Reassessment Market Update Impact:

2016 Tax Year – Year 4 of 4 of the Assessment Phase-In & Relative Tax Impact

General Committee, February 1, 2016

AGENDA

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2. Annual Assessment Changes
3. 2016 Market Update- City Wide Impact Summary
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1. Reassessment – Four Year Market Update (2013 – 2016):

- The Municipal Property Assessment Corporation (MPAC) is responsible for the valuation of all property assessment in the Province of Ontario.
- The Province of Ontario introduced a four-year property assessment cycle in 2009, which included a mandatory phase-in of assessment increases over four tax years.
- Current value assessment (CVA) is based on a valuation date of January 1st, 2012, which was updated from January 1st, 2008.
- All value increases are phased-in over 2013, 2014, 2015 and 2016
- 2016 tax year marks the fourth and final year in the current phase-in cycle.
- Reassessment impacts are independent of the municipal budgetary process.

1. Reassessment – Four Year Market Update (2013 – 2016):

Reassessment Phase-In Example

Property Type	2012 Full Assessment (As of Jan. 1st, 2008)	2013 Full Assessment (As of Jan. 1st, 2012)	Market Increase	Phased-In Assessment (Tax Year)			
				2013	**2014**	**2015**	**2016**
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

- In 2013, every property owner in the City of Markham received their property assessment notice from MPAC, providing the assessment value for the property for the four-year period (2013 – 2016).
- 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.

1. Reassessment – Four Year Market Update (2013 – 2016):

- Properties that increase will have the assessment value phased-in by 25% of the overall reassessment change in each of the four years of the cycle.
- Properties that experience a decrease in assessment value realize the reassessment change immediately in the first year of the cycle.
- It is important to note that the average assessment increase is weighted by both increasing and decreasing assessment.
- The City of Markham annually recalculates the municipal tax rate; to ensure it collects the same tax dollars as in the previous year.

2. ANNUAL ASSESSMENT CHANGES

- Each year the City receives an updated assessment roll from MPAC, reflecting:
  - A. New properties; or
  - B. Properties that have changed, based on the following:
    - ✓ Change in ownership or legal description;
    - ✓ Change in value as a result of a Request for Reconsideration (RfR) or Appeal;
    - ✓ Change in the classification (residential vs. commercial) or tax liability of the property; and/or
    - ✓ Property value increase/decrease, reflecting a change to the property's state, use and/or condition.
- In years 2, 3 and 4 of the phase-in cycle MPAC will issue assessment notices <u>only </u>for properties that are subject to changes, for the reasons noted above.
- Therefore, in years 2, 3 and 4 of the phase-in cycle there are three types of properties:
  1. Properties with an assessment increase;
  2. Status quo properties (no change in assessment; or decreased in the first year); and
  3. Properties that have undergone a change.

2. Annual Assessment Changes

- The City of Markham annually recalibrates the municipal tax rate; decreasing it by the equivalent of the City average increase in assessment, to ensure the City collects the same taxes as the prior year.
- Each property's position, relative to the annual City average increase in assessment, determines its annual tax change due to the market update in assessment.
- The following explains the different tax changes in years 2, 3, and 4, <u>due to the market update:</u>

1. <u>Properties with an Assessment Increase</u>
   - Those increasing at a <u>greater</u> rate than the City average will realize an increase in tax.
   - Those increasing at the <u>same</u> rate as the City average will realize no change in tax.
   - Those increasing at a rate below the City average will realize a decrease in tax.

2. <u>Status Quo Properties (Decreased in Year 1)</u>
   - Properties that decreased in the first year, will realize a minor decrease in tax relative to the annual recalibration of the municipal tax rate.

3. <u>Properties that have Undergone a Change.</u>
   - Properties that have undergone a change in assessment will experience the same impacts as noted in Item 1. above

3. 2016 Market Update- City Wide Impact Summary

2016 CVA Changes in the City of Markham by Class

Property Tax Class	2016 Market Value Update- Phased CVA (2015 - 2016)
Residential (Excluding Other)	6.38%
Farm	5.87%
Managed Forest	5.68%
Multi-Residential	3.89%
Commercial	3.39%
Industrial	3.76%
Pipeline	1.64%
2015 Average City Increase in CVA	**5.87%**

3. 2016 Market Update- City Wide Impact Summary

Market Impact to Average Residential Home (City Wide)

