

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JANUARY 20, 2020
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	ASSESSMENT GROWTH FOR 2020, CHANGES IN TAXABLE PHASE-IN VALUES, AND SHIFTS IN TAXATION AS A RESULT OF REASSESSMENT

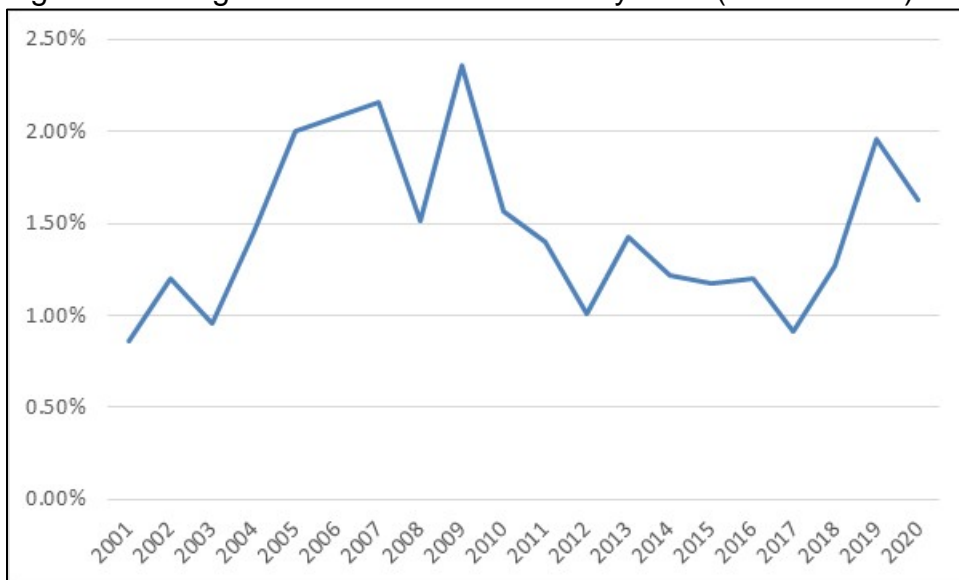
RECOMMENDATION

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 March, in accordance with Council’s Assessment Growth Policy (By-law No. CPOL.-353-344). This report indicates that the weighted assessment growth is calculated to be 1.63% for 2020 taxation. The historical trend in weighted assessment growth is presented in the below graph as Figure 1.

Figure 1 – Weighted Assessment Growth by Year (2001 – 2020)



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 the 2020 taxation year. Assessment has been weighted using tax ratios which were applicable in the 2019 year. The uniform base year which has been used for the determination of property valuations is 2019 phase-in values. Schedule “A” indicates that the total weighted assessment growth for 2020 for the City is 1.63%.

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

Year	Assessment Growth	Year	Assessment Growth
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%
2010	1.57%	2020	1.63%

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 (4) 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 (4) year period.

Schedule “B”, attached, indicates the changes that will occur in the taxable phase-in values between 2019 and 2020 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 2019 to 2020 will be 2.62%. The phase-in value change for each class is also shown separately in Schedule “B”.

Potential Shifts in Municipal Taxation between Property Classes as a result of the 2020 Phase-in Values

Schedule “C”, attached, indicates the shifts in municipal taxation that will occur in 2020 between property classes as a result of the 2020 phase-in values if no changes are made to 2019 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 2020, the effect of the 2020 phase-in values on the average tax change in the various classes is shown in the final column of Schedule “C”. The tax change in the various classes will be analysed and reviewed in greater detail later in the year after the 2020-2023 Multi-Year Budget is approved by Council and all of the regulations related to 2020 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 2020 is 1.63% (1.96% for 2019).

Looking ahead, Civic Administration will be bringing forward a “Future Tax Policy Report” which will discuss possible directions related to tax ratios. 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 2020 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, CA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER	

