2021

PROPERTY TAX AND TAX POLICY STUDY

Prepared For:
THE CITY OF ELLIOT LAKE

Prepared By:
MUNICIPAL TAX EQUITY (MTE) CONSULTANTS INC.
GEORGETOWN, ONTARIO
WWW.MTE.CA

Published On:
TUESDAY FEBRUARY 23RD, 2021

DISCLAIMER AND CAUTION

The information, views, data and discussions in this document and related material are provided for general reference purposes only.

Regulatory and statutory references are, in many instances, not directly quoted excerpts and the reader should refer to the relevant provisions of the legislation and regulations for complete information.

The discussion and commentary contained in this report do not constitute legal advice or the provision of legal services as defined by the *Law Society Act,* any other Act, or Regulation. If legal advice is required or if legal rights are, or may be an issue, the reader must obtain an independent legal opinion.

Decisions should not be made in the sole consideration of or reliance on the information and discussions contained in this report. It is the responsibility of each individual in either of a decision-making or advisory capacity to acquire all relevant and pertinent information required to make an informed and appropriate decision with regards to any matter under consideration concerning municipal finance issues.

No attempt has been made by MTE to establish the completeness or accuracy of the data prepared by the Municipal Property Assessment Corporation (MPAC). MTE, therefore, makes no warrantees or guarantees that the source data is free of error or misstatement.

MTE is not responsible to the municipality, nor to any other party for damages arising based on incorrect data or due to the misuse of the information contained in this study, including without limitation, any related, indirect, special, or consequential damages.

IMPORTANT NOTES REGARDING PROVINCIAL POLICY AND LEGISLATION

In the absence of specific direction to the contrary, existing property tax rules have been applied, however, the possibility that changes in tax policy may be introduced by the Province always exists. The results presented in this report may be affected by any Provincial regulatory and/or statutory changes that could occur subsequent to the publication of this document. MTE will notify the municipality in the event that we become aware of any change that could impact or invalidate the analysis contained herein. In such an event, MTE would be fully available to update the analysis, or undertake an alternate analysis upon request.

TABLE OF CONTENTS

INTRODUCTION

Each year Ontario municipalities must make a host of decisions in relation to the local property tax regime. These decisions will influence how much is raised and how the burden will be shared. Municipalities are not, however, making these decisions in a vacuum. Due to the complexities of the Province's tax and assessment system, and the constantly changing landscape of the local tax base, even a choice to rely on last year's decisions will come with new implications. In reality, there is no "status-quo" in the realm of municipal property tax in Ontario. In order to make informed decisions sensitive to local priorities, objectives and goals, the municipality's options and choices need to be considered within a broader context.

This study has been prepared to provide the reader with an informed and precise picture of 2021 assessment and the tax landscape. In doing this we will document how the tax and assessment landscape has changed since taxes were levied for 2020 and also consider the various tax policy options and choices that can be used to influence final tax for 2021.

The overall goal is to provide municipal Staff and decision makers with the core insight and analysis needed to consider 2021 property tax decisions in an informed and strategic manner so as to maximize the attainment of municipal priorities and objectives.

Adjustments and Adaptations for 2021

This new taxation year will be unique and potentially eventful in the realm of property taxation for a host of reasons. In addition to the general and common anomalies being experienced across the board at this time, the Province has enacted some of the most dramatic assessment and property tax reforms we have seen in well over a decade. Reassessment has been paused, new tax tools have been hastily introduced and significant changes to business education taxes have been announced. Municipalities are also seeing a number of indirect impacts on and implications for the property tax such as stresses on other revenue streams and a general increased demand (expectations) for relief and special treatment.

On top of all this, we are moving into the new taxation year with a certain level of uncertainty. How will current reform initiatives play out? Will there be more changes, reform, adaptations made to the system? And how is reassessment going to be restarted?

Recognizing these challenges and uncertainty, MTE has made significant adaptations to our annual Property Tax and Tax Policy Study (this report) to address new options, account for new and changing circumstances and provide a measure of clarity as to what this all means for how we interpret and explain tax and assessment matters. As part of this change, we have expanded this introductory section to address some of the core concepts around assessment, reassessment, and phase-in.

In light of the anomalous assessment circumstances for 2021, it may in fact be more critical than ever for municipalities to have a thorough and accurate understanding of assessment and consequential taxation impacts resulting from the newly returned assessment roll every year. MTE suggests that the best way to understand the implications of this year's circumstances and the lack of reassessment/phase-in change is to have a clear understanding as to how those forces impact the tax landscape when they are in place.

Understanding Reassessment, Market Updates and Real Growth

For the 2017 taxation year all properties in Ontario were reassessed based on their Current Value Assessment (CVA) as of January 1st, 2016. These updated CVA values, as adjusted under the Province's assessment phase-in program, were to form the basis of taxation through the 2020 taxation year. Those properties that experienced a CVA increase as of 2017 were taxed in accordance with a *phase-adjusted* CVA value through 2019, while all properties in the Province were subject to taxation based on their full, unmitigated CVA for 2020.

While 2021 should have been the first year of a new reassessment cycle, with all destination (Full CVA) values being updated to reflect January 1, 2020 market conditions, the Province put a pause on reassessment in the spring of 2020. This decision was made as part of a host of early measures in response to the ongoing public health crisis stemming from COVID-19.

This means that property taxes for 2021 will again rely on the full destination values based on the January 1, 2016 valuation date. This will be the first year since 2008 without any market driven valuation changes at the municipal level. Although many decreasing properties have been subject to static assessment values throughout the last three reassessment cycles, there has never been a year since 2008 where municipalities did not experience some impacts resulting from market value changes.

As noted in the introduction to this study, in order to understand the implications of this year's circumstances and the lack of reassessment/phase-in, it is important to have a clear understanding as to how those forces impact the tax landscape when they are in place.

Growth vs. Market Value Changes

The Assessment Roll is a living data set, which is continually evolving in response to real-world market and property changes. The assessed value of a property can and does change for a number of reasons; for the purposes of the property tax system in Ontario, all valuation changes must be considered in one of only two categories; Real Growth in the Tax Base and Market Value Updates (reassessment).

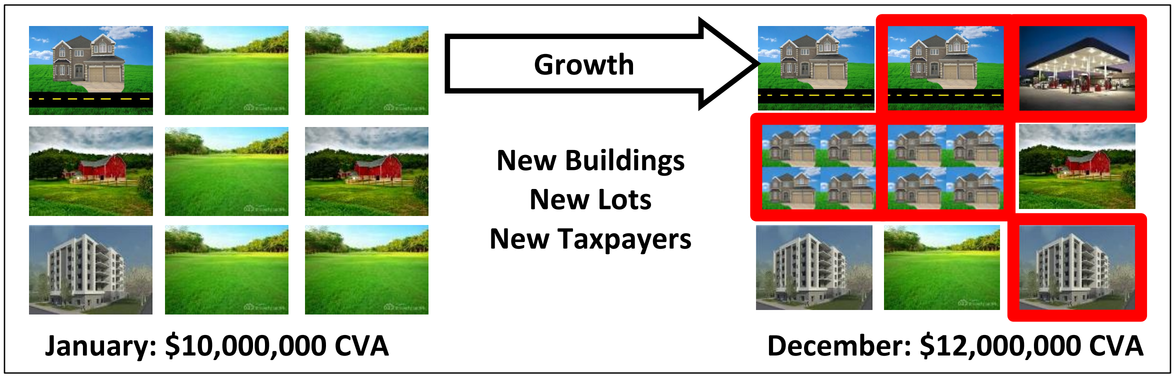
Growth (positive or negative) reflects the value increase or decrease associated with a change to a property's <u>state</u>, <u>use</u> or <u>condition</u>.

- Properties are developed, improved, or intensified;
- Involves actual changes in the size and intensity of the tax base;
- Positive growth means an increase in tax revenue supplied exclusively by taxpayers of new homes, businesses, buildings, etc.
- Equate positive growth to increased income tax resulting from new or better paying jobs.

Reassessment change is simply a matter of revaluating what a property's <u>market value</u> would be at one point in time (2016) vs. and earlier point in time (2012) in the absence of any other changes.

