THE REGIONAL MUNICIPALITY OF YORK

REPORT NO. 3
OF THE REGIONAL COMMISSIONER OF FINANCE

For Consideration by
The Council of The Regional Municipality of York
on April 19, 2007

1
2007 PROPERTY TAX RATIOS AND TAX RATES

1. RECOMMENDATIONS

It is recommended that:

1. The property tax ratios and tax rates for the taxation year 2007 be established as follows:

Broad Property Class	Tax Ratios	Tax Rates
Residential/Farm	1.0000	0.495729 %
Multi-Residential	1.0000	0.495729 %
New Multi-Residential	1.0000	0.495729 %
Commercial	1.2070	0.598345 %
Industrial	1.3737	0.680983 %
Pipeline	0.9190	0.455575 %
Farmland	0.2500	0.123932 %
Managed Forest	0.2500	0.123932 %

2. The final instalments from the local municipalities for the property tax levy be paid on or before September 28, 2007 and December 14, 2007.

3. The Regional Solicitor be authorized to prepare the necessary by-laws to give effect to the above recommendation.

2. PURPOSE

At its meeting on April 19, 2007, Council will be considering a 2007 Regional Budget with a net tax levy requirement of $656,997,000. The purpose of this report is to recommend the tax ratios and tax rates required to generate this amount of levy amount.

The *Municipal Act, 2001* ("the Act") requires that an upper-tier tax rating by-law must be passed on or before April 30 in each year. In consideration of the later budget cycle for 2007, staff had requested an extension of this deadline from the Minister of Finance in early March. Unfortunately, the Province has not yet provided this extension and the Region must therefore approve the rating by-law today or call a special meeting of Council prior to April 30 in order to meet the statutory requirements.

3. BACKGROUND

3.1 Tax Ratios

Tax ratios represent the amount of taxation to be borne by each property class in relation to the residential class. The ratios reflect how the tax rate of a property class compares to the residential tax rate, with the residential class tax ratio being equal to "one". Unless otherwise approved by the Province, municipalities may only move their ratios within or closer to the "Ranges of Fairness".

Table 1 illustrates the Ranges of Fairness established by the Province, the Region's approved tax ratios in 2006, as well as the proposed 2007 tax ratios:

Table 1
Comparison of Provincially Prescribed Ranges of Fairness, the Approved Ratios for 2006 and the Proposed Ratios for 2007

Property Class	Ranges of Fairness	Approved 2006 Ratios	Proposed 2007 Ratios
Residential	1.0000	1.0000	1.0000
Multi-Residential	1.0 to 1.1	1.0000	1.0000
New Multi-Residential	1.0 to 1.1	1.0000	1.0000
Commercial	0.6 to 1.1	1.2070	1.2070
Industrial	0.6 to 1.1	1.3737	1.3737
Pipeline	0.6 to 0.7	0.9190	0.9190
Farmland	0.2500	0.2500	0.2500
Managed Forest	0.2500	0.2500	0.2500

While the tax ratios for the multi-residential, commercial, industrial and pipeline classes are determined by Council, the tax ratio for the managed forest class is prescribed by the

Province at 25% of the residential tax rate. The Region has also the option to use the provincially prescribed tax ratio of 0.25 for the farmland class, which the Region has adopted, or apply a tax ratio of less than this amount.

Subsection 313(1) of the Act requires reductions in the tax rate for the vacant land and excess land subclasses of the commercial and industrial property classes; an upper-tier municipality has the option to establish a single rate for both subclasses. In 2004, as part of a review of its long term tax policy, Council approved maintaining the discounts on the vacant land and excess land subclasses in the Commercial class at 30% and in the Industrial class at 35%. Discounts for the first and second subclasses for farmland awaiting development were maintained at 75% and 0% respectively.

Subsection 308(5) of the *Municipal Act, 2001* (the "Act") requires that Regional Council establish tax ratios through a by-law in each year for the upper-tier and lower-tier municipalities. The by-law must be passed on or before April 30 in each year, unless otherwise specified by the Province. There has been no property reassessment in 2006 and therefore it is recommended that there be no change in the tax ratios for 2007.

3.2 Tax Rates

Subsection 311(2) of the Act also requires that Council pass a rating by-law on or before April 30 in each year, unless otherwise specified by the Province, which sets out the tax rates for each property class that would raise sufficient revenues to meet its budgetary requirements.

Property tax rates are calculated based on the following formula:

$$\textit{Property Tax Rates} = \frac{\textit{Total Property Tax Funding Requirement for 2007}}{\textit{2007 Weighted and Discounted Assessment for All Classes}} \times \textit{Tax Ratio for Each Class}$$

4. ANALYSIS AND OPTIONS

The Municipal Property Assessment Corporation (MPAC) last reassessed properties in June of 2005, based on sales and other factors that simulate a property's market value. While province-wide reassessments were scheduled to occur annually commencing in 2006, the Minister of Finance announced in June of 2006 that property tax reassessments would be cancelled for the purposes of the 2007 and 2008 taxation years to allow for the implementation of the Ontario Ombudsman's recommendations for Ontario's property assessment system. As a result, the assessment values used for the 2007 taxation year continue to be based on the 2005 reassessment.

