

April 6, 2004

2004 BUDGET - BRIEFING NOTE: Assessment Growth

ISSUE:

To report on assessment growth for 2004 and the impact on the 2004 Operating Budget.

BACKGROUND:

- Every year the Municipal Property Assessment Corporation (MPAC) provides the City with an updated assessment roll. The annual assessment roll is updated to reflect changes that occurred in the previous taxation year such as new construction, Ontario Municipal Board (OMB) or Assessment Review Board (ARB) decisions, and property class changes. The roll is the base for which the City levies taxes for the year. Municipalities receive an assessment roll in late December each year that is used for billing taxes in the next calendar year.
- Prior to the receipt of the assessment roll for 2004 taxation, for preliminary budget purposes only, staff estimated assessment growth in the range of \$5 million based on prior years' experience for 2002 and 2003.
- Upon receipt of the Returned Assessment Roll for 2004 taxation, Finance staff conducted a detailed analysis of the assessment data for purposes of confirming the assessment growth. In addition, MPAC provided Finance staff with a report entitled "2003 Market Change Profile – Estimated Growth Report" identifying the growth in assessment from 2003 to 2004 taxation years. However, staff discovered discrepancies in MPAC data and required additional analysis to reconcile MPAC assessment data and confirm the 2004 assessment roll over the past month.
- In addition, reductions in the assessment of payment-in-lieu of tax (PIL) properties necessitated further analysis to ensure that assessment values were appropriately transferred by MPAC to the tax assessment roll. The most recent analysis of PIL properties indicates that the assessed value of PIL properties should be reduced further due to the conversion of certain properties from PILs to taxable, as well as increased appeals and/or assessment re-considerations. Given this most recent analysis, staff are recommending that the 2004 Budget Estimate for PIL revenue be reduced by \$1.9 million to \$83.1 million.

KEY POINTS

- Analysis of the Returned Assessment Roll for 2004 taxation has determined that the assessment base for “taxable” properties has increased by \$2.5 billion (i.e. approx. 1% growth) which equates to an increase in taxation revenue for 2004 of \$26.6 million.
- Given that the most recent analysis of the payments-in-lieu of tax revenues indicates that the assessed value of PIL properties (as returned on the assessment roll for 2004 taxation) is anticipated to be further reduced due to the conversion of certain properties from PILs to taxable, as well as increased appeals and/or assessment re-considerations, staff are recommending that the 2004 Budget Estimates for PIL revenue be reduced by \$1.9 million to \$83.1 million.
- A significant portion of this year’s assessment growth is attributable to the hiring of additional assessment staff by the MPAC on a temporary basis in 2003 to clear the backlog of properties which were not fully assessed for 2001 and 2002.
- Chart 1, below, provides a summary of the assessment roll as returned for 2004 taxation and compares the 2004 assessed values to the 2003 assessed values. Chart 2, below, provides a summary of the corresponding increase in taxation revenue for 2004, prior to any additional taxes required as a result of the 2004 Operating Budget.

Chart 1: Analysis of 2004 Assessment Roll

Tax Class	2004 Assessment	2003 Assessment	Change in Assessment Base		Percentage of Growth %
	(Based on 2001 Valuation Date)				
	\$		\$	%	
Residential	170,322,800,102	168,406,303,682	1,916,496,420	1.14 %	74.53 %
Multi-Residential	21,922,902,390	21,583,600,920	339,301,470	1.57 %	13.20 %
New Multi-Residential	82,734,160	41,165,410	41,568,750	100.98 %	1.62 %
Commercial	46,797,578,338	46,411,586,547	385,991,791	0.83 %	15.01 %
Industrial	4,952,845,318	5,069,839,333	(116,994,015)	(2.31 %)	(4.55 %)
Other	279,897,251	275,003,886	4,893,365	1.78 %	0.19 %
TOTAL	244,358,757,559	241,787,499,778	2,571,257,781	1.06 %	100.00 %

Chart 2: 2004 Taxation Levy Change due to Assessment Growth

Tax Class	2004 Taxes \$	2003 Taxes \$	Change in Taxation Levy - \$	Percentage of Growth %
Residential	1,118,263,201	1,105,680,344	12,582,857	47.35%
Multi-Residential	557,101,025	548,478,754	8,622,271	32.45 %
New Multi-Residential	543,195	270,274	272,921	1.03 %
Commercial	1,072,322,672	1,064,265,992	8,056,680	30.32 %
Industrial	130,057,352	133,049,932	(2,992,580)	(11.26 %)
Other	3,043,022	3,014,839	28,183	0.11 %
TOTAL	2,881,330,467	2,854,760,135	26,570,332	100.00 %

- Chart 3, below, provides an analysis of the assessment growth with respect to taxable properties for 2004 and identifies the major reasons for the change in the assessment base.

Chart 3: Assessment Growth for “Taxable” Properties

	Assessment	Revenue	Comments
	(\$000s)	(\$000s)	
Increase In Overall Assessments	2,427,095.1	24,069.3	Represents increases in assessment relating to new construction, improvements, etc and/or decreases in assessment from demolitions, adjustments etc.
Net Conversion of Taxable Assessment to Exempt Assessment	(17,215.6)	(206.5)	During 2003, properties have converted from taxable to exempt and vice-versa. However, overall there are more properties / assessment converting from taxable to exempt, resulting in a net loss in taxation revenue.
Net Conversion of PIL Assessment to Taxable Assessment	161,378.4	3,581.4	Throughout 2003, properties have converted from Payment in Lieu of Taxes (PILs) to Taxable and vice versa, with most properties converting from PILs to Taxable.
Conversion of Assessment between Properties Classes.	<u>Nil</u>	<u>(873.9)</u>	Represents assessment conversions from one property class into another. This does not represent true assessment growth, but does have an impact on net revenues for the City. The loss in overall revenues is attributable to assessment conversion from industrial properties (with the highest tax rate) converting to other classes, which are taxed at a lower rate.
“Taxable” Assessments – Overall Growth in Assessments & “Taxation” Revenues	<u>2,571,257.9</u>	<u>26,570.3</u>	

Dated: April 6, 2004