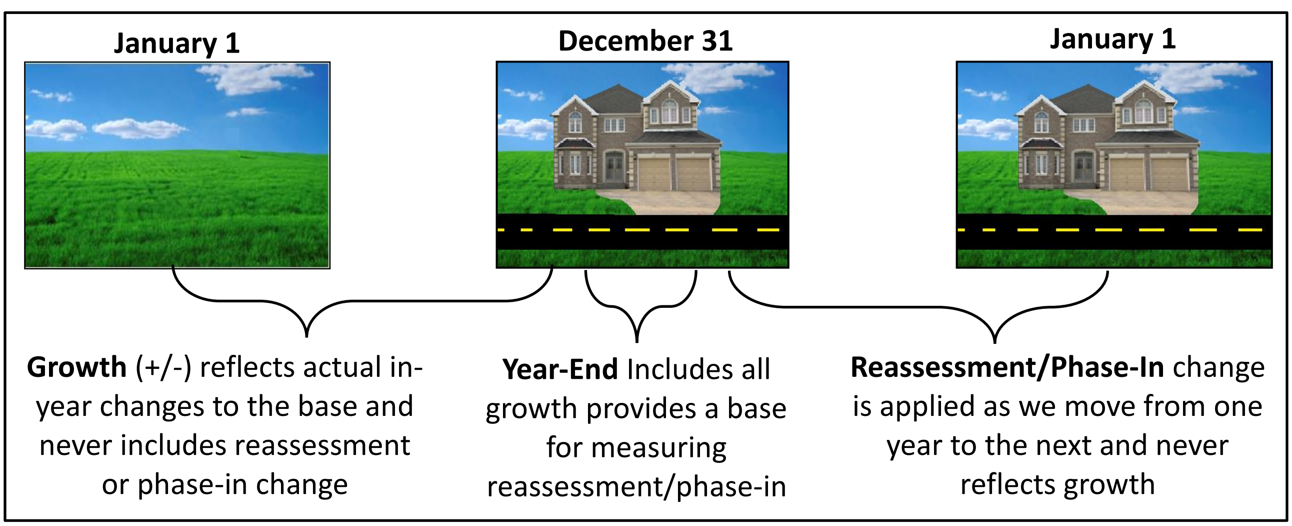
- Reassessment (and annual phase-in adjustments) do not represent or reflect new property, improved or intensified property and are not accompanied by new taxpayers;
- If additional revenue is raised from market updates (phase-in) those amounts represent a net tax increase on existing taxpayers;
- Equate to inflation; the product or job has not changed but the price/salary has been updated to reflect current market conditions.

The following illustrations can be helpful in considering the difference between **additional assessment** that comes from growth and the **restatement of values** for existing assessable property within the context of a reassessment or the annual phase-in of those changes.



Measuring Assessment Changes

Ontario's assessment and tax system relies on and references three points in time for a host of purposes, but mainly to facilitate distinguishing between reassessment and growth-related changes. Keeping these separate and measuring change in the proper manner and order is critical.



Tax Implications of Assessment Change: What Will and Will Not be Different for 2021

While assessment growth and loss will have actual material impacts on the municipal revenue stream, reassessment changes do not. Following from the fact that the former reflects an actual expansion or contraction of the tax base, a municipality will realize increased revenue from new assessment.

Similarly, and consistent with the fact that the latter simply reflects newer market values, and does not capture any change to the base, reassessment has no direct implications for municipal revenue, only the share each taxpayer will carry. That is, reassessment related changes do not alter the overall pool of revenue, but as individual property assessments (and shares of the overall base) change at varying rates, the tax burden shifts among taxpayers, between property classes, and among local municipalities in two tier structures.

With this in mind, the pause in reassessment will have no direct or independent implications for municipal revenue as we move from 2020 to 2021. The big difference will be an absence of underlying year-over-year tax shifts, and this may very well prove to be a unique opportunity for some municipalities to consider their tax policy options.

When councils meet to make decisions in respect of 2021, their options (and outcomes) will not be influenced or impacted by pre-existing or complicating assessment driven shifts. This has not been the case since the return of the roll for 2008 taxation.

Municipalities will find themselves working with a “blank canvas” for the first time in over a decade. As such, it may be possible to effect some significant strategic changes that have been difficult to contemplate while contending with reassessment volatility.

PART ONE: ASSESSMENT AND REVENUE GROWTH ANALYSIS

2020 Assessment Growth

Although we will not experience market change between 2020 and 2021, this reassessment pause does not have any independent implications for growth related assessment and tax change. As such, a restated 2021 revenue limit and starting tax position must still be established in order make informed decisions in respect of the new taxation year.

The municipality's overall growth component will be made up of both positive and negative growth. Positive growth will be reflective of things such as new construction, additions, improvements, etc. The drivers of negative growth may include demolitions, Minutes of Settlement, and/or decisions of the Assessment Review Board.

Table 1 provides a comparison between the CVA values contained on the roll as returned and the roll as revised for 2020. Theoretically, Table 1 summarizes the net in-year changes to property within the municipality, as reflected for assessment and taxation purposes. Table 1-B summarizes these results for the City's Urban Service Area.

Table 1
2020 Assessment Growth Resulting from Changes in the State and/or Use of Property
(City Wide)

	2020 Current Value Assessment			
Realty Tax Class	***As Returned***	***As Revised***	***In-Year Growth***	
Taxable				
Residential	451,018,113	452,431,513	1,413,400	0.31%
Managed Forest	49,400	49,400	0	0.00%
Multi-Residential	50,985,120	50,856,120	-129,000	-0.25%
Commercial	53,466,436	55,338,736	1,872,300	3.50%
Industrial	3,079,840	2,560,840	-519,000	-16.85%
Pipeline	4,387,000	4,390,000	3,000	0.07%
Sub-Total Taxable	**562,985,909**	**565,626,609**	**2,640,700**	**0.47%**
Payment in Lieu				
Residential	705,700	305,300	-400,400	-56.74%
Commercial	8,136,000	8,984,800	848,800	10.43%
Industrial	230,800	230,800	0	0.00%
Landfill	5,500	5,500	0	0.00%
Sub-Total PIL	**9,078,000**	**9,526,400**	**448,400**	**4.94%**
Total (Tax + PIL)	**572,063,909**	**575,153,009**	**3,089,100**	**0.54%**

Table 1-B
2020 Assessment Growth Resulting from Changes in the State and/or Use of Property
(Urban Service Area)

	2020 Current Value Assessment			
Realty Tax Class	***As Returned***	***As Revised***	***In-Year Growth***	
Taxable				
Residential	380,132,109	379,780,109	-352,000	-0.09%
Multi-Residential	50,985,120	50,856,120	-129,000	-0.25%
Commercial	49,567,280	51,440,080	1,872,800	3.78%
Industrial	2,483,100	1,964,100	-519,000	-20.90%
Pipeline	4,387,000	4,390,000	3,000	0.07%
Sub-Total Taxable	**487,554,609**	**488,430,409**	**875,800**	**0.18%**
Payment in Lieu				
Residential	28,300	28,300	0	0.00%
Commercial	4,281,100	5,084,000	802,900	18.75%
Industrial	179,500	179,500	0	0.00%
Sub-Total PIL	**4,488,900**	**5,291,800**	**802,900**	**17.89%**
Total (Tax + PIL)	**492,043,509**	**493,722,209**	**1,678,700**	**0.34%**

Growth vs. Loss

As noted above, a municipality's net growth is the product of both positive and negative growth or gains and losses in CVA. While it is ultimately this net figure that will inform taxation and revenue models as we move into the new taxation year, considering the differential patterns and impacts of growth and loss can be a valuable exercise.

Considering loss patterns independently can assist in identifying potential areas of concern with respect to property valuations within a class, tax erosion stemming from appeals, or even economic pressures being felt within certain sectors, industries and/or geographic areas. Conversely, considering positive growth on its own can provide a better understanding of how new development, improvements and expansions are impacting the assessment base.

