City of / Ville d' Elliot Lake

# STAFF REPORT

## REPORT FROM THE DIRECTOR OF FINANCE & TREASURER

Re: 2023 Property Tax Policy, Rates and Levy

## RECOMMENDATION

That the report of the Director of Finance & Treasurer re: 2023 Property Tax Policy, Rates and Levy; be received;

And that the proportional split between the General Municipal and Urban Service Area (USA) levies be maintained at the same level as 2022 (92.50% General, 7.50% USA)

And that the tax ratio for the multi-residential class be reduced as detailed in the analysis, with all other tax ratios and policy parameters being set consistent with 2022 taxation.

And that the recommended levy structure, tax ratios and required tax collection provisions be included in the appropriate By-law to levy and collect property taxes for the 2023 taxation year.

## BACKGROUND

This report provides the final levying and collection of the 2023 property tax requirements for the City of Elliot Lake, ensuring compliance with statutory tax policies pursuant to the Municipal Act Part , 2001 (Municipal Act) by setting tax rates, ratios and other mandatory parameters for the current taxation year.

The Municipal Act requires single-tier municipalities to establish own-purpose property tax estimates and tax rates to raise those estimates each year. The tax rates set to raise these amounts must be established in accordance with compliant tax ratios and subclass reductions, which will govern the distribution of the burden among the different property tax classes.

The balance of taxation in the City of Elliot Lake is also impacted by the use of the City's Urban Service Area (USA) levy, which alters the amount of municipal tax generally raised for a dollar of Current Value Assessment (CVA) in the City's urban and rural zones.

The Municipality must also define its levying and collection protocols for the year including installment due dates and penalties and interest that will be imposed for late or non-payment of taxes. All of these must be set annually via By-Law.

The City’s "2023 Tax Policy Development Study" (Appendix 1) was prepared by Municipal Tax Equity Consultants Inc. (MTE) to assist Council and staff in understanding the local assessment and taxation landscape and to provide a background context for considering these decisions within a locally sensitive context.

### CURRENT VALUE ASSESSMENT AND ASSESSMENT CYCLES

The Municipal Property Assessment Corporation (MPAC) is responsible for returning and adjusting the property assessment rolls against which property taxes are levied in Ontario. Each property is classified in accordance with its use, nature and/or zoning and is assigned an current assessment value (CVA) based on a specific valuation date. Between 2009 and 2020, property values were updated every four years. The latest reassessment valued properties based on the estimated market value of as of January 1, 2016.

2021 was scheduled to be the first year of a new assessment cycle moving from January 1, 2016 valuations. This reassessment was paused in early 2020 as part of the province’s response to COVID-19. As part of its 2021 Spring Budget, the Province extended this pause through 2023. Therefore, property taxes will again be levied against the 2016 valuations.

## ANALYSIS

Per the approved 2023 Budget Bylaw 23-41, the 2023 municipal taxable levy requirement is $13,931,968. When the status quo proportional split between the City’s General and USA levies is applied, the target amount for the calculation of each levy is as follows:

| | |
|---|---|
| General Municipal Levy | $12,748,320 |
| Urban Service Area Levy | $1,033,648 |
| Central Commercial SAR | $150,000 |
| Total | **$13,931,968** |

Both appendices provided by MTE assist in considering how these amounts will be shared amongst the different property classes. “2023 Tax Levy and Tax Policy Sensitivity Analysis,” (Appendix 2) compares the distribution of these tax amounts under two separate policy models. Both models raise the same total, taxable revenue.

> **Scenario 1** is based on a status quo policy model, with no changes to tax ratios or class structure.
>
> **Scenario 2** is based on reducing the multi-residential ratio to 1.770090 to move closer to the residential ratio of 1.0.

Tables 4-A and 4-B from Appendix 2 document the difference in tax ratios applied under both models as well as the impact a multi-residential ratio reduction would have on tax rates.