Property Type	Property Count	2015 Average CVA	2016 Average CVA	Average Change in Phased CVA (2015 - 2016)		Below or Above City Average (5.87%)
				$	%	
Single Detached	52,030	$676,802	$721,099	$44,297	**6.54%**	↑
Link Home	13,015	$455,019	$485,320	$30,301	**6.66%**	↑
Freehold Townhouse	7,992	$432,675	$460,630	$27,955	**6.46%**	↑
Semi-Detached	6,038	$438,018	$466,458	$28,440	**6.49%**	↑
Residential Condominium	17,031	$332,209	$348,702	$16,493	**4.96%**	↓
Residential Homes	**96,106**	**$550,399**	**$585,518**	**$35,119**	**6.38%**	

The average residential home, except for residential condominiums, will experience an increase in taxation due to the market update, as they are above the average City increase of 5.87%.

3. 2016 Market Update- City Wide Impact Summary

Summary of Average Residential Home in 2016 by Ward

Ward	2015 Average CVA	2016 Average CVA	Year-Over-Year Change		Below or Above City Average (5.87%)
			$	%	
1	$595,628	$633,100	$37,472	**6.29%**	↑
2	$673,293	$719,637	$46,344	**6.88%**	↑
3	$580,367	$618,629	$38,262	**6.59%**	↑
4	$512,261	$543,723	$31,462	**6.14%**	↑
5	$484,061	$511,845	$27,784	**5.74%**	↓
6	$592,476	$633,490	$41,014	**6.92%**	↑
7	$526,352	$557,059	$30,707	**5.83%**	↓
8	$448,351	$477,027	$28,676	**6.40%**	↑
Average Residential Home	**$550,399**	**$585,518**			

Based on the City average 5.87% assessment increase, average homes in wards 1, 2, 3, 4, 6 and 8 will experience increases in taxation due to the market update and average homes in wards 5 and 7 will realize a tax decrease.

4. Property Tax Impacts

Tax Impact Example Due to Market Value Update

Tax Year	CVA	Tax Rate	Tax
2015	$586,000	0.204311%	$1,197
2016	$620,398	0.192974%	$1,197
Change %	5.87%	-5.87%	0.00%
		Tax Change	**$0**

- The 2016 market update in phased CVA for this example has been increased by the City average of 5.87%.
- The 2016 tax rate is decreased to ensure the City collects the same amount of property tax as in 2015 using the increased 2016 assessment.
- Properties that increase at the same rate as the City average of 5.87% will not realize an increase in property tax due to reassessment.

The City's tax rate is annually recalculated to collect the same tax dollars as in the previous year.

4. Property Tax Impacts

- Based on the market update in phased-in CVA between 2015 and 2016, the City will realize a 5.87% increase in CVA for all classes.
- Those classes (and properties) increasing at a greater rate than the City average increase of 5.87% will realize an increase in their share of the overall tax levy due to CVA, and those below the City average increase will decrease.
- The residential tax class has realized an average market update in assessment of 6.37% between the 2015 and 2016 tax years, and will therefore realize an increase in their share of the overall tax levy.

Illustration of Tax Impact due to Market Value Update

2015 Phased CVA Value	**2016 Phased CVA Value**	**Change in Phased CVA %** (Average City of Markham Change 5.87%)	**Property Tax Impact - As a result of the Change in Phased CVA** (2015 vs. 2016 Phased CVA)	**Impact on City share of Tax Only** (2015 to 2016)
$586,000	**$644,600**	**10.00%**	10% is greater than the average; therefore this property will experience an increase in property tax due to reassessment. (10.00% -5.87% = 4.13%)	**+$47**
$586,000	**$620,398**	**5.87%**	5.87% is the same as the average increase; therefore this property will not experience a change in property tax due to reassessment. (5.87% - 5.87% = 0.00%)	**$0**
$586,000	**$615,300**	**5.00%**	5% is lower than the average increase; therefore this property experienced a decrease in property tax due to reassessment. (5.00% -5.87% = -0.87%)	**-$10**

5. SUMMARY

- The 2016 tax year marks the <u>fourth and final year</u> in the current phase-in cycle, which is based on the valuation date of January 1st, 2012.
- The City-wide impact from the market update between the 2015 and 2016 tax years is a 5.87% average assessment increase for all classes.
- The 2016 market update resulted in an average assessment increase of 6.38% for residential homes.
- All properties increasing at a greater rate the City average increase of 5.87% will realize an increase in tax due to the 2016 assessment update, and those below the City average will experience a decrease.

Impacts on taxation due to reassessment and the phasing in of assessment are independent of the City's annual budget process.

Discussion