When these change patterns are broken out as seen in Table 2, it is possible to see trends and movement within the assessment base that may otherwise be obscured or skewed when only the net impact is being considered. For example, a trend of robust growth within a subset of a class may not be as evident if it is being offset by losses in another subset.

The results in these tables are not intended to provide a complete understanding of the assessment and economic dynamics of the municipality; however, considering growth in these ways can be an important first step to the identification of potentially important trends.

Table 2
2020 Assessment Growth and Loss Patterns

	2020 In-Year Current Value Assessment Growth					
Realty Tax Class	***Positive Growth***		***Negative Growth***		***Net Growth***	
Taxable						
Residential	2,662,200	0.59%	-1,248,800	-0.28%	1,413,400	0.31%
Managed Forest	0	0.00%	0	0.00%	0	0.00%
Multi-Residential	0	0.00%	-129,000	-0.25%	-129,000	-0.25%
Commercial	2,641,800	4.94%	-769,500	-1.44%	1,872,300	3.50%
Industrial	0	0.00%	-519,000	-16.85%	-519,000	-16.85%
Pipeline	3,000	0.07%	0	0.00%	3,000	0.07%
Sub-Total Taxable	**5,307,000**	**0.94%**	**-2,666,300**	**-0.47%**	**2,640,700**	**0.47%**
Payment in Lieu						
Residential	0	0.00%	-400,400	-56.74%	-400,400	-56.74%
Commercial	848,800	10.43%	0	0.00%	848,800	10.43%
Industrial	0	0.00%	0	0.00%	0	0.00%
Landfill	0	0.00%	0	0.00%	0	0.00%
Sub-Total PIL	**848,800**	**9.35%**	**-400,400**	**-4.41%**	**448,400**	**4.94%**
Total (Tax + PIL)	**6,155,800**	**1.08%**	**-3,066,700**	**-0.54%**	**3,089,100**	**0.54%**

Historic Growth Patterns

Tables 3 and 4 have been prepared to provide the reader with a measure of context within which to consider the current year's assessment growth. Table 3 provides a comparison between the full CVA growth realized during 2019, to the current year's final growth figures.

Table 4 compares the municipality's assessment base as it was at the beginning of the current assessment cycle, Roll Return for 2017. As with Table 4, this comparison looks at full, non phase adjusted CVA at both points in time and as such, none of the difference is attributable to phase-in change because all changes are based on full January 1, 2016 market values. Rather, the difference represents the net assessment base growth that has occurred over the intervening four years.

Table 3
Year-To-Year Assessment Growth Comparison

	Current Value Assessment Growth			
Realty Tax Class	***2019 In-Year***		***2020 In-Year***	
Taxable				
Residential	3,369,700	0.75%	1,413,400	0.31%
Managed Forest	0	0.00%	0	0.00%
Multi-Residential	-172,180	-0.34%	-129,000	-0.25%
Commercial	-496,220	-0.92%	1,872,300	3.50%
Industrial	-700	-0.02%	-519,000	-16.85%
Pipeline	6,000	0.14%	3,000	0.07%
Sub-Total Taxable	**2,706,600**	**0.48%**	**2,640,700**	**0.47%**
Payment in Lieu				
Residential	0	0.00%	-400,400	-56.74%
Commercial	322,400	4.13%	848,800	10.43%
Industrial	22,500	10.80%	0	0.00%
Landfill	-7,900	-58.96%	0	0.00%
Sub-Total PIL	**337,000**	**3.86%**	**448,400**	**4.94%**
Total (Tax + PIL)	**3,043,600**	**0.53%**	**3,089,100**	**0.54%**

Table 4
Cumulative Assessment Growth
Roll Return 2017 to Roll Return 2021

	Current Value Assessment (January 1, 2016 Valuation Date)			
Realty Tax Class	***Roll Return 2017***	***Roll Return 2021***	***Cumulative Growth***	
Taxable				
Residential	443,944,609	452,431,513	8,486,904	1.91%
Managed Forest	49,400	49,400	0	0.00%
Multi-Residential	57,583,400	50,856,120	-6,727,280	-11.68%
Commercial	58,609,500	55,338,736	-3,270,764	-5.58%
Industrial	2,718,200	2,560,840	-157,360	-5.79%
Pipeline	4,363,000	4,390,000	27,000	0.62%
Sub-Total Taxable	**567,268,109**	**565,626,609**	**-1,641,500**	**-0.29%**
Payment in Lieu				
Residential	761,900	305,300	-456,600	-59.93%
Commercial	8,657,700	8,984,800	327,100	3.78%
Industrial	157,000	230,800	73,800	47.01%
Landfill	19,400	5,500	-13,900	-71.65%
Sub-Total PIL	**9,596,000**	**9,526,400**	**-69,600**	**-0.73%**
Total (Tax + PIL)	**576,864,109**	**575,153,009**	**-1,711,100**	**-0.30%**

Revenue Growth

On an annualized basis, the net growth-related gain or loss in taxation is the difference between the total tax amount as determined against the returned roll and the total tax as determined against the roll as revised. Not all of this value will, however, have been realized in the form of additional revenue during the year. Some changes would not have been effective for the full tax year, while others may have been made for multiple years.

The net annualized revenue growth in municipal general levy dollars is summarized by class in Table 5. Table 5-B summarizes these results for the Urban Service Area.

Table 6 compares the municipality's current year revenue growth against the final growth figures calculated as of roll return for 2021.

Table 5
2020 Annualized Revenue Growth by Property Class
(City General Levy)

	2020 General Levy			
Realty Tax Class	***As Levied***	***Year-End***	***In-Year Growth***	
Taxable				
Residential	$8,029,042	$8,054,204	$25,162	0.31%
Managed Forest	$220	$220	$0	0.00%
Multi-Residential	$1,690,932	$1,686,653	-$4,279	-0.25%
Commercial	$1,410,006	$1,458,330	$48,324	3.43%
Industrial	$68,505	$59,430	-$9,075	-13.25%
Pipeline	$54,668	$54,706	$38	0.07%
Sub-Total Taxable	**$11,253,373**	**$11,313,543**	**$60,170**	**0.53%**
Payment in Lieu				
Residential	$12,563	$5,435	-$7,128	-56.74%
Commercial	$208,502	$231,335	$22,833	10.95%
Industrial	$5,284	$5,284	$0	0.00%
Landfill	$98	$98	$0	0.00%
Sub-Total PIL	**$226,447**	**$242,152**	**$15,705**	**6.94%**
Total (Tax + PIL)	**$11,479,820**	**$11,555,695**	**$75,875**	**0.66%**

Table 5-B
2020 Annualized Revenue Growth by Property Class
(Urban Service Area Levy)

	2020 USA Levy			
Realty Tax Class	***As Levied***	***Year-End***	***In-Year Growth***	
Taxable				
Residential	$623,907	$623,329	-$578	-0.09%
Multi-Residential	$155,898	$155,504	-$394	-0.25%
Commercial	$122,246	$126,697	$4,451	3.64%
Industrial	$5,342	$4,505	-$837	-15.67%
Pipeline	$5,040	$5,044	$4	0.08%
Sub-Total Taxable	**$912,433**	**$915,079**	**$2,646**	**0.29%**
Payment in Lieu				
Residential	$46	$46	$0	0.00%
Commercial	$10,618	$12,609	$1,991	18.75%
Industrial	$404	$404	$0	0.00%
Sub-Total PIL	**$11,068**	**$13,059**	**$1,991**	**17.99%**
Total (Tax + PIL)	**$923,501**	**$928,138**	**$4,637**	**0.50%**

Revenue Limit and Zero Per Cent Levy Change

For tax policy and tax levy purposes, the net annualized growth is a critical measure as it serves to inform the municipality’s “revenue limit” for the coming year. This revenue limit represents the tax dollars that can be raised for the current year under a zero percent levy change scenario.

