The Regional Municipality of York

Committee of the Whole
Finance and Administration
March 3, 2022

Report of the Commissioner of Finance

2022 Property Tax Ratios

1. Recommendations

1. The property tax ratios for the 2022 taxation year be as follows:

Broad Property Class	Proposed 2022 Tax Ratios
Multi-Residential	1.0000
Commercial (incl. office)	1.3321
Industrial	1.6432
Pipelines	0.9190
Farmland	0.2500
Managed Forests	0.2500
Landfill	1.1000

2. Council approve a bylaw to implement the tax ratios

3. The Regional Clerk circulate this report to the local municipalities

2. Summary

This report proposes property tax ratios for the 2022 taxation year.

Key Points:

- Tax ratios reflect how the tax rate of a given property class compares to the residential tax rate, with the residential class tax ratio being equal to "one". They have the effect of distributing the tax burden between classes.

- In 2017, Council adopted the use of "revenue neutral tax ratios" for the four-year phase-in of the 2016 property reassessment prepared by the Municipal Property

Assessment Corporation (MPAC), which ended with the 2020 taxation year. This shifted some of the taxation impact of the reassessment from the residential class to business classes.

- Property tax reassessment was originally scheduled to be in effect for the 2021 taxation year. However, since the onset of the COVID-19 pandemic, the Province has been delaying the reassessment to provide property taxation stability for property taxpayers and municipalities.

- In the Fall Economic Statement, the Province announced the delay would include the 2023 taxation year. No date for the new assessment has been announced.

- Adopting the same tax ratios approved in 2020 and 2021 will ensure that there is no shift in tax burden between classes for the 2022 taxation year.

3. Background

Tax ratios influence the share of taxation paid by each class of property

Tax ratios influence the relative share of taxation borne by each property class. The tax rate for a given property class is determined by multiplying the residential tax rate by the tax ratio for the class. For example, if the proposed tax ratios are adopted, the tax rate for a property in the commercial class would be 1.3321 times the residential tax rate per one hundred dollars of assessment. Table 1 shows the tax ratios the Region has had in place since 2013.

Table 1

Property Tax Ratios Since 2013 Taxation Year

Property Class*	2013-2016 Ratios	2017 Ratios	2018 Ratios	2019 Ratios	2020-2021 Ratios	2022 Ratios (Proposed)	Ranges of Fairness**
Reassessment Year	**2012**			**2016**			
Residential	1.0000	1.0000	1.0000	**1.0000**	**1.0000**	**1.0000**	1.0000
Multi-Residential	1.0000	1.0000	1.0000	**1.0000**	**1.0000**	**1.0000**	1.0 to 1.1
Commercial (incl. office)	1.1172	1.1813	1.2323	**1.2794**	**1.3321**	**1.3321**	0.6 to 1.1
Industrial	1.3124	1.4169	1.4973	**1.5704**	**1.6432**	**1.6432**	0.6 to 1.1
Pipelines	0.9190	0.9190	0.9190	**0.9190**	**0.9190**	**0.9190**	0.6 to 0.7
Farmland	0.2500	0.2500	0.2500	**0.2500**	**0.2500**	**0.2500**	0.25
Managed Forests	0.2500	0.2500	0.2500	**0.2500**	**0.2500**	**0.2500**	0.25
Landfill	-	1.1000	1.1000	**1.1000**	**1.1000**	**1.1000**	0.6 to 1.1

* Note that tax ratios are generally only adjusted for the business classes as Council's policy has been to maintain tax ratios for multi-residential, farmland, managed forests and pipelines.

** Ranges of fairness are the ranges of tax ratios established by the Province with the aim to ensure properties of similar assessment levels are paying similar amounts of taxes regardless of class. They also help align the level of taxation with the cost of providing services to that class. Business classes typically consume fewer municipal services than residential classes.

Tax Ratios may also be used as a tool by municipalities to achieve certain policy goals, so long as the new ratio is kept within the "ranges of fairness" shown above. For instance, in 2001, Council directed that the tax ratio for multi-residential property class be reduced from 2.0875 to 1.0 by the 2003 taxation year to support its initiatives for affordable housing. Since then, the Region has maintained the tax ratio at 1.0 for this property class, which is the lowest allowable ratio within the ranges of fairness and the lowest among the GTA municipalities.

Revenue neutral tax ratios were adopted for 2017 to 2020

MPAC determines the assessed value used for taxation purposes of all properties within Ontario. Since the 2009 taxation year, the reassessment of properties has taken place every four years, with increases phased-in equally over the following four years. For the 2017 to 2020 taxation years, properties were assessed based on their valuation as of January 1, 2016.

In the 2016 reassessment, the value of the residential property class in York Region increased at a significantly faster rate than other classes. In response to the reassessment outcomes, Council decided to adopt "revenue neutral tax ratios" for the 2017 to 2020 taxation years which had the result of shifting taxation impact of the reassessment primarily from residential class to both business classes. Revenue neutrality adjusts the tax ratios in a manner that results in each broad property class bearing the same proportion of the tax burden regardless of the shift in its share of the total assessment of all properties in the Region.

