



London
CANADA

March 8, 2023

The Honourable Peter Bethlenfalvy, M.P.P.
Minister of Finance
Frost Building South
7th Floor
7 Queen's Park Cres.
Toronto, ON M7A 1Y7



Minister.fin@ontario.ca

Dear Minister:

I am writing to you to follow up on a conversation we had at the AMO Annual Conference back in August 2022 regarding your kind offer to receive perspectives and ideas on the resumption of property tax assessments by the Municipal Property Assessment Corporation (MPAC) in the months ahead. Since our meeting, officials from the City of London have worked with staff expertise at the Association of Municipalities of Ontario (AMO) to assemble the insights detailed below. I am pleased to submit our perspectives for your consideration.

The 2023 property taxation year will be the seventh straight year that property taxation will be based on 2016 assessment values, as provided by MPAC. This includes the four-year phase-in from 2017 – 2020 and three years of frozen assessment. While the postponement of the scheduled reassessment using 2020 as a base valuation year was prudent considering the global pandemic, the valuations of properties may not reflect current values. Property value reassessments, originally scheduled for 2021, have been frozen to maintain stability for taxpayers and municipalities. However, long delays in updating assessments are known to create inequities in the property tax system. Some properties have increased significantly in value since the valuation date of January 1, 2016, and these properties are paying less than their fair share of property taxes. Conversely, some properties have not increased in value at the same rate since the valuation date and are paying more than their fair share of property taxes. The longer the delay in reassessment, the more pronounced these inequities will become and the greater the resulting property tax shift when reassessment does occur. An up-to-date assessment system enhances equity and helps reduce the need for assessment appeals which impact municipal property tax revenue.

300 Dufferin Avenue
P.O. Box 5053
London, ON Canada
N6A 4L9

CITY OF LONDON
T.519.661.4920
F.519.661.5308
mayor@london.ca

LONDON.CA

Given the amount of change that has occurred between January 1, 2016, and January 1, 2023, it may be reasonable to assume that there will be significant changes in valuations between the various property classes. We are requesting that MPAC share early information with cities to give us some time to communicate where tax burden challenges would arise and to give us some time to consider how we can mitigate significant impacts on residential property classes, specifically, using tax policy tools. For example, MPAC currently shares assessment growth information through the “Analytics” module in their online platform, “Municipal Connect.” Ideally, a summary of assessment totals by class would be available in this module to preview the reassessment impacts and potential property tax shifts ahead of the scheduled release of the year-end property tax assessment roll in November 2023.

We would request the Province of Ontario provide municipalities with early info on any opportunities to relax special permissions on tax classes (e.g., to support our ongoing work to address fairness for multi-residential), and to have time to think about mitigating the relative appreciation of property classes. In a letter dated December 19, 2022, the Ministry of Finance confirmed that tax ratio flexibility, including the use of revenue neutral ratios, is now permanent. While this is welcome news which helps provide an added level of future flexibility for tax policy decisions, there is still significant uncertainty related to potential property tax class shifts once reassessment resumes. One concern is that revenue neutral ratios will not provide full neutrality if the required changes in business class ratios are above the provincial thresholds established in Ontario Regulation 73/03, Tax Matters – Special Rates and Limits. To fully mitigate the tax class shifts resulting from reassessment after a lengthy delay, it may be necessary to temporarily adjust the provincial thresholds.

Finally, based on references made in the Housing Supply Action Plan 2022-2023, conversations between orders of government may take place to potentially reduce the current property tax burden on multi-residential apartment buildings. Depending on the outcome of that provincial consultation, should a direction be made to reduce the tax burden on multi-residential property class, this would add another item for municipalities to consider. Previously, this direction came in the form of reducing the threshold for the multi-residential ratio to 2.0. A direction to further reduce the threshold for the multi-residential ratio would impact the effectiveness of revenue neutral ratios and potentially increase the property tax shift to the residential property class. The interplay between potential shifts in property classes brought on by reassessment as well as a potential direction to reduce the tax burden on the multi residential class would require time for municipalities to thoughtfully work through, communicate, and develop tax policy.

If you or your staff have any questions or require further background details on this issue please contact Adam Thompson, Manager, Government and External Relations at athompson@london.ca, or (519) 854-4767.

Sincerely,



Josh Morgan
Mayor City of London

cc: Rob Flack, M.P.P. (Elgin—Middlesex—London), rob.flack@pc.ola.org

Councillor Colin Best, President, Association of Municipalities of Ontario, President.C.Best@amo.on.ca

Councillor Anna Hopkins, AMO Board Member, City of London, ahopkins@london.ca