

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee
From: Anna Lisa Barbon, Deputy City Manager, Finance Supports
Subject: 2023 Tax Policy Expectations
Date: February 21, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, that this report BE RECEIVED for information.

Executive Summary

The 2023 Tax Policy and future Tax Policy for the City of London will be shaped by decisions made in 2022 by the Province. Property tax decisions for 2023 include maintaining the same education rates, eliminating new construction classes, making tax ratio flexibility permanent, and intentions to reduce the current property tax burden on multi-residential apartment buildings. Traditionally, the impact of re-assessment has informed tax policy. However, due to the pandemic, provincial reassessment has been delayed, with no confirmation as to when the reassessment will occur.

Linkage to the Corporate Strategic Plan

Council's 2019 to 2023 Strategic Plan for the City of London identifies "Leading in Public Services" as a strategic area of focus. The information contained in this report would assist in developing tax policy to align 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 Services Committee, February 18, 2020, Consent Item 2.5, Future Tax Policy – Possible Directions

Corporate Services Committee, July 26, 2021, Consent Item 2.1, Optional Small Business Subclass Summary and Analysis

Corporate Services Committee, March 28, 2022, Consent Item 2.3, Year 2022 Tax Policy

Corporate Services Committee, January 30, 2023, Consent Item 2.3, Assessment Growth for 2023, Changes in Taxable Phase-Values, and Shifts in Taxation as a Result of Reassessments

1.2 Tax Policy Guiding Principles

Tax Policy looks at how the municipality chooses to allocate the amount of property taxes to be collected for municipal purposes as set out in the tax levy approved by Municipal Council through the budget process. To use an analogy, the tax levy identified as part of budget approval determines the size of the pie, and tax policy determines the size of each

piece of pie according to class. In most years, assessment changes alter the size of each piece and tax ratios are adjusted to achieve the optimal size for each class. In the absence of reassessment, the pieces for each class are the same as the previous year.

The collection of property taxes, Tax Collection, is set out in Part X of the *Municipal Act, 2001*, which is highly prescriptive. For example, Section 343 (2), prescribes what the contents of a tax bill will contain.

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

The tax policy follows the equity principle by focusing on equity and fairness within and between property tax classes.

The tax policy is an effective tool as it can help ensure the City has a competitive property tax system which can impact business retention and the diversification of economic development.

Tax policy achieves transparency when decisions and alternatives are examined in an open and public manner.

When considering any change to the property tax system, such as an optional property tax class, it is important to ensure administrative efficiency can be maintained.

1.3 Rules Governing Municipal Taxation

Legislatively, municipal property tax is governed and informed by the *Municipal Act, 2001*, the Assessment Act, and various Ontario Regulations.

The *Municipal Act, 2001*, Section 308(4) dictates that a single-tier municipality shall pass a by-law in each year to establish the tax ratios for that year for the municipality. The Section also includes specific rules for ratios including the ability of the Minister of Finance to make regulations which prescribe allowable ranges for tax ratios, transition ratios to be used for a newly adopted property class, and municipal levy restriction thresholds.

The Assessment Act establishes, in Section 14 (1) that the assessment corporation (Municipal Property Assessment Corporation) shall prepare an assessment roll for each municipality and prescribes the information required for each property, including the assessed value. The assessment totals provided in the assessment roll are multiplied by the tax ratios to calculate the weighted assessment. Finally, the weighted assessment along with the budgeted tax levy are used to calculate the municipal property tax rates for all property classes. The attached presentation Appendix A which provides a summary of property tax process and resulting tax policy impacts has been provided as a reference tool.

1.4 Explanation of Terms

a. Tax Ratios

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 1.91 for the commercial class would therefore indicate a municipal tax rate 1.91 times the residential municipal tax rate. (Education tax rates are set by the Province and are not dependent on tax ratios approved by municipal councils.)

b. Provincial Thresholds for Tax Ratios

Beginning in the year 2001, the Province established threshold tax ratios for three property classes - commercial, industrial, and multi-residential. At the time, the Province indicated that these threshold ratios represented the Provincial average in each class. Under provisions of the *Municipal Act* and related regulations, municipalities were not

permitted for the year 2001 or subsequent years to impose a general municipal levy increase on a property class which had a ratio exceeding the Provincial threshold or average. Beginning in 2004, this restriction was modified somewhat to permit levy increases at half the residential rate in property classes with tax ratios above Provincial thresholds. The Province has permitted this flexibility every year since 2004. The general principle however continues that property tax increases cannot be spread evenly over all property classes if any tax ratio exceeds the provincial thresholds.

c. Provincial Targets/Allowable Ranges

The allowable ranges for tax ratios are set out in Ontario Regulation 386/98. These were theoretically the long-term targets for tax ratios set by the Ontario government during the major property tax reform in Ontario which began in 1998. The concept of tax reform was that municipalities could not move their tax ratios away from these targets/ranges. They would only be allowed to move their ratios towards these targets/ranges.

