



**SUBJECT: Current Value Assessment and Taxation for Burlington
Downtown Business Improvement Area**

TO: Environment, Infrastructure & Community Services Cttee.

FROM: Finance Department

Report Number: F-01-20

Wards Affected: Ward 2

File Numbers: 420-01

Date to Committee: April 6, 2020

Date to Council: April 20, 2020

Recommendation:

Receive Finance Department Report F-01-20 providing information on assessment and taxation for the Burlington Downtown Business Improvement Area (BDBIA).

PURPOSE:

The purpose of the report is to provide council with background information regarding the impact of assessment changes and taxation for downtown BIA properties.

Vision to Focus Alignment:

- Increase economic prosperity and community responsive city growth

Background and Discussion:

On December 19, 2020 the following staff direction was approved:

Direct the Chief Financial Officer to review the current value assessment and taxation changes for the Downtown Business Improvement Area (BIA) properties and consult with the Municipal Property Assessment Corporation (MPAC) and the Region of Halton regarding available tax policy initiatives and report back to Council with the results of the review in Q1 2020.

Property Assessment and Taxation Legislation – Roles and Responsibilities

The following chart identifies the roles and responsibilities governing property assessment and taxation in Ontario.

<i>Roles and Responsibilities</i>	<i>Governing Body</i>	<i>Authority</i>
Legislation, Rules & Regulations	Province of Ontario	Legislation regarding assessment and tax policy, determination of education rates and the independent assessment appeal tribunal-Assessment Review Board (ARB)
Assessment of Properties	Municipal Property Assessment Corporation (MPAC)	Determines current value assessment and tax classification for all properties in Ontario
Municipal Tax Policies	Halton Region	Tax Policy is delegated to the Region as the upper tier municipality
Tax Billing, Collection and Administration	City of Burlington	Bills and collects taxes on behalf of the City, Region and Boards of Education

Legislative authority for property taxation and assessment resides primarily with the senior levels of government. Tax policy is granted at the Regional level to assist in the achievement of municipal goals and objectives Region wide.

Property Assessment Phase-in

Beginning in 2008, the province mandated that a reassessment occur every 4 years. The current 4-Year Assessment Cycle reflects a valuation date of January 1, 2016 (2017-2020 tax years). Below is the history for the last four 4-Year Assessment Cycles.

Taxation Years	Valuation Date
2009-2012	January 1, 2008
2013-2016	January 1, 2012
2017-2020	January 1, 2016

The next 4- year assessment was scheduled to be released to property owners in 2020 with updated Current Value Assessment (CVA) at a January 1, 2019 valuation date for taxation years 2021-2024. On March 25th as part of Ontario's Action Plan: Responding to COVID-19 the province announced they are postponing the planned property reassessment for 2020 allowing municipalities to focus efforts on local response to the critical concerns of the COVID-19 outbreak. Assessments for the 2021 taxation year will

be based on the same valuation date in effect for the 2020 tax year. This postponement will not financially impact the city as new construction valuation will be added to our assessment base during the year.

However, this postponement will allow for further consultation and stakeholder input regarding the property valuations and an opportunity to discuss with MPAC matters of assessment concern.

Prior to the declared emergency regarding COVID-19, the Burlington Chamber of Commerce (including other Halton Region Chambers of Commerce) was planning an event on May 13, 2020 with a panel of experts to provide background information and education to their members on the upcoming 4-Year Assessment Cycle. No further information is available at this time.

Burlington Downtown Business Improvement Area (BDBIA)

With the recent awareness of locally sensitive property assessment concerns in the downtown, the following analysis has been provided to highlight facts about the downtown BIA assessment and taxation comparing the past two reassessment periods.

Current Value Assessment (CVA)-Current State

There are 277 business properties in the BDBIA. The total change in CVA from valuation date 2012 to 2016 is 36.6%. This is considerably higher when compared to the overall city-wide average increase of 20.8%. By comparison the Aldershot BIA property CVA change average is 11.8%, which is lower than the overall city-wide average.

