

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee
From: Anna Lisa Barbon, Managing Director, Corporate Services
and City Treasurer, Chief Financial Officer
Subject: Year 2021 Tax Policy
Date: April 19, 2021

Recommendation

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken with respect to property taxation for 2021:

- a) the attached proposed by-law (Appendix “A”) being a by-law to set tax ratios in the various property classes, in accordance with Sub-sections 308(4) and 308.1(4) of *the Municipal Act, 2001* BE INTRODUCED at the Municipal Council meeting to be held on May 4, 2021, it being noted that the 2021 Municipal Tax Ratio By-Law has been prepared reflecting no change to tax ratios;
- b) the attached proposed by-law (Appendix “B”) being a by-law to set municipal tax rates for the various property classes, in accordance with Sections 307 and 312 of the *Municipal Act, 2001* BE INTRODUCED at the Municipal Council meeting to be held on May 4, 2021; and
- c) the Civic Administration BE DIRECTED to take no action in 2021 with respect to the adoption of an optional small business property sub-class; to undertake the necessary policy and financial impact analysis including local consultation following release of the regulation by the Province; and to report back to the Corporate Services Committee with recommendations regarding the potential adoption of a small business subclass for the 2022 taxation year and subsequent taxation years.

Executive Summary

The 2021 Tax Policy and future Tax Policy for the City of London was shaped by announcements and decisions made in 2020 by the Province. The most notable of these announcements being the impact of the reduction in the business education tax (BET) rates, postponement of the reassessment of properties in Ontario, and the introduction of the option for municipalities to create a small business property subclass.

Linkage to the Corporate Strategic Plan

Council’s 2019-2023 Strategic Plan for the City of London identifies “Leading in Public Service” as a strategic area of focus. A specific strategy relating to this strategic priority is to develop a tax policy that aligns with Council priorities of the Strategic Plan. The expected result is to maintain London’s finances in a transparent and well-planned manner to balance equity and affordability over the long term. The tax policy achieves this result by focusing on equity within and between property tax classes and examining alternatives in a transparent manner.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Corporate Service Committee, March 1, 2021, Consent Item # 2.6, Tax Policy Expectations

Corporate Services Committee, January 18, 2021, Consent Item # 2.6, Assessment Growth for 2021, Changes in Taxable Phase-in Values, and Shifts in Taxation as a Result of Reassessment

Corporate Services Committee, February 18, 2020, Future Tax Policy

1.2 Tax Policy Guiding Principles

The guiding principles for the City of London's Tax Policy in past years have been equity, economic development, transparency, and administrative efficiency.

1.3 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 Council. Under subsection 308(4) of the *Municipal Act, 2001* all single tier municipalities are required to pass a by-law each year to establish tax ratios for the year.

1.4 History of Tax Ratio Setting Restrictions

Beginning in 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. For 2017 the multi-residential threshold ratio was reduced from 2.74 to 2.00. Under provisions of the *Municipal Act, 2001*, and related Regulations, municipalities were not permitted in 2001, or subsequent years, to impose a general municipal levy increase on a property class which had a ratio exceeding the Provincial threshold. 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 advised on January 13, 2021 that this flexibility will be provided to municipalities again for 2021 taxation, except in the case of the multi-residential class where the tax ratio is greater than 2.00.

1.5 London's Tax Ratios, Provincial Thresholds and Municipal Comparisons

In reviewing the tax policy for 2021, 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; however, in 2001 Council moved the industrial ratio down to the threshold. 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 2020, 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 2020 Tax Ratio	Provincial Threshold/Average (O.Reg. 73/03)	Provincial Targets/Allowable Ranges (O.Reg. 386/98)
Commercial	1.910000	1.98	0.6 to 1.1
Industrial	1.910000	2.63	0.6 to 1.1
Multi-Residential	1.711880	2.00	1.0 to 1.1
Pipeline	1.713000	N/A	0.6 to 0.7
Farm	0.102820	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 2020 BMA Municipal Study and includes all municipalities with

populations greater than 110,000. 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 1.00. The Schedule indicates that the theoretical adjustment for the City of London would be near the median and the average for the group.

1.6 Revenue Neutral Ratios

Since values for different classes of property rarely change at a uniform rate, the share of assessment shifts between classes during each reassessment. If residential class values increase at a rate greater than the municipality as a whole, a tax shift onto the residential class will result. Provincial legislation prohibits municipalities from increasing non-residential tax ratios which are outside of the allowable ranges. However, since 2009, municipalities have been permitted to mitigate tax shifts due to reassessment by adopting transition tax ratios that achieve a revenue neutral effect. This may result in an increase to non-residential tax ratios provided they do not exceed established thresholds. As there is no reassessment for 2021, revenue neutral ratios are not permitted.

2.0 Discussion and Considerations

2.1 Possible Directions identified in the Future Tax Policy report to the Corporate Services Committee on February 18, 2020

In the above referenced report four possible directions were identified. They were as follows:

1. Maintain tax ratios in the three main non-residential classes at their current levels.
2. Adjust ratios on an annual basis to mitigate assessment related tax increases in property classes (possibly giving priority to the multi-residential property class).
3. Reduce all the non-residential tax ratios in a gradual way (possibly giving priority to the multi-residential property class), and/or
4. Focus only on lowering the multi-residential tax ratio over a period of time.

Items two (2) and three (3) above are not mutually exclusive, they could overlap in a gradual implementation and will be affected by the reassessment process.

Under normal circumstances, the property tax base of the entire Province is reassessed every four (4) years, and new market values are phased into the property tax system. This phasing in process, without any intervention in the form of tax ratio setting, results in shifts in taxation between property classes. The tax ratio rules, however, established by the Province, permit the setting of tax ratios to offset tax shifts within certain limits. These limits are maximum ratios that the Province sets for certain non-residential property classes. For 2021, the reassessment did not occur and thus, as noted in the Assessment Growth for 2021 report, assessment-based tax shifts have not materialized.

In the most recent phase-in process that took place for the period of 2017 to 2020, equalizing tax increases in the residential and multi-residential property classes has necessitated a reduction in the multi-residential tax ratio in 2017, 2018, 2019 and 2020. Since the assessment in these classes has not changed, no reduction in the multi-residential tax ratio is required to achieve equalization in 2021.

In reference to the possible directions listed above, the first column of schedule B shows the result if no changes are made to tax ratios (direction # 1 above). Option A shows the impact of reducing the commercial and industrial ratios to the median (1.84) for commercial ratios shown on Schedule “A.” Option A1 shows the impact of reducing commercial and industrial ratios part-way to the median (1.8927). Option B shows the impact of reducing the multi-residential ratio to 1.584 to result in a total residential increase of 3.4%. Option C shows the impact of reducing all three non-residential classes

to achieve a residential increase of 3.4%. Option D shows the impact of reducing the multi-residential rate to 1.65%.

2.2 Tax Ratios –Commercial and Industrial (Recommendation A)

Schedule “A” attached, summarizes the tax ratios for all municipalities with populations greater than 110,000 included in the 2020 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 (4) 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 the aforementioned property classes in 2015. In 2016, 2017, 2018, 2019, and 2020 the City decreased the multi-residential ratio to equalize the municipal tax increase in the residential and multi-residential property classes. The City also gradually reduced the ratios for the commercial and industrial property classes. As shown in Schedule “A”, the City of London had a lower ratio than the Region of Waterloo in all three main non-residential property tax classes in 2020. The City arguably has a competitive advantage as both the multi-residential and industrial class ratios are below the provincial average and median.

