
2005 BUDGET BRIEFING NOTE

- Assessment Growth for 2005 Taxation - \$13.1 million

ISSUE:

To report on assessment growth for 2005 and the impact on the 2005 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 basis 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 2005 taxation, for preliminary budget purposes only, staff estimated assessment growth in the range of \$15 million.
- Upon receipt of the Returned Assessment Roll for 2005 taxation, Finance staff conducted a detailed analysis of the assessment data for purposes of confirming the assessment growth. The analysis of the Returned Assessment Roll for 2005 taxation has determined that the assessment growth, in municipal taxation revenue, for “taxable” properties is \$13.1 million.

KEY POINTS

- Analysis of the Returned Assessment Roll for 2005 taxation has determined that the assessment base for “taxable” properties has increased by \$2.5 billion (i.e. approx. 0.9% growth) which equates to an increase in municipal taxation revenue for 2005 of \$13.1 million. A significant portion of this year’s assessment growth is attributable to MPAC clearing the backlog of condominium units which were not fully assessed on the main assessment roll for 2004 taxation, but were returned on the supplementary assessment rolls during 2004.
- Analysis of the Returned Assessment Roll for 2005 payments in lieu (PILs) has identified a 0.3 billion reduction in the assessment base for “PIL” properties, which represents a reduction in PIL revenues of \$0.7 million.
- Chart 1, below, provides a summary of the assessment roll as returned for 2005 taxation and compares the 2005 assessed values to the 2004 assessed values.
- Chart 2, below, provides a summary of the corresponding increase in taxation revenue for 2005, prior to any additional taxes required as a result of the 2005 Operating Budget.

Chart 1: Analysis of 2005 Assessment Roll

Tax Class	2005 Assessment	2004 Assessment	Change in Assessment Base		Percentage of Growth
			\$	%	%
Residential	196,779,603,770	194,257,979,237	2,521,624,533	1.30 %	101.44 %
Multi-Residential	25,374,013,950	25,351,686,315	22,327,635	0.09 %	0.90 %
New Multi-Residential	183,771,282	100,331,205	83,440,077	83.16 %	3.36 %
Commercial	48,681,697,470	48,705,004,138	(23,306,668)	(0.05 %)	(0.94 %)
Industrial	5,264,239,937	5,381,613,861	(117,373,924)	(2.18 %)	(4.72 %)
Other	286,829,600	287,792,800	(963,200)	(0.33 %)	(0.04 %)
TOTAL	276,570,156,009	274,084,407,556	2,485,748,453	0.91 %	100.00 %

Chart 2: 2005 Taxation Levy Change due to Assessment Growth

Tax Class	2005 Taxes \$	2004 Taxes \$	Change in Taxation Levy - \$	Percentage of Growth %
Residential	1,166,813,712	1,151,857,657	14,956,055	114.44%
Multi-Residential	565,976,770	565,478,743	498,027	3.81%
New Multi-Residential	1,089,680	594,919	494,761	3.79 %
Commercial	1,088,532,090	1,088,448,313	83,777	0.64 %
Industrial	129,044,930	132,011,125	(2,966,195)	(-22.70 %)
Other	3,141,463	3,139,606	1,857	0.02 %
TOTAL	2,954,598,645	2,941,530,363	13,068,282	100.00 %

- Chart 3, below, provides an analysis of the assessment growth with respect to taxable properties for 2005 and identifies the major reasons for the change in the assessment base.

Chart 3: Assessment Growth for "Taxable" Properties

	Assessment (\$000s)	Revenue (\$000s)	Comments
Increase In Overall Assessments	2,634,261.9	18,429.4	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	(136,868.1)	(3,019.5)	During 2004, properties were converted from taxable to exempt and vice-versa. However, overall there were more properties / assessment converting from taxable to exempt, resulting in a net loss in taxation revenue.
Net Conversion of PIL Assessment to Taxable Assessment	(11,645.4)	(235.7)	Throughout 2004, properties were 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.	Nil	(2,105.9)	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 primary 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>2,485,748.4</u>	<u>13,068.3</u>	

History of Assessment Growth

- Chart 4, below, provides a history of assessment growth and related changes to “taxation” and “PIL” revenues from 1999 to 2005.

Chart 4: History of Assessment Base Changes due to Growth and/ or Conversions

Tax Year	Taxable Properties		PIL Properties		Total Taxation & PILs	
	Change in Assessment Base	Taxation Revenue - Assessment Growth (Loss)	Change in Assessment Base	PIL Revenue - Assessment Growth (Loss)	Total Change In Assessment	Total / Net Change In Revenues
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
1999	1,312,587.1	46,461.0	(89,642.1)	(866.4)	1,222,945.0	45,594.6
2000	1,231,640.1	22,155.8	(278,094.9)	(10,438.2)	953,545.2	11,717.6
2001 (See Note 1 below)	782,858.4	25,634.6 (16,974.5) 8,660.1	(16,723.1)	(5,988.9)	766,135.3	19,645.7 (16,974.5) 2,671.2
2002	1,160,933.9	7,885.8	(36,817.8)	(8,720.0)	1,124,116.1	(834.2)
2003	2,186,878.5	32,760.2	(954,331.4)	(26,121.2)	1,232,547.1	6,639.0
2004	2,571,257.8	26,570.3	(499,298.9)	(4,914.9)	2,071,958.9	21,655.4
2005	2,485,748.5	13,068.3	(30,391.8)	(721.7)	2,455,356.7	12,346.6

Note 1: In 2001, the Province changed the treatment of vacant commercial and industrial properties such that commencing with the 2001 taxation year these vacant properties were returned on the assessment roll as fully taxable, however municipalities were required to provide a tax rebate for these vacancies. The portion of assessment growth attributable change in treatment of vacant commercial and industrial properties is not true “growth” and as such was used to fund the tax rebates for these properties.

- Chart 5, below, compares Assessment Growth for Taxable properties from 2003 to 2005 by property classification.

Chart 5: Taxation Levy Change due to Assessment Growth – 2005 to 2003

Property Tax Class	2005 Assessment Growth - Taxation \$	2004 Assessment Growth - Taxation \$	2003 Assessment Growth - Taxation \$
Residential	14,956,055	12,582,857	10,277,992
Multi-Residential	498,027	8,622,271	27,031,163
New Multi-Residential	494,761	272,921	102,036
Commercial	83,777	8,056,680	(1,021,134)
Industrial	(2,966,195)	(2,992,580)	(3,649,917)
Other	1,857	28,183	20,067
TOTAL	13,068,282	26,570,332	32,760,207

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