Provided a municipality maintains its tax ratios below the provincial thresholds and above the provincial targets/allowable ranges, the provincial legislation does not require any levy restriction on any non-residential class. London’s non-residential tax ratios are all below provincial thresholds and above the “provincial targets/allowable ranges”. As can be seen on Appendix B, virtually all municipalities in Ontario [with population greater than 100,000] have tax ratios that, like London, are above the “provincial targets/allowable ranges.

d. London’s Tax Ratios in Comparison to Provincial Thresholds

None of the property classes in the City of London have tax ratios that are above the Provincial thresholds. The only property class in London that was ever above the Provincial threshold was the industrial class. Council moved the industrial ratio down to the threshold for 2001 taxation. At the time of reassessments beginning in 2006 through 2022, Council has maintained the policy of not permitting tax ratios in any property class to exceed Provincial thresholds. As a result, no property classes are limited to increases at half of the residential rate increase.

Appendix B, attached, summarizes the tax ratios for municipalities with populations greater than 100,000 included in the 2022 Municipal Study prepared by BMA Management Consulting Inc. London has a commercial tax ratio that is above the median for the group by 2.2% and 7.0% above the average. The multi-residential ratio is below the median by 8.3% and below the average by 2.1%. The industrial tax ratio is below the median by 13.4% and below the average by 17.2%.

For 2022, the only cities to reduce ratios in the multi-residential, commercial, and industrial classes had ratios above the provincial thresholds in those classes.

The tax ratios in effect for the year 2022 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 2022 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
New Multi-Residential	1.000000	N/A	1.0 to 1.1

Appendix C attached, provides comparative information on how different municipalities tax the various major property classes. The information from Appendix C comes from the 2022 BMA Municipal Study and includes municipalities with populations greater than

100,000. The last column of Appendix C is a theoretical calculation that shows the tax increase that would be required in the residential property class in each municipality if all property classes had a tax ratio of 1. The Appendix indicates that the theoretical adjustment for the City of London would be close to the middle of the group without giving special weighting to Toronto to reflect its much larger size. Appendix C indicates that the City of London's tax ratios are in the average range and not unusual when compared to other major centres in the Province.

2.0 Discussion and Considerations

2.1 Adjusting Tax Ratios

Modifying tax ratios for one property class will have an impact on the amount of property taxes paid by other classes. For example, if the multi residential property class ratio is modified; up or down, the offset would be a change in the amount of property taxes paid by the other classes, primarily the residential class. If the multi-residential class ratio were to be reduced, residential, commercial and industrial class ratios would increase and these classes would pay more property taxes. The overall taxes collected by the municipality remains the same regardless of any adjustments to the tax ratios.

When determining the optimal tax ratios, it is important to understand the impact of reassessment and the resulting tax shifts between property classes. Flexibility is permitted by the province in the form of revenue neutral ratios to mitigate these tax shifts. Normally, ratios can only be adjusted towards the Allowable Ranges established by the province in Ontario Regulation 386/98 "Tax Matters – Allowable Ranges for Tax Ratios" but revenue neutral ratios allow non-residential ratios to be adjusted away from the allowable ranges. However, no ratios can be adjusted to be higher than the thresholds established in Ontario Regulation 73/03 "Tax Matters – Special Tax Rates and Limits."

Any adjustments to tax ratios will not impact education tax rates as these are set separately by the province.

2.2 Business Education Tax Rates

Municipalities do not have a direct impact in setting education tax rates. Education Tax rates are set by the Province and provided to the Municipality historically in early spring. Municipalities have little control over the rates established. However, 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".

Over the next fifteen years, London City Council continued to be a strong advocate of business education tax rate equalization across Ontario, culminating with a motion passed May 8, 2019, 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.

The persistent advocacy of London City Council was rewarded when, as part of the 2020 Provincial 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 were reduced in 2021. For business properties where building permits were applied for before March 22, 2007, the business education tax rate for 2021 decreased 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 decreased 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 were eligible to

receive the larger decrease. This rate reduction impacts both the commercial and industrial property classes. It is anticipated that, starting in 2021 and continuing in 2023, the reduction in Business Education Tax (BET) will save commercial and industrial businesses in London \$20.95 million annually.

In a letter to municipal treasurers on December 19, 2022, the Ministry of Finance confirmed that education property tax rates for 2023 will remain unchanged from the previous year as assessments continue to be based on the same valuation date used for 2022.

As a result of the reduction in high BET rates to 0.88% in 2021, tax rates on New Construction property classes are now the same as the main business property classes. To streamline administration of the property tax system, properties in these classes have been reclassified to their respective main property classes for the 2023 tax year.

The Ministry also confirmed that BET rates for properties where municipalities are permitted to retain the education portion of payments in lieu of taxes (PILS) will remain at the rates set for 2022. Despite the higher PIL BET rates, the federal government and Crown Corporations such as Canada Post, chose to pay the PILs using the lower BET rate in 2021 and 2022. In October 2021, a group of mayors, including City of London Mayor Ed Holder, contacted Ontario Minister of Finance Peter Bethlenfalvy and Federal Minister of Public Services and Procurement Filomena Tassi to request a joint meeting to discuss potential solutions. This request was not successful in finding a resolution. The Association of Municipalities of Ontario president, Jamie McGarvey, sent letters to the federal Minister of Public Services and Procurement in February and May of 2022 identifying an annual \$20 million shortfall in federal PILs to municipalities in Ontario.

