

May 17, 2019

Ms. Kimberley Kitteringham
City Clerk
City of Markham
101 Town Centre Boulevard
Markham, ON L3R 9W3

Dear Ms. Kitteringham:

Re: 2019 Property Tax Rates

On May 16, 2019 Regional Council adopted the following recommendations:

1. Broad property class tax rates for 2019 be established as follows:

Broad Property Class	2019 Tax Rates %
Residential/Farm	0.336549
Multi-Residential	0.336549
Commercial	0.430581
Industrial	0.528517
Pipelines	0.309289
Farmland	0.084137
Managed Forests	0.084137

2. Local municipalities pay the final two instalments of the 2019 regional property tax levy on or before September 30, 2019 and December 13, 2019.
3. Council approve a bylaw to give effect to these recommendations.
4. The Regional Clerk circulate this report to the local municipalities.

The original staff report is enclosed for your information.

Please contact Edward Hankins, Director, Treasury Office, at 1-877-464-9675 ext. 71644 if you have any questions with respect to this matter.

Sincerely,

A handwritten signature in black ink, appearing to be 'Christopher Raynor', written over a horizontal line.

Christopher Raynor
Regional Clerk

Attachments

The Regional Municipality of York

Committee of the Whole
Finance and Administration
May 9, 2019

Report of the Commissioner of Finance

2019 Property Tax Rates

1. Recommendations

1. Broad property class tax rates for 2019 be established as follows:

Broad Property Class	2019 Tax Rates %
Residential/Farm	0.336549
Multi-Residential	0.336549
Commercial	0.430581
Industrial	0.528517
Pipelines	0.309289
Farmland	0.084137
Managed Forests	0.084137

2. Local municipalities pay the final two instalments of the 2019 regional property tax levy on or before September 30, 2019 and December 13, 2019.
3. Council approve a bylaw to give effect to these recommendations.
4. The Regional Clerk circulate this report to the local municipalities.

2. Summary

It is necessary to establish tax rates for the various property classes so that the tax levy component of the 2019 Regional Budget can be raised.

3. Background

A tax rate bylaw is required annually. In 2017, Council adopted revenue neutral tax ratios. Since the assessment values of different property classes shift at different rates, rates need to be adjusted annually to maintain revenue neutrality.

Section 311(2) of the Municipal Act, 2001 (the Act) requires that an upper-tier municipality pass a tax rating bylaw each year, unless otherwise specified by the Province, that sets out the tax rates for each property class. This allows the Region to raise sufficient revenues to meet its budgetary requirements.

Revenue neutral ratios were updated and adopted in 2018.

4. Analysis

2019 tax rates are determined by the approved budget, assessment values and tax ratios

Regional property tax rates are calculated based on the following formula:

$$\text{Property Tax Rates} = \frac{\text{Total Property Tax Funding Requirement for 2019}}{\text{Weighted and Discounted Assessment for All Classes}} \times \text{Tax Ratio for the Class}$$

Weighted and discounted property assessment is the assessment returned by the Municipal Property Assessment Corporation (MPAC) for 2018 using tax ratios established in the 2019 Property Tax Ratios Report. Table 1 summarizes the revenue neutral tax ratios and the 2019 proposed tax rates.

Table 1
2019 Proposed Revenue Neutral Tax Ratios and 2019 Proposed Tax Rates

Property Class	2019 Proposed Revenue Neutral Ratios	Proposed 2019 Tax Rates %
Residential	1.0000	0.336549
Multi-Residential	1.0000	0.336549
Commercial	1.2794	0.430581
Industrial	1.5704	0.528517
Pipelines	0.9190	0.309289
Farmland	0.2500	0.084137
Managed Forests	0.2500	0.084137

In addition, the Minister of Finance has prescribed discounted tax rates for certain property subclasses, to ensure that the special nature of these properties is recognized.

Table 2
Prescribed Subclass Discounts for Property Classes

Applicable Property Class	Subclass	Discount
Residential, Multi-Residential, Commercial and Industrial	Farmland Awaiting Development 1	75% of the residential tax rate
Commercial and Industrial	Excess Land	30% of the commercial rate and 35% of the industrial rate
Commercial and Industrial	Vacant Land	30% of the commercial rate and 35% of the industrial rate

Currently the Region provides discounts for vacant and excess land for commercial and industrial properties of 30% and 35% respectively. Beginning 2018 taxation year, the Province provided municipalities flexibility to modify their business vacancy programs. As such, the Region has opted out of the business vacant unit rebate program, effective January 1, 2018. In April 2019, the Province announced that the education portion of business vacant and excess land tax discounts would be phased out over a two year period. The Region has the option to phase-out or eliminate the discount program. Staff are in the process of evaluating options with local municipal staff and will need to complete consultation before reporting back to Council with a recommendation for future taxation years.

Attachment 1 shows the distribution of Regional revenues by the various property classes and subclasses. The table includes linear properties for which the Province has prescribed a charge per acre. It also includes payments-in-lieu, which are payments made to compensate a municipality for some or all of the tax revenues that are foregone from tax-exempt properties. The most common payments-in-lieu in York Region are for federally-owned properties such as Canada Post, municipal utilities and crown corporations.

5. Financial

Tax rates are declining because property assessment values are growing faster than the Region's tax levy needs

Table 3 shows the historical relationship between the average assessed value of a single-family detached home in York Region and the tax rate for the residential property class. Tax rates are adjusted each year to raise the amount needed to fund the Region's approved operating budget. As a result of the annual increase in the Region's spending being proportionately lower than the average increase in single-family detached assessment value, the tax rates shown on Table 3 have declined each year since 2013.

