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Journey to Excellence

Reassessment Market Update Impact:

2015 Tax Year – Year 3 of 4 of the Assessment Phase-In

General Committee, March 23rd, 2015

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SILVER RECIPIENT ORGANIZATIONAL QUALITY & HEALTHY WORKPLACE 2010

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AGENDA

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2. Annual Market Update Overview
3. 2015 Taxation - City Wide Analysis
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5. Ward Analysis
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1. REASSESSMENT (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
- 2015 tax year marks the third year in the continued phase-in cycle.
- Reassessment impacts are independent of the municipal budgetary process.

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1. REASSESSMENT (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 (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 Market Update Overview

- 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 only 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 MARKET UPDATE OVERVIEW

- 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, due to the market update:

1. Properties with an Assessment Increase
   - Those increasing at a greater rate than the City average will realize an increase in tax.
   - Those increasing at the same 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. Status Quo Properties (Decreased in Year 1)
   - 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. Properties that have Undergone a Change.
   - Properties that have undergone a change in assessment will experience the same impacts as noted in Item 1. above

3. 2015 Taxation - City Wide Analysis

Tax Impact Example Due to Market Value Update

Tax Year	CVA	Tax Rate	Tax
2014	$400,000	0.211775%	$847
2015	$424,960	0.199328%	$847
Change %	6.24%	-6.24%	0.00%
		Tax Change	**$0**

- The 2015 market update in phased CVA for this example has been increased by the City average of 6.24%.
- The 2015 tax rate is decreased to ensure the City collects the same amount of property tax as in 2014 using the increased 2015 assessment.
- Properties that increase at the same rate as the City average of 6.24% 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.

3. 2015 Taxation - City Wide Analysis

- Based on the market update in phased-in CVA between 2014 and 2015, the City will realize a 6.24% increase in CVA for all classes.
- Those classes (and properties) increasing at a greater rate than the City average increase of 6.24% 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 6.81% between the 2014 and 2015 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

2014 Phased CVA Value	2015 Phased CVA Value	**Change in Phased CVA %** (Average City of Markham Change 6.24%)	**Property Tax Impact - As a result of the Change in Phased CVA** (2014 vs. 2015 Phased CVA)	**Impact on City share of Tax Only** (2014 to 2015)
$400,000	**$440,000**	**10.00%**	10% is greater than the average, therefore this property will experience an increase in property tax. (10.00% - 6.24% = 3.76%)	**+$30**
$400,000	**$424,967**	**6.24%**	6.24% is the same as the average increase, therefore this property will not experience a change in property tax. (6.24% - 6.24% = 0.00%)	**$0**
$400,000	**$420,000**	**5.00%**	5% is lower than the average increase, therefore this property experienced a decrease in property tax. (5.00% - 6.24% = -1.24%)	**-$10**

3. 2015 Taxation - City Wide Analysis

2015 CVA Changes in the City of Markham by Class

Property Tax Class	2015 Market Value Update-Phased CVA (2014 - 2015)
Residential	6.81%
Farm	6.24%
Managed Forest	6.02%
Multi-Residential	4.09%
Commercial	3.89%
Industrial	3.54%
Pipeline	1.69%
2015 Average City Increase in CVA	**6.24%**

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4. Residential Property Class Analysis

Market Impact to Average Residential Property (City Wide)

Property Type	Property Count	2014 Average CVA	2015 Average CVA	Average Change in Phased CVA (2014 - 2015)		Below or Above City Average (6.24%)
				$	%	
Single Family Detached	51,361	$630,865	$675,067	$44,203	**7.01%**	↑
Link Home	12,909	$423,903	$454,164	$30,262	**7.14%**	↑
Freehold Townhouse	7,493	$402,778	$430,604	$27,827	**6.91%**	↑
Semi-Detached	5,646	$406,496	$434,746	$28,249	**6.95%**	↑
Residential Condominium	16,001	$316,975	$333,233	$16,258	**5.13%**	↓
Other *	3,181	$464,170	$494,772	$30,602	**6.59%**	↑
Residential Tax Class	**96,591**	**$514,908**	**$549,968**	**$35,060**	**6.81%**	

***** Other includes; vacant land, co-op housing, group homes, golf course greens and fairways.

The average residential property, except for residential condominiums, will experience an increase in taxation due to the market update, as they are above the average City increase of 6.24%.

5. Ward Analysis

Summary of Average Residential Home in 2015 by Ward

Ward	2014 Average CVA	2015 Average CVA	Year-Over-Year Change		Below or Above City Average (6.24%)
			$	%	
1	$568,733	$606,928	$38,195	**6.72%**	↑
2	$631,616	$678,343	$46,727	**7.40%**	↑
3	$540,709	$578,870	$38,161	**7.06%**	↑
4	$479,797	$511,203	$31,406	**6.55%**	↑
5	$454,049	$481,464	$27,415	**6.04%**	↓
6	$551,837	$593,158	$41,321	**7.49%**	↑
7	$498,668	$529,529	$30,861	**6.19%**	↓
8	$419,293	$447,950	$28,656	**6.83%**	↑
Average Residential Home	**$516,636**	**$551,848**			

Based on the City average 6.24% 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.

6. SUMMARY

- The 2015 tax year marks the third year in the continued phase-in cycle, which is based on the valuation date of January 1st, 2012.
- The City-wide impact from the market update between the 2014 and 2015 tax years is a 6.24% average assessment increase for all classes.
- The 2015 market update resulted in an average assessment increase of 6.81% for the residential class.
- All properties increasing at a greater rate the City average increase of 6.24% will realize an increase in tax due to the 2015 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

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