
CITY OF NORTH BAY

**2010 ASSESSMENT ANALYSIS &
TAX POLICY REVIEW**

PUBLIC PRESENTATION
February 1st, 2010

**BUDGET MEETING
FEBRUARY 1ST, 2010
AGENDA**

1) Taxation & Assessment Changes

2) Analysis of 2010 Phased-In Assessment Impacts

3) 2010 Tax Policy Options & Recommendations

CVA IMPLEMENTATION REVISED

| <u>Taxation Year</u> | <u>Base Date for Assessment of Current Value</u> |
|-----------------------------|---|
| 1998, 1999 and 2000 | June 30, 1996 |
| 2001 and 2002 | June 30, 1999 |
| 2003 | June 30, 2001 |
| 2004 and 2005 | June 30, 2003 |
| 2006/2007/2008 | January 1, 2005 |
| 2009 - 2012 | January 1, 2008 |
| 2013-2016 | January 1, 2012 and so forth |

TAXATION & ASSESSMENT LEGISLATIVE CHANGES

- **Assessment and taxation legislation were significantly changed as a result of the 2007 and 2008 Provincial budgets.**

- **The budgets introduced a number of measures to enhance the fairness and predictability of the current property tax system.**
 - 1) Business Education Tax Cuts**
 - 2) Four-year Reassessment Cycle & Phase-In**
 - 3) Assessment Appeal Process Changes**
 - 4) Assessment Notices**
 - 5) New Tax Capping Option**

BUSINESS EDUCATION PROPERTY TAX CUTS

- **In the 2007 Budget the Government announced a plan to cut business education taxes by \$540 million over seven years, lowering the high BET rates to a target maximum rate of 1.60%.**
- **For municipalities in Southern and Central Ontario, this reduction will be phased in between 2008 and 2014; for those in Northern Ontario, the phase-in has been accelerated and will be complete as of the 2010 taxation year.**
- **Because of reassessment, the target minimum BET rate for 2009 was reset to offset reassessment impacts. For example, the 2008 maximum BET rate of 1.60% was lowered to 1.52% for 2009.**

BET CUTS Cont'd.

- **During the phase-in of the BET reductions, New Construction properties were immediately set at 1.52%. For 2010 all commercial and industrial properties will be set at 1.52% or less.**
- **In 2010 the 1.52% may be less to adjust for the phased-in assessment. This large reduction in the education tax rate will in turn result in a reduction in the overall tax rate.**
- **The overall tax rate reductions for the business classes are estimated at an average of 10.4%**

2008-2010 BUSINESS EDUCATION TAX RATES

| Property Tax Class | City of North Bay 2008 BET Rates | City of North Bay 2009 BET Rates | City of North Bay 2010 BET Rates |
|------------------------------------|---|---|---|
| Commercial | 2.237236% | 2.000000% | 1.520000% |
| Industrial | 1.859127% | 1.859127% | 1.520000% |
| New Construction Commercial | 1.600000% | 1.5200000% | 1.520000% |
| New Construction Industrial | 1.600000% | 1.5200000% | 1.5200000% |
| | | | *may be less |

CITY OF NORTH BAY BET CUTS 2008-2010

| Year | Max. Rate | Commercial Rate | CUMULATIVE % Reduction from 2007 |
|------|-----------|-----------------|-------------------------------------|
| 2008 | 2.35 | 2.237236 | - .058% |
| 2009 | 2.00 | 2.000000 | -11.120% |
| 2010 | 1.52 | 1.520000 | -32.450% |
| | | Industrial Rate | |
| 2008 | 2.75 | 1.859127 | - .028% |
| 2009 | 2.25 | 1.859127 | - .028% |
| 2010 | 1.52 | 1.520000 | -18.470% |

CHANGES TO THE ASSESSMENT SYSTEM

Three changes to the assessment system have been introduced commencing 2009:

- **A four year reassessment cycle**
- **A mandatory phase-in of assessment increases**
- **Enhancement to the fairness and effectiveness of the assessment appeal system.**

CHANGES TO ASSESSMENT SYSTEM Cont'd.