For 2021, 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. 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 established equal education property tax rates for commercial and industrial properties and has continued this practice in 2018, 2019, 2020, and 2021.

For 2021, the freeze on reassessments means the commercial and industrial tax ratios are already at a level to equalize municipal tax increases in the commercial and residential property classes. This is illustrated in Direction #1 on schedule “B” attached. Normally, to achieve this the commercial and industrial ratios would be set at what is generally described as a revenue neutral level. If no ratio adjustment is made, the average municipal tax increase in all classes would be 3.35% as indicated on Schedule “C”, attached. Schedule “A” indicates that the City of London commercial tax ratio in 2020 was above the average level although close to the median level for the group.

Lowering the commercial/industrial tax ratio could potentially provide greater flexibility at the time of a future reassessment where there may be a shift in taxation towards the residential property class. As per the 2021 Provincial Budget, assessments will continue to be based on current value as of January 1, 2016 until at least 2023. Under current legislation, if the commercial tax ratio is increased beyond 1.98, a portion of the tax levy increase on the commercial property class is restricted and transferred to other property classes including residential. Where the tax ratio is below 1.98, the municipality would have flexibility to prevent tax shifts towards the residential class. The greater the tax ratio is below 1.98, the greater the flexibility for the municipality in future years.

The effect on economic development is an important consideration in the review of tax policy in the commercial and industrial property classes, as well as other property classes. Schedule “G” evaluates and rates various different economic development strategies. The schedule suggests that tax policy may have significant advantages over other economic development strategies.

2.3 Tax Ratios – Multi-residential Property Class (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 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 was not subject to this restriction since its tax ratio was below the 2.0 level. The same tax ratio restriction for the multi-residential property has been in place for 2018, 2019 and 2020, and is in place for 2021.

Since the year 2000, the City has decreased its multi-residential tax ratio from 2.3852 to 1.711880 in 2020. 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. From 2016 to 2020 the City annually 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.

There seems to be some political support for tax policy to focus on lowering the multi-residential class ratio in priority to other non-residential classes across the Province. Support for this position appears to be based, at least partially, on the premise that the entirety of any reduction in property taxes will flow through to tenants. The concept of tax incidence identifies who ultimately pays for the tax, either directly or indirectly. A property tax is treated as a cost of doing business which businesses will attempt to recover in higher prices from consumers or tenants. Depending on rates in other jurisdictions and other market factors, the full recovery of property taxes from tenants may not be achieved. Just as market conditions will determine how much of a tax increase is passed on to tenants, the market rate for rental rates will determine how the portion of a property tax reduction will be shared with tenants. The Residential Tenancies Act, 2006 does require that decreases in property taxes be transferred onto the current tenant where the decrease exceeds 2.49%. There are significant limitations and qualifications to this requirement as it does not apply to future tenants nor does it apply to any residential apartments occupied for the first time after November 15, 2018.

The actions by the Province in 2017 to create a new multi-residential property class has created a situation where multi-residential properties are being taxed on a long-term basis at very different levels based on nothing more than when they were constructed. This would seem to contradict one of the basic principles of tax policy in reference to property taxation; that basic principle being that all properties within the same property class should pay the same tax rate. Because of the actions of the Province including the extended term of 35 years Council may wish to consider adopting a policy to adjust the tax ratio for the multi-residential property class to the new construction level gradually over an extended period of time. The justification for this approach would be to establish equity within the property class so that all properties would be subject to the same tax rate on their market value. The approach would need to be gradual to mitigate the effect on other property classes.

For 2021, due to the delayed reassessment, tax increases in the multi-residential and residential classes are already equalized using the same ratio as 2020. This is reflected in “No change to tax ratios” and options A and A1 on Schedule “B”, which maintains a multi-residential tax ratio of 1.711880.

2.4 Tax Ratios – New Multi-residential Property Class (Recommendation A)

On July 5, 2017, the Minister of Finance signed a regulation requiring all municipalities to establish a new multi-residential property class with a tax ratio range between 1.0 and 1.1. The regulation applied to any multi-residential property in Ontario built or converted from a non-residential use, pursuant to a building permit issued after April 20, 2017. In accordance with this regulation, the City of London established a new multi-residential property class with a ratio of 1.0 in 2017. It is recommended that this ratio be continued for 2021. There has been property in the new multi-residential property class on the assessment roll provided to the City of London at the end of 2019 for 2020 taxation and at the end of 2020 for 2021 taxation.

2.5 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 Sec. 308.1, the ratio is automatically reset to 0.25 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 0.25 maximum in the legislation. After a review of farm tax ratios and farm tax rates in the Province and in the vicinity of London this policy was discontinued for 2020. It is recommended that the tax ratio for farmland in 2021 be the same as 2020 which was 0.102820.

In December 2017, the Ministry of Finance issued a letter indicating that beginning in 2018 it would permit the option of a 75% tax rate reduction on the first \$50,000 of assessment related to qualifying non-farm commercial activity at a farm property. At the time of the 2018 property tax billing, MPAC had not provided the City of London with a list of any eligible properties and the City did not utilize this option. The City has been recently notified by MPAC that only one (1) roll number in the City qualifies for this special tax reduction. Participation in the program, however, is not recommended. Only one (1) property qualifies and tax mitigation is already being provided to farm land property owners through the establishment of tax ratios. The tax reduction on one (1) property would be less than \$1,000.

2.6 Landfill Property Class Tax Ratio (Recommendation A)

The City of London does not have any taxable property in the Landfill property class. It is recommended that a ratio be established each year, however, at the maximum permitted by legislation. Council would still have the ability to set a ratio at a lower level, at any point in time, in the future at its discretion if and when taxable assessment came into existence in the City. This approach will maximize the flexibility for ratio setting in this property class in the future. The maximum ratio permitted by legislation in 2021 is 2.959453 (Revenue neutral ratio x 1.05 or 2.818527 x 1.05).

2.7 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 2021.

2.8 Summary of Tax Ratio Recommendations for 2021 (Recommendation A)

In summary, for 2021 Civic Administration are recommending Council select no change to ratios as shown on Schedule "B". Schedule "B" indicates the alternative tax ratios and the average % increases in taxes in the various property classes, both including and excluding the education component of the property tax bill. In most years, there is a reassessment phase-in which results in varying increases to property taxes across all property classes. Adjustments to ratios have occurred in the past to equalize tax increases across classes. In the absence of reassessment for 2021, no adjustments to tax ratios are required to equalize tax increases across property classes. Maintaining the same tax ratios as in 2020 results in all property classes having an identical municipal tax increase of 3.35%. This approach would allow commercial and industrial properties to experience the full benefit of the education tax reduction implemented by the Province. As announced in the 2021 Provincial Budget, assessments will continue to be based on current value as of January 1, 2016 until at least 2023. As there is a potential for significant assessment-based shifts once the next assessment phase-in begins, and no certainty that transition ratios will be permitted, adjusting ratios is not recommended for 2021.