In early 2021, the Province had suspended Revenue Neutral tax ratios, therefore the Region's only options were to maintain existing tax ratios or move the ratios towards the "Range of Fairness", which would have increased the tax burden for residential property owners.

COVID-19 has again resulted in the Province's delay of the next reassessment

Prior to the COVID-19 situation, MPAC planned to release their results from the new reassessment of properties in 2020 to be used in the 2021 to 2024 taxation years. On March 25, 2020, in view of the unprecedented challenges that municipalities, residents and businesses were facing, the Province announced the reassessment would be postponed and the 2021 property taxes would be based on property values in effect for the 2020 taxation year. In the 2021 Provincial Budget, released on March 24, 2021, the Province announced a review of the assessment process and MPAC operations and the continued use of 2020 assessment values for the 2022 taxation year. In the 2021 Provincial Fall Economic

Statement, released on November 4, 2021, the Province further announced 2020 assessment values would remain in place until at least the 2023 taxation year.

4. Analysis

Maintaining tax ratios at 2021 levels keeps the share of the tax burden borne by each property class consistent

The freeze in assessment values limits the Region's tax policy options.

Under normal circumstances, municipalities may adjust their tax ratios by moving them towards or within the provincially defined ranges of fairness or adopt revenue neutral ratios. However, since there is no assessment to phase in, the revenue neutral ratios are the essentially same as the current ratios, even after assessment growth is factored in.

The Ranges of Fairness prescribed by the Province for commercial and industrial properties are lower than the Region's 2021 existing ratios. Choosing alternative tax ratios within these ranges would result in shifting the relative tax burden towards the residential properties, which is inconsistent with the tax policy adopted by Council in 2017 to mitigate the impact of assessment increases on residential properties.

It is recommended that the 2021 tax ratios be maintained for the 2022 taxation year.

Table 2

Proposed Tax Ratios for 2022

	2021 Actual	2022 (Proposed)
Residential	1.0000	1.0000
Multi-Residential	1.0000	1.0000
Commercial (incl. office)	1.3321	1.3321
Industrial	1.6432	1.6432
Pipelines	0.9190	0.9190
Farmland	0.2500	0.2500
Managed Forests	0.2500	0.2500
Landfill*	1.1000	1.1000

*Currently, the Region has landfill properties as payment-in-lieu only and not as a taxable property class.

Commercial and Industrial tax ratios are still competitive among GTA municipalities

Despite adopting revenue tax ratios for the 2017-2020 assessment and maintaining 2020 ratios in 2021, the Region still had the second lowest commercial tax ratio (see Figure 1) and third lowest industrial tax ratio (see Figure 2).

