



Report to: General Committee

Meeting Date: January 20, 2020

SUBJECT: 2020 Reassessment Year 4 of 4 and Relative Property Tax
Impact Report
PREPARED BY: Shane Manson, Senior Manager, Revenue & Property Tax

RECOMMENDATION:

1. That the report entitled “2020 Reassessment Year 4 of 4 and Relative Property Tax Impact Report” along with the detailed attachment “2020 Reassessment Year 4 of 4 and Relative Property Tax Impact Appendix” 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 2020 taxation year will mark the fourth and last year of the 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 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 39.53% 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 2019 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 2019 and 2020 taxation years.

In 2020 (year four of the reassessment cycle), properties increased at an average of 7.66% as a result of the market value update between the 2019 and 2020 taxation years.

Figure 1 provides a summary by property class of the overall reassessment impact and the impact of the market value update between the 2019 and 2020 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)	2020 Impact (Year 4 of 4)
Residential (Excluding Other)	44.34%	9.97%	9.07%	8.32%
Farm	22.69%	5.45%	5.16%	4.89%
Managed Forest	-1.96%	0.38%	0.38%	0.38%
Multi-Residential	27.81%	5.95%	5.87%	5.78%
Commercial	16.14%	4.18%	4.03%	3.77%
Industrial	14.94%	3.66%	3.41%	3.54%
Pipeline	14.81%	2.81%	2.73%	2.66%
Total Taxable	39.53%	9.03%	8.29%	7.66%

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

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 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) with no phase-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. 2020 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 2020 taxation year marks the fourth 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 7.66% in CVA, as a result of the market value update between the 2019 and 2020 phased CVA.

If a City of Markham property experiences a CVA increase at a rate higher than 7.66% between the 2019 and 2020 taxation years, it will experience a tax increase, and alternatively, a property with CVA increase of less than 7.66% will result in a tax decrease.

Figure 3: 2020 CVA Changes in the City of Markham by Class

Property Tax Class	2020 Market Value Update- Phased CVA (2019 - 2020)
	%
Residential (Excluding Other)	8.32%
Farm	4.89%
Managed Forest	0.38%
Multi-Residential	5.78%
Commercial	3.77%
Industrial	3.54%
Pipeline	2.66%
Total Taxable	7.66%

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 2020.

Residential Property Analysis:

The average City of Markham residential home has experienced a market value update in phased assessment of 8.32% between 2019 and 2020.

Figure 4 below demonstrates the average residential home CVA 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 7.66%, and a tax decrease for those below the average City increase in assessment. With an increase of 4.91%, residential condominiums will on average realize a tax decrease due to the market update, as they are below the average City increase of 7.66%.

Figure 4: Summary of Average Residential Home CVA by Property Type

Residential Home Type	Property Count #	2019 Average CVA \$	2020 Average CVA \$	Average Change in Phased CVA (2019 - 2020)	
				\$	%
Single Detached	52,720	991,038	1,078,309	87,271	8.81%
Link Home	13,212	662,481	720,807	58,326	8.80%
Freehold Townhouse	9,194	615,845	667,220	51,375	8.34%
Semi-Detached	6,248	627,413	679,950	52,537	8.37%
Residential Condominium	22,016	398,703	418,281	19,578	4.91%
Residential Homes	103,390	767,581	831,448	63,866	8.32%

Residential Homes Ward Analysis:

Residential homes represent 84.28% of the overall taxable assessment base in Markham, of which, 66.13% are single detached. The 2020 average assessment value for all residential homes (detached, link, townhouse, semi and condominium) is \$831,448.

Figure 5 below illustrates the average residential home values by ward. The 2020 average CVA value for all residential homes (detached, link, townhouse, semi and condominium) has increased by 8.32% to \$831,448. All properties that have a CVA increase at a rate higher than the City average of 7.66% will experience a tax increase, and alternatively a property with CVA increase of less than 7.66% will result in a tax decrease.

Figure 5: Average Residential Home Value by Ward

Ward	2019 Average CVA \$	2020 Average CVA \$	Year-Over-Year Change		Below or Above City Average (7.66%)
			\$	%	
1	824,008	888,845	64,837	7.87%	↑
2	981,074	1,067,675	86,601	8.83%	↑
3	789,419	856,356	66,938	8.48%	↑
4	716,094	775,655	59,562	8.32%	↑
5	659,429	711,163	51,735	7.85%	↑
6	853,203	927,782	74,579	8.74%	↑
7	733,941	796,288	62,346	8.49%	↑
8	618,529	667,457	48,928	7.91%	↑
Average Res. Home	767,581	831,448	63,866	8.32%	

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

The multi-residential class has experienced an increase in CVA between 2019 and 2020 of 5.78%. The City of Markham has increased by an average of 7.66% in CVA, as a result of the market value update between the 2019 and 2020 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 2019 and 2020 of 3.77%. The City of Markham has increased by an average of 7.66% in CVA, as a result of the market value update between the 2019 and 2020 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 2019 and 2020 of 3.54%. The City of Markham has increased by an average of 7.66% in CVA, as a result of the market value update between the 2019 and 2020 phased CVA.

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

4. Property Tax Impacts:

Figure 6 below illustrates a residential home example that has a 2020 market update in phased CVA that is equivalent to the City average for all classes of 7.66%. The 2020 tax rate is decreased to produce the same 2019 property tax using the increased 2020 assessment. As illustrated in the calculation, properties that have an increase in CVA equal to the City average of 7.66%, 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 \$
2019	772,265	0.162273%	1,253
2020	831,448	0.150722%	1,253
Change %	7.66%	-7.12%	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 2020 tax year. Based on the 2020 market update in phased-in CVA, the City will realize a 7.66% increase in CVA for all classes. Those classes (and properties) increasing at a greater rate than the City average increase of 7.66% 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

2019 Phased CVA Value	2020 Phased CVA Value	Change in Phased CVA % (Markham Average 7.66%)	Property Tax Impact - As a result of the Change in Phased CVA (2019 vs. 2020 Phased CVA)	Tax Impact (City share) (2019 to 2020)
772,265	851,963	10.32%	10.32% is greater than the average of 7.66%; therefore this property will experience an increase in property tax due to reassessment. (=+2.66%)	+\$31
772,265	831,448	7.66%	7.66% is the same as the average increase of 7.66%; therefore this property will not experience a change in property tax due to reassessment. (= 0.00%)	\$0
772,265	810,878	5.00%	5% is lower than the average increase of 7.66%; therefore this property experienced a decrease in property tax due to reassessment. (= -2.66%)	-\$31

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

In 2020, all properties owners in Ontario will receive a property reassessment notice between June and October, which will identify their updated current value assessment (CVA). The next reassessment will be based on a valuation date of January 1st, 2019, and will apply over a four year period (2021 – 2024). The City of Markham will use the updated CVA's to calculate property taxes for the 2021 through 2024 taxation years. Properties that experience an assessment increase will have that increase phased-in by twenty-five per cent for each of the four taxation years (2021 - 2024). Properties that decrease in value will realize the reassessment change immediately in the first year (2021).

FINANCIAL CONSIDERATIONS

2020 is the fourth year of the current reassessment phase-in cycle, which realized a 7.66% average City increase in assessment between the 2019 and 2020 taxation years.

HUMAN RESOURCES CONSIDERATIONS

None.

ALIGNMENT WITH STRATEGIC PRIORITIES:

None.

BUSINESS UNITS CONSULTED AND AFFECTED:

None.

RECOMMENDED BY:

Joel Lustig
Treasurer

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

2020 Reassessment Year 4 of 4 and Relative Property Tax Impact Appendix