This unresolved federal dispute presents many municipalities and property taxpayers with ongoing fiscal challenges for 2021, 2022, and beyond due to the decrease in federal PIL revenues. The annual impact to the City of London is approximately \$250,000. City staff have made a submission to the Dispute Advisory Panel contesting the decision of the federal government to pay the lower BET rate for 2021 and 2022. Currently the City has received a decision on Canada Post, where Canada Post will be paying the lower BET rate. However, there are still other federal PILs in London that the City is waiting for a decision.

2.3 Reassessment

On March 25, 2020, the City was advised that the Province postponed reassessment which means that property assessment for the 2021 taxation year would continue to be based on the same valuation date that was in effect for the 2020 taxation year. That valuation date was January 1, 2016. As per the Assessment Growth for 2023, Changes in Taxable Phase-Values, and Shifts in Taxation as a Result of Reassessments reported to the Corporate Services Committee on January 30, 2023, based on information provided by the Municipal Property Assessment Corporation, no changes in total phase-in values for taxable properties will occur in 2023. In the letter sent from the Ministry of Finance outlining property decisions for 2023, no timeline for re-assessment was provided.

When reassessment does occur, tax shifts are likely to occur between property classes as not all property classes will have the same increase in assessed value. In the past, the province has annually approved Tax Ratio Flexibility for municipalities to avoid most tax shifts that occur as a result of equity changes although it was not guaranteed. The Tax Ratio Flexibility is a long-standing property tax policy that municipalities have come to expect. To provide certainty that this tax tool will continue to be available, the property tax decision letter received from the Ministry of Finance on December 19, 2022, confirmed that this flexibility is now permanent.

This flexibility is only available for property classes that have ratios below the Provincial thresholds referred to above. Knowing that this tax ratio flexibility, also known as revenue

neutral ratios, will be available going forward provides certainty that the City will be able to mitigate the effects of tax shifts when reassessment resumes.

2.4 Optional Small Business Property Subclass

The optional small business subclass, introduced by the Province in 2021, gave municipalities the option to provide a property tax reduction to eligible small businesses. At the time the optional subclass was introduced, it was stated that the province will consider matching municipal tax reductions with education property tax reductions to provide further support for small businesses. As announced in the *2022 Ontario Economic Outlook and Fiscal Review*, the provincial government will now automatically match municipal property tax reductions within any municipality that adopts the subclass.

An Optional Small Business Subclass Summary and Analysis report was presented to the Corporate Services Committee July 26, 2021. The report provided analysis of the potential implementation of the small business subclass including:

- How the Small Business Property Subclass will be defined, and which properties would be eligible
- The implementation would not provide new revenue and would require a tax shift to other property tax classes
- Administration and implementation costs
- Timing of Regulation and update to MPAC data
- Community Engagement
- Discount rate to be used

The direction from the Corporate Services Committee was to take no further action regarding the optional small business subclass as this would result in additional costs while shifting the tax burden to other property taxpayers. This would be neither equitable to all property tax classes nor administratively efficient.

3.0 Key Issues

3.1 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.

Directions two (2) and three (3) above are not mutually exclusive, they could overlap in a gradual implementation and would normally 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 2023, the reassessment did not occur and thus, as noted in the Assessment Growth for 2023 report, assessment-based tax shifts have not materialized.

There will be no reassessment of property values until at least 2024. It is unknown what impact the new assessed values will have on the various property tax classes. If, for example, residential values increase significantly more than commercial and industrial

values, revenue neutral ratios, which are now permanent, may be required to reduce the impact of tax shifts between classes.

3.2 Tax Ratios – Multi-Residential Property Class

Appendix B 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 since 2018 and is in place for 2023.

In the property tax decision letter for 2023, the Ministry of Finance, referencing *Ontario's Housing Supply Action Plan 2022-2023*, emphasized that the provincial government has committed to consulting with municipalities on potential approaches to reduce the current property tax burden on multi-residential apartment buildings. This is similar to the approach used in 2016 which resulted in reducing the multi-residential ratio threshold to 2.0. A new round of consultation may trigger a further reduction to the multi-residential ratio threshold.

In 2017, the Province implemented a new multi-residential property class which 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 the date of construction. This would seem to contradict one of the basic principles of equity in the tax policy. All properties within the same property class should pay the same tax rate. The planned consultation by the province may address the current inequity in multi-residential properties. In response to anticipated reductions in the multi-residential ratio threshold, 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. This could be achieved by following directions two (2), three (3), or four (4) shown above.

In the most recent phase-in process that took place for the period of 2017 to 2020, equalizing municipal tax increases in the residential and multi-residential property classes has necessitated an annual reduction in the multi-residential tax ratio. Since the assessment in these classes was frozen starting in 2021, no reduction in the multi-residential tax ratio is required to achieve equalization in 2023.

3.3 Tax Ratios – Commercial and Industrial Classes

Appendix B attached, summarizes the tax ratios for municipalities with populations greater than 100,000 included in the 2022 Municipal Study prepared by BMA Management Consulting Inc. Appendix B 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. The City gradually reduced the ratios for the commercial and industrial property classes from 2017 to 2020. As shown in Appendix B, the City of London arguably has a competitive advantage as both the multi-residential and industrial class ratios are below the provincial average and median.

The information in Appendix B shows that, in 2022, only four municipalities reduced the multi-residential, commercial, and/or industrial ratios. Toronto reduced all business class ratios, Hamilton reduced the multi-residential and industrial ratios, and Thunder Bay

reduced the commercial and industrial ratios. The ratios for the City of London are still lower and more competitive than each of the four municipalities that saw decreases in 2022.

