

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JANUARY 22, 2019
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	ASSESSMENT GROWTH FOR 2019, CHANGES IN TAXABLE PHASE-IN VALUES, AND SHIFTS IN TAXATION AS A RESULT OF REASSESSMENT

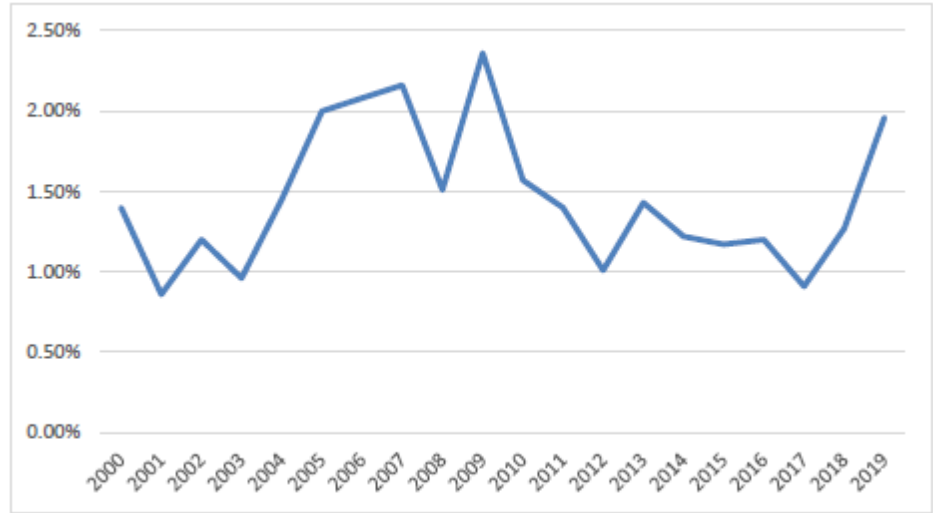
RECOMMENDATION

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, coinciding with the budget process, weighted assessment growth is calculated as it generates incremental tax revenue. The allocation of this incremental tax revenue is reported to Council in early March in accordance with Council’s Assessment Growth Policy. This report indicates that weighted assessment growth is calculated to be 1.96% for 2019 taxation. The historical trend in weighted assessment growth is presented in graph format below in Figure 1.

Figure 1 – Weighted Assessment Growth by Year (2000 – 2019)



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 2019 taxation. Assessment has been weighted using tax ratios which were applicable in year 2018. The uniform base year which has been used for the determination of property valuations is 2018 phase-in values. Schedule “A” indicates that the total weighted assessment growth for 2019 for the City is 1.96%.

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%	2010	1.57%
2001	0.86%	2011	1.40%
2002	1.20%	2012	1.01%
2003	0.96%	2013	1.43%
2004	1.45%	2014	1.22%
2005	2.00%	2015	1.17%
2006	2.08%	2016	1.20%
2007	2.16%	2017	0.91%
2008	1.51%	2018	1.27%
2009	2.36%	2019	1.96%

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 is based on phasing in 2016 market values for the four year period.

Schedule “B” attached indicates the changes that will occur in the taxable phase-in values between 2018 and 2019 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 2018 to 2019 will be 2.76%. 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 two year period 2019 to 2020. Schedule “C” indicates that the increase in total phase-in/taxable values for all properties in London over the two year period of 2019 and 2020 will be 5.53%.

Potential Shifts in Municipal Taxation between Property Classes as a result of the 2019 Phase-in Values

Schedule “D” indicates the shifts in municipal taxation that will occur in 2019 between property classes as a result of the 2019 phase-in values if no changes are made to 2018 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 2019, the effect of the 2019 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 2019 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 2019, and 2020

Schedule “E” indicates the shifts in municipal taxation that would occur between property classes over the two year phase-in period 2019-2020 if no changes are made to 2018 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 2019 tax policy and education tax rates have been finalized by the Province.