For preparation of the 2021 Municipal Tax Ratio By-Law, Civic Administration has prepared the By-Law (Appendix A) utilizing no change to tax ratios which recognizes the deferred reassessment and provides business properties with the full benefit related to the Business Education Tax reduction.

2.9 Property Tax Rate Calculation Adjustment

In 2021, 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 has been mentioned in letters to municipal treasurers from the Ministry of Finance dated December 21, 2016, December 22, 2017, April 9, 2019 and December 20, 2019.

2.10 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 would be reduced by \$33.6 million each year into the future from what they otherwise would have been.

However, the Ontario budget introduced to legislature on March 27, 2012, announced that business education property tax cuts previously scheduled for 2013 and 2014 would be deferred until 2017 and 2018 after Ontario was returned to a balanced budget. It is estimated that the reductions that the 2012 Provincial budget deferred would have been in excess of 10 million dollars in the City of London and represent about 20% of the education property taxes in the commercial and industrial property classes in the City. The City Treasurer sent a report to the Corporate Services Committee meeting of April 3, 2018 recommending that the Mayor be requested to send a letter to Minister of Finance requesting clarification as to the current status of the business education tax cuts. This recommendation was approved by Council.

In October 2018 Mayor Brown sent a letter to the Minister of Finance requesting clarification status of the promised reduction in Business Education Property Tax rates. The then Minister of Finance, Vic Fedeli, responded in December 2018. In his letter he appeared to acknowledge that the current system for setting business education property tax rates is inequitable and the intentions of the previous government to address the situation were never fully implemented. He did not specifically indicate how the current government planned to proceed in the future. It was noted however that in the letter issued to all Municipal Treasurers dated December 20, 2019 from the Assistant Deputy Minister, the lower business education tax rate that was promised by the previous liberal government is identified as the “BET Target”. i.e. BET = Business Education Taxes.

On May 8, 2019 City Council passed a letter requesting the Mayor Ed Holder “send a letter to the Minister of Finance, on behalf of City Council, requesting further clarification with respect to the long-term intention of the current government with respect to the

business education property tax cuts that were temporarily frozen with the 2012 Provincial budget.” The letter was sent from Mayor Ed Holder to the Minister of Finance on July 6, 2019.

As part of the Provincial 2020 Budget, the Province announced that business education tax rates across the Province will be reduced to 0.88% in 2021. This means that cities like London will no longer be at a disadvantage based on provincial education property tax policy. As a result, education tax rates for business properties will be reduced in 2021. For business properties where building permits were applied for before March 22, 2007, the business education tax rate for 2021 would decrease from 1.25% to 0.88%. For business properties where building permits were applied for after March 22, 2007, the business education tax rate for 2021 would decrease from 0.98% to 0.88%. The majority of business properties in the City of London had building permits applied for before the March 22, 2007 date and will receive the larger decrease. This rate reduction will impact both the commercial and industrial property classes. It is anticipated, according to the Provincial Budget, that the reduction in BET will save commercial and industrial businesses in London \$20.95 million annually.

2.11 Adoption of New Optional Small Business Subclass (Recommendation C)

The 2020 Provincial Budget announced that municipalities will have the option to provide a property tax reduction to eligible small business through the adoption of a new small business property subclass. As of January 13, 2021, the Province has passed the necessary amendment to the Assessment Act. Once a regulation defining the parameters of the small business subclass is passed, this amendment will allow municipalities to define small business eligibility through a municipal by-law. Although the Province is providing a mechanism for municipalities to provide property tax relief to eligible small businesses, the Province has left the definition and eligibility criteria to the municipality.

As illustrated in the 2021 Tax Policy Expectations Report submitted to the Corporate Services Committee March 1, 2021, before choosing to implement the optional subclass, analysis of key considerations is required. Additionally, due to insufficient time to identify eligibility and adopt the small business subclass for 2021, the considerations would be related to possible adoption in 2022 and future taxation years.

The City of London must determine how the small business property subclass will be defined, how tax reductions will impact other property classes, administration and implementation costs, the method and timing of community engagement, and whether the adoption of this subclass would address short-term or long-term objectives. Upon completion of the necessary policy and financial impact analysis following release of the regulation by the Province, a report will be presented to the Corporate Services Committee with recommendations regarding the potential adoption of a small business subclass for the 2022 taxation year and subsequent taxation years.

2.12 Phase-In Program for Residential Property Class not recommended

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 were phased-in over a 4-year period from 2017 to 2020 as required by Provincial legislation. No assessment changes have been made for 2021. Assessment related tax changes 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 “F” 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 “F”, the amount of assessment related decreases and increases for 11 years (2009 – 2020) 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 2017 to 2020. For 2021, residential properties will again be valued on the roll at their January 1, 2016 value, which results in no assessment increase or decrease.

For 1998 and subsequent reassessments up to and including 2013, Council decided that, under section 318 of the *Municipal Act, 2001*, a phase-in of assessment related tax changes was not necessary. Based on the above data and the fact that the Province has already instituted a four (4) 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.

2.13 Review of Tax Policy is an Annual Requirement

Subsection 308(4) of the *Municipal Act, 2001* requires that all single tier municipalities “shall pass a by-law in each year to establish the tax ratios for that year for the municipality”. Tax ratios determine the distribution of tax levy between the different property classes.

Every 4 years a general reassessment of the Province occurs in accordance with section 19.2 of the *Assessment Act* with 2021 being an exception. Although reassessments have no effect on the total amount of the tax for any year, reassessments can affect the way the tax burden is distributed between the different property classes.

The setting of tax ratios permits municipal councils to control the way tax burden is distributed between property classes. Tax ratios need to be reviewed every year to determine how the current year’s tax burden is being imposed on the different property classes and how the tax ratios in each year compare to the level of tax ratios in other municipal jurisdictions in the Province. The setting of tax ratios by municipal councils is subject to legislation contained in part VIII of the *Municipal Act, 2001* and various regulations filed in accordance with that part of the Act.

Provincial tax policy with respect to education property taxation is also relevant to tax policy determination at the municipal level. Each year the Ministry of Finance for the Province sends a letter to all municipalities in the Province advising them of any changes to municipal tax policy restrictions on municipalities. The Province also normally provides in the letter information about provincial education property tax rates and education property tax policy decisions. All the information in this annual letter will be relevant to tax ratio setting at the municipal level.

Due to the assessment freeze for 2021, there are no assessment-related tax shifts, and the use of revenue neutral ratios is not permitted. Provincial tax policy with respect to education property taxation has resulted in significant savings in the education portion of property taxes for the commercial and industrial classes.

2.14 Future Tax Policies

While assessment has been frozen for 2021, reassessments will occur in the future. The nature and timing of the reassessment remains unknown. In setting 2021 tax policy, it is important to recognize the potential tax shifts which may occur during the next assessment.

Moving forward, based on what is known to date, Civic Administration will continue to bring forward Tax Policy options for Municipal Council consideration in keeping with the four (4) directions that have been set out in this report, being mindful of the impact of

reassessment and competitiveness of tax ratios in comparison with other Ontario municipalities.