Table 6
Year-To-Year Revenue Growth Comparison
(City General Levy)

Realty Tax Class	General Levy Growth 2019 In-Year		2020 In-Year	
Taxable				
Residential	$59,391	0.76%	$25,162	0.31%
Managed Forest	$0	0.00%	$0	0.00%
Multi-Residential	-$4,045	-0.27%	-$4,279	-0.25%
Commercial	-$7,290	-0.54%	$48,324	3.43%
Industrial	-$11	-0.02%	-$9,075	-13.25%
Pipeline	$72	0.14%	$38	0.07%
Sub-Total Taxable	**$48,117**	**0.45%**	**$60,170**	**0.53%**
Payment in Lieu				
Residential	$0	0.00%	-$7,128	-56.74%
Commercial	$9,216	4.97%	$22,833	10.95%
Industrial	$585	12.72%	$0	0.00%
Landfill	-$139	-58.90%	$0	0.00%
Sub-Total PIL	**$9,662**	**4.79%**	**$15,705**	**6.94%**
Total (Tax + PIL)	**$57,779**	**0.53%**	**$75,875**	**0.66%**

Table 7 breaks down the municipality's taxable revenue growth by zone and class and illustrates the total share each zone carries in respect of the total levy.

Table 7
2020 Municipal Revenue Growth by Zone and Class
(Total Taxable Municipal Levy – General + USA)

Zone / Class	2020 Municipal Levy		Growth	
	As Levied	*Year End*	*$*	*%*
Urban Zone				
Residential	$7,391,034	$7,384,190	-$6,844	-0.09%
Multi-Residential	$1,846,830	$1,842,157	-$4,673	-0.25%
Commercial	$1,448,171	$1,500,897	$52,726	3.64%
Industrial	$63,278	$53,366	-$9,912	-15.66%
Pipeline	$59,709	$59,749	$41	0.07%
Urban Sub-Total	**$10,809,021**	**$10,840,360**	**$31,338**	**0.29%**
Urban Share	***88.85%***	***88.65%***		
Rural Zone				
Residential	$1,261,915	$1,293,343	$31,428	2.49%
Managed Forest	$220	$220	$0	0.00%
Commercial	$84,080	$84,129	$49	0.06%
Industrial	$10,569	$10,569	$0	0.00%
Rural Sub-Total	**$1,356,785**	**$1,388,261**	**$31,476**	**2.32%**
Rural Share	***11.15%***	***11.35%***		
Total	**$12,165,806**	**$12,228,621**	**$62,815**	**0.52%**

PART TWO: 2021 BASE-LINE TAX LANDSCAPE

Establishing 2021 Starting Taxes with Precision and Accuracy

In order to measure the true tax impact associated with changes in market value (reassessment), tax policy adjustments and/or levy dollar change we must calculate and reference revenue neutral tax rates. Although these will not generally be required to measure the impact of reassessment change for 2021, they must still be calculated and re-calculated as necessary depending on the final tax policy approach to be taken.

Notional vs. Revenue Neutral Tax Rates

There is no statutory distinction between *Notional* and *Revenue Neutral* tax rates. In fact, Notional rates are by definition revenue neutral rates, it is the fact that we may need multiple sets of revenue neutral rates to measure different forces that makes the distinction useful in the realm of property tax.

Put simply, ***Notional Tax Rates*** are a set of tax rates that will raise the municipality's revenue limit (prior year levy + growth) from the current year's assessment roll with no change in tax policy, class structure or any other variable. These rates allow us to measure the precise and isolated impact of market value change within a municipality's tax base. The tax levy structure calculated using these rates will represent a municipality's starting position for any year. Changes in tax policy or levy amounts in the absence of any policy change can be accurately measured against the municipality's notional levy position.

Any alternate set of ***Revenue Neutral Tax Rates*** will allow us to accurately measure the implications of any tax policy changes that may be contemplated. Should any change be made to a municipality's tax policy scheme, the levy change for that year would be measured between the taxes raised by these restated revenue neutral rates and the final tax rates for the year.

Notional Levy and Distribution of Tax

By way of confirming the municipality's starting position for 2021, Table 8 sets out the municipality's 2021 Start Ratios and its Notional General and Urban Service Area Tax Rates and Notional Levies. Under most circumstances a municipality's 2021 Notional Tax Rates will in fact be their 2020 Actuals. The only exception to this will be in those instances where start ratios must be restated. This should be limited to circumstances where a municipality has one or more classes subject to levy restriction.

Table 8
Starting Ratios, Notional Tax Rates and Levy
(General and Urban Service Area Levies)

Realty Tax Class	Start Ratios	General Levy *Rate*	General Levy *Levy*	Urban Service Area *Rate*	Urban Service Area *Levy*
Taxable					
Residential	1.000000	0.01780204	$8,054,204	0.00164129	$623,329
Managed Forest	0.250000	0.00445051	$220	0.00041032	$0
Multi-Residential	1.863000	0.03316520	$1,686,653	0.00305772	$155,504
Commercial	1.511100	0.02690066	$1,458,330	0.00248015	$126,697
Industrial	1.511100	0.02690066	$59,431	0.00248015	$4,505
Pipeline	0.700000	0.01246143	$54,706	0.00114890	$5,044
Sub-Total Taxable			**$11,313,544**		**$915,079**
Payment in Lieu					
Residential	1.000000	0.01780204	$5,435	0.00164129	$46
Commercial	1.511100	0.02690066	$231,335	0.00248015	$12,609
Industrial	1.511100	0.02690066	$5,284	0.00248015	$404
Landfill	1.000000	0.01780204	$98	0.00164129	$0
Sub-Total PIL			**$242,152**		**$13,059**
Total (Tax + PIL)			**$11,555,696**		**$928,138**

Business, Non-Business and Public Sector Revenue

Although some groups or categories of taxpayers are not specifically defined by the Municipal or Assessment Acts, it is possible to make distinctions between various types of taxpayers to support informative, interesting, and useful analysis.

For many, the distinction between revenue that comes from non-business, business and public sector property owners is of significant interest. Figures 1 and 2 have been prepared to show how the relative burden of assessment and CVA tax is shared amongst various groups. For the purposes of this report, these categories incorporate the following assessment elements:

Residential	Taxable Residential
Farm and Forest	Taxable Farm and Managed Forest
Multi-Residential	Taxable Multi-Residential
Business	Taxable Commercial, Industrial, and Pipeline Classes
PIL	Properties from any class, which are subject to a Payment in Lieu, or Payment on Account of taxes

Figure 1:
2021 Full CVA

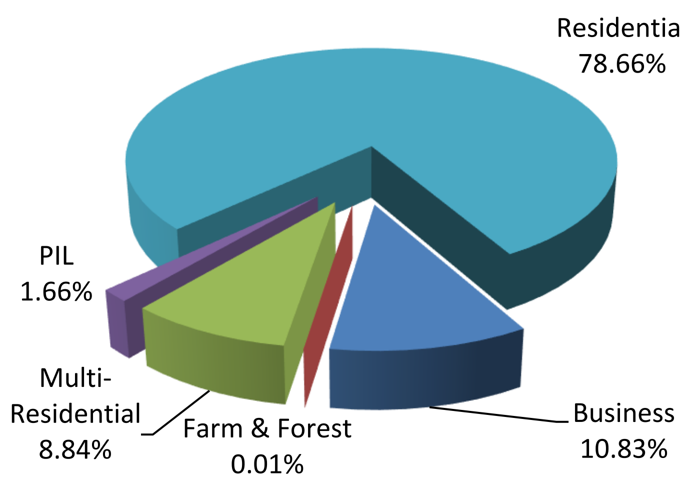
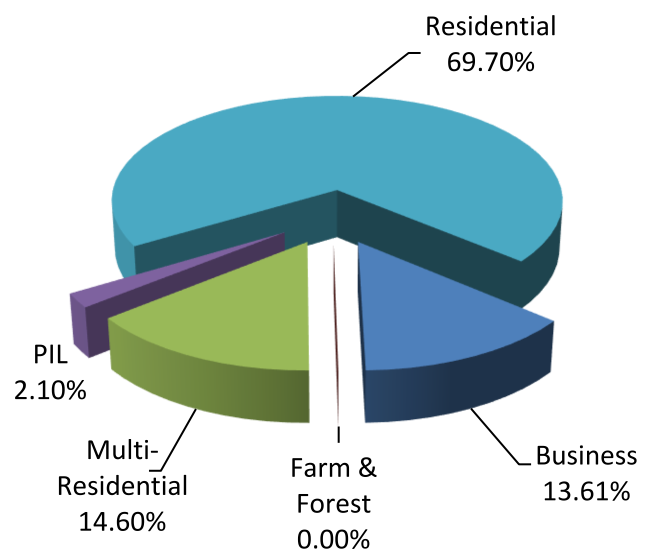


Figure 2:
2021 General Levy



Typical Properties

It is also important to consider taxes at the property level. While the taxes carried by each ratepayer can vary widely within a class, or sub-set of properties, considering the taxes for a typical or average property can be very helpful in placing the broader trends in an understandable perspective.