Four Year Reassessment Cycle

- **Reassessment in 2009 was based on property values as of Jan.1, 2008. The January 1, 2008 valuation date applies for 2009, 2010, 2011 and 2012.**
- **The four-year phase-in program limits increases in current value assessment (CVA) related to general reassessment, commencing with the 2009 taxation year.**

FOUR YEAR REASSESSMENT CYCLE Cont'd.

- **The amount of any eligible increase will be phased-in in equal increments (25%) between 2009 and the next reassessment cycle – 2013.**
- **All assessment decreases were realized in 2009.**
- **2010 marks the 2nd year of the four year phased-in reassessment cycle and is the assessment base used for the calculation of the 2010 tax rates.**

CHANGES TO THE APPEAL PROCESS 2009 AND BEYOND

Non-Business Classes

- Deadline to appeal CVA is March 31st – annually (prev. Dec. 31)
- A request for reconsideration (RfR) is a mandatory first step

Business Classes

- Deadline to appeal CVA is March 31st – annually (prev. Dec. 31)
- A Request for Reconsideration (RfR) of CVA is an optional first step
- Business taxpayer may forego the reconsideration process and appeal directly to the ARB

CHANGES TO APPEAL PROCESS Cont'd.

- **For supplementary and omitted assessments, the deadline is 90 days after the mailing of the notice**
- **MPAC must respond by September 30th of the year, or within 180 days for supplementary and omitted assessment**
- **An appeal may be filed to the ARB within 90 days of MPAC's decision being mailed as a second option for recourse**

NEW 2010 PROPERTY ASSESSMENT NOTICES

- **All property taxpayers received a standard Notice in November 2008 outlining the 2009-2012 reassessment information. MPAC has developed new in-year Notices**
- **Post Roll Amended Property Assessment Notice - Issued for factual errors on the Assessment Roll at any time during the taxation year.**
- **Property Assessment Change Notice - This was previously known as the Supplementary or Omitted Property Assessment Notice.**

NEW ASSESSMENT NOTICES Cont'd.

- **Statement of Revised Assessment** – accompanies the Property Assessment Change Notice. Provides the revised total assessment, including improvements. Includes the revised phased-in assessments for the next four taxation years.
- **Advisory Notice of Adjustment** – MPAC is required to notify property taxpayers about changes to their phased-in assessment amounts whenever the current value assessment for a property changed.

NEW CAPPING OPTION

- **Beginning in 2009, municipalities have the option to permanently exclude properties from the capping program once they reach their CVA tax destination**
- **Under this new feature, a property that reaches CVA tax in one year, can be excluded from the capping program the next year**
- **Council adopted this option for 2009, which means that any property that was at CVA tax in 2008 are no longer subject to either capping or claw-back adjustment. This option is consistent with the Long Term Tax Policy goals.**
- **The option may be put into place for any or all of the capped classes and is an annual Policy decision.**

REAL ASSESSMENT GROWTH

- **Real Assessment Growth has been redefined by the Chief Financial Officer for 2009 onward. The Long Term Tax Policy recommendations will include the new definition.**
- **Real Assessment Growth means new assessment which is generated by supplementary assessment roll(s) resulting from an increase in value of properties for:**

REAL ASSESSMENT GROWTH Cont'd.

- **new buildings or structures, alterations/additions to buildings or structures, new lots created by subdivision/condominium plans and severances and netted by assessment reductions resulting from assessment appeals under Section 39.1(1.1) of the Assessment Act (supplementary assessments).**
- **The real assessment growth for 2009-2010 was calculated using the new definition noted above which differs from prior years. If the new definition had been used for prior years, the growth would have been higher.**

YEAR OVER YEAR REAL ASSESSMENT GROWTH

| YEAR(S) | GROWTH (%) | ADDITIONAL TAX REVENUE |
|------------------|-------------------|-------------------------------|
| 2005-2006 | 2.12 | \$1,148,000 |
| 2006-2007 | .52 | \$ 280,000 |
| 2007-2008 | 1.58 | \$ 980,000 |
| 2008-2009 | 1.30 | \$ 798,000 |
| 2009-2010 | 0.89 | \$ 587,000 |

