



Report to: General Committee

Date: January 22, 2019

SUBJECT: 2019 Reassessment Market Update (Year 3 of 4) & Relative Property Tax Impact Report

PREPARED BY: Shane Manson, Senior Manager, Revenue & Property Tax

RECOMMENDATIONS:

1. That the report entitled “2019 Reassessment Market Update (Year 3 of 4) & Relative Property Tax Impact Report” along with the detailed attachment “2019 Reassessment Market Update & Relative Property Tax Impact – Ward by Ward Analysis” be received for information; and,
2. That staff be authorized and directed to do all the things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to provide information of the 2016 Provincial Reassessment, which provided assessment values for the 2017 through 2020 tax years, effective January 1st, 2017. The 2019 taxation year will mark the third year of the four year phase-in cycle for this reassessment.

BACKGROUND:

The Municipal Property Assessment Corporation (MPAC) is responsible for the valuation of all property in the Province of Ontario. Current Value Assessment (CVA) is based on the market value of property at a fixed point in time, which is defined as the valuation date. Market value is determined as the amount an arm’s length transaction (between a willing buyer and a willing seller) would produce for a property, as of the valuation date.

The current reassessment is based on a valuation date of January 1st, 2016 and applies to the 2017 through 2020 tax years. In 2016, every property owner in the City of Markham received a property assessment notice from MPAC, which identified the updated assessment values (CVA) that will be used by the City of Markham to calculate property taxes for the years 2017 through 2020.

OPTIONS/ DISCUSSION:

1. Reassessment – Four Year Market Update (2017 – 2020):

The reassessment values serve as the basis for calculating taxes for the 2017 – 2020 taxation years. All properties that experience an assessment increase will be phased-in at one quarter or twenty-five per cent for each of the four taxation years (2017 - 2020). Properties that decrease in value will have realized the reassessment change immediately in the first year (2017) and will not be phased-in.

The updated reassessment values are based on a valuation date of January 1st, 2016, updated from the previous valuation date of January 1st, 2012. Properties in the City of Markham have increased by an average of 39.57% between the two reassessment cycles.

In 2018 (year two of the reassessment cycle), properties increased at an average of 9.03% as a result of the market value update between the 2017 and 2018 taxation years.

In 2019 (year three of the reassessment cycle), properties increased at an average of 8.29% as a result of the market value update between the 2018 and 2019 taxation years.

Figure 1 provides a summary by class of the overall reassessment impact and the impact of the market value update between the 2018 and 2019 taxation years.

Figure 1: Reassessment Impact

Property Type	Overall Reassessment Impact (2017-2020)	2018 Impact (Year 2 of 4)	2019 Impact (Year 3 of 4)
Residential (Excluding Other)	44.29%	9.97%	9.07%
Farm	22.76%	5.45%	5.16%
Managed Forest	-1.96%	0.38%	0.38%
Multi-Residential	25.89%	5.95%	5.87%
Commercial	16.72%	4.18%	4.03%
Industrial	15.21%	3.66%	3.41%
Pipeline	14.83%	2.81%	2.73%
Total Taxable	39.57%	9.03%	8.29%

Figure 2 below illustrates the mechanics of the four-year assessment phase-in program. As noted above, all properties that experienced an assessment increase will be phased-in at one (1) quarter or twenty-five per cent (25%) for each of the four taxation years (2017 - 2020). Properties that decrease in value will realize the reassessment change immediately in the first year (2017) and will not be phased-in.

Figure 2: Reassessment Phase-In Example

Property Type	2016 Full Assessment (As of Jan. 1 st , 2012) \$	2020 Full Assessment (As of Jan. 1 st , 2016) \$	Market Increase \$	Phased-In Assessment (Tax Year)			
				2017 \$	2018 \$	2019 \$	2020 \$
Increasing Property	500,000	600,000	100,000	525,000	550,000	575,000	600,000
Decreasing Property	500,000	400,000	0	400,000	400,000	400,000	400,000

The City of Markham annually recalculates and decreases the municipal tax rate by the equivalent of the City-wide average increase in assessment, to ensure the City collects the same amount in taxes as the prior year. The average assessment increase is weighted by both increasing and decreasing properties, meaning that in the first year the decreasing

properties are balanced by the increasing properties in the municipal tax rate recalculation. Therefore, the municipality does not lose tax dollars from the decreasing assessment.

In Year 1 of the reassessment phase-in cycle there are three types of properties:

1. Properties with an assessment increase;
2. Status quo properties (no change in assessment); and
3. Properties with an assessment decrease.