Conclusion

Weighted assessment growth is an important part of municipal taxation as it generates additional incremental revenue. This growth represents new construction in the municipality less adjustments resulting from assessment appeals and property classification changes which is not to be confused with changes in the value of existing properties. Total weighted assessment growth in 2019 is 1.96% (1.27% 2018).

Looking ahead, Civic Administration will be bringing forward a “Future Tax Policy Report” which will discuss possible directions related to tax ratios, and then in the spring consistent with past practice and finalization of education tax rates, Civic Administration will bring forward the annual Tax Policy report which will establish tax ratios for 2019 property taxation.

PREPARED BY:	CONCURRED BY:
JIM LOGAN, CPA, CA DIVISION MANAGER, TAXATION AND REVENUE	IAN COLLINS, CPA, CMA DIRECTOR, FINANCIAL SERVICES
RECOMMENDED BY:	
ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER	

cc. Kyle Murray, Director, Financial Planning & Business Support

Schedule "A"
Analysis of 2019 Weighted Assessment Growth Using 2018 Phase-In Values

Property Class	Weighted 2018 Assessment Roll (using 2018 Phase-in Values Per MPAC)	Weighted 2019 Assessment Roll (using 2018 Phase-in Values Per MPAC)	% Change	% of Total Assessment Growth
Commercial	\$ 6,639,923,052.60	\$ 6,718,084,547.40	1.18%	0.16%
Office Building	\$ 672,008,536.40	\$ 701,547,267.46	4.40%	0.06%
Farmland	\$ 44,134,251.02	\$ 44,318,844.51	0.42%	0.00%
Industrial	\$ 627,853,282.03	\$ 653,724,024.35	4.12%	0.05%
Large Industrial	\$ 363,315,514.37	\$ 369,340,182.49	1.66%	0.01%
Multi-residential	\$ 2,828,652,587.39	\$ 2,840,903,438.37	0.43%	0.02%
Pipeline	\$ 173,746,592.25	\$ 176,342,893.85	1.49%	0.01%
Residential	\$ 34,861,513,703.00	\$ 35,647,846,173.50	2.26%	1.60%
Shopping Centre	\$ 2,867,445,695.13	\$ 2,889,154,873.02	0.76%	0.04%
Managed Forest	\$ 231,433.00	\$ 248,280.50	7.28%	0.00%
	\$49,078,824,647.17	\$50,041,510,525.44	1.96%	1.96%
Commercial including Optional Classes (1)	\$ 10,179,377,284.13	\$ 10,308,786,687.88	1.27%	0.26%
Farmland	\$ 44,134,251.02	\$ 44,318,844.51	0.42%	0.00%
Industrial including Optional Classes (2)	\$ 991,168,796.39	\$ 1,023,064,206.83	3.22%	0.06%
Multi-residential	\$ 2,828,652,587.39	\$ 2,840,903,438.37	0.43%	0.02%
Pipeline	\$ 173,746,592.25	\$ 176,342,893.85	1.49%	0.01%
Residential	\$ 34,861,513,703.00	\$ 35,647,846,173.50	2.26%	1.60%
Managed Forest	\$ 231,433.00	\$ 248,280.50	7.28%	0.00%
	\$49,078,824,647.17	\$50,041,510,525.44	1.96%	1.96%

Note:

1) Commercial including Optional Classes comprises: Commercial, Office Building and Shopping Centre property classes

2) Industrial including Optional Classes comprises: Industrial and Large Industrial property classes