The **attached map**, Appendix A, depicts the CVA change for Burlington Downtown BIA properties comparing valuation date 2012 to 2016. Properties are colour-coded based on percentage change increments ranging from less than 0% change to greater than 100% change.

The map visualization confirms that changes in CVA valuation was not isolated to one specific area but rather varied across all locations in the BIA.

The Aldershot BIA map is attached as Appendix B for information with much less variation in CVA percentage changes.

MPAC Consultation

Finance staff consulted with MPAC to understand the assessment methods and principles that are used by MPAC in assessing properties.

Below are highlights of the feedback and consultation with MPAC.

Consideration of Local Planning Policy

The Official Plan and Secondary Plans of a municipality provide the framework for development. The impact of growth policies, as prescribed through the Places to Grow Act, will influence the valuation of properties due to density potential. Downtown Burlington is experiencing what MPAC referred to as gentrification (simplistically means making something suitable for a higher use) with proposed high-rise developments, especially along the waterfront and immediate vicinity. Although MPAC has valued properties in the BIA on current use, development potential and zoning changes can influence sale prices and market rents. In the end, MPAC's role is to replicate and report on the market as of the legislated date, using market evidence to support its determination of CVA. It should also be noted that each "assessment update" is conducted using its own market evidence; the evidence from one update may not prove suitable for another update as different market factors might be influencing differences in values.

MPAC measures the accuracy of their assessed values by comparing them to the sale prices for properties that have sold around the valuation date.

MPAC conducted a review for the Downtown BIA property assessments and noted generally that the assessed values are fair. These reviews often involve large areas; as such it is possible that unique properties may require additional review and examination.

Ongoing Consultation with MPAC

MPAC has committed to undertake a detailed review and continues seeking stakeholder input to enhance the accuracy and stability of the property assessment values. MPAC is required to review the recent market evidence carefully along with recent policy decisions and resulting amendments to the Official Plan which is yet to be adopted. They understand that there is a current interim control by-law that may influence the market. MPAC has also expressed they want to ensure there are opportunities to engage with stakeholders for input over the next several months prior to the reassessment update being finalized.

Even with the postponed reassessment, City staff will continue working with MPAC regarding updated reassessment values as well as ensure that MPAC is advised of all updated information and documentation on recent planning policies and Official Plan amendments.

If you disagree with your assessment

Anyone who disagrees with a property’s assessed value can ask MPAC to review the CVA through a process called a Request for Reconsideration (RfR). When a property owner or representative requests a review they are asking MPAC to review the value at the end of the assessment cycle, called the destination value. The normal deadline to file an RfR or an appeal for 2020 would have been March 31st; however, given the current situation surrounding COVID-19 the deadline to file an RfR or an appeal has been amended. The deadline to file an RfR for 2020 taxation year will be 16 days after the emergency is lifted.

Appealing a business property can also be done by filing an appeal directly to the Assessment Review Board (ARB). The deadline to file an appeal has been extended to be 15 days after the current emergency order is lifted.

There is a filing fee for an appeal to the ARB whereas the RfR process is free of charge.

Region/Local Downtown BIA Assessment Analysis

The regional tax team comprised of representatives from the Region and local municipalities reviewed all Downtown BIA CVA changes.

Using the same base years as the Burlington analysis, the chart below compares the 2016 CVA to the 2012 CVA.

<i>Local</i>	<i>Properties</i>	<i>% Change in Assessment</i>
Burlington	277	36.6%
Halton Hills	145	26.7%
Milton	87	28.7%
Oakville	182	3.5%

Source: 2020 MCP data

While the average in the Burlington downtown was the highest, other municipal BIA properties have not raised concerns in their respective municipalities.

Property Taxation:

The distribution of property tax levies are based on the assessed value and property tax classification. Tax ratios as established at the Region for the municipal portion of the tax levies are set for each tax class. Tax ratios and tax rates are set by the Province for the education portion of the taxes.