Table 3
Comparison of Residential Assessment to Residential Tax Rates

	Average Single-Family Detached Assessment	Tax Rates (%)
2019	883,328	0.336549
2018	809,104	0.350606
2017	740,630	0.371903
2016	667,714	0.397157
2015	629,000	0.406421
2014	591,000	0.416733
2013	553,000	0.434762

6. Local Impact

Subsection 311(11) of the Act requires that an upper-tier tax rating bylaw estimate the amount of upper-tier tax revenue to be raised in each of the local municipalities. The estimate is shown in Table 4.

Table 4
2019 Regional Tax Revenue to be Raised by Local Municipalities

Municipality	2018 Tax Requirement (\$)	2018 Share (%)	2019 Tax Requirement (\$)	2019 Share (%)
Aurora	51,388,882	4.81	55,023,497	4.85
East Gwillimbury	21,223,927	1.98	24,969,287	2.20
Georgina	25,782,552	2.41	27,018,737	2.38
King	29,211,616	2.73	31,073,438	2.74
Markham	308,886,015	28.88	327,903,264	28.90
Newmarket	61,626,756	5.76	65,083,695	5.74
Richmond Hill	195,244,933	18.26	208,460,650	18.37
Vaughan	336,309,832	31.45	352,609,688	31.08
Whitchurch-Stouffville	39,764,765	3.72	42,452,556	3.74
Sub-Total	1,069,439,278	100.00	1,134,594,811	100.00
Payments-in-Lieu	3,079,722		3,416,189	
Total Tax Requirement	1,072,519,000		1,138,011,000	

The Municipal Act permits upper-tier municipalities to collect their portion of the property tax payments from local municipalities on or before specified dates

Subsection 311(12) of the Act provides that an upper-tier rating bylaw may require specified portions of the estimated taxes to be paid by the local municipalities on or before specified dates. At its meeting of January 31, 2019, Council adopted the interim levy payment dates of April 30, 2019 and June 28, 2019. It is recommended that the Regional Treasurer request that the remaining two instalments for the property tax levy be paid on or before September 30, 2019 and December 13, 2019.

7. Conclusion

The proposed 2019 tax rates will raise the property tax levy requirement that was approved by Council in February 2019. As well, the report provides the dates for the remittance of the remaining instalment payments from local municipalities.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at 1-877-464-9675 ext. 71644.

Recommended by:

Laura Mirabella, FCPA, FCA
Commissioner of Finance and Regional Treasurer

Approved for Submission:

Bruce Macgregor
Chief Administrative Officer

May 6, 2019
Attachments (1)
9096296

Attachment 1**2019 Proposed Regional Revenues and Tax Rates by Class**

Property Assessment Class and Subclass	Tax Rates (%)	Revenue Generated (\$)
Residential		
Residential	0.336549	930,366,798
Residential Taxable (Shared as Payment in Lieu)	0.336549	31,934
Residential – Farmland Awaiting Development Phase 1	0.084137	4,352
Residential Taxable (Upper Tier and Education Only)	0.336549	0
Multi-Residential		
New Multi-Residential	0.336549	0
Multi-Residential	0.336549	8,944,680
Commercial		
Commercial (Occupied)	0.430581	83,579,789
Shopping Centre	0.430581	27,299,493
New Commercial (Occupied)	0.430581	18,135,674
Office Building	0.430581	9,876,054
Shopping Centre (New Construction)	0.430581	5,113,531
Commercial Vacant Land	0.301407	2,424,510
Office Building Occupied (New Construction)	0.430581	2,423,009
Commercial Excess Land	0.301407	1,131,555
Commercial Excess Land (New Construction)	0.301407	217,763
Parking Lot (Full)	0.430581	715,784
Commercial (previously Ontario Hydro)	0.430581	136,554

Property Assessment Class and Subclass	Tax Rates (%)	Revenue Generated (\$)
Shopping Centre Excess Land (New Construction)	0.301407	155,526
Office Building Vacant Units and Excess Land	0.301407	101,758
Shopping Centre Vacant Units and Excess Land	0.301407	95,710
Commercial – Farmland Awaiting Development Phase 1	0.084137	87,334
Commercial Vacant Land (Shared as Payment in Lieu)	0.301407	11,858
Office Building Excess Land (New Construction)	0.301407	9,824
Commercial Excess Land (Shared as Payment in Lieu)	0.301407	2,124
Industrial		
Industrial (Occupied)	0.528517	26,163,943
Large Industrial	0.528517	5,747,383
Industrial Vacant Land	0.343536	3,817,512
New Industrial (Occupied)	0.528517	2,335,920
Industrial (previous Ontario Hydro)	0.528517	613,176
Industrial Excess Land	0.343536	177,198
Industrial Excess Land (previously Ontario Hydro)	0.343536	151,233
Industrial Farmland Awaiting Development Phase 1	0.084137	101,543
New Large Industrial Occupied	0.528517	216,794
New Large Industrial Excess Land	0.343536	34,803
Large Industrial Vacant Units and Excess Land	0.343536	50,343

Property Assessment Class and Subclass	Tax Rates (%)	Revenue Generated (\$)
Industrial (New Construction)	0.528517	24,192
Industrial Excess Land (New Construction)	0.343536	14,970
Industrial Vacant Land (Shared as Payment in Lieu)	0.343536	4,424
Pipeline	0.309289	1,205,324
Farmlands	0.084137	1,450,610
Managed Forest	0.084137	59,995
Railway Right-Of-Way (Estimated)		592,286
Utility Transmission (Estimated)		967,549
Sub-Total (Estimated)		1,134,594,811
Payment-in-Lieu	N/A	3,416,189