The Regional Municipality of York

Committee of the Whole
Finance and Administration
April 13, 2023

Report of the Commissioner of Finance

2023 Property Tax Ratios

1. Recommendations

1. The property tax ratios for the 2023 taxation year be established as follows:

Broad Property Class	Proposed 2023 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. Staff be directed to review amendments to property tax discounts for Vacant and Excess Commercial and Industrial land following the next property reassessment

3. The Regional Solicitor be authorized to prepare a bylaw to implement the above tax ratios

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

2. Summary

This report proposes property tax ratios for the 2023 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.

- In the 2022 Fall Economic Statement, the Province announced that fully phased-in values as of January 1, 2016 would continue to be used for the 2023 taxation year. No date for the new assessment, which was initially delayed due to the COVID-19 pandemic and later due to a Provincial review of MPAC operations, has been announced.

- Revenue-neutral ratios are designed to mitigate the effects of reassessment. As there has been no Provincial reassessment since 2016, the limited shift in property tax burden between classes and local municipalities is driven only by their varying rates of growth.

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	2020-2022 Ratios	2023 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

* 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.

Revenue neutral tax ratios were adopted following the 2016 reassessment

Increases in property values resulting from the 2016 MPAC reassessment were phased in equally over four years starting in the 2017 taxation year. 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, Council adopted "revenue neutral tax ratios" starting in the 2017 taxation year to support affordability for residential homeowners and, by extension, renters.

Revenue neutral tax ratios are calculated so that each broad property class bears the same share of the tax burden despite changes in shares of assessed value. Although this has resulted in tax ratios for commercial and industrial property classes set above their respective ranges of fairness, they are still among the lowest in the Greater Toronto Area (GTA), as shown in Table 3 of this report.

The Province has delayed reassessment until at least 2023

MPAC planned to release results from a new reassessment of properties in 2020 to be used for the 2021 to 2024 taxation years. However, due to the COVID-19 pandemic, the Province announced the reassessment would be postponed. Through the 2021 Provincial Fall Economic Statement released on November 4, 2021, the Province announced this delay would be extended until at least 2023. As a result, revenue neutral tax ratios have been constant since the 2020 taxation year, reflecting the continued use of fully phased-in 2016 property values.

The vacant and excess land discount is proposed to be reviewed following the next reassessment

In 2019, the Province began phasing out the vacant and excess land discount for the education portion of property taxes and has extended the option for municipalities to do the same for their component as well. However, due to the delay in the reassessment, at its meeting in May 2020, Council directed that a decision regarding the elimination of the discount should be deferred until the 2022 taxation year following the next expected reassessment. Council reaffirmed this direction in 2021. In line with previous Council direction, staff recommends deferring a decision to potentially eliminate the discount until after a reassessment has been conducted.

Potential property tax measures to enhance housing affordability were introduced to support Ontario's Housing Supply Action Plan

As announced along with Bill 23 (*More Homes Built Faster Act, 2022*), the Province has committed to consulting with municipalities on potential approaches to reduce the current property tax burden on multi-residential apartment buildings. The tax ratio for multi-residential properties in York Region has been set to 1.0 since 2003, the lowest allowable in the range of fairness, and further reductions would require changes to Provincial regulations. Any new options made available by the Province to reduce the tax burden of multi-residential properties, such as potential revisions to ranges of fairness, will be assessed and be reflected in future recommendations to Council.

4. Analysis

Maintaining tax ratios at 2022 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. Since there is no assessment to phase in, the revenue neutral ratios are the same as the current ratios. However, there will be nominal shifts in the share tax burden between different broad property classes due to small differences in growth rates among the different property classes.

The ranges of fairness prescribed by the Province for commercial and industrial properties are lower than the Region’s 2022 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 2022 tax ratios be maintained for the 2023 taxation year.

Table 2

Proposed Tax Ratios for 2023

	2022 Actual	2023 (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

Although commercial and industrial property tax ratios exceeded provincial ranges of fairness in 2022, the Region still had the second-lowest commercial tax ratio and third-lowest industrial tax ratio (see Table 3) among comparator municipalities.

Table 3

2022 Commercial and Industrial Tax Ratios for GTA Municipalities

	Commercial Property Tax Ratio	Industrial Property Tax Ratio
Ranges of Fairness	*0.6-1.1*	*0.6-1.1*
Brampton	1.297100	1.470000
York Region	**1.332100**	**1.643200**
Caledon	1.347534	1.591035
Durham	1.450000	2.023500
Halton	1.456500	2.090700
Mississauga	1.516977	1.615021
Toronto	2.637413	2.585658

BMA Management Consulting, Inc. conducted a survey of municipalities across Ontario to compare the total property taxes per square foot for assorted property types. The study found that the tax bills incurred by York Region commercial and industrial property owners in 2022 compared favourably with their peers in comparable municipalities. Specifically:

- For municipalities with populations over 100,000, total taxes per square foot for commercial and industrial properties in York Region are lower than the average for all neighbouring municipalities of similar size

- While data is not as readily available for municipalities with populations under 100,000, commercial and industrial tax rates in York Region are competitive with those of neighbouring municipalities

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 results in only minimal tax shifts between municipalities due to growth

By maintaining phased-in 2016 assessment values for the 2023 taxation year and maintaining revenue neutral tax ratios, minor changes in the shares of the tax burden borne by each broad property class and each local municipality due to growth.

7. Conclusion

The proposed 2023 tax ratios will enable the Region to set tax rates to raise the property tax levy requirement approved by Council in the 2023 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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March 24, 2023

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