2010 REAL ASSESSMENT GROWTH BY CLASS

| TAX CLASS | GROWTH (%) | IMPACT ON TAX LEVY |
|--------------------|-------------------|---------------------------|
| Residential | .45 | \$293,000 |
| Multi-Res. | .06 | \$ 40,600 |
| Commercial | .24 | \$140,600 |
| Industrial | .16 | \$108,400 |
| Other | .09 | \$ 4,400 |
| Total | | \$587,000 |

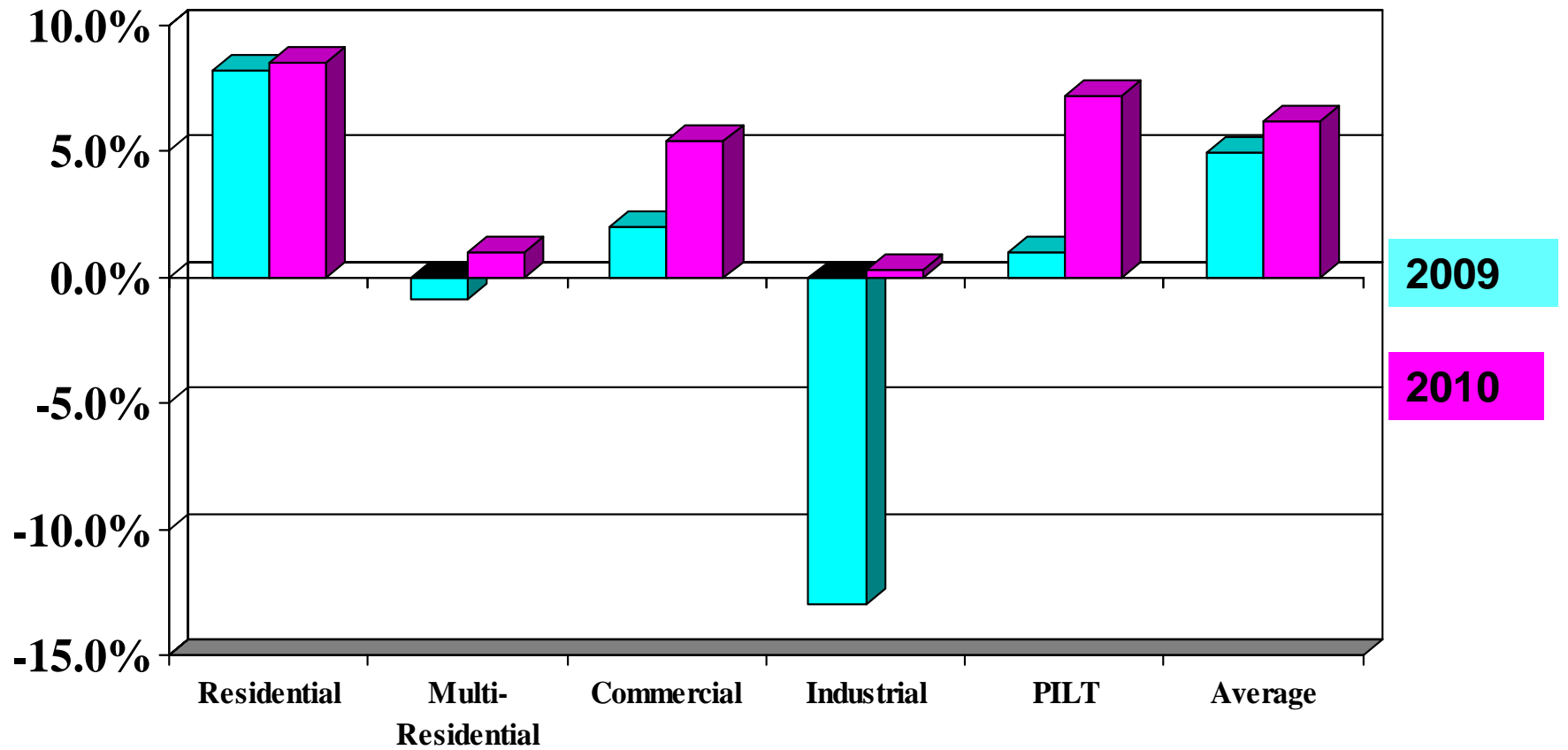
2010 REASSESSMENT ANALYSIS

- **The 2010 taxation year will mark the 2nd year of the four year phased-in reassessment cycle. The 2010 phased-in assessment is the assessment base used for setting the 2010 tax rates.**