Subsequently, the 2007 Provincial Budget announced that starting with the 2009 taxation year, properties in Ontario will be reassessed on a four year cycle

4.1 Tax Rates

Table 3 compares the 2006 approved Regional tax rates and the 2007 proposed Regional tax rates for the broad property classes.

Table 2
2006 and 2007 Estimated Regional Tax Rates

Broad Property Class	2006 Approved Regional Tax Rates	2007 Proposed Regional Tax Rates
	%	%
Residential/Farm	0.473336	0.495729
Multi-Residential	0.473336	0.495729
New Multi-Residential	0.473336	0.495729
Commercial	0.571316	0.598345
Industrial	0.650221	0.680983
Pipeline	0.434995	0.455575
Farmland	0.118334	0.123932
Managed Forests	0.118334	0.123932

5. FINANCIAL IMPLICATIONS

Table 4 lists the distribution of Regional revenues by class and their corresponding proposed tax rates for 2007:

Table 3
2007 Proposed Tax Rates and Regional Revenues by Class

Property Assessment Class	Regional Revenue Generated	Regional Tax Rate
Residential	$518,400,242	0.495729 %
Residential Taxable (Shared as PIL)	19,599	0.495729 %
Residential – FAD Phase 1	1,534	0.123932 %
Multi-Residential	4,779,398	0.495729 %
New Multi-Residential	0	0.495729 %
Commercial Occupied	63,540,073	0.598345 %
Commercial Excess Land	1,850,962	0.418842 %
Commercial Vacant Land	2,145,120	0.418842 %
Commercial – FAD Phase 1	34,271	0.123932 %
Commercial (previous Ontario Hydro)	153,158	0.598345 %
Commercial Vacant (Shared as PIL)	10,609	0.418842 %
Office Building	8,617,554	0.598345 %
Office Building Vacant Units and Excess	75,203	0.418842 %
Shopping Centre	18,033,934	0.598345 %
Shopping Centre Vacant Units and Excess	207,837	0.418842 %

Parking Lot	10,597	0.598345 %
Industrial Occupied	24,470,222	0.680983 %
Industrial Excess Land	230,744	0.442639 %
Industrial Vacant Land	2,275,617	0.442639 %
Industrial FAD Phase 1	72,274	0.123932 %
Industrial (previous Ontario Hydro)	304,984	0.680983 %
Industrial (previous Ontario Hydro) Excess	77,176	0.442639 %
Large Industrial	5,625,085	0.680983 %
Large Industrial Vacant Units and Excess	67,082	0.442639 %
Pipeline	802,204	0.455575 %
Farmland	1,054,481	0.123932 %
Managed Forest	32,458	0.123932 %
Railway Right-Of-Way (Estimated)	596,586	*
Utility Transmission (Estimated)	1,107,996	*
Payments-in-Lieu (Estimated)	2,400,000	N/A
Total 2005 Regional Tax Requirement	**$656,997,000**	

* Tax rates for linear properties have been prescribed by the Minister of Finance.

6. LOCAL MUNICIPAL IMPACT

6.1 Estimate of Taxes Raised

Subsection 311(11) of the Act requires that an upper-tier rating by-law shall estimate the amount of upper-tier tax to be raised in each of the local municipalities.

Table 4
2007 Estimated Regional Tax Revenue to be Raised by Local Municipalities

Municipality	2006 Estimated Tax Requirement	2006 Share	2007 Estimated Tax Requirement	2007 Share
	$	%	$	%
Aurora	29,489,727	4.87	31,569,696	4.82
East Gwillimbury	12,400,658	2.05	13,376,398	2.04
Georgina	19,095,396	3.15	20,233,057	3.09
King	16,114,227	2.66	17,039,272	2.60
Markham	170,322,847	28.14	183,778,177	28.08
Newmarket	40,056,523	6.62	43,097,462	6.58
Richmond Hill	109,703,297	18.12	118,367,529	18.08
Vaughan	190,254,269	31.43	206,340,555	31.52
Whitchurch-Stouffville	17,904,056	2.96	20,794,854	3.18
Sub-Total	605,341,000	100.00	654,597,000	100.00
Payments-in-Lieu	2,200,000		2,400,000	
Total Tax Requirement	**607,541,000**		**656,997,000**	

6.2 Dates for Instalment Payments

Subsection 311(12) of the Act provides that an upper-tier rating by-law may require specified portions of the estimate to be paid by the local municipalities on or before specified dates. It is recommended that the Regional Treasurer request that the remaining instalments for the property tax levy estimate be paid on or before September 28, 2007 and December 14, 2007.

7. CONCLUSION

This report recommends the tax ratios and tax rates that must be approved by Council to raise the Council approved property tax levy. As well, the report provides an estimate of the tax levy to be raised in the local municipalities and the dates for remittance of the remaining instalment payments.

The Senior Management Group has reviewed this report.

Respectfully submitted,

April 11, 2007
Newmarket, Ontario

L. Russell
Commissioner of Finance

(Report No. 3 of the Commissioner of Finance was adopted, without amendment, by Regional Council at its meeting held on April 19, 2007.)