all industry types
Significance in business planning and workforce expansion	High or Low dependent on new building construction	High or Low depending water consumption of industry type	High or Low depending on location	High for all industry types
Effect on on ongoing competitiveness	Low	High or Low depending water consumption of industry type	Low	High for all industry types
Effect on Municipal Capital Financing	Negative	Negative (consumption effect)	negative	Neutral
Impact on Industry retention	Low	High or Low depending water consumption of industry type	Low	High
Promotion of diversification in economic development	Medium to Low	Low	Medium to Low	High (ends bias against industrial development vs. commercial)
Potential for reduction in existing business vacancies in buildings	Low to None	Low to Medium	Medium to Low	High

Additional Information				
Basis of charge	Square metre of gross floor area	Per cubic metre of water usage	Location	Current dollar value of land and building
2016 charge per unit	$237.88/sq.m. commercial -industrial exemption	$2.0596 to $0.8593 in declining blocks for water charge - $1.8305 to $0.7636 in declining blocks for wastewater charge	Various	2.290491%

Strategies described in this table are not alternative strategies.

Each strategy and/or policy stands on its own and should be designed and implemented on logical, equitable principles that are consistent with Council's objectives.

Principles relevant to tax ratio policy are that City should have a competitive property tax system and the system should be equitable and logical.

Only the tax ratio strategy/policy has a broad and long term focus that would apply to all industrial properties in the City and all key sector clusters in the industrial class.