- **In addition to the Real Assessment Growth of .89%, the additional assessment generated from the 2010 phased-in assessment is of central importance to the City.**
- **The phased-in assessment has generated an overall weighted assessment increase of 5.16% from 2009.**
- **The 5.16% assessment increase is used to reduce the 2010 tax rates.**

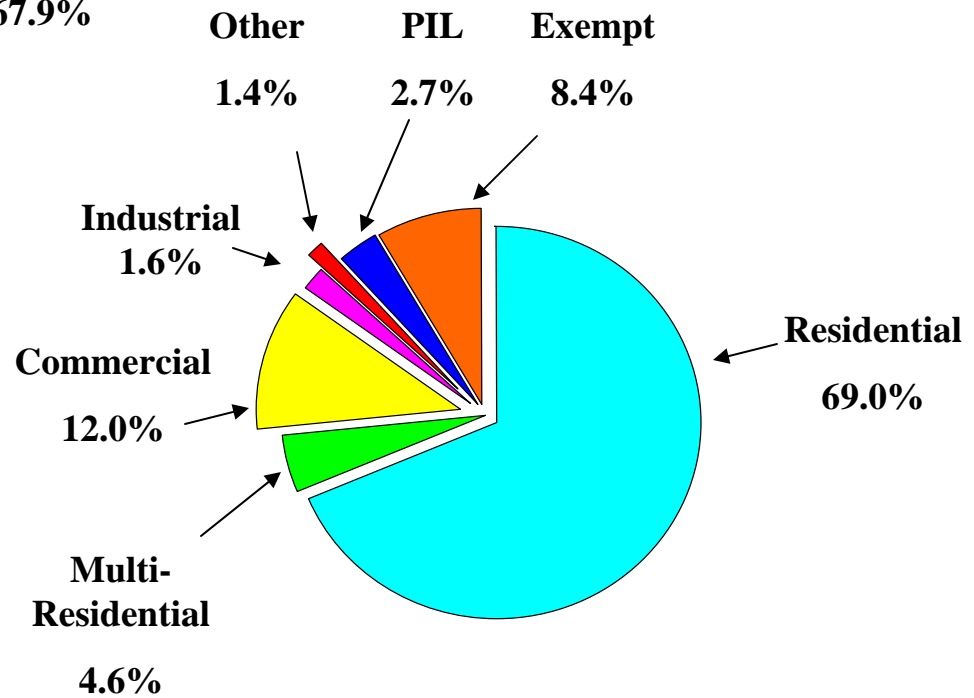
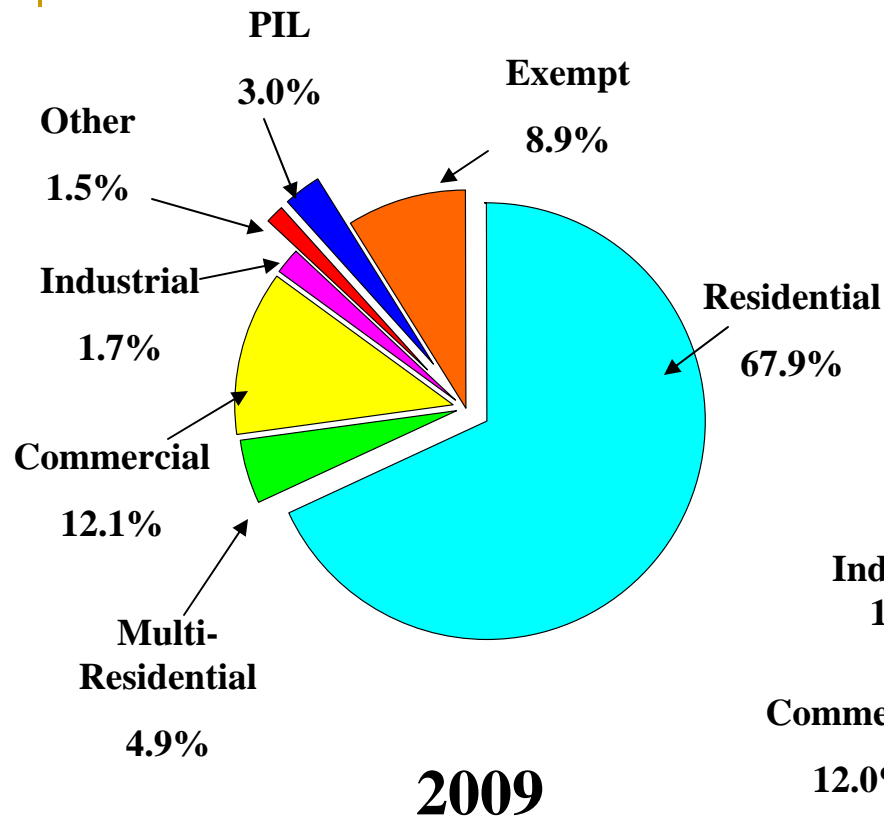
2009-2010 ASSESSMENT VALUE CHANGES (excluding Real Growth)