3.0 Financial Impact/Considerations

3.1 Tax Policy Has No Impact on Budget or Levy

Estimated revenues and expenditures are established during the budget process. The tax levy for 2021 has been set at \$673,580,833. The role of the tax policy is to determine how that levy is distributed between the various property tax classes.

4.0 Key Issues and Considerations

4.1. Tax Policy 2021 Schedules

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

Schedule “B” attached shows the various options recommended for Council’s consideration with respect to setting 2021 tax ratios. The schedule shows the average % increase in each property class, both including and excluding the education component of the property tax. Schedule “B” also shows the ratios required to implement each identified alternative. The result of the delayed reassessment is that municipal tax increases for all property classes, using current ratios, are equalized at 3.35%. Civic Administration has prepared the 2021 Municipal Tax Ratio By-Law using the option to maintain the same ratios as 2020 for all classes.

4.2 An End to Capping

Starting in the year 2020, no properties in the commercial industrial or multi-residential property classes are subject to capping or clawing-back. This means that in all property classes all properties will be subject to one uniform tax rate applicable to all properties within the property class and capping and clawing back tax changes in the City of London will be completely ended in future years.

4.3 Re-assessment Delayed

The province-wide reassessment by MPAC and subsequent four (4) year phase-in, scheduled to begin in 2021, has been deferred. Consultation will begin later in 2021 to help determine the details and timing of the next assessment update. Whenever there is new reassessment it is possible that taxes can shift between property classes in a pattern that is different from the previous four (4) year cycle.

4.4 Reduced Business Education Tax Rates

The reduction in business education tax rates will benefit commercial and industrial businesses in 2021 and annually thereafter which equates to approximate savings of \$20.95 million. As the scheduled reassessment for 2020 was delayed, there is no phase-in to impact tax ratios. Assuming no changes in tax ratios, the estimated property tax rate (municipal and education) for commercial and industrial properties where the building permit for construction was applied before March 22, 2007 would decrease 8.279%. For building permits applied for after March 22,2007, the decrease is estimated to be 0.689%.

4.5 Adoption of Small Business Subclass Possible in 2022

Due to the lack of a regulation, insufficient time, and the numerous implementation challenges and corresponding costs, adoption of a small business subclass for 2021 is

not possible. Following release of the Provincial regulation and thorough analysis of the financial and policy impacts, a report to City Council with recommendations for the 2022 and subsequent taxation years will be submitted.

Conclusion

The decision by the Province to reduce Business Education Tax rates for the Commercial and Industrial classes will result in significant property tax reductions for most properties in these classes. A delayed reassessment of property values has resulted in no assessment-based shifts and a municipal increase of 3.35% for all property classes. As no details are yet established for the next assessment, future impacts including tax shifts are unknown. For these reasons, it is recommended that the City of London follow direction number one established in the Future Tax Policy Report which is to maintain tax ratios in the three main non-residential classes at their current levels in 2021.

Consistent with other municipalities, none of which to our knowledge, have committed to implementation in 2021, the City of London is not able to adopt a Small Business Subclass for the 2021 taxation year. Following the release of the Provincial regulation and thorough analysis of the financial and policy impacts, recommendations pertaining to implementation for the 2022 and subsequent years will be submitted.

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Submitted by: Ian Collins, CPA, CMA, Director, Financial Services

Recommended by: Anna Lisa Barbon, CPA, CGA, Managing Director, Corporate Services and City Treasurer, Chief Financial Officer

APPENDIX "A"

Bill No.
2021

By-law No.

A by-law setting tax ratios for property classes
in 2021.

WHEREAS section 308 of the *Municipal Act, 2001*, as amended, provides that the council of every single tier municipality in each year shall pass a by-law in each year to establish the tax ratios for that year for the municipality;

THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

2021 MUNICIPAL TAX RATIO BY-LAW

1. The tax ratios as set out in column 3 of Schedule "A" of this by-law are hereby established for 2021 taxation.

Definitions - Realty Tax Classes and Realty Tax Qualifiers

2. For purposes of this by-law, Realty Tax Classes and Realty Tax Qualifiers (Taxable/PIL) under the Ontario Fair Assessment System (OFAS) are defined in Schedule "B" of this by-law and are indicated in the first two characters of the codes in column 2 of Schedule "A" of this by-law. Where there is more than one code in column 2 of Schedule "A" the codes are separated by a comma.

Administration of By-law

3. The administration of this by-law is assigned to the City Treasurer who is hereby authorized and directed to do such things as may be necessary or advisable to carry out fully the provisions of this by-law.

Commencement

4. This by-law comes into force on the day it is passed.

PASSED in Open Council on May 4, 2021.

Ed Holder
Mayor

Catharine Saunders
City Clerk

First Reading – May 4, 2021
Second Reading – May 4, 2021
Third Reading – May 4, 2021

SCHEDULE "A"
By-law No.

MUNICIPAL TAX RATIOS

COLUMN 1	COLUMN 2	COLUMN 3
ABBREVIATED RATEABLE PROPERTY DESCRIPTION	CODE	YEAR 2021 TAX RATIOS
com taxable farmland 1	c1n	0.750000
com taxable farmland 2	c4n	1.910000
Commercial small scale on farm	C7n	1.910000
commercial taxable – hydro	chn, xhn	1.910000
commercial taxable vacant - hydro	cjn, xjn	1.910000
commercial taxable - excess - hydro	ckn, xkn	1.910000
commercial taxable tenant of Province	cpn, xpn	1.910000
com taxable	ctn, xtn	1.910000
com taxable excess land	cun, xun	1.910000
com taxable vacant land	cxn, xxn	1.910000
office bldg taxable – hydro	dhn	1.910000
office bldg taxable	dtn, ytn	1.910000
office bldg taxable excess land	dun, yun	1.910000
farmland taxable fp	ffp	0.102820
farmland taxable fs	ffs	0.102820
farmland taxable no support	Ftn	0.102820
farmland taxable ep	ftep	0.102820
farmland taxable es	ftes	0.102820
parking lot taxable	Gtn	1.910000
industrial taxable farmland 1	i1n	0.750000
industrial taxable farmland 2	i4n	1.910000
industrial taxable – hydro	ihn, Jhn, isn	1.910000
industrial taxable-hydro- excess land	ikn, Jkn	1.910000
industrial taxable	itn, Jtn	1.910000
industrial taxable excess land	iun, Jun	1.910000
industrial taxable vacant land	ixn, Jxn	1.910000
large industrial taxable	Ltn, ktn	1.910000
large industrial excess land	Lun, kun	1.910000
multi-res taxable farmland 1 ns	m1n	0.750000
multi-res taxable farmland 1 ep	m1ep	0.750000
multi-res taxable farmland 1 es	m1es	0.750000
multi-res taxable farmland 1 fp	m1fp	0.750000
multi-res taxable farmland 1 fs	m1fs	0.750000
multi-res taxable farmland 2 ep	m4ep	1.711880
multi-res taxable fp	mtfp	1.711880
multi-res taxable fs	mtfs	1.711880
multi-res taxable ep	mtep	1.711880
multi-res taxable es	mtes	1.711880
multi-res taxable n	mtn	1.711880
pipeline taxable	ptn	1.713000
res/farm taxable 1 fp	r1fp	0.750000
res/farm taxable 1 fs	r1fs	0.750000
res/farm taxable farmland 1 ep	r1ep	0.750000
res/farm taxable farmland 1 es	r1es	0.750000
res/farm taxable farmland 2 ep	r4ep	1.000000
res/farm taxable -hydro fp	rhfp	1.000000
res/farm taxable-hydro fs	rhfs	1.000000
res/farm taxable-hydro ep	rhep	1.000000
res/farm taxable-hydro es	rhes	1.000000
res/farm taxable fp	rtp	1.000000