Education Tax Rates

The Education tax rates are provided by the Province where a province-wide residential education tax rate is established and region-wide tax rates for the various business property classes are provided by regulation each year. For the commercial class, education taxes represented 47% of the total tax rate (city, region, education) in 2019.

A comparison of the 2019 education tax rates were:

Residential (province-wide)	0.00161000
Commercial (region-wide)	0.00804055

As can be seen from the above rates, the commercial education tax rate is 5 times that of the residential tax rate. For the municipal portion, the commercial tax rates are 1.4565 times the residential rate based on approved transition ratios at the Region.

Tax Policies

Tax policy authority falls under the Municipal Act. Tax policy changes require an Upper tier by-law and all local municipalities to participate and conform to the tax policy changes. Regional Tax policy can influence the distribution of municipal tax burdens between properties at a tax class level. The ultimate objective for municipalities is to ensure equity and fairness in the tax system as well identify potential opportunities or actions if required.

There are two fundamental aspects of tax policy. Firstly, it does not change the overall amount of the levy to be collected, property taxes are a zero sum change and for every tax reduction there must be an equivalent tax increase (shift between tax classes and subclasses). Second, changing the tax ratios will result in a shift of the tax burden among classes.

Tax policy is used to assist in achieving the objectives of all the local municipalities within the Region of Halton.

Below is a summary of the prescribed Provincial tax policy tools available to municipalities relating to the commercial property class. As noted each tool has a different purpose and Regional By-laws are required in all cases.

Graduated Tax Rates – discretionary (s. 314)

This policy provides the option to redistribute the class share of taxes within the commercial and/or industrial class by using graduated banding based on selected CVA ranges.

- Redistribution of tax burden by tiering the taxes based on defined assessment bands with up to 3 graduated tax bands for the broad class. The bands must be the same for all properties in the broad class (i.e. \$0-\$200,000; \$200,000-\$1M; \$1M+).
- Provides a reduced tax rate for the lower band and increased tax rate for higher bands.
- The lower band is applied to all properties with the subsequent bands applied on the CVA that exceeds the previous band.
- While lower valued properties will pay less, higher valued properties would pay more as a requirement of the program is to be revenue neutral within the class.

The program lacks the precision to protect small businesses that are tenants of larger commercial properties. This program is not widely adopted in the province as it is difficult to understand and administer.

Phase-In Tax Changes Resulting from reassessment (s. 318)

This option slows the effect of the 4-Year Assessment Cycle on properties within a property class using a property tax phase-in.

- Permitted to phase-in tax changes at the start of a reassessment and up to 7 additional years.
- Can be used for any property class and can phase-in tax increases as well as tax decreases.
- Can be funded within the class or through budget provisions (Region and city share in shortfall).
- Can set percentage and/or dollar amount to be phased-in (threshold) for each year and phase-in amount must be same or less than previous year.

Halton Region utilized the tax phase-in program for the residential property class (which includes farm and managed forest) in 1998/1999/2001 to mitigate significant tax increases when the Province wide CVA was implemented. As the province mandated the business capping and clawback program for multi-residential, commercial and industrial property classes, this was not required for those classes at that time.

The usefulness of this policy has been superseded by the introduction of the prescribed 4-year phase-in reassessment cycle legislated in 2008.

Municipal Tax Reductions (s. 362)

This option allows for tax reductions for properties in the multi-residential, commercial and/or industrial property classes.

- Upper tier municipality sets the parameter(s) to provide tax reductions.
- Policy targets all properties in the designated class region wide e.g. commercial.
- Upper and lower tiers fully fund the cost of the tax reduction. There is no sharing with the school boards.

This program is not widely adopted in the province given the mandatory capping program.

Optional Classes (s. 308)

This policy provides the option for the Region to have different tax ratios for optional classes within the commercial class: office buildings, shopping centres, and parking lots

- May be used to shift tax burdens between the residual and/or optional classes, and/or achieve broader policy objectives.
- Must carefully review optional class tax ratios to determine the impact on the residual class.
- Discriminatory: may provide for the preferential treatment of some properties at the expense of other properties.