| Tax Class | 2009 Value % increase/decrease | 2010 Estimated % increase/decrease | 2010 <u>Actual</u> % increase/decrease |
|--------------------|---|---|---|
| Residential | 8.2 | 7.7 | 8.5 |
| Multi-Res. | -0.9 | 1.0 | 1.1 |
| Comm. | 2.0 | 4.5 | 5.4 |
| Industrial | -13.1 | 2.2 | 0.3 |
| Pipeline | 4.1 | 3.9 | 4.3 |

SUMMARY 2009-2010 PHASED-IN ASSESSMENT



THE ASSESSMENT PIE (INCLUDES REAL GROWTH)



TAX IMPACTS OF REASSESSMENT

- **Whenever reassessment is undertaken assessment related shifts are inevitable.**
- **Tax impacts result when the tax burden is redistributed because of the differences in rates of market value appreciation and/or depreciation, which may vary by individual property, class and municipality across the Province.**
- **Tax impacts do not always parallel assessment change because of variable tax rates (tax ratios), assessment phase-in, and tax capping.**

TAX BURDEN SHIFT IMPACT SUMMARY 2009 REASSESSMENT & 2010 PHASE-IN

| Tax Class | Tax Shift Impact 2009 | Tax Shift Impact 2010 |
|--------------------------|----------------------------------|----------------------------------|
| Residential | 2.40% | 1.50% |
| Multi-Residential | - 6.20% | -4.80 |
| Commercial | - 2.60% | -0.60 |
| Industrial | -16.40% | -2.73 |

This shows that the residential properties went up by more than the non-residential classes again in 2010. Therefore that class is absorbing a larger share of the tax revenue we need to generate.

TAX/TRANSITION RATIOS

- **Introduced in 1998 as part of tax reform**
- **Reflect the relative tax burden of each property class prior to tax reform (1997)**
- **Determine the relative tax burden to be borne by each property class on a go forward basis.**
- **Express the relationship that each property class bears to the tax rate for the residential class**
- **Residential property class is the benchmark and the value in the ratio structure is set at 1.0000.**