SCHEDULE "A" CONTINUED
By-law No.
MUNICIPAL TAX RATIOS

COLUMN 1	COLUMN 2	COLUMN 3
ABBREVIATED RATEABLE PROPERTY DESCRIPTION	CODE	YEAR 2021 TAX RATIOS
res/farm taxable fs	rfs	1.000000
res/farm taxable ns	rtn	1.000000
res/farm taxable ep	rtep	1.000000
res/farm taxable es	rtes	1.000000
shopping centre taxable	stn, ztn	1.910000
shopping centre excess land	sun, zun	1.910000
managed forest taxable fp	Tfp	0.250000
managed forest taxable fs	tfs	0.250000
managed forest taxable ep	tep	0.250000
managed forest taxable es	tes	0.250000
Landfill taxable	ht	2.959453
New multi-residential taxable	nt	1.000000

**SCHEDULE “B”
By-law No.**

**Definitions of
Realty Tax Classes and Realty Tax Qualifiers (Taxable/PIL) Under OFAS**

Realty Tax Class (RTC)	Description	Realty Tax Qualifier (RTQ)	Description
A	Theatre	A	Taxable: General Vacant Land
C, X	Commercial	B	Taxable: General Excess Land
D, Y	Office Building	D	Taxable: Education Only
E	Exempt	F	Payment-In-Lieu: Full
F	Farm	G	Payment-In-Lieu: General
G	Parking Lot	H	Taxable: Shared Payment-in-Lieu
I, J	Industrial	J	Taxable: Vacant Land, Shared Payment-in-Lieu
L, K	Large Industrial	K	Taxable: Excess Land, Shared Payment-in-Lieu
M	Multi-Residential	M	Taxable: General
N	New Multi-Residential	P	Taxable Tenant of Province
O	Other	Q	Payment-in-Lieu: Full Excess Land, Taxable Tenant of Province
P	Pipeline	T	Taxable: Full
Q	Professional Sports Facility	U	Taxable: Excess Land
R	Residential	V	Payment-in-Lieu: Full Excess Land
S, Z	Shopping Centre	W	Payment-In-Lieu: General Excess Land
T	Managed Forest	X	Taxable: Vacant Land
U	Utility Transmission / Distribution	Y	Payment-In-Lieu: Full Vacant Land
W	Railway Right-of-Way	Z	Payment-In-Lieu: General Vacant Land
H	Landfill	1	Taxable: Farmland 1
		2	Payment-In-Lieu: Full, Farmland 1
		3	Payment-In-Lieu: General, Farmland 1
		4	Taxable: Farmland II
		5	Payment-In-Lieu: Full, Farmland II
		6	Payment-In-Lieu: General, Farmland II
		7	Taxable commercial small scale on farm

Note that each RTC will be applied in combination with an appropriate RTQ.

All Realty Tax Classes and Realty Tax Qualifiers are letters or numbers.

Where there is more than one Realty Tax Class or Realty Tax Qualifier in a column they are separated by a comma.

APPENDIX "B"

Bill No.
2021

By-law No.

A by-law levying tax rates for property classes in 2021.

WHEREAS in accordance with section 290 of the *Municipal Act, 2001*, as amended, Council has adopted estimates of all sums required during 2021 for the purposes of the municipality, including among other things a sum sufficient to pay all debts of the Corporation falling due within the year, any amount required to be raised for sinking funds, the cost of collection, abatement of and discount on taxes, uncollectible taxes and taxes that it is estimated will not be collected during the year, and reserves;

AND WHEREAS section 312 of the *Municipal Act, 2001*, as amended, provides that the council of every local municipality in each year shall levy in the manner set out in sections 307, 308 and 312 of the *Municipal Act, 2001*, as amended, on the whole of the assessment for real property according to the last revised assessment roll, a sum equal to the aggregate of the sums adopted under section 290 of the *Municipal Act, 2001*, as amended;

AND WHEREAS section 307 of the *Municipal Act, 2001*, as amended, provides that all municipal, local or direct taxes or rates shall, where no other express provision is made, be levied upon the whole of the assessment for real property or other assessments made under the *Assessment Act*, according to the amount assessed in respect thereof, and not upon any one or more kinds of property or assessment or in different proportions;

THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

2021 MUNICIPAL RATE BY-LAW

2021 Levies

1. The tax rates set out in column 4 of Schedule "A" of this by-law are hereby levied in 2021 for the 2021 general local municipality levy on all of the assessment.

Definitions - Realty Tax Classes and Realty Tax Qualifiers

2. For purposes of this by-law, Realty Tax Classes and Realty Tax Qualifiers (Taxable/PIL) under the Ontario Fair Assessment System (OFAS) are defined in Schedule "B" of this by-law and are indicated in the first two characters of the codes in column 2 of Schedule "A" of this by-law. Where there is more than one code in column 2 of Schedule "A" the codes are separated by a comma.

Tax on Certain Institutions

3. A tax or other amount payable on the 1st day of July, 2021, is hereby levied upon every university, college, institution, school, hospital or other facility described in section 323 of the *Municipal Act, 2001*, as amended, at the maximum rate for each student, place or bed, as the case may be, under that section.

Administration of By-law

5. The administration of this by-law is assigned to the City Treasurer who is hereby authorized and directed to do such things as may be necessary or advisable to carry out fully the provisions of this by-law.

Commencement

6. This by-law comes into force on the day it is passed.

PASSED in Open Council on May 4, 2021.

Ed Holder
Mayor

Catharine Saunders
City Clerk

First Reading – May 4, 2021
Second Reading – May 4, 2021
Third Reading – May 4, 2021

SCHEDULE "A"
By-law No.