To this end, we have prepared Table 9 to illustrate the potential impact on various "typical" taxable properties within the jurisdiction, including:

- Single Detached Residential;
- Townhouse/Semi-Detached;
- Condominium;
- Waterfront Residential (located in rural zone only);
- All Residential;
- Occupied Multi-Residential;
- Commercial Occupied (CT/XT); and
- Industrial Occupied (IT/JT).

Table 9
Average CVA and Tax for Typical Properties

	2021 Average		General		Urban Service		Education	
Category	***CVA***	***Tax***	***$***	***Share***	***$***	***Share***	***$***	***Share***
Urban Residential								
Single-Detached	103,897	$2,180	$1,850	85%	$171	8%	$159	7%
Townhouse/Semi	69,350	$1,455	$1,235	85%	$114	8%	$106	7%
Condominium	51,038	$1,071	$909	85%	$84	8%	$78	7%
Waterfront Residential	239,205	$4,624	$4,258	92%	$0	0%	$366	8%
All Residential	101,034	$2,093	$1,799	86%	$139	7%	$155	7%
Business – City Wide		$63,948	$56,177	88%	$5,179	8%	$2,592	4%
Multi-Residential	1,693,841	$10,347	$7,306	71%	$651	6%	$2,390	23%
Commercial Occupied	271,581	$6,599	$4,652	71%	$425	6%	$1,522	23%
Industrial Occupied	172,922	$2,180	$1,850	85%	$171	8%	$159	7%

PART THREE: OTHER REVENUE AND LEVIES

Provincial Education Taxes

While municipalities levy and collect the education portion of the property tax bill, they have no authority over the tax rates employed for this purpose. Since 1998, education tax rates have been regulated by the Minister of Finance on an annual basis. Uniform education tax rates have been prescribed for properties in residential, multi-residential, farm and managed forest property classes, which apply across the entire province. Traditionally, annual adjustments to the uniform residential education rate have been made to maintain approximate revenue neutrality on a Province-wide basis; it will inevitably impact overall tax levels within each municipal jurisdiction, depending on how values in each area have behaved relative to Province-wide phase-in change averages.

In the absence of any reassessment or phase-in change for 2021, uniform education tax rates have been held constant at 2020 levels.

- Residential, Multi-Residential, New Multi-Residential = 0.00153000
- Farm and Managed Forest = 0.00038250

Business Education Taxes (BET)

The Province also prescribes business education (BET) rates; however, these are set at a unique level for each upper and single-tier jurisdiction. From 1998 through 2007, the Province maintained approximate revenue neutrality at the single and upper-tier municipal level when setting education tax rates for the business classes. This meant municipal specific adjustments in reassessment years and rate freezes for non-reassessment years.

Certain business properties also receive special tax treatment for education purposes if they are eligible for inclusion in one of the “new construction” classes (commercial residual, shopping centre, office building, industrial residual and large industrial.) These five new construction property classes are based on the same criteria as their traditional counterpart classes and are subject to differential treatment for education tax purposes only.

In 2008, the Province began a migration towards uniform commercial and industrial education tax rates. The original plan was to flow-through actual tax cuts each year with moving to a uniform rate almost secondary. There was a one-time bump of all Northern jurisdictions down to the Target or New Construction Rate in 2010. Following this, actual material tax cuts were paused in 2011 as part of a broader priority swing towards balancing the Provincial budget.

Since 2011 both the target (low) and ceiling rates have been reset annually to approximate revenue neutrality in response to annual phase-in change. During this time, many municipalities have fully migrated to the low-end target rate for one or more classes, others have followed the ceiling rate down and others have had specific rates prescribed in between those.

2021 Business Education Tax (BET) Cuts

As part of the Province's 2020 Budget, they have proposed reducing the Business Education Tax (BET) Rates province-wide to a uniform level of 0.88%. This will mean rate reductions over 2020 of approximately 30% for any rate that was at the previous maximum, and just over 10% for new construction rates and those set to the previous target level of 0.98%.

The implication for the overwhelming majority of business class properties is that they could see tax reductions on the Education portion of their bill of between 10% and 30%. That would be a reduction of $1,000 for each 1 Million dollars of CVA if the municipality's BET rate were 0.98% for 2020. Where BET rates were at 1.25% the reduction would be $3,700 for every 1 Million of CVA.

For any municipality with a BET rate that was regulated below 0.88% for 2020, those lower rates will continue to apply. This is most commonly found in jurisdictions that employ the optional vacant land / parking lot property class.

Table 10 contains a summary of the municipality's official 2021 tax rates in comparison to the actual 2020 rates as regulated. Table 11 documents the 2021 Education levy using the regulated rates against the 2020-year end levy.

The 2021 rates are based solely on information gleaned from Ministry of Finance publications and informal/unofficial input from Ministry Staff.

Table 10
2020 vs. 2021 Provincial Education Rates
(Taxable Only)

	Education Rates		%
Realty Tax Class	***2020***	***2021*** [1]	**Change**
Residential	0.00153000	0.00153000	0.00%
Farm/Managed Forest	0.00038250	0.00038250	0.00%
Multi-Residential	0.00153000	0.00153000	0.00%
Commercial	0.00980000	0.00880000	-10.20%
Industrial	0.00980000	0.00880000	-10.20%
Pipeline	0.00819560	0.00819560	0.00%

[1] 2021 Rate information shown here should be considered an unofficial summary. Ontario Regulation 400/98 as most recently revised should be referenced in support of actual tax billing.

Table 11
2020 vs. 2021 Education Levy

Realty Tax Class	Education Levy *2020 as Revised*	*2021 Levy*	Difference *$*	*%*
Taxable				
Residential	$692,220	$692,220	$0	0.00%
Managed Forest	$19	$19	$0	0.00%
Multi-Residential	$77,810	$77,810	$0	0.00%
Commercial	$542,320	$486,981	-$55,339	-10.20%
Industrial	$25,096	$22,535	-$2,561	-10.20%
Pipeline	$35,979	$35,979	$0	0.00%
Sub-Total Taxable	**$1,373,444**	**$1,315,544**	**-$57,900**	**-4.22%**
Payment in Lieu				
Residential	$372	$372	$0	0.00%
Commercial	$68,636	$67,577	-$1,059	-1.54%
Industrial	$2,262	$2,211	-$51	-2.25%
Landfill	$54	$54	$0	0.00%
Sub-Total PIL	**$71,324**	**$70,214**	**-$1,110**	**-1.56%**
Total (Tax + PIL)	**$1,444,768**	**$1,385,758**	**-$59,010**	**-4.08%**

Important Note: The Education Payment In lieu of Tax amounts summarized in this table have been calculated using different rates depending on whether the amount is to be shared with School Boards or retained by the local municipality. This is discussed in greater detail later in this section.

Retained Education Levies for Certain Payment in Lieu Properties

Federal and Provincially owned and occupied properties are exempt from both municipal and Provincial (education) property taxes. Both levels of government do, however, maintain programs whereby payments are made to local governments in lieu of the taxes that would otherwise be applicable to property that they own and occupy.

PIL payments are made and administered under a variety of Federal and Provincial statutes and regulations, including the federal *Payment in Lieu of Taxes Act,* and Ontario's *Municipal Tax Assistance Act, Municipal Act, 2001, Assessment Act,* and various supporting regulations. This collection of statutes and regulations prescribe not only the circumstances and amounts of PILs that are made, but also the manner in which the payments are shared and distributed.