**General Levy Tax Rate Sensitivity Table 4-A**

| Realty Tax Class | Tax Ratios | | | Tax Rates with Levy Change | | |
|---|---|---|---|---|---|---|
| | *Status Quo* | *Scenario 2* | *Difference* | *Scenario 1* | *Scenario 2* | *Difference* |
| Residential | 1.000000 | 1.000000 | 0.00% | 0.01982660 | 0.01997360 | 0.74% |
| Managed Forest | 0.250000 | 0.250000 | 0.00% | 0.00495665 | 0.00499340 | 0.74% |
| Multi-Residential | 1.863000 | 1.770090 | -4.99% | 0.03693696 | 0.03535507 | -4.28% |
| Commercial | 1.475000 | 1.475000 | 0.00% | 0.02924424 | 0.02946106 | 0.74% |
| Industrial | 1.475000 | 1.475000 | 0.00% | 0.02924424 | 0.02946106 | 0.74% |
| Landfill | 1.000000 | 1.000000 | 0.00% | 0.01982660 | 0.01997360 | 0.74% |
| Pipeline | 0.700000 | 0.700000 | 0.00% | 0.01387862 | 0.01398152 | 0.74% |

**Urban Service Area Tax Rate Sensitivity Table 4-B**

| Realty Tax Class | Tax Ratios | | | Tax Rates with Levy Change | | |
|---|---|---|---|---|---|---|
| | *Status Quo* | *Scenario 2* | *Difference* | *Scenario 1* | *Scenario 2* | *Difference* |
| Residential | 1.000000 | 1.000000 | 0.00% | 0.00184217 | 0.00185784 | 0.85% |
| Multi-Residential | 1.863000 | 1.770090 | -4.99% | 0.00343196 | 0.00328854 | -4.18% |
| Commercial | 1.475000 | 1.475000 | 0.00% | 0.00271720 | 0.00274031 | 0.85% |
| Industrial | 1.475000 | 1.475000 | 0.00% | 0.00271720 | 0.00274031 | 0.85% |
| Pipeline | 0.700000 | 0.700000 | 0.00% | 0.00128952 | 0.00130049 | 0.85% |

As per Tables 4-A and 4-B, it is recommended that the multi-residential class ratio be reduced from 1.863000 to 1.770090. This reduction brings the existing multi-residential rate closer in line with the residential and new multi-residential class rates. This recommendation was developed in consultation with the City’s tax consultant, Municipal Tax Equity (MTE) and similar equalization efforts are underway, or have already been completed in numerous other Ontario municipalities.

This change aligns with the Province’s general priorities around housing and rent control. Furthermore, the Province of Ontario has indicated that it is looking at options for the elimination of a multi-residential rate differential. In an effort to be ahead of the curve, staff suggest it is prudent to initiate a measured migration given the current pause in reassessment. In the current year, the impact of this change can be made in the absence of any complicating or counteracting shifts that may be present in a reassessment year.

### LEVY CHANGE INCLUDED IN SCENARIO 1 AND SCENARIO 2 TAX RATES

The difference in the tax rate between Scenario 1 and Scenario 2 as shown in these tables is a direct result of the tax policy changes modelled. Both sets of tax rates include a levy change of 4.98% for the general levy and 5.13% for the USA levy.

Table 5-C the balance of taxation for the City. For decision-making, only the Municipal Taxable portion of the table is below; the impact to payments in lieu (PIL) are in in Appendix 2.

**Municipal (General + USA) Levy Sensitivity Table 5-C**

| | General + USA | | Difference | |
|---|---|---|---|---|
| ***Taxable*** | ***Scenario 1*** | ***Scenario2*** | ***$*** | ***%*** |
| Residential | $9,767,134 | $9,840,319 | $73,185 | 0.75% |
| Managed Forest | $146 | $147 | $1 | 0.68% |
| Multi-Residential | $2,056,072 | $1,968,199 | -$87,873 | -4.27% |
| Commercial | $1,806,180 | $1,819,729 | $13,549 | 0.75% |
| Industrial | $85,693 | $86,334 | $641 | 0.75% |
| Pipeline | $66,740 | $67,241 | $501 | 0.75% |
| **Sub-Total Taxable** | **$13,781,965** | **$13,781,969** | **$4** | **0.00%** |

From Table 5-C we see that a change to the multi residential ratio increases taxation to the residential class. Effectively this change shifts $87K to residents, commercial, industrial and pipeline classes.

