MARKHAM

Report to: General Committee    Date Report Authored: January 31, 2012

**SUBJECT**: 2012 Property Reassessment: Year 4 Phase-in Summary
**PREPARED BY:** Paul Wealleans, Director, Taxation

**RECOMMENDATIONS:**

**1)** THAT the report entitled "2012 Property Reassessment: Year 4 Phase-in Summary" be received for information;

**2)** AND THAT staff be authorized and directed to do all the things necessary to give effect to this resolution.

**EXECUTIVE SUMMARY:**
None.

**PURPOSE:**
This report provides a summary of impacts related to the 2008 property reassessment for the 2009 to 2012 taxation years, and, in particular to the fourth year (2012) of the cycle.

**BACKGROUND:**
The Municipal Property Assessment Corporation (MPAC) carries out all property assessments in Ontario. For the 2009 to 2012 taxation years, properties have been reassessed to reflect a January 1, 2008 valuation date. This updates Current Value Assessments (CVA) from the previous valuation date of January 1, 2005. Amendments to the *Assessment Act* introduced by the Province of Ontario, require for a four-year reassessment cycle beginning in 2009, with Current Value Assessment (CVA) increases being phased-in in equal increments over the four-year period (2009 to 2012). Any CVA decreases are not subject to a phase-in and were applied in the 2009 tax year. 2012 is the final year of the four-year phase-in period.

**OPTIONS/ DISCUSSION:**
The next assessment update will take place for taxation years 2013-2016, with the valuation date being January 1, 2012. Table 1 below provides the valuation dates used for each taxation year from 1998 through 2016.

**Table 1:** Reassessment Cycle

| Taxation Year | Valuation Date |
|---|---|
| 1998, 1999, 2000 | 30-Jun-96 |
| 2001, 2002 | 30-Jun-99 |
| 2003 | 30-Jun-01 |
| 2004 2005 | 30-Jun-03 |
| 2006, 2007, 2008 | 1-Jan-05 |
| * 2009, 2010, 2011, **2012** | 1-Jan-08 |
| * 2013, 2014, 2015, 2016 | 1-Jan-12 |

*CVA increases phased-in over 4 years

The 2008 Provincial budget mandated a continuing four year cycle to phase-in assessment value increases for all property classes. Properties experiencing a valuation decrease were not phased-in and the full assessment reduction flowed through for the 2009 taxation year. Table 2 below provides an example of how an assessment increase was phased-in.

**Table 2:** Phase-in example

| **Assessed Value of your property** | **CVA** |
|---|---|
| Property Value on Jan 1st, 2005 (for the 2008 taxation year) | $290,000 |
| Property Value on Jan 1st, 2008 (for the 2012 taxation year) | $330,000 |
| Over this 4 year period, the property value has changed by | **$40,000** |
| The $40,000 increase is phased-in over four years, resulting in the property value increasing $10,000 each year. | |
| **Phased-in property assessment over 4 years** | **CVA** |
| 2009 | $300,000 |
| 2010 | $310,000 |
| 2011 | $320,000 |
| 2012 | **$330,000** |

Table 3 shows the average % change by property class for the overall four year assessment cycle and for the 2012 tax year.

**Table 3:** 2012 CVA Changes in Markham

| Property Tax Class | Overall 4 Year Reassessment % Change | 2012 Phased-In CVA % Change |
|---|---|---|
| Residential | 18.82 | 3.94 |
| Multi-Residential | 18.81 | 38.76 |
| Commercial | 31.61 | 6.56 |
| Industrial | 31.99 | 6.13 |
| Farm | 38.88 | 7.99 |

CVA changes arising from a reassessment do not result in additional taxation revenue for municipalities. Following a reassessment, municipalities are required by legislation to reduce their tax rates by the same percentage as the average reassessment increase in value following a reassessment, such that the total taxation revenue from all classes does not increase as a result of the reassessment. Therefore, a reassessment will result in some properties experiencing reassessment-related tax increases, while others will see reassessment-related tax decreases.

Whenever a general reassessment is undertaken, which is now every four years in Ontario, the following tax shifts may result:

1. between property types within the same property tax classes;
2. among property tax classes; and
3. among the local municipalities within the Region.