This tool does not provide targeted relief to small business properties in specific geographic locations.

Strategy/process

City staff will continue to work supportively with stakeholders in the community to address concerns of small business in downtown regarding property assessment and taxation.

The current tax tools available to municipalities are not deemed appropriate.

Opportunities outside the existing tax tools recommended include the following:

- Early review of any proposed future reassessment values in the downtown to ensure they are accurately assessed and work closely with MPAC to provide planning policy relating to the downtown business area.
- With the legislated education property tax rates constituting almost 50% of the overall tax burden on commercial properties, there is potential to pursue new avenues through influencing change in provincial legislation.
- Staff will collaborate with partners to advocate to the Province on assessment and tax policy tools that would provide targeted relief to specific areas/types of properties to assist in mitigating localized tax impacts resulting from significant reassessment valuations. In conversations with the Burlington Chamber of Commerce, the Ontario Chamber of Commerce will be presenting to the Province the following recommendations:

The Ontario Chamber of Commerce urges the Government of Ontario to:

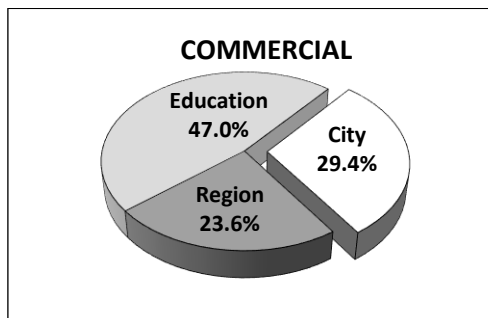
- 1. Honour its 2019 Budget Commitment to ensure a modern and competitive property tax system and to develop an action plan to respect Ontario's property taxpayers based on meaningful and thoughtful consultation and collaboration with affected stakeholders including: residents, business, industry, municipalities, and subject matter experts.*
- 2. Consider providing new revenue and/or property tax mitigation tools and flexibility to municipalities in order to manage property tax burdens in a fair and equitable manner, address new economic paradigms, and to target relief to business property owners/tenants in response to local tax policy priorities and objectives.*
- 3. Address the significant disparity between residential and non-residential property tax rates for education tax purposes.*

Staff will continue consultation and discussion with the Burlington Chamber of Commerce on broader initiatives and forums being developed to work toward a common resolution.

Financial Matters:

Property tax remains the largest and most important revenue source for municipalities. The two components required for determining property taxes are the assessed value of the property and the tax rate applied to the property.

Property tax revenues are one of the principal instruments for municipalities to raise funds for the operation of local services and they account for just over half of the city's total revenues. The city collects taxes for the City, Region, and Halton school boards. In 2019, the city's portion of commercial taxes collected was about 29% whereas the Region was 24% and Education was 47%.



Climate Implications

N/A

Enterprise Risk:

- Financial Sustainability
 - Growth & Affordability
-

Engagement Matters:

As indicated previously, staff are committed to continue working with MPAC regarding assessed values of downtown business property as well continued coordination with the Region of Halton and area local municipalities in reviewing tax policy.

Conclusion:

The review of the current value assessment and taxation changes on Burlington Downtown BIA properties for the period 2017-2020 (Jan.1/16 valuation year) has identified higher than average CVA changes and resulting tax impacts for many of the properties. Given the limited broad class tax policy tools available, there is not currently a relief mechanism available to local/regional municipalities to address specific geographic areas and business property types. The education portion of business property taxes represent 47% of the total tax burden. Collective efforts and advocacy with our partners for a Provincial review of tax policy and the disproportionate share of the Education tax rate on commercial properties is supported by staff to address the tax pressures on the business community.

Respectfully submitted,

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Appendices:

- A. 2012-2016 CVA Changes BDBA
- B. 2012-2016 CVA Changes Aldershot BIA

Notifications:

Burlington Chamber of Commerce
Burlington Downtown Business Association

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Council. Final approval is by the City Manager.