Schedule "B"
Changes in Taxable Value of Properties for 2019 Taxation

Property Class	Assessments for 2019 Taxation at 2018 Phase-in Values	Assessments for 2019 Taxation at 2019 Phase-in Values	% Change
Commercial	\$ 3,521,170,988.00	\$ 3,731,409,856.00	5.97%
Office Building	\$ 364,463,051.00	\$ 377,139,431.00	3.48%
Farmland	\$ 375,487,965.00	\$ 439,486,337.00	17.04%
Industrial	\$ 355,007,842.00	\$ 367,960,519.00	3.65%
Large Industrial	\$ 193,766,955.00	\$ 198,426,642.00	2.40%
Multi-residential	\$ 1,585,760,161.00	\$ 1,660,350,833.00	4.70%
Pipeline	\$ 102,943,896.00	\$ 105,171,698.00	2.16%
Residential	\$ 35,649,450,232.00	\$ 36,349,098,861.00	1.96%
Shopping Centre	\$ 1,497,516,766.00	\$ 1,622,316,790.00	8.33%
Managed Forest	\$ 993,122.00	\$ 1,102,111.00	10.97%
	\$ 43,646,560,978.00	\$ 44,852,463,078.00	2.76%
Commercial including Optional Classes (1)	\$ 5,383,150,805.00	\$ 5,730,866,077.00	6.46%
Farmland	\$ 375,487,965.00	\$ 439,486,337.00	17.04%
Industrial including Optional Classes (2)	\$ 548,774,797.00	\$ 566,387,161.00	3.21%
Multi-residential	\$ 1,585,760,161.00	\$ 1,660,350,833.00	4.70%
Pipeline	\$ 102,943,896.00	\$ 105,171,698.00	2.16%
Residential	\$ 35,649,450,232.00	\$ 36,349,098,861.00	1.96%
Managed Forest	\$ 993,122.00	\$ 1,102,111.00	10.97%
	\$43,646,560,978.00	\$44,852,463,078.00	2.76%

Note:

1) Commercial including Optional Classes comprises: Commercial, Office Building and Shopping Centre property classes

2) Industrial including Optional Classes comprises: Industrial and Large Industrial property classes

Schedule "C"
Changes in Values of Properties for 2020 Taxation

Property Class	Assessments for 2019 Taxation at 2018 Phase-in Values	Assessments for 2020 Taxation at 2016 Market Values	% Change
Commercial	\$ 3,521,170,988.00	\$ 3,941,648,681.00	11.94%
Office Building	\$ 364,463,051.00	\$ 389,815,800.00	6.96%
Farmland	\$ 375,487,965.00	\$ 503,484,700.00	34.09%
Industrial	\$ 355,007,842.00	\$ 380,913,200.00	7.30%
Large Industrial	\$ 193,766,955.00	\$ 203,086,332.00	4.81%
Multi-residential	\$ 1,585,760,161.00	\$ 1,734,941,503.00	9.41%
Pipeline	\$ 102,943,896.00	\$ 107,399,500.00	4.33%
Residential	\$ 35,649,450,232.00	\$ 37,048,747,121.00	3.93%
Shopping Centre	\$ 1,497,516,766.00	\$ 1,747,116,800.00	16.67%
Managed Forest	\$ 993,122.00	\$ 1,211,100.00	21.95%
	\$ 43,646,560,978.00	\$ 46,058,364,737.00	5.53%
Commercial including Optional Classes (1)	\$ 5,383,150,805.00	\$ 6,078,581,281.00	12.92%
Farmland	\$ 375,487,965.00	\$ 503,484,700.00	34.09%
Industrial including Optional Classes (2)	\$ 548,774,797.00	\$ 583,999,532.00	6.42%
Multi-residential	\$ 1,585,760,161.00	\$ 1,734,941,503.00	9.41%
Pipeline	\$ 102,943,896.00	\$ 107,399,500.00	4.33%
Residential	\$ 35,649,450,232.00	\$ 37,048,747,121.00	3.93%
Managed Forest	\$ 993,122.00	\$ 1,211,100.00	21.95%
	\$43,646,560,978.00	\$46,058,364,737.00	5.53%

Note:

1) Commercial including Optional Classes comprises: Commercial, Office Building and Shopping Centre property classes

2) Industrial including Optional Classes comprises: Industrial and Large Industrial property classes

Schedule "D"
Estimated Shifts In Municipal Taxation Between Property Classes With No Change In Tax Levy or Ratios for 2019