**Residential Class**

The residential tax rate calculation is based on the entire residential property class, which includes all properties that are assessed as residential. In addition to residential homes, the class includes vacant residential land, co-op housing, group homes, golf course greens and fairways.

The residential property class has appreciated by 18.82% between the January 1, 2005 valuation date and the January 1, 2008 valuation date.

For the 2012 tax year, approximately three-quarters of the reassessment increase is reflected in a property's assessment for 2012 taxation purposes. Any CVA decreases that arose from the 2008 reassessment were applied fully in the 2009 taxation year.

The average CVA increase for 2012 is 3.94% for the entire residential class. For the 2012 taxation year, the average assessed value for all residential property types is $452,000.

When the tax rate calculation is done annually, the prior year residential tax rate is decreased by average residential class CVA increase to ensure tax revenue neutrality. This is done prior to any budgetary rate increase, if any. For 2012, the residential tax rate will be decreased by 3.94%.

In addition to the data for the entire residential class, Markham always reports the average value for residential homes which includes single family detached, linked, semi-detached and townhouses. It does not include residential condominiums.

Table 4 below displays values for residential homes in Markham for 2012.

The average assessed value for residential homes in 2012 is now $478,000, up from $459,000 in the 2011 taxation year, an increase of 4.05%.

**Table 4:** Residential Home (Year 4 Phase-in Increase)

| Ward | 2011 CVA $ | 2012 CVA $ | CVA Increase |
|---|---|---|---|
| 1 | 614,390 | 645,688 | 5.09% |
| 2 | 497,984 | 518,294 | 4.08% |
| 3 | 502,218 | 525,989 | 4.73% |
| 4 | 408,104 | 423,169 | 3.69% |
| 5 | 400,556 | 415,393 | 3.70% |
| 6 | 574,720 | 600,656 | 4.51% |
| 7 | 425,730 | 439,856 | 3.32% |
| 8 | 402,463 | 417,562 | 3.75% |
| **Total** | **459,222** | **477,840** | **4.05%** |

## Non-Residential Classes

Properties within the non-residential classes (commercial, industrial and multi-residential) will experience varying degrees of taxation impacts as a result of the reassessment, depending on whether properties are paying taxes at full CVA taxation levels, or whether the amount of taxes payable are subject either to caps on allowable tax increases, or claw-backs of tax decreases. Capping/claw-back provisions within the non-residential classes have been in place since 1998, and were implemented by the Province of Ontario to mitigate the tax impacts that would have resulted from the introduction of the new Current Value Assessment system in 1998.

Multi-residential Class: The multi-residential property class has appreciated by 18.81% between the January 1, 2005 valuation date and the January 1, 2008 valuation date. However, in 2012 there were 58 properties – 16 more than in 2011. As a result of the addition of the CVA attributable to these new buildings on the assessment roll for 2012, the phased-in increase in CVA for 2012 for the class is 38.76%. This large increase is due to a few factors, including new condominium developments such as World on Yonge, Markham Downtown (consisting of 2 condo buildings as well as mixed use buildings), and Cathedral Town (a 4 storey condominium building as well as townhouses). Condominium development land is assessed in the multi-residential class initially by the Municipal Property Assessment Corporation (MPAC) prior to the individual units being assessed and then put into the residential class.

Commercial Class: The commercial property class, containing 5,969 properties has appreciated by 31.61% between the January 1, 2005 valuation date and the January 1, 2008 valuation date. For 2012, the phased-in increase in CVA for the class will be 6.56%.

Industrial Class: The industrial property class, containing 564 properties, has appreciated by 31.99% between the January 1, 2005 valuation date and the January 1, 2008 valuation date. For 2012, the phased-in increase in CVA for the class will be 6.13%.

**FINANCIAL CONSIDERATIONS AND TEMPLATE: (external link)**
None.

**HUMAN RESOURCES CONSIDERATIONS**
None.

**ALIGNMENT WITH STRATEGIC PRIORITIES:**
None.

**BUSINESS UNITS CONSULTED AND AFFECTED:**
None.

**RECOMMENDED**

07/02/2012

X

Joel Lustig
Treasurer

2/8/2012

X

Nasir Kenea
Acting Commissioner, Corporate Services

**ATTACHMENTS:**