For 2023, it is recommended that Commercial and Industrial tax ratios continue to be maintained at a uniform level. It would seem there is no reasonable justification for taxing industrial properties at higher rates than commercial properties, as was a past practice prior to 2015. The Province has accepted the validity of this position in the setting of education tax rates for commercial and industrial properties. Starting in 2017, the Province established equal education property tax rates for commercial and industrial properties and has continued this practice for the 2023 taxation year.

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 identified in the 2023 tax decisions letter from the Ministry of Finance, tax ratio flexibility, in the form of revenue neutral ratios, is now permanent. This greatly reduces the risk of reducing non-residential ratios during a period of frozen assessment as we now know the ability to use revenue neutral ratios will be available in future years. 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. Enacting direction three (3) or four (4) shown above would result in a reduction to commercial and industrial ratios.

3.4 Tax Policy Ratio Setting Alternatives

Incorporating decisions made by the Province that were communicated to the City in December along with the directions that were established in prior reports to Committee, Civic Administration would suggest that the 2023 Tax Policy be prepared based on equalizing the average municipal tax increase in residential, and multi residential classes with no changes in other tax ratios. As part of the 2023 Tax Policy, the following options will also be provided for Council consideration in the event that other objectives wish to be considered at that time:

- No changes to tax ratios, keeping tax ratios in 2023 the same as in 2022, along with the following alternative options:
- Equalize the average municipal tax increase in residential, multi residential classes and reducing the commercial/industrial tax ratios to 1.9000.
- Reduce commercial and industrial property class tax ratios to the median commercial rate of 1.87 while equalizing the average increases in residential and multi-residential
- Reduce only the multi-residential tax ratio to 1.5 and equalize the municipal increase in residential and all other classes.

Preparing the Tax Policy based on the equalization of the average municipal tax increase in residential, and multi residential classes, will ensure that the ratio gap and tax impact between residential and multi-residential classes will not increase. This approach maintains flexibility in the potential to move the commercial/industrial ratio up if required should the reassessment indicate a tax shift between business and residential, thereby ensuring that the property tax rate is the same for residential and multi-residential, while at the same time gradually reducing the multi-residential rate. Should Council agree with the suggested approach of equalizing the average municipal tax increase for residential and multi residential classes, a motion to support this would be appropriate to direct civic administration accordingly. Alternatively, if the Council wishes to pursue additional strategies to lower the tax ratios such as those of the multi-residential class, direction should be provided in the form of a motion.

Conclusion

The Ministry of Finance, in a letter to municipal treasurers, identified property tax decisions for the 2023 taxation year. These decisions include maintaining the same education rates as 2022, eliminating new construction classes, making tax ratio flexibility permanent, and intentions to reduce the current property tax burden on multi-residential apartment buildings.

Looking ahead, the Tax Policy Report be presented to the Corporate Services Committee. The change to each property class will be calculated by applying the approved tax levy to the weighted assessment using current property tax ratios. Alternatives for tax ratio adjustments to be used for 2023 property taxation, which incorporate the decisions made by the province and the four directions identified in the Future Tax Policy report, will also be included in the report. Should Council agree with the suggested approach of equalizing the average municipal tax increase for residential and multi residential classes, a motion to support this would be appropriate.

Prepared by: Joseph McMillan, Division Manager, Taxation and Revenue

Submitted by: Ian Collins, Director, Financial Services

Recommended by: Anna Lisa Barbon, Deputy City Manager, Finance Supports



London
CANADA

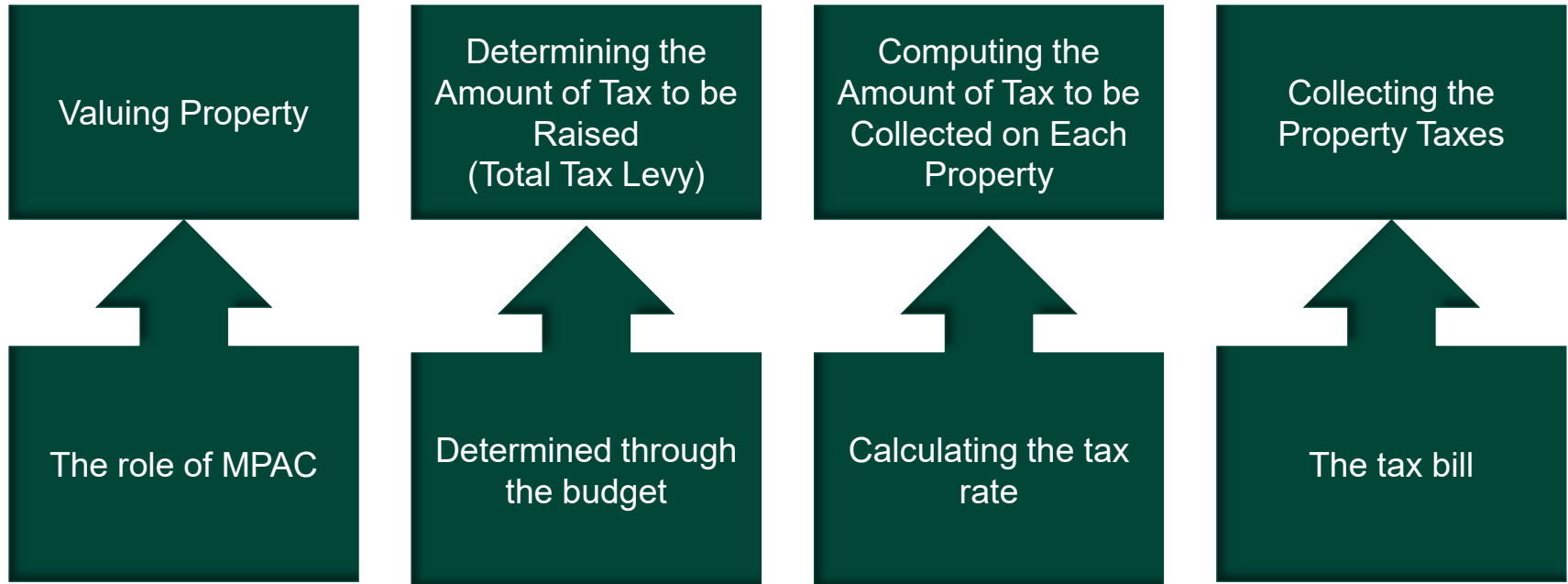
Appendix 'A'

