



Report to: General Committee

Date: February 5, 2018

SUBJECT: 2018 Reassessment Market Update (Year 2 of 4) & Relative Property Tax Impact Report

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

RECOMMENDATIONS:

1. **THAT** the report entitled “2018 Reassessment Market Update (Year 2 of 4) & Relative Property Tax Impact Report” along with the detailed attachment “2018 Reassessment Market Update & Relative Property Tax Impact – Ward by Ward Analysis” be received for information;
2. **AND 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 on the 2016 Provincial Reassessment, which provided assessment values for the 2017 through 2020 tax years, effective January 1st, 2017. The 2018 taxation year will mark the second year of the four year phase-in cycle for this reassessment.

OPTIONS/ DISCUSSION:

1. REASSESSMENT – FOUR YEAR MARKET UPDATE (2017 – 2020):

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. The 2018 tax year marks the second year in the phase-in cycle of this reassessment. 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.

In 2016 MPAC completed a reassessment that increased assessment values City wide by an average of 39.49% over four years (2017-2020). In year one (2017), properties increased at by a City wide average of 9.79% as a result of the market value update between the 2016 and 2017 taxation years.

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

Figure 1 provides a summary by class of the overall reassessment impact and the impact of the market value update between the 2017 and 2018 taxation years.

Figure 1: Reassessment Impact

Property Type	Overall Reassessment Impact (2017-2020)	2017 Impact (Year 1 of 4)	2018 Impact (Year 2 of 4)
Residential (Excluding Other)	44.27%	11.07%	9.97%
Farm	22.80%	5.56%	5.45%
Managed Forest	-1.96%	-4.02%	0.38%
Multi-Residential	24.74%	5.99%	5.95%
Commercial	16.69%	4.01%	4.18%
Industrial	13.69%	2.35%	3.66%
Pipeline	11.56%	2.42%	2.81%
Total Taxable	39.49%	9.79%	9.03%

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 below illustrates the mechanics of the four-year assessment phase-in program.

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

The reasons noted above results 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. 2018 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 2018 taxation year marks the second 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 9.03% in CVA, as a result of the market value update between the 2017 and 2018 phased CVA.

If a City of Markham property experiences a CVA increase at a rate higher than 9.03% between the 2017 and 2018 taxation years, it will experience a tax increase, and alternatively a property with CVA increase of less than 9.03% will result in a tax decrease.

Figure 3: 2018 CVA Changes in the City of Markham by Class

Property Tax Class	2018 Market Value Update- Phased CVA (2017 - 2018)
	%
Residential (Excluding Other)	9.97%
Farm	5.45%
Managed Forest	0.38%
Multi-Residential	5.95%
Commercial	4.18%
Industrial	3.66%
Pipeline	2.81%
Total Taxable	9.03%

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 2018.

Residential Property Analysis:

The average City of Markham residential home has experienced a market value update in phased assessment of 9.97% between 2017 and 2018.

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 9.03%, 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 9.03%.

Figure 4: Summary of Average Residential Home by Property Type

Property Type	Property Count #	2017 Average CVA \$	2018 Average CVA \$	Average Change in Phased CVA (2017 - 2018)	
				\$	%
Single Detached	52,635	811,170	897,930	86,759	10.70%
Link Home	13,089	544,358	602,564	58,206	10.69%
Freehold Townhouse	8,602	510,013	560,894	50,881	9.98%
Semi-Detached	6,171	520,151	572,438	52,287	10.05%
Residential Condominium	19,581	364,192	381,856	17,663	4.85%
Residential Homes	100,078	644,990	709,286	64,296	9.97%

Residential Homes Ward Analysis:

Residential homes represents 83% of the overall taxable assessment base in the City of Markham. Of which, 67% of all residential homes are single detached. The 2018 average assessment value for all residential homes (detached, link, townhouse, semi and condominium) is \$709,286.

Figure 5 below illustrates that individual tax impacts will vary independently for each property. If a City of Markham property experiences a CVA increase at a rate higher than 9.03% between the 2017 and 2018 taxation years, it will experience a tax increase, and alternatively a property with CVA increase of less than 9.03% will result in a tax decrease.

Figure 5: Average Residential Home Value by Ward

Ward	2017 Average CVA \$	2018 Average CVA \$	Year-Over-Year Change		Below or Above Res. Home Average
			\$	%	
1	689,293	753,469	64,176	9.31%	↓
2	806,646	893,153	86,507	10.72%	↑
3	678,869	748,096	69,227	10.20%	↑
4	597,657	657,266	59,610	9.97%	—
5	567,014	619,392	52,378	9.24%	↓
6	702,588	777,004	74,417	10.59%	↑
7	622,380	685,987	63,607	10.22%	↑
8	519,211	567,991	48,779	9.39%	↓
Average Residential Home	644,990	709,286	64,296	9.97%	

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

The multi-residential class has experienced an increase in CVA between 2017 and 2018 of 5.95%. The City of Markham has increased by an average of 9.03% in CVA, as a result of the market value update between the 2017 and 2018 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 2017 and 2018 of 4.18%. The City of Markham has increased by an average of 9.03% in CVA, as a result of the market value update between the 2017 and 2018 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 2017 and 2018 of 3.66%. The City of Markham has increased by an average of 9.03% in CVA, as a result of the market value update between the 2017 and 2018 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 2018 market update in phased CVA that is equivalent to the City average for all classes of 9.03%. The 2018 tax rate is decreased to produce the same 2017 property tax using the increased 2018 assessment. As illustrated in the calculation, properties that have an increase in CVA equal to the City average of 9.03%, 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 \$
2017	650,542	0.184850%	1,203
2018	709,286	0.169540%	1,203
Change %	9.03%	-9.03%	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 2018 tax year. Based on the 2018 market update in phased-in CVA, the City will realize a 9.03% increase in CVA for all classes. Those classes (and properties) increasing at a greater rate than the City average increase of 9.03% 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

2017 Phased CVA Value	2018 Phased CVA Value	Change in Phased CVA % (Markham Average 9.03%)	Property Tax Impact - As a result of the Change in Phased CVA (2017 vs. 2018 Phased CVA)	Tax Impact (City share) (2017 to 2018)
\$650,542	\$728,607	12.00%	12% is greater than the average; therefore this property will experience an increase in property tax due to reassessment. (12.00% - 9.03% = 2.97%)	+\$33
\$650,542	\$709,286	9.03%	9.03% is the same as the average increase; therefore this property will not experience a change in property tax due to reassessment. (9.03% - 9.03% = 0.00%)	\$0
\$650,542	\$683,069	5.00%	5% is lower than the average increase; therefore this property experienced a decrease in property tax due to reassessment. (5.00% - 9.03% = -4.03%)	-\$44

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).

2018 is the second year of the current reassessment phase-in cycle, which realized a 9.03% average City increase in assessment between the 2017 and 2018 taxation years.

HUMAN RESOURCES CONSIDERATIONS

None.

ALIGNMENT WITH STRATEGIC PRIORITIES:

None.

BUSINESS UNITS CONSULTED AND AFFECTED:

None.

RECOMMENDED:

2018-01-30

X 

Joel Lustig
Treasurer
Signed by: cxa

2018-01-30

X 

Trinela Cane
Commissioner, Corporate Services
Signed by: cxa

ATTACHMENT

[Attachment A - City of Markham - 2018 Reassessment Market Update & Relative Property Tax Impact – Ward by Ward Analysis](#)