Municipal Tax Rates

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
ABBREVIATED RATEABLE PROPERTY DESCRIPTION	CODE	YEAR 2021 TAX RATIOS	YEAR 2021 GENERAL TAX RATE
com taxable farmland 1	c1n	0.750000	0.926462%
com taxable farmland 2	c4n	1.910000	2.359391%
commercial small scale on farm business	c7n	1.910000	2.359391%
commercial taxable - hydro	chn	1.910000	2.359391%
commercial taxable vacant -hydro	cjn	1.910000	2.359391%
commercial taxable - excess - hydro	ckn	1.910000	2.359391%
commercial taxable tenant of Province	cpn	1.910000	2.359391%
commmercial taxable	ctn	1.910000	2.359391%
commercial taxable excess land	cun	1.910000	2.359391%
commercial taxable vacant land	cxn	1.910000	2.359391%
office bldg taxable - hydro	dhn	1.910000	2.359391%
office bldg taxable	dtn	1.910000	2.359391%
office bldg taxable excess land	dun	1.910000	2.359391%
farmland taxable fp	ffp	0.102820	0.127012%
farmland taxable fs	ffs	0.102820	0.127012%
farmland taxable no support	ftn	0.102820	0.127012%
farmland taxable ep	ftep	0.102820	0.127012%
farmland taxable es	ftes	0.102820	0.127012%
parking lot taxable	gtn	1.910000	2.359391%
industrial taxable farmland 1	i1n	0.750000	0.926462%
industrial taxable farmland 2	i4n	1.910000	2.359391%
industrial taxable - hydro	ihn	1.910000	2.359391%
industrial generating station	isn	1.910000	2.359391%
industrial taxable - hydro- el	ikn	1.910000	2.359391%
industrial taxable	itn	1.910000	2.359391%
industrial taxable excess land	iun	1.910000	2.359391%
industrial taxable vacant land	ixn	1.910000	2.359391%
large industrial taxable	Ltn	1.910000	2.359391%
large industrial excess land	Lun	1.910000	2.359391%
multi-res taxable farmland 1 ns	m1n	0.750000	0.926462%
multi-res taxable farmland 1 ep	m1ep	0.750000	0.926462%
multi-res taxable farmland 1 es	m1es	0.750000	0.926462%
multi-res taxable farmland 1 fp	m1fp	0.750000	0.926462%
multi-res taxable farmland 1 fs	m1fs	0.750000	0.926462%
multi-res taxable farmland 2 ep	m4ep	1.711880	2.114656%
multi-res taxable fp	mtfp	1.711880	2.114656%
muti-res taxable fs	mtfs	1.711880	2.114656%
multi-res taxable ep	mtep	1.711880	2.114656%
multi-res taxable es	mtes	1.711880	2.114656%
multi-res taxable n	mtn	1.711880	2.114656%
new multi-res taxable ntfp	ntfp	1.000000	1.235283%
new multi-res taxable ntfs	ntfs	1.000000	1.235283%
new multi-res taxable ntep	ntep	1.000000	1.235283%
new multi-res taxable ntes	ntes	1.000000	1.235283%
new multi-res taxable ntn	ntn	1.000000	1.235283%
pipeline taxable	ptn	1.713000	2.116040%
res/farm taxable 1 fp	r1fp	0.750000	0.926462%
res/farm taxable 1 fs	r1fs	0.750000	0.926462%
res/farm taxable farmland 1 ep	r1ep	0.750000	0.926462%
res/farm taxable farmland 1 es	r1es	0.750000	0.926462%
res/farm taxable farmland 2 ep	r4ep	1.000000	1.235283%
res/farm taxable -hydro fp	rhfp	1.000000	1.235283%
res/farm taxable-hydro fs	rhfs	1.000000	1.235283%
res/farm taxable-hydro ep	rhep	1.000000	1.235283%
res/farm taxable-hydro es	rhes	1.000000	1.235283%

SCHEDULE "A" Cont'd
By-law No.

COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4
ABBREVIATED RATEABLE PROPERTY DESCRIPTION	CODE	YEAR 2021 TAX RATIOS	YEAR 2021 GENERAL TAX RATE
res/farm taxable fp	rtp	1.000000	1.235283%
res/farm taxable fs	rtps	1.000000	1.235283%
res/farm taxable ns	rtn	1.000000	1.235283%
res/farm taxable ep	rtep	1.000000	1.235283%
res/farm taxable es	rtes	1.000000	1.235283%
shopping centre taxable	stn	1.910000	2.359391%
shopping centre excess land	sun	1.910000	2.359391%
managed forest taxable fp	tftp	0.250000	0.308821%
managed forest taxable fs	ttps	0.250000	0.308821%
managed forest taxable ep	ttep	0.250000	0.308821%
managed forest taxable es	ttes	0.250000	0.308821%
landfill taxable	ht	2.959453	3.655762%

SCHEDULE "B"
By-law No.

**Definitions of
Realty Tax Classes and Realty Tax Qualifiers (Taxable/PIL) Under OFAS**

Realty Tax Class (RTC)	Description	Realty Tax Qualifier (RTQ)	Description
A	Theatre	A	Taxable: General Vacant Land
C	Commercial	B	Taxable: General Excess Land
D	Office Building	D	Taxable: Education Only
E	Exempt	F	Payment-In-Lieu: Full
F	Farm	G	Payment-In-Lieu: General
G	Parking Lot	H	Taxable: Shared Payment-in-Lieu
I	Industrial	J	Taxable: Vacant Land, Shared Payment-in-Lieu
L	Large Industrial	K	Taxable: Excess Land, Shared Payment-in-Lieu
M	Multi-Residential	M	Taxable: General
N	New Multi-Residential	P	Taxable Tenant of Province
O	Other	Q	Payment-in-Lieu: Full Excess Land, Taxable Tenant of Province
P	Pipeline	T	Taxable: Full
Q	Professional Sports Facility	U	Taxable: Excess Land
R	Residential	V	Payment-in-Lieu: Full Excess Land
S	Shopping Centre	W	Payment-In-Lieu: General Excess Land
T	Managed Forest	X	Taxable: Vacant Land
U	Utility Transmission / Distribution	Y	Payment-In-Lieu: Full Vacant Land
W	Railway Right-of-Way	Z	Payment-In-Lieu: General Vacant Land
X	Commercial (New construction)	1	Taxable: Farmland 1
Y	Office Building (New Construction)	2	Payment-In-Lieu: Full, Farmland 1
Z	Shopping Centre (New Construction)	3	Payment-In-Lieu: General, Farmland 1
J	Industrial (new construction)	4	Taxable: Farmland II
K	Large Industrial (New Construction)	5	Payment-In-Lieu: Full, Farmland II
H	Landfill	6	Payment-In-Lieu: General, Farmland II

Note that each RTC will be applied in combination with an appropriate RTQ.



SCHEDULE "A"
TAX RATIOS FOR MUNICIPALITIES IN BMA STUDY WITH POPULATIONS
OVER 110,000

Municipality with > 110,000 Population in 2020 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
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	2.0235	2.0235	2.0235
Greater Sudbury	1.9650	1.9120	3.7263	4.3254	4.0259
Guelph	1.7863	1.8400	2.2048	2.2048	2.2048
Halton	2.0000	1.4565	2.0907	2.0907	2.0907
Hamilton	2.4876	1.9800	3.3153	3.8876	3.6015
Kingston	1.7000	1.9800	2.6300	2.6300	2.6300
London	1.7119	1.9100	1.9100	1.9100	1.9100
Mississauga	1.2656	1.5170	1.6150	1.6150	1.6150
Niagara	1.9700	1.7349	2.6300	2.6300	2.6300
Ottawa	1.3867	1.8064	2.5023	2.1488	2.3256
Thunder Bay	2.1425	2.1087	2.4077	2.9753	2.6915
Toronto	2.1788	2.7000	2.6838	2.6838	2.6838
Waterloo	1.9500	1.9500	1.9500	1.9500	1.9500
Windsor	2.0000	2.0178	2.3200	2.9381	2.6291
York	1.0000	1.3321	1.6432	1.6432	1.6432

Average	1.7715	1.7897			2.3318
Median	1.8665	1.8400			2.2048
Minimum	1.0000	1.2971			1.4700
Maximum	2.4876	2.7000			4.0259
Provincial Threshold	2.0000	1.9800	2.6300	2.6300	2.6300