Tax Policy Expectations

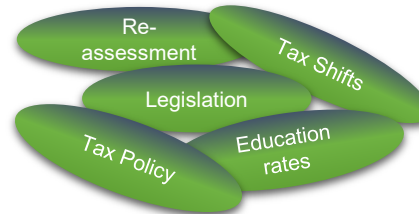
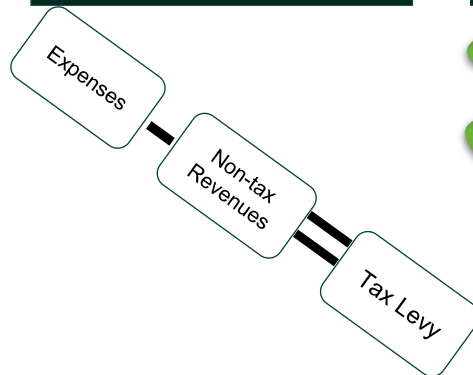


Corporate Services Committee
Tuesday February 21, 2023

The Property Tax Process

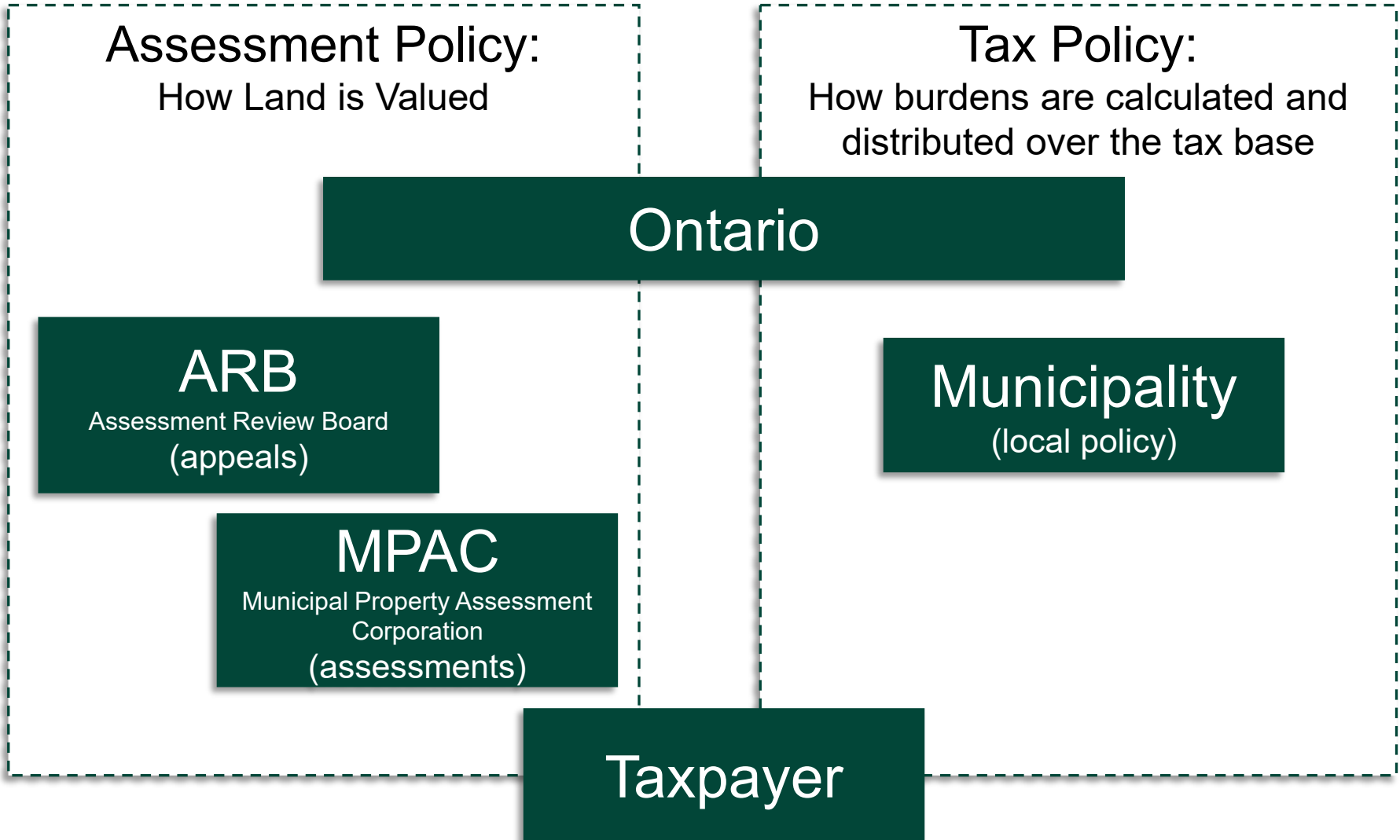


MPAC determine the taxable assessment and the property class in accordance with the Assessment Act





Property Tax: Who Does What



Two Parts to the Property Tax Bill

- Set by Province
- Uniform provincial residential, multi-residential, new multi-residential and farmland classes
- Commercial and industrial rates vary by municipality

Education
Portion

Municipal
Portion

Property Tax Bill



How the Municipal Portion is Calculated...

- Varies by class
