CSD 24-2012
February 17, 2012

Niagara Region

REPORT TO: **Chair of the Property Assessment and Tax Review (PATR) Committee**

SUBJECT: **2012 Tax Policy, Tax Ratios and Tax Rates**

RECOMMENDATION

1. That the following tax ratios, tax reductions, and tax rates **BE ADOPTED** for the 2012 taxation year.

Property Classification	Ratio	Tax Reduction	Rate
Residential	1.0000	NA	0.00593352
New Multi-Residential	1.0000	NA	0.01212811
Multi-Residential	2.0440	NA	0.00593352
Commercial	1.7586	NA	0.01043469
Commercial – Excess Land	1.7586	30%	0.00730428
Commercial – Vacant Land	1.7586	30%	0.00730428
Industrial	2.6300	NA	0.01560516
Industrial – Excess Land	2.6300	35%	0.01014335
Industrial – Vacant Land	2.6300	35%	0.01014335
Piplelines	1.7021	NA	0.01009944
Farmland	0.2500	NA	0.00148338
Farmland FAD I	1.0000	25%	0.00445014
Farmland FAD II (Residential)	Class Ratio	0%	Applicable Class Rate
Managed Forests	0.2500	NA	0.00148338

2. That the Area Municipal Councils **BE INFORMED** of Niagara Region's decision to utilize the recommended tax ratios and **BE DIRECTED** to apply the same tax ratios in determining 2012 tax rates for their purposes;

3. That the 2012 capping program reflect the following criteria:

   a) An annual cap set at the greater of:
      i. An amount representing an increase of 10% of the previous years annualized tax, or
      ii. An amount representing an increase of 5% of the previous years Current Value Assessment (CVA)

b) And that, following the application of the capping program, all properties within +/- $250 threshold of the CVA taxes be moved directly to CVA taxation
c) Properties at CVA tax in 2011 be excluded from the capping program
d) Properties that would cross over CVA tax in 2011 be excluded from the capping program (i.e. properties that would change from capped to clawed back and vise-versa)

4. That the 2012 capping program **BE FUNDED** by claw back from within respective classes pursuant to section 330 of the Municipal Act;

5. That the Regional Clerk **BE REQUESTED** to prepare the necessary by-laws for consideration and adoption by Regional Council;

6. That this report **BE APPROVED** and circulated to the Council of the Area Municipalities for information.

PURPOSE

Respond to legislation or mandated reporting requirements.

BUSINESS IMPLICATIONS

The Municipal Act affords upper tier municipalities the responsibility to establish tax ratios, tax rates to raise levy requirements, and a mechanism to fund the mandatory property tax cap for the multi-residential, commercial and industrial property classes (herein "tax policy").

The recommended tax policy maintains the same tax ratios, rate reductions, and capping program as 2011.

This recommendation is made following three PATR Committee meetings on tax policy that included a presentation on the history of Niagara Region tax policy, feedback from the business community, and input from local area municipalities (LAMs). This recommendation is complimentary to the PATR Committees mandate to be sensitive to the socio-economic environment in the Niagara Region; support sustainable growth in the Niagara Region; represent a balanced and fair treatment for all taxpaying classes in the Niagara Region; minimize the cost of service delivery and administration to taxpayers.

The average single detached residential (not on water) valued at $227,147 in 2012 will experience a 3.14% or $41 dollar increase on Niagara Region's portion of their tax bill as a result of Niagara Region's 2012 budget and the tax policy recommended herein.

REPORT

The recommendation for maintaining consistent tax policy between 2011 and 2012 is to the following:

1. BMA Study Survey Results:

The combined Niagara Region, LAM, and education levy compares competitively to the study average.

Property Class	Property Type	Comparison Metric	Niagara Average *	Study Average	Comparison of Study	
Residential	Bungalow		$3,012	$2,942	Above	2.38%
	Executive		$5,395	$5,558	Below	(2.93%)
Multi-Res	Walk-up	Unit	$1,397	$1,319	Above	5.91%
	Mid/High-rise	Unit	$1,550	$1,555	Below	(0.32%)
Commercial	Office Buildings	Sq. Foot	$2.58	$2.88	Below	(10.42%)
	Shopping	Sq. Foot	$2.97	$3.35	Below	(11.34%)
	Hotels	Unit	$1,924	$1,736	Above	10.82%
	Motels	Unit	$1,181	$1,253	Below	(6.48%)
Industrial	Industrial Vacant Land	Acre	$2,295	$3,342	Below	(31.33%)
	Residual Industrial	Sq. Foot	$1.66	$1.72	Below	(3.49%)
	Large Industrial	Sq. Foot	$1.05	$1.31	Below	(19.85%)

* Calculated using a simple average (total value of the study divided by the number of LAMs in the study)

In the 2011 PATR Committee presentations the 2010 BMA study for commercial and industrial referenced only the Niagara Region and LAMs tax components without reference to education tax rate for commercial and industrial classes. This suggested that the property tax impact in Niagara for many classes, including residual industrial, was higher than the BMA study.

Reviewing the all in tax impact in the table above, most property types are below the study average. The PATR Committee has specifically discussed the higher deviation of hotels from the study average and a review was undertaken to determine if a policy option was available to assist in bring hotels closer to the average. The findings of that review and consultation with MTE found no immediate policy option available. The higher tax per unit was derived by Current Value Assessment (CVA).

2. Draft Education Rates:

Historically business education rates have been unique to each municipal jurisdiction. In 2008 the Province decided to begin a systematic reduction of eligible commercial and industrial education tax rates.

Niagara commercial and industrial taxable classes continue to benefit from these reductions. In 2012 the benefit is estimated as follows:

Taxable Class	2011 Education Taxes	2012 Education Taxes (Draft)	Change	
			$	%
Commercial	68,187,998	67,436,541	(751,457)	(1.10%)
Industrial	12,893,256	11,032,152	(1,861,104)	(14.43%)

These reductions while significant to both classes are particularly significant to industrial recognizing that class will experience an all in tax reduction in 2012. The final all in reduction will be calculated for the next PATR Committee meeting after all LAMs have completed their budget processes.

3. The 2012 year will form the base CVA year for the 2013 to 2016 taxation years. This means the Municipal Property Assessment Corporation (MPAC) will be establishing new CVA's for all properties in Ontario. Through discussion at the PATR Committee meetings and through consultation with the LAMs and MPAC, the establishing of new CVA's has the potential to cause significant tax shifting between classes and as such has the potential to shift tax burden. In this respect it was advised to wait on considering ratio changes until the outcome of the revaluation is known.

4. One of the driving forces behind re-establishing the PATR committee was economic development. The BMA results denoted above indicate competitiveness on average for Niagara commercial and industrial tax classes. The Niagara Region remains committed to its business community as evidenced through the current re-engineering of its Economic Development program. As that program develops, the discussion of tax policy (levy and development charges), and impact on economic development will continue.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

Not applicable

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