London Compared to Median	-8.3%	3.8%			-13.4%
London Compared to Average	-3.4%	6.7%			-18.1%

change in group averages since 2006	-21.36%	-5.61%			-9.18%
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decreases in ratios 
increases in ratios 

SCHEDULE "B"
2021 TAX POLICY ALTERNATIVE TAX RATIO OPTIONS FOR CONSIDERATION

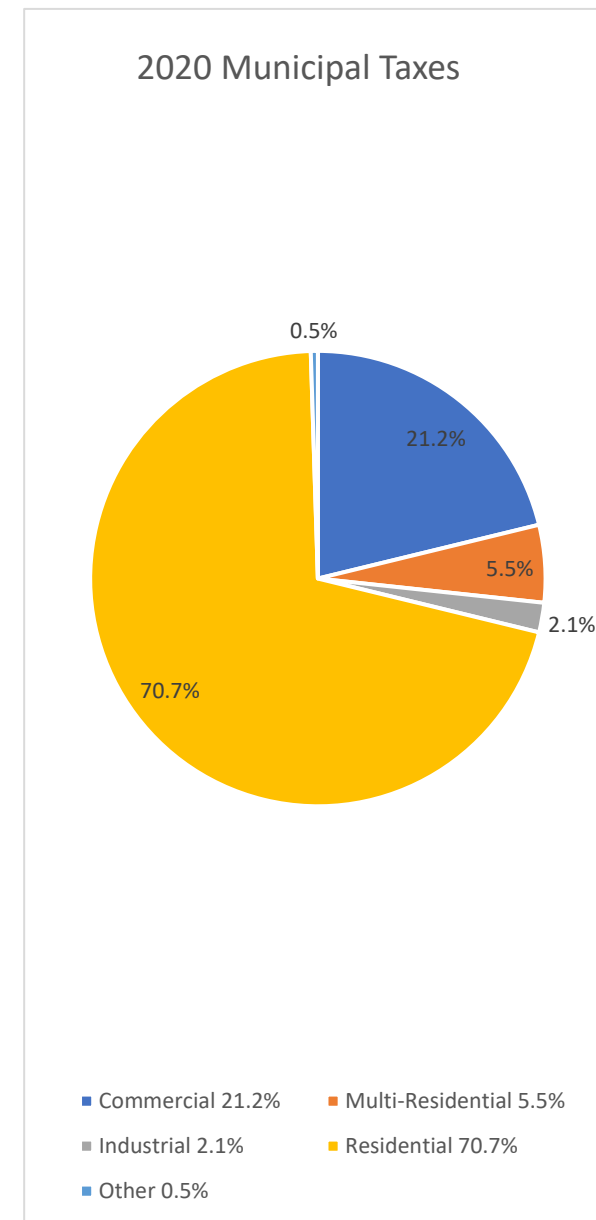
	No change to tax ratios alternative - keep tax ratios in 2021 same as 2020	Option A - Reduce the commercial and industrial ratios to the commercial median as shown on schedule A at 1.84	Option A1 - Reduce the commercial and industrial ratios towards the commercial median as shown on schedule A at 1.8927	Option B - Reduce the multi-residential tax ratio to 1.584 and keep average residential increase including education at 3.4%	Option C - reduce commercial and industrial property class tax ratios and keep average increase in residential class at 3.4% including education (and keep multi-res ratio below commercial and industrial)	Option D - reduce only the multi-residential tax ratio to 1.65
future tax policy direction	Direction #1	Direction #2	Direction #2	Direction #2	Direction #2 and #3	Direction #4
average tax increases in property classes including education	residential = 3.0% farm = 2.6% multi-residential = 3.1% commercial = (8.3%) industrial = (8.3%) new multi-res = 3.0%	residential = 3.8% farm = 3.2% multi-residential = 3.9% commercial = (10.2%) industrial = (10.2%) new multi-res = 3.8%	residential = 3.2% farm = 2.7% multi-residential = 3.3% commercial = (8.8%) industrial = (8.8%) new multi-res = 3.2%	residential = 3.4% farm = 2.9% multi-residential = (3.7%) commercial = (8.0%) industrial = (8.0%) new multi-res = 3.4%	residential = 3.4% farm = 2.9% multi-residential = 0.0% commercial = (8.6%) industrial = (8.6%) new multi-res = 3.4%	residential = 3.2% farm = 2.7% multi-residential = (0.2%) commercial = (8.2%) industrial = (8.2%) new multi-res = 3.2%
average tax increases in property classes excluding education	residential = 3.4% farm = 3.4% multi-residential = 3.4% commercial = 3.4% industrial = 3.4% new multi-res = 3.4%	residential = 4.2% farm = 4.2% multi-residential = 4.2% commercial = 0.4% industrial = 0.4% new multi-res = 4.2%	residential = 3.6% farm = 3.6% multi-residential = 3.6% commercial = 2.6% industrial = 2.6% new multi-res = 3.6%	residential = 3.8% farm = 3.8% multi-residential = (4.0%) commercial = 3.8% industrial = 3.8% new multi-res = 3.8%	residential = 3.8% farm = 3.8% multi-residential = 0.0% commercial = 2.8% industrial = 2.8% new multi-res = 3.8%	residential = 3.6% farm = 3.6% multi-residential = (0.2%) commercial = 3.6% industrial = 3.6% new multi-res = 3.6%
tax ratios used	residential = 1.000000 farm = 0.102820 multi-residential = 1.711880 commercial = 1.910000 industrial = 1.910000 pipelines = 1.713000 managed forests =0.250000	residential = 1.000000 farm = 0.102820 multi-residential = 1.711880 commercial = 1.840000 industrial = 1.840000 pipelines = 1.713000 managed forests =0.250000	residential = 1.000000 farm = 0.102820 multi-residential = 1.711880 commercial = 1.892700 industrial = 1.892700 pipelines = 1.713000 managed forests =0.250000	residential = 1.000000 farm = 0.102820 multi-residential = 1.58400 commercial = 1.910000 industrial = 1.910000 pipelines = 1.713000 managed forests = 0.250000	residential = 1.000000 farm = 0.102820 multi-residential = 1.650000 commercial = 1.892700 industrial = 1.892700 pipelines = 1.713000 managed forests = 0.250000	residential = 1.000000 farm = 0.102820 multi-residential = 1.650000 commercial = 1.910000 industrial = 1.910000 pipelines = 1.713000 managed forests =0.250000

- % calculations above do not include business education tax rate on new construction in commercial and industrial property classes
- recommended ratio for Landfill property class under all options is 2.959453
- recommended ratio for New Multi-residential property class under all options is 1.000000