Of particular interest regarding the sharing of revenues raised against PIL properties is the fact that in certain circumstances the local municipality retains the education portion of the levy as local revenue. This is provided for under sections 2 and 3 of *Ontario Regulation 392/98, which* state that in the case of payments made under a number of specific authorities, the "education" portion is ultimately retained by the local municipality. The eligible payments captured by these rules, are those made in accordance with:

- Subsection 27 (3) of the *Assessment Act*;
- The *Municipal Grants Act (Canada),* which may be referenced as the *Payment in Lieu of Taxes Act*; and
- Subsections 84(2), (3) or (5) of the *Electricity Act*.

For some local municipalities, particularly smaller single-tiers, these retained payments are simply an exercise of paying themselves in respect of municipally owned properties. For others that have significant concentrations of Federally owned properties and/or are receiving prescribed payments from an upper-tier or neighbouring municipality, these can represent significant and material components of their revenue stream.

2021 Business Education Tax (BET) Cuts and Retained Education Payments

The Province's decision to reduce BET rates for 2021 came with implications for municipalities that rely on retained education amounts as part of their annual revenue stream. Reduced rates would represent reductions of $10,000 for each 10 Million dollars of CVA if the municipality's BET rate is 0.98% for 2020. Where BET rates are at 1.25% the revenue reduction would be $37,000 for every 10 Million of CVA.

In response to this, and the associated municipal concerns, the Province informed municipalities on November 17th, 2020 that it would be maintaining status quo education rates for the purposes of calculating PIL's for properties where the local municipality was entitled to retain the education portion.

The Province regulated these special *Retained PIL Education Rates* on February 2nd, 2021 and they can be found in Tables 5 through 7 of Ontario Regulation 400/98 as most recently revised.

Potential Risks Related to Setting/Relying on Special PIL Rates

Although paragraph 257.12(1)(c) of the *Education Act* provides the Minister of Finance with the Regulatory authority to prescribe rates for the purposes of calculating payments in lieu of taxes, the statutory provisions under which those payments are made all rely on the tax rates applicable to taxable properties. That is, while the *Education Act* states that rates applicable for PIL's can be separately identified, the Acts which actually flow the payments dictate that those rates match the rates for taxable properties.

None of these payment provisions rely on specific tax rates due to the fact that they are not subject to taxation. It is prescribed by legislation that all these amounts must be calculated using the same rates as those that apply to taxable properties. This is very deliberate and an integral element of each piece of legislation. Quite simply, these statutes are crafted specifically to prevent and preclude special rates being used for the calculation of payments. That is, not only do these statutes not contemplate a special, dedicated PIL rate, they have been worded to ensure there is protection against any such rate being used.[2]

Budgeting for Potential Risks

As of the date this report was published, it remained unclear as to how the Federal Government, its agencies, and other bodies required to make retained education payments might proceed in 2021. As such, MTE recommends that the municipality consider budgeting for the lower retained education amounts based on taxable rates rather than the full amounts calculated using the specially regulated *Retained PIL Education Rates*.

Table 12 provides a summary of retained education payment amounts that would be raised using the special regulated rates and the lower alternate amounts calculated using 2021 taxable education rates.

Table 12
2021 Retained Education Payments

RTC / RTQ	2021 Special Retained PIL Rates	2021 Taxable Education Rates	Difference	
			$	*%*
CF	$51,240	$46,012	-$5,228	-10.20%
CJ	$216	$194	-$22	-10.19%
GF	$6,801	$6,107	-$694	-10.20%
IH	$1,299	$1,167	-$132	-10.16%
IK	$460	$413	-$47	-10.22%
HF	$54	$48	-$6	-11.11%
Total	**$60,070**	**$53,941**	**-$6,129**	**-10.20%**

[2] MTE has prepared a more in-depth discussion of this matter under separate cover. That report is available to all MTE client jurisdictions upon request. Requests should be made via email to peterf@mte.ca .

PART FOUR: MUNICIPAL TAX POLICY SENSITIVITY ANALYSIS

For 2021, the *Municipal Act* continues to provide upper and single-tier municipalities with a range of tax policy tools that may be used to alter the distribution of the tax burden both within and between tax classes. The following tools may be used to change or achieve local tax policy objectives, target the benefits of growth, or redistribute the impacts of assessment change. [3]

1. Tax ratios may be adjusted to affect the level of taxation on different tax classes;
2. Optional business property classes may be employed or collapsed to alter taxation within broad commercial or industrial tax classes;
3. Sub-class discounts for vacant and excess land may be adjusted;
4. Graduated taxation schemes for the business classes can be used to impose higher rates of taxation on properties with higher current value assessment in order to provide tax relief on properties with lower assessed values.

A comprehensive examination of tax ratios and a relevant sensitivity analysis should be undertaken each year. Specific examination of the use of optional tax classes and graduated taxation are generally only required if these options are being actively considered. After considering the contents of this report Council may wish to further explore the utility and application of these alternate apportionment and mitigation strategies.

Moving Tax Ratios

Both Upper-Tier and Single-tier municipalities are required to establish tax ratios for the multi-residential, commercial, industrial, landfill and pipeline classes prior to finalizing tax rates for the current year's tax cycle. Established ratios will ultimately govern the relationship between the rate of taxation for each affected class and the tax rate for the residential property class.

The tax ratio for the residential class is legislated at 1.0, while the farm and managed forest classes have a prescribed tax ratio of 0.25. Municipalities do have the flexibility to set a tax ratio for the farm class that is below 0.25, however, this reduction would only apply to the municipal portion of the property tax bill.

In setting tax ratios for all other property classes, municipalities must do so within the guidelines prescribed by the Province. Council may choose to adopt: (1) either the current tax ratio for any class (2020 adopted or 2021 starting ratio where levy restriction and/or optional classes applied in 2020), (2) establish a new tax ratio for the year that is closer to or within the Range of Fairness, as shown in Table 13; or (3) utilize restated revenue neutral transition ratios to mitigate reassessment related tax shifts between classes in accordance with the regulated calculations.

Where a municipality elects to use optional tax classes, tax ratio limits are constrained based on the relationship of the municipality's broad class ratios (the weighted average of commercial, shopping centre, office, and parking lot is equivalent to the broad commercial class, and industrial and large industrial are deemed to be the broad industrial class).

[3] The by-law deadlines for many tax policy decisions is December 31st of the subject taxation year.

Table 13
Tax Ratio Summary

Realty Tax Class	Municipal Tax Ratios		Ranges of Fairness		Threshold Ratios	
	2020	*2021 Start*	*Lower Limit*	*Upper Limit*	*Threshold*	*Subject to Levy Restriction*
Residential	1.000000	1.000000	1.00	1.00	-	N/A
Managed Forest	0.250000	0.250000	0.00	0.25	-	N/A
Multi-Residential	1.863000	1.863000	1.00	1.10	2.00	No
Commercial	1.511100	1.511100	0.60	1.10	1.98	No
Industrial	1.511100	1.511100	0.60	1.10	2.63	No
Landfill	1.000000	1.000000	1.00	1.10	25.00	No
Pipeline	0.700000	0.700000	0.60	0.70	-	N/A

Subclass Discounts

There are a number of different subclasses that apply to different property types depending on use, zoning, nature of improvements and nature of enterprise. These include:

- Commercial and Industrial ***Vacant Land***, which applies to properties that are included in one of these classes as a result of zoning or planning details, but which have no assessable improvement (buildings).
- Commercial and Industrial ***Excess Land*** subclasses capture portions of improved property that are in excess of the amount of land required to support the improved portions of the land under municipal planning rules.
- Properties coded as ***Farmland Awaiting Development (FAD)*** are properties being actively farmed, but for which a plan of subdivision has been registered ***(FAD1)*** or building permits have been issued ***(FAD2)***. Properties will fall into one of the residential, multi-residential, commercial, or industrial subclasses, depending on the future intended use of the land.
- **Small Scale-On Farm Business** (SSOFB) serve to apply to the first 50,000 of CVA for eligible commercial and industrial improvements on farm properties. Eligible improvements must be primarily used to process, manufacture, sell or market something produced by or derived from the farming on the land.