It is important to note that all impacts related to reassessment are independent of the municipal budgetary process.

If a property does not undergo any assessment type changes throughout the phase-in cycle (2017 – 2020) the property will not experience a change to the assessment values provided in year 1 (for the four years). The property will therefore not receive an updated assessment notice in years 2, 3 and 4.

2. Annual Assessment Changes:

The assessment roll undergoes changes during the reassessment cycle, as a result of newly added properties or properties that have undergone a change. On this basis, in years 2, 3 and 4 of the phase-in cycle MPAC will issue updated assessment notices only to property owners, based on the following reasons:

1. Newly added property;
2. Change in value as a result of an appeal;
3. Change in all/part of the classification of the property; and/or
4. Property value increase/decrease, reflecting a change to the property's state, use and/or condition.

The reasons noted above result in the assessment roll being updated to include these changes on a yearly basis, which changes the overall rate of increases in CVA due to reassessment on an annual basis. For any property that experiences one of the four change events noted above, the result will be the same as in Year 1 of the reassessment phase-in cycle, i.e. three types of properties:

1. Properties with an assessment increase;
2. Status quo properties (no change in assessment); and
3. Properties with an assessment decrease.

3. 2019 Market Update- City Wide Impact Summary:

The combination of the reassessment (section #1), as well as the annual assessment changes (section #2) which occur during the reassessment cycle, equates to an annual market update.

The 2019 taxation year marks the third year of the current four-year assessment cycle, and the following table (Figure 3) provides a summary of the market value update in phased-in assessment for all property classes.

The City of Markham has increased by an average of 8.29% in CVA, as a result of the market value update between the 2018 and 2019 phased CVA.

If a City of Markham property experiences a CVA increase at a rate higher than 8.29% between the 2018 and 2019 taxation years, it will experience a tax increase, and alternatively, a property with CVA increase of less than 8.29% will result in a tax decrease.

Figure 3: 2019 CVA Changes in the City of Markham by Class

Property Tax Class	2019 Market Value Update- Phased CVA (2018 - 2019)
	%
Residential (Excluding Other)	9.07%
Farm	5.16%
Managed Forest	0.38%
Multi-Residential	5.87%
Commercial	4.03%
Industrial	3.41%
Pipeline	2.73%
Total Taxable	8.29%

The residential class includes homes, as well other residential property types, such as; vacant land, group homes and golf course greens. In this analysis noted above, the other residential property types have been excluded.

Changes in assessment resulting from the annual market value update do not result in an increase in tax revenues for the City. Municipal legislation requires municipalities to recalculate tax rates annually so that they raise the same overall revenue as in the previous year, using the market value update assessment for 2019.

Residential Property Analysis:

The average City of Markham residential home has experienced a market value update in phased assessment of 9.07% between 2018 and 2019.

Figure 4 below demonstrates the average residential home value by property type. This will result in a tax increase for all residential properties with an increase in assessment greater than the average City increase of 8.29%, and a tax decrease for those below the average City increase in assessment. With an increase of 4.85%, residential condominiums will on average realize a tax decrease due to the market update, as they are below the average City increase of 8.29%.

Figure 4: Summary of Average Residential Home Value by Type

Property Type	Property Count #	2018 Average CVA \$	2019 Average CVA \$	Average Change in Phased CVA (2018 - 2019)	
				\$	%
Single Detached	52,670	901,244	988,291	87,048	9.66%
Link Home	13,117	603,638	661,943	58,305	9.66%
Freehold Townhouse	8,934	561,870	612,969	51,099	9.09%
Semi-Detached	6,174	573,111	625,470	52,359	9.14%
Residential Condominium	20,506	382,946	401,508	18,562	4.85%
Residential Homes	101,401	708,053	772,253	64,201	9.07%

Residential Homes Ward Analysis:

Residential homes represent 83.32% of the overall taxable assessment base in Markham, of which, 66.47% are single detached. The 2019 average assessment value for all residential homes (detached, link, townhouse, semi and condominium) is \$772,253.

Figure 5 below illustrates the average residential home values by ward. The 2019 average CVA value for all residential home types (detached, link, townhouse, semi and condominium) has increased by 9.07% to \$772,253. All properties that have a CVA increase at a rate higher than the City average of 8.29% will experience a tax increase, and alternatively a property with CVA increase of less than 8.29% will result in a tax decrease.