SCHEDULE "C"
MUNICIPAL TAX IMPACT BY PROPERTY CLASS FOR 2021
LEVY CHANGE AND NO CHANGE IN TAX RATIOS

	2020 Tax Rates on 2020 Year End Assessments	2021 Taxes (2021 Approved Budget)	Tax Change From Reassessment Phase-In and Budget	Tax Ratios Used
Summary by Class				
Commercial	\$91,587,248	\$94,654,080	3.35%	1.910000
Office Building	\$8,663,366	\$8,953,462	3.35%	1.910000
Farmland	\$584,411	\$603,978	3.35%	0.102820
Industrial	\$8,828,718	\$9,124,351	3.35%	1.910000
Large Industrial	\$4,832,550	\$4,994,370	3.35%	1.910000
Multi-residential	\$36,152,446	\$37,363,029	3.35%	1.711880
New Multi-residential	\$460,054	\$475,459	3.35%	1.000000
Pipeline	\$2,256,537	\$2,332,098	3.35%	1.713000
Residential	\$460,541,127	\$475,962,579	3.35%	1.000000
Shopping Centre Managed Forest	\$37,846,842 \$3,164	\$39,114,157 \$3,270	3.35%	1.910000 0.250000
	\$651,756,462	\$673,580,833	3.35%	

Summary by Class				
Commercial Including Optional Classes	\$138,097,456	\$142,721,699	3.35%	1.910000
Farmland	\$584,411	\$603,978	3.35%	0.102820
Industrial Including Optional Classes	\$13,661,269	\$14,118,721	3.35%	1.910000
Multi-residential	\$36,152,446	\$37,363,029	3.35%	1.711880
New Multi-residential	\$460,054	\$475,459	3.35%	1.000000
Pipeline	\$2,256,537	\$2,332,098	3.35%	1.713000
Residential	\$460,541,127	\$475,962,579	3.35%	1.000000
Managed Forest	\$3,164	\$3,270	3.35%	0.250000
	\$651,756,462	\$673,580,833	3.35%	



SCHEDULE "D"

SHIFT IN TAX BURDEN - UNWEIGHTED TO WEIGHTED RESIDENTIAL ASSESSMENT FOR MUNICIPALITIES IN BMA STUDY WITH POPULATIONS OVER 110,000

Municipality with > 110,000 Population in 2020 BMA Study	Residential Unweighted Assessment	Residential Weighted Assessment	% Change	Implied Adjustment to Residential Taxes
Toronto	73.9%	53.0%	-20.9%	39.4%
Thunder Bay	79.3%	64.3%	-15.0%	23.3%
Greater Sudbury	79.1%	63.9%	-15.2%	23.8%
Windsor	75.0%	60.8%	-14.2%	23.4%
Cambridge	75.0%	61.7%	-13.3%	21.6%
Kingston	73.9%	61.5%	-12.4%	20.2%
Waterloo	73.6%	61.7%	-11.9%	19.3%
Guelph	78.5%	66.4%	-12.1%	18.2%
Hamilton	81.7%	69.3%	-12.4%	17.9%
Kitchener	78.8%	66.8%	-12.0%	18.0%
Ottawa	74.6%	64.0%	-10.6%	16.6%
St. Catherines	79.1%	68.5%	-10.6%	15.5%
London	80.4%	69.9%	-10.5%	15.0%
Burlington	79.6%	70.8%	-8.8%	12.4%
Mississauga	73.3%	65.0%	-8.3%	12.8%
Oshawa	80.4%	72.1%	-8.3%	11.5%
Oakville	85.9%	79.3%	-6.6%	8.3%
Milton	82.7%	76.7%	-6.0%	7.8%
Barrie	76.5%	71.2%	-5.3%	7.4%
Whitby	86.3%	80.5%	-5.8%	7.2%
Vaughan	79.9%	74.6%	-5.3%	7.1%
Brampton	82.1%	77.3%	-4.8%	6.2%
Markham	86.1%	82.7%	-3.4%	4.1%
Richmond Hill	90.2%	87.8%	-2.4%	2.7%
Average				15.0%
Median				15.2%
Maximum				39.4%
Minimum				2.7%
London Compared to Median				-1.5%
London Compared to Average				0.2%

If all non-residential classes had a ratio of 1, residential taxes would increase by 15%

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

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

SCHEDULE "E"
CAP ADJUSTMENTS BY YEAR

	Year	Multi Residential	Commercial	Industrial	Total
Reassessment Year	1998	\$861,955	\$8,161,158	\$1,347,038	\$10,370,151
	1999	\$456,005	\$6,268,157	\$757,655	\$7,481,817
	2000	\$320,089	\$5,410,929	\$454,271	\$6,185,289
Reassessment Year	2001	\$951,130	\$8,745,043	\$959,260	\$10,655,433
	2002	\$390,568	\$5,818,822	\$461,648	\$6,671,038
Reassessment Year	2003	\$725,782	\$5,935,519	\$1,019,716	\$7,681,017
Reassessment Year	2004	\$833,525	\$6,200,165	\$1,121,642	\$8,155,332
	2005	\$213,377	\$3,302,585	\$662,151	\$4,178,113
Reassessment Year	2006	\$414,312	\$4,514,056	\$506,016	\$5,434,384
	2007	\$175,561	\$2,625,310	\$351,547	\$3,152,418
	2008	\$147,361	\$1,530,497	\$263,380	\$1,941,238
Reassessment Year with Phase	2009	\$49,289	\$1,063,691	\$186,855	\$1,299,835
	2010	\$34,468	\$876,641	\$187,789	\$1,098,898
	2011	\$22,117	\$583,670	\$94,371	\$700,158
	2012	\$12,141	\$412,698	\$74,571	\$499,410
Reassessment Year with Phase	2013	\$11,235	\$298,044	\$47,394	\$356,673
	2014	\$7,075	\$209,216	\$18,019	\$234,310
	2015	\$5,023	\$138,795	\$10,170	\$153,988
	2016	\$4,249	\$90,398	\$0	\$94,647
Reassessment Year with Phase	2017	\$0	\$59,141	\$0	\$59,141
	2018	\$0	\$16,131	\$0	\$16,131
	2019	\$0	\$1,790	\$0	\$1,790
	2020	\$0	\$0	\$0	\$0
	2021	\$0	\$0	\$0	\$0

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

	2021 Deferred	2020 Phase-in	2019 Phase-in	2018 Phase-in	2017 Reassess ment	2016 Phase-in	2015 Phase-in	2014 Phase-in	2013 Reassess ment	2012 Phase-in	2011 Phase-in	2010 Phase-in	2009 Reassess ment	2006 Reassess ment	2004 Reassess ment	2003 Reassess ment	2001 Reassess ment	1998 Reassess ment
# of Assessment Related Tax Decreases	0	137,370	136,385	133,416	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 	0	\$51.00	\$56.00	\$58.00	\$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	0	15,610	14,298	14,997	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 	0	\$63.00	\$69.00	\$75.00	\$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 "G"
Rating/Evaluation of Economic Development Strategies - Municipalities

Economic Development Issue	Development Charge Grant	Water Pricing Rate Structure	Community Improvement Plans	Property Tax Ratios
Broad focus - 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)

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.

SCHEDULE "G"

Rating/Evaluation of Economic Development Strategies - Municipalities

Potential for reduction in existing business vacancies in buildings	Low to None	Low to Medium	Medium to Low	High
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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
2020 charge per unit	\$285.54/sq.m. commercial -industrial exemption	\$2.3069 to \$0.9626/cu. m in declining blocks for water charge - \$2.0503 to \$0.8553/cu. m in declining blocks for wastewater charge	Various	2.282945%