TAX RATIO FLEXIBILITY OPTION

- **For 2009, the government provided municipalities with the tax ratio flexibility to mitigate tax shifts as a result of reassessment.**
- **A decision to adopt “Revenue Neutral” tax ratios has only been made for 2009. It is anticipated that the Minister will be make the 2010 decisions on tax ratio flexibility in the near future.**
- **The Revenue Neutral Tax Ratios are designed to offset tax shift. If they were applied the result would be that the residential class and all other classes would pay the same percentage share as they did in 2009.**
- **Council did not adopt the new transition ratios in 2009 to offset the reassessment impacts because by doing so the tax ratios in the business classes would have increased which is contrary to the City’s Long Term Tax Policy.**

REVENUE NEUTRAL TAX RATIO COMPARISON

| Property Class | 2009 Tax Ratios | 2009 <i>Rev Neutral</i> Tax Ratios |
|--------------------------|------------------------|---|
| Residential | 1.0000 | 1.000000 |
| Multi-Residential | 2.2054 | 2.401758 |
| Commercial | 1.8822 | 1.969298 |
| Industrial | 1.4000 | 1.600571 |
| Farmlands | .1500 | .050000 |
| Managed Forest | .2500 | .250000 |
| Pipeline | 1.1656 | 1.211215 |

Note: 2010 Revenue Neutral Tax Ratios are not legislated to date.

2010 PHASED-IN REASSESSMENT TAX SHIFT IMPACTS

The following slides outline the changes in the distribution of municipal taxes between classes (tax shifts) as a result of:

- 1. 2010 Phased-In Assessment**
- 2. Utilizing Revenue Neutral Tax Ratios**
- 3. Utilizing Tax Policy Tax Ratio Reductions**

TAX CLASS SHIFT REVENUE NEUTRAL TAX RATIOS

| Tax Class | Class Shift 2009 Tax Ratios | Tax Levy Shift (dollars) | Class Shift with Revenue Neutral Tax Ratios | Tax Levy Shift (dollars) |
|--------------------|--|-------------------------------------|--|-------------------------------------|
| Residential | 1.50% | \$617,675 | 0.00% | \$ 17,314 |
| Multi-Res. | (4.80%) | (\$307,893) | 0.00% | (\$ 15) |
| Commercial | (0.60%) | (\$ 79,064) | 0.85% | \$113,818 |
| Industrial | (2.73%) | (\$ 39,224) | 0.65% | \$ 9,267 |

TAX CLASS SHIFT TAX POLICY RATIO REDUCTIONS

| Tax Class | Class Shift 2009 Tax Ratios | Tax Levy Shift (dollars) | Class Shift with Tax Policy Reductions | Tax Levy Shift (dollars) |
|--------------------|--|-------------------------------------|---|-------------------------------------|
| Residential | 1.50% | \$617,675 | 1.98% | \$804,264 |
| Multi-Res. | (4.80%) | (\$307,893) | (6.00%) | (\$386,953) |
| Commercial | (0.60%) | (\$ 79,064) | (1.34%) | (\$179,919) |
| Industrial | (2.73%) | (\$ 39,224) | (2.29%) | (\$ 32,906) |

TAX RATIOS Cont'd.

The City has reduced ratios from 2001 to 2008 as follows:

- **Commercial** from **2.0326 to 1.8822**
- **Industrial** from **3.2920 to 1.4000**
- **Multi-Res.** from **2.3556 to 2.2054**
- **Farmland** from **0.2500 to 0.1500**

Council adopted the same ratios for 2009 as was adopted in 2008.

TAX RATIO SUMMARY

| Property Class | Prov. Fairness Range | City Transition Ratios In 1998 | Prov. Threshold Ratios | Current 2009 Tax Ratios | BMA Municipal Study Average | Proposed Long-Term Tax Policy |
|--------------------------|----------------------|--------------------------------|------------------------|-------------------------|-----------------------------|-------------------------------|
| Residential | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 |
| Multi-Residential | 1.0000-1.1000 | 2.3556 | 2.7400 | 2.2054 | 2.0843 | 1.4000 |
| Commercial | 0.6000-1.1000 | 2.0326 | 1.9800 | 1.8822 | 1.7086 | 1.4000 |
| Industrial | 0.6000-1.1000 | 3.2920 | 2.6300 | 1.4000 | 2.2485 | 1.4000 |
| Farmlands | .25 | .25 | N/A | .15 | N/A | .15 |
| Mgd Forests | .25 | .25 | N/A | .25 | N/A | .25 |
| Pipelines | 0.6000-0.7000 | 1.1656 | N/A | 1.1656 | N/A | 1.1656 |