Property Class	Allocation of General Levy Using 2018 Phase-in Values	Allocation of General Levy Using 2019 Phase-in Values	% Change
Commercial	\$ 79,328,429.33	\$ 81,539,134.42	2.79%
Office Building	\$ 8,284,004.61	\$ 8,315,845.10	0.38%
Farmland	\$ 523,325.09	\$ 594,235.63	13.55%
Industrial	\$ 7,719,298.24	\$ 7,746,862.47	0.36%
Large Industrial	\$ 4,361,239.62	\$ 4,331,854.03	-0.67%
Multi-residential	\$ 33,545,931.34	\$ 34,066,772.64	1.55%
Pipeline	\$ 2,082,290.45	\$ 2,063,845.36	-0.89%
Residential	\$ 420,936,540.69	\$ 416,382,758.52	-1.08%
Shopping Centre	\$ 34,115,694.61	\$ 35,855,221.19	5.10%
Managed Forest	\$ 2,931.75	\$ 3,156.36	7.66%
	\$ 590,899,685.72	\$ 590,899,685.72	0.00%
Commercial including Optional Classes (1)	\$ 121,728,128.54	\$ 125,710,200.71	3.27%
Farmland	\$ 523,325.09	\$ 594,235.63	13.55%
Industrial including Optional Classes (2)	\$ 12,080,537.86	\$ 12,078,716.49	-0.02%
Multi-residential	\$ 33,545,931.34	\$ 34,066,772.64	1.55%
Pipeline	\$ 2,082,290.45	\$ 2,063,845.36	-0.89%
Residential	\$ 420,936,540.69	\$ 416,382,758.52	-1.08%
Managed Forest	\$ 2,931.75	\$ 3,156.36	7.66%
	\$590,899,685.72	\$590,899,685.72	0.00%

Note:

1) Commercial including Optional Classes comprises: Commercial, Office Building and Shopping Centre property classes

2) Industrial including Optional Classes comprises: Industrial and Large Industrial property classes

Schedule "E"

Estimated Shifts in Taxation Between Property Classes With No Change in Tax Levy or Ratios for 2018 to 2020

Property Class	Allocation of Levy Using 2018 Phase-in Values	Allocation of Levy Using 2020 Phase-in Values (2016 Market Values)	% Change
Commercial	\$ 79,328,429.33	\$ 83,621,680.50	5.41%
Office Building	\$ 8,284,004.61	\$ 8,345,840.31	0.75%
Farmland	\$ 523,325.09	\$ 661,034.87	26.31%
Industrial	\$ 7,719,298.24	\$ 7,772,829.22	0.69%
Large Industrial	\$ 4,361,239.62	\$ 4,304,172.56	-1.31%
Multi-residential	\$ 33,545,931.34	\$ 34,557,420.72	3.02%
Pipeline	\$ 2,082,290.45	\$ 2,046,469.63	-1.72%
Residential	\$ 420,936,540.69	\$ 412,092,968.08	-2.10%
Shopping Centre	\$ 34,115,694.61	\$ 37,493,901.87	9.90%
Managed Forest	\$ 2,931.75	\$ 3,367.95	14.88%
	\$ 590,899,685.72	\$ 590,899,685.72	0.00%
Commercial including Optional Classes (1)	\$ 121,728,128.54	\$ 129,461,422.68	6.35%
Farmland	\$ 523,325.09	\$ 661,034.87	26.31%
Industrial including Optional Classes (2)	\$ 12,080,537.86	\$ 12,077,001.78	-0.03%
Multi-residential	\$ 33,545,931.34	\$ 34,557,420.72	3.02%
Pipeline	\$ 2,082,290.45	\$ 2,046,469.63	-1.72%
Residential	\$ 420,936,540.69	\$ 412,092,968.08	-2.10%
Managed Forest	\$ 2,931.75	\$ 3,367.95	14.88%
	\$ 590,899,685.72	\$ 590,899,685.72	0.00%

Note:

1) Commercial including Optional Classes comprises: Commercial, Office Building and Shopping Centre property classes

2) Industrial including Optional Classes comprises: Industrial and Large Industrial property classes