The Regional Municipality of York

Committee of the Whole
Finance and Administration
May 14, 2020

Report of the Commissioner of Finance

2020 Property Tax Rates

1. Recommendations

1. Regional property tax rates for 2020 be established for the following property classes:

Broad Property Class	2020 Tax Rates %
Residential/Farm	0.321619
Multi-Residential	0.321619
Commercial	0.428429
Industrial	0.528484
Pipelines	0.295568
Farmland	0.080405
Managed Forests	0.080405

2. Local municipalities pay the final two instalments of their 2020 Regional property tax levy on or before September 30, 2020 and December 15, 2020.
3. Council defer any consideration to eliminate the discount to vacant and excess commercial and industrial land subclasses until the 2022 taxation year.
4. Council not adopt the new optional small-scale on-farm business subclass at this time.
5. Council approve a bylaw to give effect to these recommendations.
6. The Regional Clerk circulate this report to local municipalities.

2. Summary

Property tax rates need to be established for various property classes in order for the tax levy component of the Regional Budget to be raised for 2020.

3. Background

Section 311(2) of the Municipal Act, 2001 (the Act) requires an upper-tier municipality pass a tax rating bylaw each year, unless otherwise specified by the Province, setting out tax rates for each property class. This allows the Region to raise sufficient revenues to meet its budgetary requirements.

Proposed tax rates are based on the 2019 Returned Roll provided by the Municipal Property Assessment Corporation (MPAC) and assume continued adoption of revenue neural tax ratios by Council, during phase-in of the 2016 property reassessment.

4. Analysis

2020 tax rates are determined by the approved budget, assessment values and tax ratios

Regional property tax rates are calculated based on the following formula:

$$\text{Property Tax Rates} = \frac{\text{Total Property Tax Funding Requirement for 2020}}{\text{Weighted and Discounted Assessment for All Classes}} \times \text{Tax Ratio for the Class}$$

Weighted and discounted property assessment is assessment returned by the Municipal Property Assessment Corporation for 2019, using tax ratios established in the 2020 Property Tax Ratios Report. Table 1 summarizes revenue neutral tax ratios and 2020 proposed tax rates.

Table 1

2020 Proposed Revenue Neutral Tax Ratios and 2020 Proposed Tax Rates

Property Class	2020 Proposed Revenue Neutral Ratios	Proposed 2020 Tax Rates %
Residential	1.0000	0.321619
Multi-Residential	1.0000	0.321619
Commercial	1.3321	0.428429
Industrial	1.6432	0.528484
Pipelines	0.9190	0.295568
Farmland	0.2500	0.080405
Managed Forests	0.2500	0.080405

In addition, discounted tax rates are offered for certain property subclasses, to ensure the special nature of these properties is recognized.

Table 2

Prescribed Subclass Discounts for Property Classes

Applicable Property Class	Subclass	Discount
Residential, Multi-Residential, Commercial and Industrial	Farmland Awaiting Development 1	75% of the residential tax rate
Commercial and Industrial	Excess Land	30% of the commercial rate and 35% of the industrial rate
Commercial and Industrial	Vacant Land	30% of the commercial rate and 35% of the industrial rate

Staff recommend deferring the decision to eliminate discounts for vacant and excess commercial and industrial land subclasses until the 2022 taxation year

Up until 2017, provincial legislation required all municipalities to provide both a tax rate discount to commercial or industrial property owners with vacant or excess land, as well as, a rebate to those with vacant units.

In 2017, the Province offered municipalities the option to phase out those discounts and rebate. However, after consultation with business owners and local municipal staff and analysis, the Region opted to only phase out the vacant unit rebate, effective January 2018.

In 2019, the Province advised municipalities it would be phasing out remaining vacant and excess land discounts for education taxes over a two year period, regardless of municipal decisions, and has reopened the opportunity for municipalities to do the same in the future.

Currently, the Region provides a tax rate discount of 30 per cent for commercial properties and 35 per cent for industrial properties in these subclasses. Owners of vacant and excess commercial and industrial land currently realize approximately $4 million in Regional property tax savings as a result of the discount. The savings are recovered from other tax payers through the tax levy. Due to revenue neutral tax ratios currently adopted for 2017 to 2020 taxation years, eliminating the discount now would result in savings only to other commercial and industrial property owners and not residential property owners.

Staff consulted with local municipalities on this matter and the consensus was to recommend revisiting the elimination or phase-out of discounts after the 2017-2020 revenue neutral tax ratio period is complete. However, on March 25, 2020 the Province announced, in view of unprecedented challenges that municipalities, residents, and businesses were facing during 2020, the 2020 reassessment be postponed, and assessments for the 2021 taxation year continue to be based on the same valuation date, in effect for the 2020 taxation year. As such, staff recommend deferring the decision to eliminate discounts for vacant and excess commercial and industrial land subclasses until the 2022 taxation year.