Figure 5: Average Residential Home Value by Ward

Ward	2018 Average CVA \$	2019 Average CVA \$	Year-Over-Year Change		Below or Above City Average (8.29%)
			\$	%	
1	756,187	820,581	64,394	8.52%	↑
2	895,743	982,499	86,756	9.69%	↑
3	740,968	809,519	68,551	9.25%	↑
4	661,199	721,158	59,959	9.07%	↑
5	617,077	669,453	52,376	8.49%	↑
6	777,190	851,632	74,442	9.58%	↑
7	676,427	739,211	62,784	9.28%	↑
8	568,690	617,526	48,836	8.59%	↑
Average Res. Home	708,053	772,253	64,201	9.07%	

Non-Residential Property Class Analysis:Multi-Residential Class Impact:

The multi-residential class has experienced an increase in CVA between 2018 and 2019 of 5.87%. The City of Markham has increased by an average of 8.29% in CVA, as a result of the market value update between the 2018 and 2019 phased CVA.

- Multi-residential properties in ward 2 are above the City's average and multi-residential properties in all other wards are below the City's average.

Commercial Class:

The commercial class has experienced a market update in assessment between 2018 and 2019 of 4.03%. The City of Markham has increased by an average of 8.29% in CVA, as a result of the market value update between the 2018 and 2019 phased CVA.

- On average, commercial properties in all wards are below the City's average.

Industrial Class:

The industrial class has experienced a market update in assessment between 2018 and 2019 of 3.41%. The City of Markham has increased by an average of 8.29% in CVA, as a result of the market value update between the 2018 and 2019 phased CVA.

- On average, industrial properties in all wards are below the City's average.

4. Property Tax Impacts:

Figure 6 below displays a property with a 2019 market update in phased CVA that is equivalent to the City average for all classes of 8.29%. The 2019 tax rate is decreased to produce the same 2018 property tax using the increased 2019 assessment. As illustrated in the calculation, properties that have an increase in CVA equal to the City average of 8.29%, will not realize an increase in property tax due to reassessment.

Figure 6: Tax Impact Due To Market Value Update

Tax Year	Phased CVA \$	Tax Rate %	Tax \$
2018	713,150	0.173226%	1,235
2019	772,253	0.159968%	1,235
Change %	8.29%	-8.29%	0.00%
Tax Change			0

Figure 7 below demonstrates the tax impacts associated with the market value impact for properties above, below or at the average increase in assessment for the 2019 tax year. Based on the 2019 market update in phased-in CVA, the City will realize a 8.29% increase in CVA for all classes. Those classes (and properties) increasing at a greater rate than the City average increase of 8.29% will realize an increase in their tax levy due to reassessment, and those below the City average increase, will experience a tax levy decrease due to reassessment.

Figure 7: Example of Tax Impact Due To Market Value Update

2018 Phased CVA Value	2019 Phased CVA Value	Change in Phased CVA % (Markham Average 8.29%)	Property Tax Impact - As a result of the Change in Phased CVA (2018 vs. 2019 Phased CVA)	Tax Impact (City share) (2018 to 2019)
713,134	798,710	12%	12% is greater than the average; therefore this property will experience an increase in property tax due to reassessment. (=+3.71%)	+\$42
713,134	772,253	8.29%	8.29% is the same as the average increase; therefore this property will not experience a change in property tax due to reassessment. (= 0.00%)	\$0
713,134	748,791	5%	5% is lower than the average increase; therefore this property experienced a decrease in property tax due to reassessment. (= -3.29%)	-\$38

Note: The example above illustrates the tax impacts related to reassessment, which are independent of the municipal budgetary process.

FINANCIAL CONSIDERATIONS:

The current Provincial reassessment is based on a valuation date of January 1st, 2016 for taxation years 2017-2020; and assessment notices were delivered to all property owners in the City of Markham. Properties that have experienced an increase in CVA, between 2012 and 2016, will have that increase phased-in by one-quarter or 25% increments over four years (2017-2020), and decreases in assessment will have been reflected immediately in the first year of the cycle (2017).

2019 is the third year of the current reassessment phase-in cycle, which realized a 8.29% average City increase in assessment between the 2018 and 2019 taxation years.

HUMAN RESOURCES CONSIDERATIONS

None.

ALIGNMENT WITH STRATEGIC PRIORITIES:

None.

BUSINESS UNITS CONSULTED AND AFFECTED:

None.

RECOMMENDED:

2019-01-10

X 

Joel Lustig
Treasurer
Signed by: cxa

2019-01-10

X 

Trinela Cane
Commissioner, Corporate Services
Signed by: cxa

ATTACHMENT

[Attachment A - City of Markham - 2019 Reassessment Market Update & Relative Property Tax Impact – Ward by Ward Analysis](#)