Table 14 displays the range of flexibility of these discount factors, as well as their status quo value expressed as a percent of the full class rate.

Table 14
Subclass Discount Factors
(Expressed as % of Full Class Rate)

Tax Classes and Subclass	Status Quo Discount Factors	Range of Flexibility	
		Lower Limit	*Upper Limit*
Residential			
FAD First Subclass	0.35	0.25	0.75
FAD Second Subclass	0.75	0.75	1.00
Multi-Residential			
FAD Second Subclass	0.75	0.75	1.00
Commercial			
Vacant Land	0.70	0.65	1.00
Excess Land	0.70	0.65	1.00
Small Scale OFB	0.25	0.25	1.00
FAD Second Subclass	0.75	0.75	1.00
Industrial			
Vacant Land	0.65	0.65	1.00
Excess Land	0.65	0.65	1.00
Small Scale OFB	0.25	0.25	1.00
FAD Second Subclass	0.75	0.75	1.00

Adjusting Subclass Discounts

The following rules and limitations apply to the setting, application, and movement of subclass discounts:

- FAD 1 rates for all classes (Residential, Multi-Residential, Commercial, and Industrial) are all uniform and represent a discounted residential rate;
- The FAD 1 discount may not be moved more than 10 points in any year (e.g., 0.25 to 0.35); and
- If adopted, the discount factor for Small Scale On-Farm Business subclass is fixed at 0.25.

Tax Sensitivity Analysis

To assist staff and Council in evaluating the potential impact of the City's 2021 levy target MTE has modelled the effect of implementing a tax supported total levy of $12,681,804 with $150,000 being raised by the Central Commercial SAR, and the remaining $12,531,804 being raised through the General and Urban Service Area levies. The status quo share of 7.5% or $939,886 is attributed to the Urban Service Area.

Sensitivity Model Outcomes

Table 15 illustrates the General 2021 start ratios and notional rates in comparison to the model rates. Table 15-B shows the same results for the Urban Service Area.

Table 15
Tax Rate Sensitivity
(City General Levy)

Realty Tax Class	Start Ratio	Notional	Model	Levy Change
Residential	1.000000	0.01780204	0.01824007	2.46%
Managed Forest	0.250000	0.00445051	0.00456002	2.46%
Multi-Residential	1.863000	0.03316520	0.03398125	2.46%
Commercial	1.511100	0.02690066	0.02756257	2.46%
Industrial	1.511100	0.02690066	0.02756257	2.46%
Landfill	1.000000	0.01780204	0.01824007	2.46%
Pipeline	0.700000	0.01246143	0.01276805	2.46%

Table 15-B
Tax Rate Sensitivity
(Urban Service Area)

Realty Tax Class	Start Ratio	Notional	Model	Levy Change
Residential	1.000000	0.00164129	0.00168578	2.71%
Multi-Residential	1.863000	0.00305772	0.00314061	2.71%
Commercial	1.511100	0.00248015	0.00254738	2.71%
Industrial	1.511100	0.00248015	0.00254738	2.71%
Pipeline	0.700000	0.00114890	0.00118005	2.71%

Table 16 documents the levy change for the City general levy while Table 16-B shows these same results for the Urban Service Area levy. Table 17 shows the total Municipal (General + USA) levy.

Table 16
2021 General Levy Change

Realty Tax Class	General Levy		Levy Change	
	Notional	*Model*	*$*	*%*
Taxable				
Residential	$8,054,204	$8,252,387	$198,183	2.46%
Managed Forest	$220	$225	$5	2.27%
Multi-Residential	$1,686,653	$1,728,155	$41,502	2.46%
Commercial	$1,458,330	$1,494,213	$35,883	2.46%
Industrial	$59,430	$60,893	$1,463	2.46%
Pipeline	$54,706	$56,052	$1,346	2.46%
Sub-Total Taxable	**$11,313,543**	**$11,591,925**	**$278,382**	**2.46%**
Payment in Lieu				
Residential	$5,435	$5,569	$134	2.47%
Commercial	$231,334	$237,026	$5,692	2.46%
Industrial	$5,284	$5,414	$130	2.46%
Landfill	$98	$100	$2	2.04%
Sub-Total PIL	**$242,151**	**$248,109**	**$5,958**	**2.46%**
Total (Taxable + PIL)	**$11,555,694**	**$11,840,034**	**$284,340**	**2.46%**

Table 16-B
2021 Urban Service Area Levy Change

Realty Tax Class	Urban Service Area		Levy Change	
	Notional	*Model*	*$*	*%*
Taxable				
Residential	$623,329	$640,226	$16,897	2.71%
Multi-Residential	$155,504	$159,719	$4,215	2.71%
Commercial	$126,697	$130,131	$3,434	2.71%
Industrial	$4,505	$4,627	$122	2.71%
Pipeline	$5,044	$5,180	$136	2.70%
Sub-Total Taxable	**$915,079**	**$939,883**	**$24,804**	**2.71%**
Payment in Lieu				
Residential	$46	$48	$2	4.35%
Commercial	$12,609	$12,951	$342	2.71%
Industrial	$404	$415	$11	2.72%
Sub-Total PIL	**$13,059**	**$13,414**	**$355**	**2.72%**
Total (Taxable + PIL)	**$928,138**	**$953,297**	**$25,159**	**2.71%**

Table 17
Municipal (General + USA) Levy Change

Realty Tax Class	General + USA		Levy Change	
	Notional	*Model*	*$*	*%*
Taxable				
Residential	$8,677,533	$8,892,613	$215,080	2.48%
Managed Forest	$220	$225	$5	2.27%
Multi-Residential	$1,842,157	$1,887,874	$45,717	2.48%
Commercial	$1,585,027	$1,624,344	$39,317	2.48%
Industrial	$63,935	$65,520	$1,585	2.48%
Pipeline	$59,750	$61,232	$1,482	2.48%
Sub-Total Taxable	**$12,228,622**	**$12,531,808**	**$303,186**	**2.48%**
Payment in Lieu				
Residential	$5,481	$5,617	$136	2.48%
Commercial	$243,943	$249,977	$6,034	2.47%
Industrial	$5,688	$5,829	$141	2.48%
Landfill	$98	$100	$2	2.04%
Sub-Total PIL	**$255,112**	**$261,423**	**$6,311**	**2.47%**
Total (Taxable + PIL)	**$12,483,734**	**$12,793,231**	**$309,497**	**2.48%**

Urban Rural Split

As the name suggests, the City's Urban Service Area Levy only applies to a limited geographic area, which we refer to as the "Urban Zone". All properties that do not fall into the Urban Zone and are not subject to the USA levy are considered to be in the Rural Zone.

Because urban taxpayers carry only a portion of the general levy, but all of the USA levy, considering the proportional share if each levy does not tell us what the actual impacts or implications of the USA levy are.

In order to provide Staff and Council with a better understanding as to the outcome this special levy achieves, MTE has developed a number of special tables. Tables 18 though 21 have been included to show how taxpayers in the Urban and Rural Zones share in the overall tax levy, and the 2021 tax levy increase.

Table 18 illustrates the share of the Total Municipal Levy between the urban and rural zones based on the 2021 starting notional levies. The reader will note that the total levy split as of roll return 2021 is slightly off from the 92.50/7.50% originally levied for 2020. This is due to marginal proportion shifts resulting from 2020 growth patterns.