From Appendix 2, Table 7 details the year-over-year tax change for the urban/rural zones as well and the typical residential property types in each zone. Urban zone taxes are comprised of the City’s general municipal levy and the Urban Service Area levy. Only the general levy applies in the rural zone.

**Table 7 – Year-Over-Year Tax Change Comparison - Scenario 1 vs. Scenario 2**
**Municipal Levy Only**

| Zone/Class | 2022 Year End | Net Year-Over-Year Tax Change | | | |
|---|---|---|---|---|---|
| | | Scenario 1 | | Scenario 2 | |
| **URBAN** | | | | | |
| Residential | $7,885,228 | $394,003 | 5.00% | $456,156 | 5.78% |
| Multi-Residential | $1,958,225 | $97,847 | 5.00% | $9,974 | 0.51% |
| Commercial | $1,607,777 | $80,337 | 5.00% | $93,010 | 5.79% |
| Industrial | $64,993 | $3,249 | 5.00% | $3,760 | 5.79% |
| Pipeline | $63,563 | $3,177 | 5.00% | $3,678 | 5.79% |
| **Urban Sub-Total** | **$11,579,786** | **$578,613** | **5.00%** | **$566,578** | **4.89%** |
| **RURAL** | | | | | |
| Residential | $1,417,256 | $70,647 | 4.98% | $81,679 | 5.76% |
| Managed Forest | $139 | $7 | 5.04% | $8 | 5.76% |
| Commercial | $112,461 | $5,605 | 4.98% | $6,481 | 5.76% |
| Industrial | $16,623 | $828 | 4.98% | $958 | 5.76% |
| **Rural Sub-Total** | **$1,546,479** | **$77,087** | **4.98%** | **$89,126** | **5.76%** |
| **Total** | **$13,126,265** | **$655,700** | **5.00%** | **$655,704** | **5.00%** |
| **Typical Residential** | | | | | |
| **URBAN** | | | | | |
| Single Detached Residential | $2,156 | $107 | 4.96% | $124 | 5.75% |
| Townhouse/Semi Detached | $1,441 | $72 | 5.00% | $84 | 5.83% |
| Condominium | $1,054 | $53 | 5.03% | $61 | 5.79% |
| **RURAL** | | | | | |
| Waterfront Residential | $4,659 | $232 | 4.98% | $268 | 5.75% |

## Financial Impact

Tax policy does not impact the amount of taxes levied or collected, it determines the distribution of the taxes to be raised. Changing tax ratios, discounts or class structure will not result in a municipality raising more or fewer tax dollars overall. Changes to ratio will, result in tax shifts at the property and class levels depending on the assessment make up within each group.

By changing tax ratios, the municipality can influence and alter the balance of taxation; however, such movement is constrained by a complex set of Provincial rules and limitations. A municipality may choose to maintain the prior year's ratios or establish new ratio(s) that are closer to or fall within the provincially prescribed Ranges of Fairness.

The 2023 municipal taxable levy requirement is $13,931,968 per the approved 2023 Budget Bylaw 23-41. This report addresses tax policy for tax ratios, and the implications thereof. There is no impact to the operational budget.

## LINKS TO STRATEGIC PLAN

Strong Financial Foundation for the Municipality.

## SUMMARY

It is recommended that Council adopt Scenario 2 as proposed and outlined in Appendix 2 raising the City's 2023 revenue requirement while reducing the multi-residential ratio from a ratio of 1.863000 to 1.770090. This reduction moves to begin equalizing the existing multi-residential rate with the residential and new multi-residential classes. Further movements would be decided upon annually.

It is also recommended that the City maintain all other tax policy parameters consistent with those applied for 2022 taxation, including the status quo balance between the General and USA levies with a 92.50% / 7.50% split.