



Report to: General Committee

Date: February 1, 2016

---

**SUBJECT:** 2016 Reassessment Market Update (Year 4 of 4) & Relative Property Tax Impact Report  
**PREPARED BY:** Shane Manson, Senior Manager, Revenue & Property Tax

---

**RECOMMENDATIONS:**

1. **THAT** the report entitled “2016 Reassessment Market Update (Year 4 of 4) & Relative Property Tax Impact Report” along with the detailed attachment “2016 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 a 2016 reassessment market update for year 4 of the 4 year assessment phase-in cycle.

**OPTIONS/ DISCUSSION:**

**1. REASSESSMENT – FOUR YEAR MARKET UPDATE (2013 – 2016):**

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. As of 2007, the Province of Ontario introduced a four-year property assessment cycle, which included a mandatory phase-in of assessment increases for residential properties. For the 2009 through 2012 tax years all properties were assessed and taxed based on their Current Value Assessment (CVA) as of the valuation date of January 1st, 2008. The Province has chosen to repeat the four-year assessment cycle for the 2013 through 2016 tax years. Current value assessment for the four-year cycle is assessed and taxed based in the value as of January 1<sup>st</sup>, 2012.

Properties that experienced a CVA increase, between the 2008 and the 2012 valuation date, will be taxed in accordance with a phase-adjusted value, meaning property assessment values would increase by one-quarter of the overall reassessment change in each of the four years of the cycle. Properties that experienced a decrease in assessment value realized the reassessment change immediately in the first year of the cycle. The current reassessment is based on a valuation date of January 1st, 2012 and applies to the 2013 through 2016 tax years. The 2013 tax year marked the first year in the phase-in cycle of this reassessment. In 2013, every property owner in the City of Markham

received a property assessment notice from MPAC, which included all assessment values applicable over the four year period. The 2016 tax year marks the fourth and final year in this current phase-in cycle.

Figure 2 illustrates the mechanics of the four-year assessment phase-in program.

**Figure 2**  
**Reassessment Phase-In Example**

Property Type	2012 Full Assessment (As of Jan. 1 <sup>st</sup> , 2008)	2013 Full Assessment (As of Jan. 1 <sup>st</sup> , 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

The City of Markham annually recalculates and decreases the municipal tax rate by equivalent of the average increase in assessment, to ensure the City collects the same 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.

This 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) that occur during the reassessment cycle, equates to an annual market update. The 2016 tax year marks the fourth and final year in the current four-year assessment cycle, and the following summary has been prepared to illustrate the effects of the market update.

Figure 3 provides a summary of the market value update in phased-in assessment between the 2015 and 2016 tax years for all classes. The City of Markham has increased by an average of 5.87% in CVA, as a result of the market value update between the 2015 and 2016 phased CVA. **If a City of Markham property experiences a CVA increase at a rate higher than 5.87% between the 2015 and 2016 tax years, it will experience a tax increase due to the fourth year market update and, alternatively, a property with CVA increase of less than 5.87% will result in a tax decrease due to the fourth year market update.**

**Figure 3**  
**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%
<b>Total Taxable</b>	<b>5.87%</b>

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 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 CLASS ANALYSIS:**

The average City of Markham residential home has experienced a market value update in phased assessment of 6.38% between 2015 and 2016. Figure 4 demonstrates the average

residential home values for the City of Markham 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 5.87%, due to the fourth year market update, and a tax decrease for those below the average City increase in assessment.

**Figure 4**  
**Summary of Average Residential Class by Property Type**

Property Type	Property Count	2015 Average CVA	2016 Average CVA	Average Change in Phased CVA (2015 - 2016)	
				\$	%
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%
<b>Residential Homes</b>	<b>96,106</b>	<b>\$550,399</b>	<b>\$585,518</b>	<b>\$35,119</b>	<b>6.38%</b>

WARD ANALYSIS ON RESIDENTIAL HOMES:

The residential class represents 83% of the overall taxable assessment base in the City of Markham. 66.67% of all residential assessment is attributable to single detached homes. The 2016 average assessment for residential homes (detached, link, townhouse, semi and condominium) is \$585,518.

Figure 5 illustrates the average residential home values by ward. With an average increase of 6.38%, homes in wards 2, 3, 6 and 8 are above the City's average and homes in wards 1, 4, 5, and 7 are below the City's average.