LONG TERM TAX POLICY

- **Council adopted a Long Term Tax Policy in 2005 which included the following goals and implementation plans:**
- **To reduce the tax ratios for the Multi-Residential and Commercial Classes equal to the industrial ratio of 1.400 over a twenty-five year period.**
- **Any reduction in tax ratios for one class will shift tax burden to the other classes, therefore, ratios will only be reduced if the tax burden shift can be offset by real assessment growth.**

LONG TERM TAX POLICY Cont'd.

- **At the end of the program, the multi-residential taxes will be 41% lower, and the commercial taxes, 29% lower than what they otherwise would have been if the plan had not been put into place.**
- **To consider annually a transfer of excess supplementary taxes in the Multi-Residential and Commercial Classes to a Tax Policy Development Reserve Fund.**
- **Accelerate the movement toward full Current Value Assessment for all properties in the capped classes utilizing the capping options available.**

LONG-TERM TAX POLICY Cont'd.

- **Fund the cost of the capping program from within each class.**
- **Consider annually the options to fund a portion of the cost of the mandatory capping program from the Tax Policy Development Reserve Fund.**
- **Excess amount to be based on year-end report from Chief Financial Officer**
- **The total balance of the Reserve as at December 31, 2009 is \$261,618.00.**

PROPOSED AMENDMENTS TO THE LONG TERM TAX POLICY

- **Since the adoption of the Policy in 2005 there have been a number of changes to the tax and assessment legislation. As a result, decisions relating to tax ratio reductions require further consideration.**
- **Reassessments will take place every four years and assessment increases will be phased-in equally over a further four year term.**

LONG TERM TAX POLICY AMENDMENTS Cont'd.

- **The total reassessment results at the onset of the cycle clearly indicate the assessment and tax shifts that will occur over the four year phase-in cycle in specific tax classes.**
- **For 2009-2012 it was apparent that the residential tax class will absorb a higher share of the tax shifts as noted in the following slide.**

2009-2012 ASSESSED VALUE CHANGES

| Tax Class | 2009 Value % inc./dec. | 2010 Value % inc./dec. | 2011 Value % inc./dec. | 2012 Value % inc./dec. | 2009 -2012 Total Value |
|--------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Residential | 8.2 | 7.7 | 7.2 | 6.7 | 33.3% |
| Multi-Res. | -0.9 | 1.0 | 1.0 | 1.0 | 2.0% |
| Commercial | 2.0 | 4.5 | 4.3 | 4.1 | 15.8% |
| Industrial | -13.1 | 2.2 | 2.2 | 2.1 | -7.3% |
| Pipeline | 4.1 | 3.9 | 3.8 | 3.6 | 16.3% |

LONG TERM TAX POLICY AMENDMENTS Cont'd.

- **The Long Term Tax Policy's goal is to reduce the tax ratios in the Commercial and Multi-Residential tax classes to the same level as the Industrial tax class over a 25 year term.**
- **Any reduction of tax ratios shift an additional burden to all other tax classes and primarily the residential tax class.**
- **Careful consideration was given in 2009 and it was decided to maintain the 2008 tax ratios in order to prevent a further shift to the residential tax class.**

LONG TERM TAX POLICY AMENDMENTS Cont'd.

- **The four year phase-in results show that the residential tax class will continue to absorb a higher tax shift for the four years cycle**
- **The 2010-2011-2012 recommendations may be to maintain the 2008 tax ratio levels.**
- **This is not in keeping with the intent and long term goals of the Policy. We are, therefore, recommending an amendment to the Policy.**

LONG TERM TAX POLICY AMENDMENTS Cont'd.