- Policy “goal posts” set by Ontario
- Council sets local policy within those “goal posts”

Tax Rate

Multiplied by

- Policy set by Ontario
- Assessments undertaken by MPAC
- Taxpayer may appeal to ARB

Assessed Value

**Municipal Portion of
Property Tax Bill**

Council Sets the Overall Budget

Budget

- Residential
- Multi-Residential
- New Multi-Residential
- Industrial
- Commercial
- Other specialty classes

Sets how much needs to be raised in total

Overall burden is divided among classes each year through the Tax ratios

We are here to discuss the future relative ratios

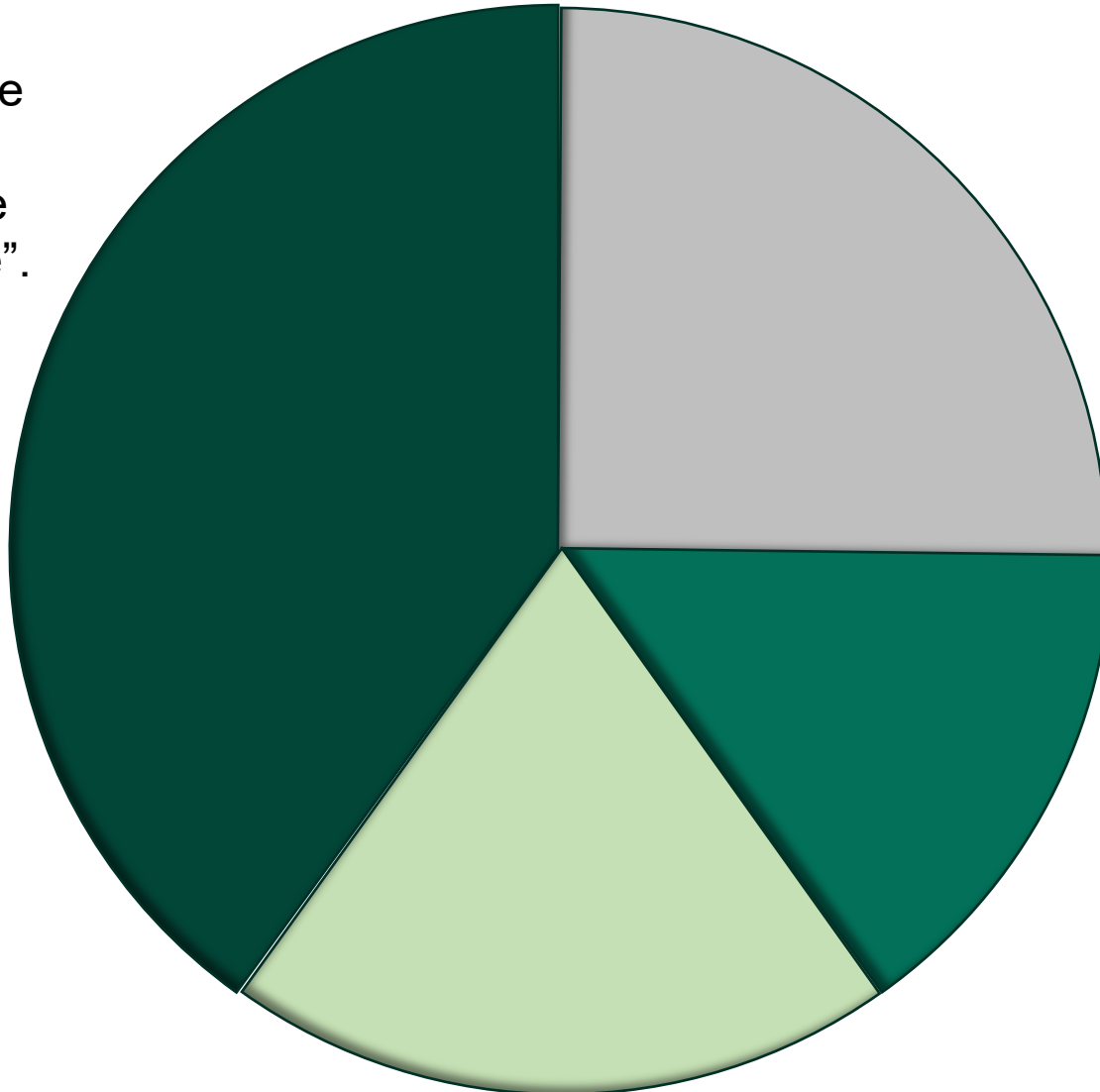
Shifts among classes are zero-sum:
For one to go down, another must go up...