Table 18
2021 Notional Levy by Zone and Class
(Revenue Neutral Taxable Levy Only)

Zone / Class	2021 Notional		
	General	USA	Total
Urban Zone			
Residential	$6,760,861	$623,329	$7,384,190
Multi-Residential	$1,686,653	$155,504	$1,842,157
Commercial	$1,374,201	$126,697	$1,500,897
Industrial	$48,861	$4,505	$53,366
Pipeline	$54,706	$5,044	$59,749
Urban Sub-Total	**$9,925,282**	**$915,078**	**$10,840,360**
Urban Share	***87.73%***	***100.00%***	***88.65%***
Rural Zone			
Residential	$1,293,343	$0	$1,293,343
Managed Forest	$220	$0	$220
Commercial	$84,129	$0	$84,129
Industrial	$10,569	$0	$10,569
Rural Sub-Total	**$1,388,261**	**$0**	**$1,388,261**
Rural Share	***12.27%***	***0.00%***	***11.35%***
Total	**$11,313,543**	**$915,078**	**$12,228,621**
Levy Split	***92.52%***	***7.48%***	***100.00%***

Share of Municipal Tax Carried by **Urban Zone Taxpayers**

Share of Municipal Tax Carried by **Rural Zone Taxpayers**

Share of Municipal Tax Raised by **General Levy**

Share of Municipal Tax Raised by **USA Levy**

Table 19 documents the distribution of the City's 2021 levy requirement by levy, class and geographic zone when status quo policies are applied.

Table 19
2021 Levy Model by Zone and Class

Zone / Class	2021 Levy Model		
	General	**USA**	**Total**
Urban Zone			
Residential	$6,927,220	$640,226	$7,567,446
Multi-Residential	$1,728,155	$159,719	$1,887,874
Commercial	$1,408,014	$130,131	$1,538,145
Industrial	$50,064	$4,627	$54,691
Pipeline	$56,052	$5,180	$61,232
Urban Sub-Total	**$10,169,504**	**$939,884**	**$11,109,387**
Urban Share	***87.73%***	***100.00%***	***88.65%***
Rural Zone			
Residential	$1,325,167	$0	$1,325,167
Managed Forest	$225	$0	$225
Commercial	$86,199	$0	$86,199
Industrial	$10,829	$0	$10,829
Rural Sub-Total	**$1,422,420**	**$0**	**$1,422,420**
Rural Share	***12.27%***	***0.00%***	***11.35%***
Total	**$11,591,924**	**$939,884**	**$12,531,807**
Levy Split	***92.50%***	***7.50%***	***100.00%***

Share of Municipal Tax Carried by **Urban Zone Taxpayers**

Share of Municipal Tax Carried by **Rural Zone Taxpayers**

Share of Municipal Tax Raised by **General Levy**

Share of Municipal Tax Raised by **USA Levy**

Table 20
Impact of Urban Service Area Levy on Urban / Rural Tax Distribution

Zone / Class	2021 Total Municipal Levy			
	Single Levy (No USA)	General + USA	Difference	
Urban Zone				
Residential	$7,488,881	$7,567,446	$78,566	1.05%
Multi-Residential	$1,868,275	$1,887,874	$19,599	1.05%
Commercial	$1,522,177	$1,538,145	$15,968	1.05%
Industrial	$54,123	$54,691	$568	1.05%
Pipeline	$60,596	$61,232	$636	1.05%
Urban Sub-Total	**$10,994,052**	**$11,109,387**	**$115,336**	**1.05%**
Urban Share	***87.73%***	***88.65%***		***1.05%***
Rural Zone				
Residential	$1,432,612	$1,325,167	-$107,446	-7.50%
Managed Forest	$244	$225	-$18	-7.50%
Commercial	$93,188	$86,199	-$6,989	-7.50%
Industrial	$11,707	$10,829	-$878	-7.50%
Rural Sub-Total	**$1,537,751**	**$1,422,420**	**-$115,331**	**-7.50%**
Rural Share	***12.27%***	***11.35%***		***-7.50%***
Total	**$12,531,803**	**$12,531,807**	**$5**	**0.00%**

What table 20 shows is that while 7.5% of the overall levy is raised by the USA from urban taxpayers only, the net impact of the levy is not a 7.5% increase on those taxpayers. The actual net shift in municipal taxes achieved by the USA is approximately $115,000. Put another way, if we were to remove the USA, the urban taxpayers would still carry approximately 87.75% of the $940,000 that levy will raise in 2021.

Central Commercial Area

Table 21 provides the assessment, tax rates, and levy amounts for the Central Commercial Area while Table 22 details the roll ranges.

Table 21
Central Commercial Area – Special Municipal Levy Summary

Realty Tax Class	2021 CVA	Tax Rates	Levy
Taxable			
Residential	2,403,500	0.00677350	$16,280
Commercial	13,094,500	0.01023544	$133,720
Sub-Total Taxable	**15,498,000**		**$150,000**
Payment In Lieu			
Commercial	1,421,000	0.01023544	$14,545
Sub-Total PIL	**1,421,000**		**$14,545**
Total (Tax + PIL)	**16,919,000**		**$164,545**

Table 22
Central Commercial Area - Special Area Roll Range

From	To
57-41-000-005-001-00	57-41-000-005-004-00
57-41-000-005-006-00	57-41-000-005-009-00
57-41-000-005-009-03	57-41-000-005-009-04
57-41-000-005-010-00	57-41-000-005-014-01
57-41-000-005-016-00	57-41-000-005-018-00
57-41-000-005-019-00	57-41-000-005-019-00
57-41-000-005-020-00	57-41-000-005-038-00
57-41-000-005-048-00	57-41-000-005-048-00
57-41-000-005-049-00	57-41-000-005-057-00
57-41-000-005-059-00	57-41-000-005-060-00
57-41-000-005-061-00	57-41-000-005-063-00
57-41-000-005-065-00	57-41-000-005-065-00
57-41-000-005-068-00	57-41-000-005-068-00
57-41-000-005-073-00	57-41-000-005-096-00
57-41-000-005-106-03	57-41-000-005-106-03

PART FIVE: GENERAL SUMMARY AND NEXT STEPS

Purpose and Scope

The following notes, commentary and suggestions represent a compilation of the observations and thoughts that arose throughout the preparation and review of this report. This qualitative content does not represent a comprehensive commentary on any issue, and it is not intended to be provided as policy advice. No financial, taxation or municipal policy decisions should be made on the basis of these comments; they are intended only as general observations, which may or may not be of interest to the reader.

Assessment and Revenue Growth

The City's assessment and revenue growth increased in 2020 with the municipal general levy revenue growth at 0.66% compared to last year's growth of 0.53%.

This is in part driven by efforts to update/correct the assessment roll throughout the year. This may also be impacted by the new ARB rules and scheduling protocols, which are putting appeal matters off further into the assessment cycle than in the past. The municipality is advised to monitor assessment and taxes at risk closely.

Potential for Provincial Tax Policy Changes

The Provincial Budget released in November 2020 contained more dramatic updates to the property tax regime than has been seen in many years. Among these updates are nuances that will be left to municipalities to consider for implementation (or not). The most salient updates made are described below.

- The introduction of the small business property class
- Optional assessment tools for development areas
- Business Education Tax (BET) cuts (as outlined Part Three of this study)
- Local autonomy over vacancy rebates and subclass discounts

As of the publication of this study, only the Provincial budget and 2021 Education Rates have been announced/regulated. This could mean that further changes related to municipal finance matters are not being contemplated for 2021. However, in the absence of any information we must be prepared for any matter of change or adjustment. Should any changes be announced, the contents of this study will provide a solid baseline against which local impacts can be measured.

Decision makers should also be well informed of the potential for Provincial tax policy changes. Additional care should be taken in announcing any tax outcomes for the coming year.

Recommended Next Steps

1. It is recommended that specific tax policy options be modelled and considered with care before any annual decisions are made. For 2021 we also recommend that no final decisions be put before Council prior to receiving word from the Province with regards to their 2021 tax policy intentions.
2. Staff will want to keep a keen eye on any Provincial policy changes or suggestions in respect of multi-residential treatment or tax policy rules in general for 2021. MTE will keep the City informed as we become aware of any information in this regard.
3. Where specific tax policy challenges or pressures are anticipated, early attention should be devoted in order to effectively address and understand any potential challenges, opportunities and/or tax implications.
4. Staff are also encouraged to take steps necessary to ensure that both Council and the public are well informed regarding base line tax impacts and any implications related to potential policy change. MTE would be pleased to provide any level or type of support that may be deemed appropriate and/or necessary in this regard.