Additionally, since the Province requires municipalities engage and communicate with the local business community, prior to Council considering the phase-out of discounts, staff will conduct public consultations and include the results in a future report.

Adoption of a small-scale on-farm business subclass is not recommended at this time

On May 3, 2018, Ontario Regulation 361/18 was filed by the Province to establish two new optional subclasses for small-scale on-farm businesses, to promote and support local farms across Ontario. Commercial and industrial subclasses were created to provide a tax rate, 75% lower than commercial and industrial tax rates.

The subclasses are applicable to properties where at least 51% of the commercial and/or industrial facility is used to sell, process or manufacture something from a product produced on the farmland. The first $50,000 of assessed value attributed to the commercial or industrial operation, will qualify for the reduced commercial or industrial tax rate. Commercial or industrial operations with an assessed value higher than $1 million will not qualify.

Amended assessment notices were issued in March of 2019. Of the 250 properties identified as eligible across Ontario, only two are located in the Region with total assessment value of approximately $60,000. The benefit to landowners in the Region, associated with having a new subclass, would be less than $200 and would also require adjusting tax rates for the commercial class.

Staff consulted with local municipalities on this matter and the adoption of this subclass is not recommended at this time.

5. Financial

Tax rates are declining because property assessment values are growing faster than the Region's tax levy needs

Table 3 shows the historical relationship between average assessed value of a single-family detached home in the Region and the tax rate for residential property class. Tax rates are adjusted each year to raise the amount needed to fund the Region's approved operating budget. As a result of the annual increase in the Region's spending being proportionately lower than the average increase in single-family detached assessment value, the tax rates shown on Table 3 have declined each year since 2013.

Table 3

Comparison of Residential Assessment to Residential Tax Rates

	Average Single-Family Detached Assessment	Tax Rates (%)
2020	959,600	0.321619
2019	883,328	0.336549
2018	809,104	0.350606
2017	740,630	0.371903
2016	667,714	0.397157
2015	629,000	0.406421
2014	591,000	0.416733
2013	553,000	0.434762

Attachment 1 shows the distribution of Regional revenues by the various property classes and subclasses. The table includes linear properties for which the Province has prescribed a charge per acre. It also includes payments-in-lieu, which are payments made to compensate a municipality for some or all of the tax revenues foregone from tax-exempt properties. The most common payments-in-lieu in the Region are for federally-owned properties such as Canada Post, municipal utilities and crown corporations.

6. Local Impact

Subsection 311(11) of the Act requires an upper-tier tax rating bylaw estimate the amount of upper-tier tax revenue to be raised in each of the local municipalities. The estimate is shown in Table 4.

Table 4
2020 Regional Tax Revenue to be Raised by Local Municipalities

Municipality	2019 Tax Requirement ($)	2019 Share (%)	2020 Tax Requirement ($)	2020 Share (%)
Aurora	55,023,497	4.85	57,732,761	4.87
East Gwillimbury	24,969,287	2.20	26,972,649	2.28
Georgina	27,018,737	2.38	28,139,056	2.37
King	31,073,438	2.74	32,287,076	2.72
Markham	327,903,264	28.90	341,800,283	28.85
Newmarket	65,083,695	5.74	67,618,055	5.71
Richmond Hill	208,460,650	18.37	220,347,551	18.60
Vaughan	352,609,688	31.08	365,593,565	30.85
Whitchurch-Stouffville	42,452,556	3.74	44,428,214	3.75
Sub-Total	**1,134,594,811**	**100.00**	**1,184,919,210**	**100.00**
Payments-in-Lieu	3,416,189		3,652,790	
Total Tax Requirement	**1,138,011,000**		**1,188,572,000**	

The Municipal Act permits upper-tier municipalities to collect their portion of property tax payments from local municipalities on or before specified dates

Subsection 311(12) of the Act provides that an upper-tier rating bylaw may require specified portions of the estimated taxes to be paid by the local municipalities on or before specified dates. At its meeting of January 30, 2020, Council adopted interim levy payment dates of April 30, 2020 and June 30, 2020. It is recommended the Regional Treasurer request the remaining two instalments for property tax levy be paid on or before September 30, 2020 and December 15, 2020.

In order to support local municipalities in their effort to provide COVID-19 related financial relief programs to residents and businesses, the Region is waiving interest charges for instalments due on April 30, June 30, and September 30 until December 31, 2020, and the instalment due on December 15 until March 31, 2021, on any portion not remitted to the Region as a result of these programs.

7. Conclusion

The proposed 2020 tax rates will raise the property tax levy requirement, approved by Council in December 2019. As well, the report provides dates for the remittance of remaining instalment payments from local municipalities.

For more information on this report, please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

Recommended by: **Laura Mirabella, FCPA, FCA**
Commissioner of Finance and Regional Treasurer

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

Attachments (1)
Edocs #10520854