**Figure 5**  
**Summary of Average Residential Home by Ward**

Ward	2015 Average CVA	2016 Average CVA	Year-Over-Year Change		Below or Above Res. Average
			\$	%	
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%	↑
<b>Average Residential Home</b>	<b>\$550,399</b>	<b>\$585,518</b>	<b>\$35,119</b>	<b>6.38%</b>	

NON-RESIDENTIAL PROPERTY CLASS ANALYSIS:Multi-Residential Class:

The multi-residential class has experienced a market update in assessment between 2015 and 2016 of 3.89%. This will result in a tax increase for all multi-residential properties with an increase in assessment greater than the average City increase of 5.87%, due to the fourth year market update, and a tax decrease for those below the average City increase in assessment.

Multi-residential properties in wards 3, 5, 6, 7 and 8 are above the City's average and multi-residential properties in wards 1, 2 and 4 are below the City's average.

Commercial Class:

The commercial class has experienced a market update in assessment between 2015 and 2016 of 3.39%. This will result in a tax increase for all commercial properties with an increase in assessment greater than the average City increase of 5.87%, due to the fourth year market update, and a tax decrease for those below the average City increase in assessment.

Commercial properties in wards 1, 2, 3, 4, 6 and 7 are above the City's average and commercial properties in wards 5 and 8 are below the City's average.

Industrial Class:

The industrial class has experienced a market update in assessment between 2015 and 2016 of 3.76%. This will result in a tax increase for all industrial properties with an increase in assessment greater than the average City increase of 5.87%, due to the fourth year market update, and a tax decrease for those below the average City increase in assessment.

Industrial properties in wards 1, 3, 4, 6 and 7 are above the City's average and commercial properties in wards 2, 5 and 8 are below the City's average.

**4. PROPERTY TAX IMPACTS:**

Figure 6 displays a property with a 2016 market update in phased CVA that is equivalent to the City average for all classes of 5.87%. The 2015 tax rate is decreased to produce the same 2015 property tax using the increased 2016 assessment. As illustrated in the calculation, properties that increase in CVA at the City average of 5.87% 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
2015	\$586,000	0.204311%	\$1,197
2016	\$620,398	0.192974%	\$1,197
Change %	5.87%	-5.87%	0.00%
<b>Tax Change</b>			<b>\$0</b>

Figure 7 demonstrates the tax impacts associated with the market value impact for properties above, below or at the average increase in assessment for the 2016 tax year. Based on the 2016 market update in phased-in CVA, 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 tax levy due to reassessment, and those below the City average increase will experience a tax levy decrease due to reassessment.

**Figure 9**  
**Illustration of Tax Impact Due To Market Value Update**

2015 Phased CVA Value	2016 Phased CVA Value	Change in Phased CVA % (Markham Average 5.87%)	Property Tax Impact - As a result of the Change in Phased CVA (2015 vs. 2016 Phased CVA)	Tax Impact (City share) (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%)	<b>+\$47</b>
\$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%)	<b>\$0</b>
\$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%)	<b>-\$10</b>

**Note:**

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

**FINANCIAL CONSIDERATIONS:**

The current reassessment cycle is based on a valuation date of January 1<sup>st</sup>, 2012, updated from January 1<sup>st</sup>, 2008. Assessment value increases are phased-in over four (2013 – 2016) tax years. 2016 is year 4 of the current reassessment phase-in cycle, and the realized a 5.87% average overall increase in assessment between the 2015 and 2016 tax years.

It is important to note that the next Provincial reassessment will be based on a valuation date of January 1<sup>st</sup>, 2016 for taxation years 2017-2020; and assessment notices will be delivered to all property owners in the Province of Ontario later this year. This means that properties that experience a CVA increase, between 2012 and 2016, will have that increase phased-in by one-quarter or 25% increments over four years, and decreases in assessment will be reflected immediately in the first year of the cycle (2017). This new four-year phase-in cycle will commence in 2017.

**HUMAN RESOURCES CONSIDERATIONS**

None.

**ALIGNMENT WITH STRATEGIC PRIORITIES:**

None.

**BUSINESS UNITS CONSULTED AND AFFECTED:**

None.

**RECOMMENDED:**

28/01/2016

08/02/2016

X 

---

Joel Lustig  
Treasurer

X 

---

Trinela Cane  
Commissioner, Corporate Services

**ATTACHMENT**

[Attachment A - City of Markham - 2016 Reassessment Market Update & Relative Property Tax Impact – Ward by Ward Analysis](#)