



Report to: General Committee

Date: February 6, 2016

SUBJECT: 2017 Reassessment Market Update (Year 1 of 4) & Relative Property Tax Impact Report

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

RECOMMENDATIONS:

1. **THAT** the report entitled “2017 Reassessment Market Update (Year 1 of 4) & Relative Property Tax Impact Report” along with the detailed attachment “2017 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 of the 2017 Provincial Reassessment, which is effective January 1st, 2017. The 2017 taxation year will mark the first 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.

During the month of June 2016, all residential property owners in the City of Markham were issued a property reassessment notice from Municipal Property Assessment Corporation (MPAC). The notice 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. Reassessment notices for business and farms properties were mailed to the respective property owners in October 2016.

Properties in the City of Markham have increased by an average of 39.62% over four years due to reassessment and 9.79% for 2017, as a result of the market value update between the 2016 and 2017 taxation years.

Figure 1 provides a summary by class of the overall reassessment impact and the impact of the market value update between the 2016 and 2017 taxation years.

Figure 1: 2017 Reassessment Impact

A	B	C
Property Type	Overall Reassessment Impact	2017 Impact (Year 1 of 4)
Residential (Excluding Other)	44.00%	11.07%
Farm	22.81%	5.56%
Managed Forest	-3.49%	-4.02%
Multi-Residential	25.34%	5.99%
Commercial	17.57%	4.01%
Industrial	12.93%	2.35%
Pipeline	9.66%	2.42%
Total Taxable	39.62%	9.79%

The updated reassessment values will be based on a valuation date as of January 1st, 2016, updated from the previous valuation date of January 1st, 2012, and will 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 twenty-five per cent 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) \$	2017 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.

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. Change in ownership or legal description;
2. Change in value as a result of a Request for Reconsideration (RfR) or 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 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. 2016 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 2017 taxation year marks the first year of the current four-year assessment cycle and the City of Markham has increased by an average of 9.79% in CVA, as a result of the market value update between the 2016 and 2017 phased CVA.

If a City of Markham property experiences a CVA increase at a rate higher than 9.79% between the 2016 and 2017 taxation years, it will experience a tax increase, and alternatively a property with CVA increase of less than 9.79% will result in a tax decrease.

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 reset tax rates annually so that they raise the same overall revenue as in the previous year, using the market value update assessment for 2016.

Residential Property Analysis:

The average City of Markham residential home has experienced a market value update in phased assessment of 11.07% between 2016 and 2017.

Figure 3 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 9.79%, and a tax decrease for those below the average City increase in assessment. With an increase of 4.78%, residential condominiums will on average realize a tax decrease due to the market update, as they are below the average City increase of 9.79%.

Figure 3: Summary of Average Residential Class by Property Type

Property Type	Property Count #	2016 Average CVA \$	2017 Average CVA \$	Average Change in Phased CVA (2016 - 2017)	
				\$	%
Single Detached	52,412	722,844	809,471	86,626	11.98%
Link Home	13,068	485,803	543,988	58,185	11.98%
Freehold Townhouse	8,340	458,869	509,627	50,758	11.06%
Semi-Detached	6,164	467,601	519,856	52,255	11.18%
Residential Condominium	18,611	347,824	364,454	16,630	4.78%
Residential Homes	98,595	582,350	646,811	64,461	11.07%

Residential Homes Ward Analysis:

The residential class represents 85.43% of the overall taxable assessment base in the City of Markham. Of which, 65% of all residential assessment is attributable to single detached homes. The 2017 average assessment value for all residential homes (detached, link, townhouse, semi and condominium) is \$646,811.

Figure 4 below illustrates the average residential home values by ward. With an average residential ward increase of 11.07%, all residential homes in the eight wards are above the City average of 9.79%. All properties with a CVA increase higher than the City average 9.79% will experience a tax increase.