Figure 1

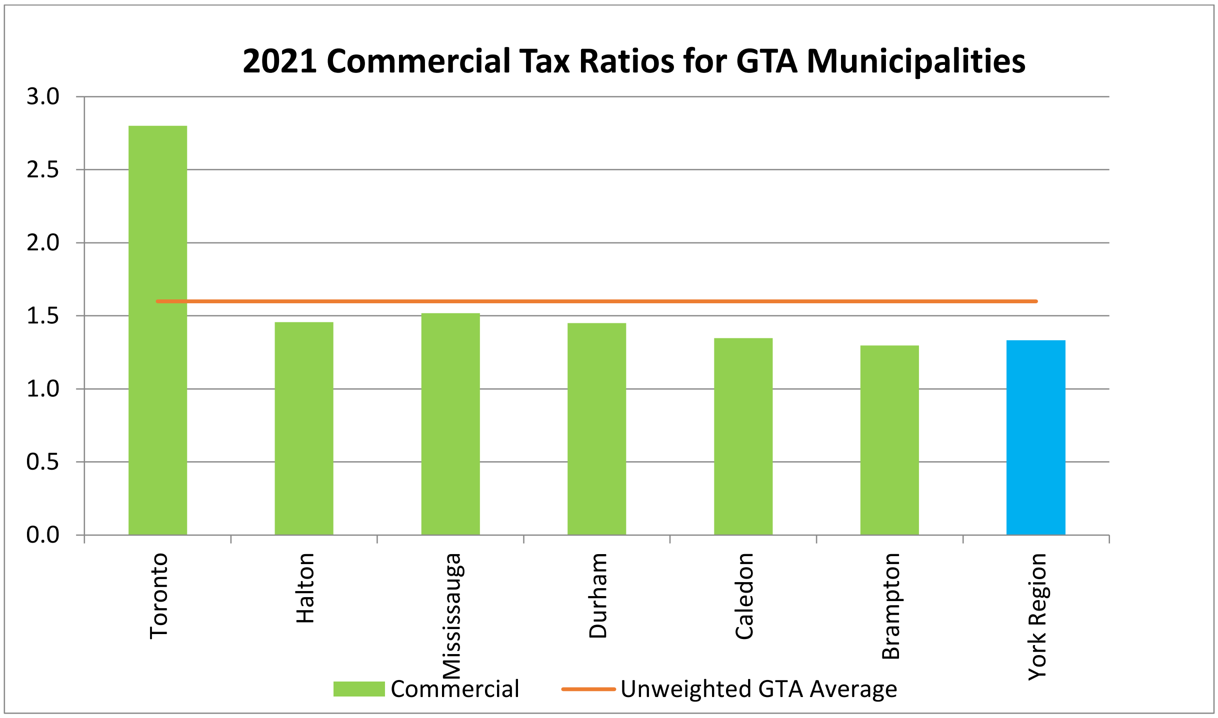
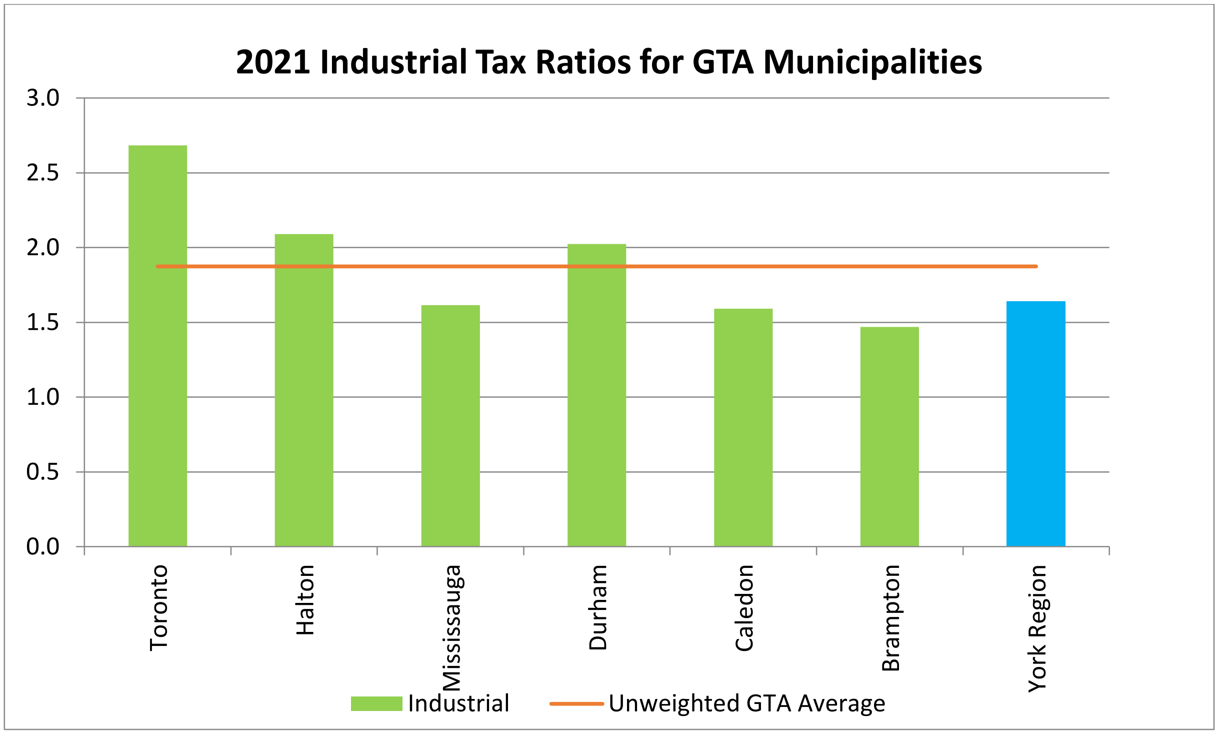


Figure 2



When translated to tax rates, the Region's 2021 commercial tax rate was lower than Durham, Mississauga and Brampton (only York Region has the identical regional tax rates for every municipality in its jurisdiction) and is competitive with Halton municipalities. Among 905 municipalities, York's industrial tax rate remains lower than Halton, Durham and Mississauga competitive Brampton, but higher than Caledon.

Compared to the City of Toronto, all nine York Region municipalities have a lower combined (Regional, Local, and Education) commercial property tax rate than the City of Toronto. Eight of the nine York Region municipalities have a lower industrial tax rate than Toronto, with Georgina being slightly higher (2.280075% for Georgina vs 2.065346% for Toronto).

5. Financial

The adoption of tax ratios enables the Region to set tax rates to raise the amount of revenue Council approved through the annual budget process.

6. Local Impact

Maintaining 2020 assessment values and tax ratios has resulted in only minimal tax shifts between municipalities

By maintaining 2020 assessment values for the 2022 taxation year, the only changes to assessment values were due to growth. With the same 2020 tax ratios, the relative tax burden borne by each municipality experienced only negligible shifts from 2021.

7. Conclusion

The proposed 2022 tax ratios will enable the Region to set tax rates to raise the property tax levy requirement approved by Council in the 2022 budget.

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.

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