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2008 PROPERTY TAX RATIOS AND TAX RATES

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, April 4, 2008, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The property tax ratios for the 2008 taxation year be established as follows:

Broad Property Class	Tax Ratios
Residential/Farm	1.0000
Multi-Residential	1.0000
New Multi-Residential	1.0000
Commercial	1.2070
Industrial	1.3737
Pipeline	0.9190
Farmland	0.2500
Managed Forest	0.2500

2. The Regional Treasurer be authorized to determine the tax rates needed to raise the property tax component of the 2008 Regional Budget that will be approved by Council on April 24, 2008.

3. The local municipalities pay the final instalments of property tax, as raised on behalf of the Region, on or before September 30, 2008 and December 15, 2008.

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

2. PURPOSE

This report recommends tax ratios for the 2008 taxation year and requests that Council authorize the Regional Treasurer to determine the rates needed to raise the property tax component of the 2008 Regional Budget.

3. BACKGROUND

3.1 Assessment Cycle

For the purpose of this report, the property values used for the 2008 taxation year are based on the 2005 reassessment as returned by the Municipal Property Assessment Corporation.

3.2 Tax Ratio By-law Required

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.

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". Typically, tax ratio policy is reviewed only in years following a province wide reassessment.

Table 1 illustrates the Ranges of Fairness established by the Province, the Region's approved tax ratios in 2007, as well as the proposed 2008 tax ratios.

Table 1
Comparison of Provincially Prescribed Ranges of Fairness, the Approved Ratios for 2007 and the Proposed Ratios for 2008

Property Class	Ranges of Fairness	Approved 2007 Ratios	Proposed 2008 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 previously 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. These tax ratio options have been adopted by Council since 2004, and are recommended to be continued for the 2008 taxation year.

3.3 Tax Rate By-law Required

Section 311(2) of the Act requires that an upper-tier tax rating by-law be passed 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. In consideration of the later budget cycle for 2008, staff have requested an extension of this deadline until the end of June from the Minister of Finance in early March. However, as of this date, the deadline has not been extended. Should the Regional Budget be approved by Council on April 24, 2008, this report recommends that the Treasurer be authorized to make the necessary calculations in order for the rating by-law to be approved on the same date.

Property tax rates are calculated based on the following formula:

$$\textit{Property Tax Rates} = \frac{\textit{Total Property Tax Funding Requirement for 2008}}{\textit{2008 Weighted and Discounted Assessment for All Classes}} \times \textit{Tax Ratio for Each Class}$$

4. ANALYSIS AND OPTIONS

4.1 Tax Ratios

There has been no property reassessment in 2007 and therefore it is recommended that there be no change in the tax ratios for 2008.

4.2 2008 Preliminary Tax Rates for Illustration

Based on the proposed tax levy increase of 3.9%, preliminary 2008 tax rates are indicated in Table 2 below to compare with the 2007 approved Regional tax rates for the purposes of illustration.

Table 2
2007 Approved Regional Tax Rates and Preliminary 2008 Rates for Illustration

Broad Property Class	2007 Approved Regional Tax Rates %	Preliminary 2008 Tax Rates %
Residential/Farm	0.495729	0.515464
Multi-Residential	0.495729	0.515464
New Multi-Residential	0.495729	0.515464
Commercial	0.598345	0.622165
Industrial	0.680983	0.708093
Pipeline	0.455575	0.473711
Farmland	0.123932	0.128866
Managed Forests	0.123932	0.128866

5. FINANCIAL IMPLICATIONS

Table 3 lists a distribution of Regional revenues by class based on the tax rates provided for illustration. The final 2008 tax rates will be provided in the rating by-law.

Table 3
Preliminary 2008 Tax Rates and Regional Revenues by Class for Illustration

Property Assessment Class	Potential 2008 Regional Revenue Generated	Preliminary 2008 Regional Tax Rate for Illustration
Residential	554,417,466	0.515464%
Residential Taxable (Shared as PIL)	48,564	0.515464%
Residential – FAD Phase 1	697	0.128866%
Multi-Residential	5,009,528	0.515464%
New Multi-Residential	-	0.515464%
Commercial Occupied	67,551,152	0.622165%
Commercial Excess Land	1,952,229	0.435516%
Commercial Vacant Land	2,135,148	0.435516%
Commercial – FAD Phase 1	31,650	0.128866%
Commercial (previous Ontario Hydro)	159,255	0.622165%
Commercial Vacant (Shared as PIL)	11,650	0.435516%
Office Building	8,989,535	0.622165%
Office Building Vacant Units and Excess	69,558	0.435516%
Shopping Centre	19,232,880	0.622165%
Shopping Centre Vacant Units and Excess	201,590	0.435516%
Parking Lot	11,019	0.622165%
Industrial Occupied	25,479,676	0.708093%
Industrial Excess Land	228,067	0.460260%

Industrial Vacant Land	2,585,317	0.460260%
Industrial FAD Phase 1	75,854	0.128866%
Industrial (previous Ontario Hydro)	317,125	0.708093%
Industrial (previous Ontario Hydro) Excess	80,248	0.460260%
Large Industrial	6,372,962	0.708093%
Large Industrial Vacant Units and Excess	72,077	0.460260%
Pipeline	904,031	0.473711%
Farmland	1,109,361	0.128866%
Managed Forest	36,412	0.128866%
Railway Right-Of-Way (Estimated)	590,958	*
Utility Transmission (Estimated)	1,106,992	*
Payments-in-Lieu (Estimated)	2,570,000	N/A
Total 2008 Regional Tax Requirement	**701,351,000**	

* 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. A table of the estimated Regional tax revenue to be raised by the local municipalities is shown below based on the preliminary tax rates.

Table 4
2008 Preliminary Regional Tax Revenue to be Raised by Local Municipalities

Municipality	2007 Tax Requirement	2007 Share	2008 Preliminary Tax Requirement	2008 Share
	$	%	$	%
Aurora	31,569,696	4.87	33,679,121	4.82
East Gwillimbury	13,376,398	2.05	14,092,490	2.04
Georgina	20,233,057	3.15	21,246,380	3.09
King	17,039,272	2.66	17,788,655	2.60
Markham	183,778,177	28.14	195,308,170	28.08
Newmarket	43,097,462	6.62	45,434,150	6.58
Richmond Hill	118,367,529	18.12	125,568,033	18.08
Vaughan	206,340,555	31.43	222,440,853	31.52
Whitchurch-Stouffville	20,794,854	2.96	23,223,148	3.18

Sub-Total	654,597,000	100.00	698,781,000	100.00
Payments-in-Lieu	2,400,000		2,570,000	
Total Tax Requirement	**656,997,000**		**701,351,000**	

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 30, 2008 and December 15, 2008.

7. CONCLUSION

This report recommends that Council adopt the tax ratios proposed and to authorize the Regional Treasurer to determine the tax rates required to raise the property tax levy requirement that will be approved by Council on April 24, 2008. As well, the report provides an illustration of the tax rates and provides the dates for the remittance of the remaining instalment payments.

The Senior Management Group has reviewed this report.

For more information on this report, please contact Brian Parrott, Manager, Fiscal Policy at Ext. 1667 or Edward Hankins, Director, Policy, Risk and Treasury at Ext. 1644.