Attached. Schedule A
 Schedule B
 Schedule C

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

SCHEDULE "A"
ANALYSIS OF 2020 WEIGHTED ASSESSMENT GROWTH USING 2019 PHASE-IN VALUES

Property Class	Weighted 2019 Assessment Roll (using 2019 Phase-in Values Per MPAC)	Weighted 2020 Assessment Roll (using 2019 Phase-in Values Per MPAC)	% Change	% of Total Assessment Growth
Commercial	\$7,080,914,955	\$7,134,415,889	0.76%	0.10%
Office Building	\$722,153,309	\$714,406,142	-1.07%	-0.02%
Farmland	\$45,187,985	\$43,748,763	-3.18%	0.00%
Industrial	\$672,747,443	\$677,474,135	0.70%	0.01%
Large Industrial	\$376,180,975	\$383,572,479	1.96%	0.01%
Multi-residential	\$2,896,601,587	\$2,932,805,725	1.25%	0.07%
New Multi-residential	\$0	\$12,469,420	#DIV/0!	0.02%
Pipeline	\$180,159,119	\$182,877,730	1.51%	0.01%
Residential	\$36,347,272,982	\$37,155,307,862	2.22%	1.57%
Shopping Centre	\$3,113,690,348	\$3,034,710,043	-2.54%	-0.15%
Managed Forest	\$275,528	\$240,672	-12.65%	0.00%
	\$51,435,184,230	\$52,272,028,858	1.63%	1.63%
Commercial Including Optional Classes (1)	\$10,916,758,612	\$10,883,532,073	-0.30%	-0.06%
Farmland	\$45,187,985	\$43,748,763	-3.18%	0.00%
Industrial Including Optional Classes (2)	\$1,048,928,418	\$1,061,046,613	1.16%	0.02%
Multi-residential	\$2,896,601,587	\$2,932,805,725	1.25%	0.07%
New Multi-residential	\$0	\$12,469,420	#DIV/0!	0.02%
Pipeline	\$180,159,119	\$182,877,730	1.51%	0.01%
Residential	\$36,347,272,982	\$37,155,307,862	2.22%	1.57%
Managed Forest	\$275,528	\$240,672	-12.65%	0.00%
	\$51,435,184,230	\$52,272,028,858	1.63%	1.63%

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 2020 TAXATION

Property Class	Assessments for 2020 Taxation at 2019 Phase-in Values	Assessments for 2020 Taxation at 2020 Phase-in Values	% Change
Commercial	\$3,761,432,896	\$3,967,737,118	5.48%
Office Building	\$373,104,448	\$385,734,477	3.39%
Farmland	\$425,488,846	\$486,941,500	14.44%
Industrial	\$371,092,817	\$383,406,288	3.32%
Large Industrial	\$202,285,382	\$206,981,632	2.32%
Multi-residential	\$1,679,125,488	\$1,748,596,165	4.14%
New Multi-residential	\$12,469,420	\$12,981,100	4.10%
Pipeline	\$106,758,745	\$109,021,500	2.12%
Residential	\$37,156,918,791	\$37,866,398,777	1.91%
Shopping Centre	\$1,581,087,972	\$1,698,612,908	7.43%
Managed Forest	\$962,686	\$1,059,000	10.00%
	\$45,670,727,491	\$46,867,470,465	2.62%
Commercial Including Optional Classes (1)	\$5,715,625,316	\$6,052,084,503	5.89%
Farmland	\$425,488,846	\$486,941,500	14.44%
Industrial Including Optional Classes (2)	\$573,378,199	\$590,387,920	2.97%
Multi-residential	\$1,679,125,488	\$1,748,596,165	4.14%
New Multi-residential	\$12,469,420	\$12,981,100	4.10%
Pipeline	\$106,758,745	\$109,021,500	2.12%
Residential	\$37,156,918,791	\$37,866,398,777	1.91%
Managed Forest	\$962,686	\$1,059,000	10.00%
	\$45,670,727,491	\$46,867,470,465	2.62%

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"

**ESTIMATED SHIFTS IN MUNICIPAL TAXATION BETWEEN PROPERTY CLASSES WITH NO CHANGE IN TAX LEVY OR RATIOS FOR
2020**

Property Class	Allocation of General Levy Using 2019 Phase-in Values	Allocation of General Levy Using 2020 Phase-in Values	% Change
Commercial	\$84,130,815	\$86,238,242	2.50%
Office Building	\$8,424,456	\$8,464,620	0.48%
Farmland	\$515,897	\$573,822	11.23%
Industrial	\$7,988,944	\$8,007,024	0.23%
Large Industrial	\$4,523,183	\$4,497,255	-0.57%
Multi-residential	\$34,584,371	\$34,998,738	1.20%
New Multi-residential	\$147,043	\$148,776	1.18%
Pipeline	\$2,156,539	\$2,140,387	-0.75%
Residential	\$438,144,679	\$433,966,638	-0.95%
Shopping Centre	\$35,786,059	\$37,366,288	4.42%
Managed Forest	\$2,838	\$3,034	6.91%
	\$616,404,824	\$616,404,824	0.00%
Commercial Including Optional Classes (1)	\$128,341,330	\$132,069,149	2.90%
Farmland	\$515,897	\$573,822	11.23%
Industrial Including Optional Classes (2)	\$12,512,127	\$12,504,279	-0.06%
Multi-residential	\$34,584,371	\$34,998,738	1.20%
New Multi-residential	\$147,043	\$148,776	1.18%
Pipeline	\$2,156,539	\$2,140,387	-0.75%
Residential	\$438,144,679	\$433,966,638	-0.95%
Managed Forest	\$2,838	\$3,034	6.91%
	\$616,404,824	\$616,404,824	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.