Visualization Budget & Tax Policy

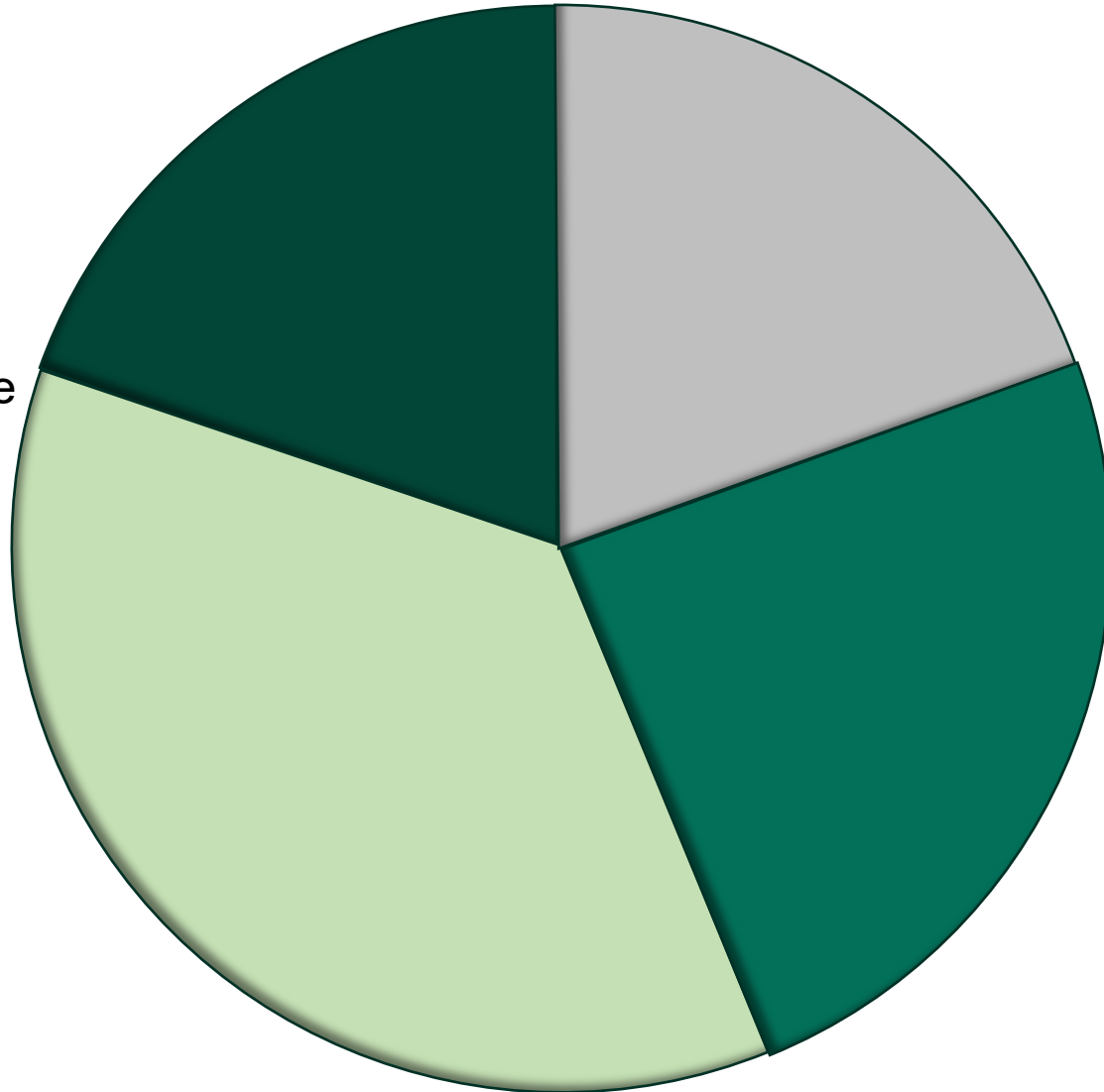
Budget sets the tax levy which determines the size of the “pie”.



Visualization Budget & Tax Policy

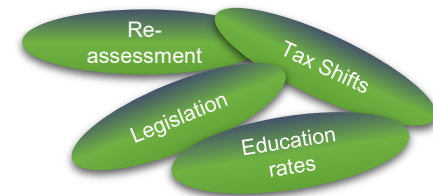
Tax Policy sets how the “pie” is divided up.

Regardless how the “pie” is divided, the same amount of taxes will need to be collected overall.



Annual Tax Policy Review

- ❖ Property tax policy in the City of London has been guided by **four principles**:
 - Equity
 - Economic Development
 - Transparency and Public Acceptance
 - Administrative Efficiency
- ❖ A number of **variables** are required and factored into setting policy:
 - Impact of reassessment,
 - Municipal Tax Levy,
 - Education Tax Rates,
 - Provincial Regulations, and
 - Then the detailed calculations, taking in all the of above.