Tax Ratio Reductions

- **That Council's decision to reduce tax ratios be made at the onset of a reassessment year once the four-year tax shifts are known and;**
- **Council's decision to reduce the tax ratios would be considered for the four year cycle and would commence for the 2013 reassessment cycle.**

NEW DEFINITION OF REAL ASSESSMENT GROWTH

- **A clear definition of “real assessment growth” is proposed to be incorporated into the Policy for 2009 onward.**
- **Real Assessment Growth means new assessment which is generated by supplementary assessment roll(s) resulting from an increase in value of properties for:**
 - **new buildings or structures**
 - **alterations/additions to buildings or structures**
 - **new lots created by subdivision/condo plans and splits**

REAL ASSESSMENT GROWTH DEFINITION Cont'd.

and netted by assessment reductions resulting from assessment appeals under Section 39.1(1.1) of the Assessment Act (supplementary assessments).

- **The real assessment growth for 2009-2010 was calculated using the new definition which differs from prior years.**
- **If the new definition had been used for prior years, the growth would have been higher.**

2010 TAX POLICY OPTIONS

Mandatory Capping:

We are unable to accurately analyze the capping options in OPTA at this time because the education tax rates have not been released by the Minister.

Once the information is available a Report will be brought forward to Council with 2010 Tax Policy recommendations.

2010 TAX POLICY OPTIONS Cont'd.

Tax/Transition Ratios Options:

1. To adopt 2010 “Revenue Neutral” transition ratios as calculated by the Province
2. To reduce the multi-residential and commercial tax ratios using real assessment growth (same rate reduction approved in 2008) as follows:
 - Multi-Residential tax ratio by .0283 from 2.2054 to 2.1672
 - Commercial tax ratio by .0226 from 1.8822 to 1.8596
3. To maintain the 2009 tax ratios for the 2010 year as follows:

| | | | |
|-------------------|----------|-------------|----------|
| Multi-Residential | - 2.2054 | Commercial | - 1.8822 |
| Industrial | - 1.4000 | Pipeline | - 1.6560 |
| Farmlands | - 0.1500 | Mng. Forest | - 0.2500 |

2010 TAX POLICY RECOMMENDATIONS

i) That the Long Term Tax Policy be amended as follows:

Tax Ratio Reduction:

- Council decisions to reduce tax ratios will be made at the onset of a reassessment year once the four-year tax shifts are known.
- Council's decisions to reduce the tax ratios will be considered for the four year cycle commencing with the 2013 reassessment year.

2010 TAX POLICY RECOMMENDATIONS Cont'd.

- **Definition of “Real Assessment Growth”:**

Real Assessment Growth means new assessment which is generated by supplementary assessment roll(s) resulting from an increase in value of properties for:

- **new buildings or structures, alterations/additions to buildings or structures and new lots created by subdivision/condominium plans and severances;**

and netted by assessment reductions resulting from assessment appeals under Section 39.1(1.1) of the Assessment Act (supplementary assessments).

2010 TAX POLICY RECOMMENDATIONS Cont'd.

ii) That the 2010 tax ratios remain at the 2009 levels as follows:

| | | | |
|--------------------------|-----------------|--------------------|-----------------|
| Multi-Residential | - 2.2054 | Pipeline | - 1.1656 |
| Commercial | - 1.8822 | Farmlands | - 0.1500 |
| Industrial | - 1.4000 | Mng. Forest | - 0.2500 |

iii) That the excess supplementary municipal taxes in the Commercial and Multi-Residential tax class be transferred to the Tax Policy Development Reserve Fund. Excess amount to be based on the year-end report from the Chief Financial Officer and;

iv) That the 2010 Capping Program recommendations be brought forward under a separate report.

2010 INTERIM TAX BILLS

- **Interim tax bills will be mailed on Friday, February 5th and are due Friday, February 26th.**
- **The interim billing will generate 50% of the 2009 tax levy or approx. \$31,566,000.00.**
- **A Report and By-Laws authorizing the rates will be brought forward to the February 8th Council Meeting.**