Individual tax impacts will vary independently for each property. If a City of Markham property experiences a CVA increase at a rate higher than 9.79% between the 2016 and 2017 taxation years, it will experience a tax increase, and alternatively a property with CVA increase of less than 9.79% will result in a tax decrease.

Figure 4: Average Residential Home Value by Ward

Ward	2016 Average CVA \$	2017 Average CVA \$	Year-Over-Year Change		Below or Above City Average of 9.79%
			\$	%	
1	624,976	688,893	63,917	10.23%	↑
2	719,422	805,851	86,428	12.01%	↑
3	607,456	676,324	68,867	11.34%	↑
4	545,350	605,924	60,574	11.11%	↑
5	512,921	564,849	51,928	10.12%	↑
6	627,908	702,329	74,421	11.85%	↑
7	558,119	621,690	63,571	11.39%	↑
8	474,684	523,986	49,302	10.39%	↑
Average Residential Home	582,350	646,811	64,461	11.07%	

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

The multi-residential class has experienced an increase in CVA between 2016 and 2017 of 5.99%. The City of Markham has increased by an average of 9.79% in CVA, as a result of the market value update between the 2016 and 2017 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 2016 and 2017 of 4.01%. The City of Markham has increased by an average of 9.79% in CVA, as a result of the market value update between the 2016 and 2017 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 2016 and 2017 of 2.35%. The City of Markham has increased by an average of 9.79% in CVA, as a result of the market value update between the 2016 and 2017 phased CVA.

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

4. Property Tax Impacts:

Figure 5 below displays a property with a 2017 market update in phased CVA that is equivalent to the City average for all classes of 9.79%. The 2016 tax rate is decreased to produce the same 2016 property tax dollars using the increased 2017 assessment. As

illustrated in the calculation, properties that have an increase in CVA equal to the City average of 9.79%, will not realize an increase in property tax due to reassessment.

Figure 5: Tax Impact Due To Market Value Update

Tax Year	Phased CVA \$	Tax Rate	Tax \$
2016	589,135	0.1976%	1,164
2017	646,811	0.1800%	1,164
Change %	9.79%	-8.911%	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 2017 tax year. Based on the 2017 market update in phased-in CVA, the City will realize a 9.79% increase in CVA for all classes. Those classes (and properties) increasing at a greater rate than the City average increase of 9.79% 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 6: Illustration of Tax Impact Due To Market Value Update

2016 Phased CVA Value	2017 Phased CVA Value	Change in Phased CVA % (Markham Average 9.79%)	Property Tax Impact - As a result of the Change in Phased CVA (2016 vs. 2017 Phased CVA)	Tax Impact (City share) (2016 to 2017)
\$589,135	\$659,831	12.00%	12% is greater than the average; therefore this property will experience an increase in property tax due to reassessment. (12.00% - 9.79% = 2.21%)	+\$23
\$589,135	\$646,811	9.79%	9.79% is the same as the average increase; therefore this property will not experience a change in property tax due to reassessment. (9.79% - 9.79% = 0.00%)	\$0
\$589,135	\$618,592	5.00%	5% is lower than the average increase; therefore this property experienced a decrease in property tax due to reassessment. (5.00% - 9.79% = -4.79%)	-\$51

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 have been 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 be reflected immediately in the first year of the cycle (2017).

2017 is the first year of the current reassessment phase-in cycle, which realized a 9.79% average City increase in assessment between the 2016 and 2017 taxation years.

HUMAN RESOURCES CONSIDERATIONS

None.

ALIGNMENT WITH STRATEGIC PRIORITIES:

None.

BUSINESS UNITS CONSULTED AND AFFECTED:

None.

RECOMMENDED:

1/31/2017

31/01/2017

X 

Joel Lustig
Treasurer

X 

Trinela Cane
Commissioner, Corporate Services

ATTACHMENT

Attachment A City of Markham 2017 Reassessment Market Update - Ward Analysis