Over the Years

Objective identified in Fall to **lower** and **equalize** tax ratios for **multi res.** & **industrial** to an **equal** level to **commercial**

Both **multi-residential** and **industrial** tax ratios reduced, with multi-residential **equal** to commercial

Municipal tax for residential & multi-residential **increases** were **equalized**. Achieved thru multi residential ratio **reductions** over 4 years.

2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022

Multi-residential tax ratio **reduced**

Vacancy rebate for commercial / industrial **phased out**.

Industrial ratio **equalized** to multi-residential and commercial ratios

Equalization of Business Education Taxes for commercial / industrial



Possible Future Directions

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

	City of London 2022 Tax Ratio
Commercial	1.91000
Industrial	1.91000
Multi-Residential	1.711880
Pipeline	1.71300
Farm	0.102820
Residential	1.00000
New Multi-Residential	1.00000



Key Takeaways

- ❖ Annual setting of tax ratios and tax rates determines how the “tax pie” is divided between the property classes

- ❖ Tax policy has **long term** implications:
 - Once a ratio is reduced it can't automatically be increased
 - can be positive or negative
 - may impact the achievement of Council's strategies and goals



Next Steps

- ❖ Preliminary calculations have started since the Municipal Tax Levy was set on Tuesday February 14th.
- ❖ Tax Policy Report to be brought forward in early spring.

APPENDIX 'B'
**TAX RATIOS FOR MUNICIPALITIES IN BMA STUDY WITH POPULATIONS
OVER 100,000**

Municipality with > 100,000 Population in 2022 BMA Study	Multi-Residential Tax Ratio	Commercial Tax Ratio (Residual)	Industrial Tax Ratio (Residual)	Industrial Tax Ratio (Large)	Average of Large and Residual Industrial Tax Ratios
Barrie	1.0000	1.4331	1.5163	1.5163	1.5163
Brampton	1.7050	1.2971	1.4700	1.4700	1.4700
Durham	1.8665	1.4500	2.0235	2.0235	2.0235
Greater Sudbury	1.9650	1.9120	3.5905	4.1678	3.8792
Guelph	1.7863	1.8400	2.2048	2.2048	2.2048
Halton	2.0000	1.4565	2.0907	2.0907	2.0907
Hamilton	2.3594	1.9800	3.1985	3.7506	3.4746
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	1.3961	1.8692	2.5408	2.1819	2.3614
Thunder Bay	2.0000	2.0420	2.3708	2.8500	2.6104
Toronto	2.0499	2.6374	2.5857	2.5857	2.5857
Waterloo	1.9500	1.9500	1.9500	1.9500	1.9500
Windsor	2.0000	2.0140	2.3158	2.9381	2.6270
York	1.0000	1.3321	1.6432	1.6432	1.6432
Average	1.7486	1.7856			2.3072
Median	1.8665	1.8692			2.2048
Minimum	1.0000	1.2971			1.4700
Maximum	2.3594	2.6374			3.8792
Provincial Threshold	2.0000	1.9800	2.6300	2.6300	2.6300
London Compared to Median	-8.3%	2.2%			-13.4%
London Compared to Average	-2.1%	7.0%			-17.2%
Change in group averages since 2006	-22.38%	-5.83%			-10.14%

Decreases in ratios
Increases in ratios



APPENDIX 'C'

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

Municipality with > 100,000 Population in 2022 BMA Study	Residential Unweighted Assessment	Residential Weighted Assessment	% Change	Implied Adjustment to Residential Taxes
Toronto	74.5%	54.7%	-19.8%	36.2%
Thunder Bay	79.5%	65.3%	-14.2%	21.7%
Greater Sudbury	79.1%	64.1%	-15.0%	23.4%
Windsor	75.5%	60.0%	-15.5%	25.8%
Cambridge	75.4%	62.0%	-13.4%	21.6%
Kingston	73.7%	61.4%	-12.3%	20.0%
Waterloo	74.7%	62.8%	-11.9%	18.9%
Guelph	78.9%	66.8%	-12.1%	18.1%
Hamilton	81.9%	69.7%	-12.2%	17.5%
Kitchener	79.0%	67.0%	-12.0%	17.9%
Ottawa	75.3%	64.3%	-11.0%	17.1%
St. Catherines	79.6%	69.1%	-10.5%	15.2%
London	80.5%	70.1%	-10.4%	14.8%
Burlington	79.8%	71.2%	-8.6%	12.1%
Mississauga	73.5%	65.1%	-8.4%	12.9%
Oshawa	80.8%	72.8%	-8.0%	11.0%
Oakville	85.7%	79.1%	-6.6%	8.3%
Milton	82.8%	77.1%	-5.7%	7.4%
Barrie	76.9%	71.7%	-5.2%	7.3%
Whitby	86.9%	81.2%	-5.7%	7.0%
Vaughan	80.2%	74.9%	-5.3%	7.1%
Brampton	82.1%	77.3%	-4.8%	6.2%
Markham	86.5%	82.9%	-3.6%	4.3%
Average				15.3%
Median				15.2%
Maximum				36.2%
Minimum				4.3%
London Compared to Median				-2.4%
London Compared to Average				-3.1%

If all non-residential classes were at 1, residential taxes would increase by 14.8%

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