

March 22, 2006

2006 BUDGET BRIEFING NOTE:

Assessment Growth for 2006 Taxation - \$ 59.8 million

ISSUE:

To report on assessment growth for the 2006 taxation year.

BACKGROUND:

- Every year the Municipal Property Assessment Corporation (MPAC) provides the City with an updated assessment roll. The roll is the basis for which the City levies taxes for the year. Municipalities receive an assessment roll in late December each year that is used for billing taxes in the next calendar year.
- The annual assessment roll is updated to reflect:
 - a) property changes that occurred throughout the year such as new construction, Ontario Municipal Board (OMB) or Assessment Review Board (ARB) decisions, and property class changes. The net result of these changes is what is referred to as “Assessment Growth” or “Assessment Loss”; and,
 - b) a property’s Current Value Assessment (CVA) as at a valuation date of January 1st of the previous year (i.e. changes in assessed value due to market conditions).
- In December 2005 and January 2006, MPAC provided the City with the following:
 - i. the returned assessment roll for 2006 taxation containing assessment values for all properties in the City based on a January 1, 2005 valuation date;
 - ii. a listing of properties in the City at the beginning of 2005 and the assessed value of those properties based on a June 2003 valuation date;
 - iii. a listing of properties in the City at the end of 2005 and the assessed value of those properties based on a June 2003 valuation date.
- In order to determine the assessment growth for the year, staff compared items “ii” and “iii” above – staff compared the assessed value of properties at the beginning of the year with the assessed value of properties at the end of the year, prior to the updating of assessment values for market-change. The difference between items “i” and “iii” above (i.e. the returned assessment roll for

2006 taxation with assessments based on the updated valuation date of January 2006 and the value of those same properties at the end of 2005 based on a June 2003 valuation date) represents the change in assessment due to market fluctuations.

- Upon receipt aforementioned data from MPAC, Revenue Services staff commenced a detailed analysis of the data returned by MPAC to ascertain what portion of the change in assessment is attributable to the annual updating of CVA values (i.e. market changes) and what portion is attributable to “growth” (i.e. property changes such as new construction, property class changes, ARB decisions, etc.).
- Based on the initial data provided by MPAC, assessment growth for the 2006 taxation year was identified as \$46.1 million in additional taxation revenues for the City.
- However, staff’s detailed review and analysis of the assessment data related to assessment growth (i.e. the data provided based on a June 2003 valuation date – items “ii” and “iii” above) identified discrepancies with respect the value of certain properties. Given that the City has over 600,000 properties, this analysis took time to complete. Revenue Services staff forwarded a listing of discrepancies to MPAC and worked with MPAC to investigate the suspect properties.
- In February 2006, MPAC confirmed that “based on a review of the 2005 Growth File, it was determined that adjustments were required to the 2005 In-Year Assessment for 3,224 out of the 663,710 entries. As a result of the adjustments made to the entries in question, the 2005 In-Year Total Assessment has been revised to \$313,200,317,230 (Includes total assessment - rateable, PIL and exempt).”
- Based on the updated assessment data provided by MPAC, the City’s assessment growth for 2006 taxation was revised to \$59.8 million in additional taxation revenues.

Assessment Growth for 2006 Taxation - \$59.8 million

- Analysis of the Returned Assessment Roll for 2006 taxation and supplementary assessment data provided by MPAC to assist with identifying assessment growth, has determined that the assessment base for “taxable” properties in the City has increased by 6.2 billion (approximately 2.22% growth). The 6.2 billion in assessment growth equates to an increase in municipal taxation of \$59.8 million.
- Analysis of the Returned Assessment Roll for 2006 with respect to payments-in-lieu (PIL) of tax accounts has identified a 0.15 billion reduction in the assessment base for “PIL” properties, which represents a reduction in PIL revenues of \$2.4 million.
- Chart 1, below, provides a summary of the assessment growth in 2005 between the Assessment Roll as returned in December 2004 for 2005 taxation and the 2005 year-end assessed values. During 2005, the City’s assessment base has grown by approximately 2.22%.

Chart 1: Assessment Growth / (Loss) for 2006 Taxation

	Returned Assessment Roll for 2005 Taxation <i>(based on a June 30, 2003 Valuation Date)</i>	Assessed Values for 2005 Year-End (See Note 1) <i>(based on a June 30, 2003 Valuation Date)</i>	Change in Assessment from January 2005 to December 2005 (i.e. Assessment Growth (Loss))		% of Overall Assessment Growth
			\$	%	
Residential	196,779,603,770	201,705,529,238	4,925,925,468	2.50 %	80.08 %
Multi-Residential	25,374,013,950	25,862,844,605	488,830,655	1.93 %	7.95 %
New Multi-Residential	183,771,282	220,942,660	37,171,378	20.23 %	0.60 %
Commercial	48,681,697,470	49,456,976,606	775,279,136	1.59 %	12.60 %
Industrial	5,274,295,937	5,196,149,041	(78,146,896)	(1.48 %)	(1.27 %)
Other	276,773,600	279,129,173	2,355,573	0.85 %	0.04 %
TOTAL	276,570,156,009	282,721,571,323	6,151,415,314	2.22 %	100.00 %

Note 1: Now that we are into annual CVA updates, MPAC provides municipalities with adjusted year-end assessment values reflecting the same valuation date used for that year's Returned Assessment Roll (i.e. the Returned Assessment Roll for the 2005 taxation year was based on a June 30, 2003 valuation date. The 2005 year-end assessments are based on the same valuation date – June 30, 2003). The adjusted year-end assessments reflect in-year changes such as new construction, appeal reductions, changes in use, etc.

- Chart 2, below, provides a summary of the corresponding change in taxation revenue, prior to any additional taxes required as a result of the 2006 Operating Budget.
- 2006 taxation growth is attributable to \$41 million of assessment growth in residential properties and \$20 million in commercial properties. However, the City's taxation revenues for industrial properties have decreased by \$1.3 million primarily due to assessment conversions on 125 properties from industrial to commercial.

Chart 2: 2006 Taxation Levy Change due to Assessment Growth

Tax Class	2006 Taxes \$	2005 Taxes \$	Change in Taxation Levy - \$	Percentage of Growth %
Residential (Note 1)	1,231,902,804	1,201,818,049	30,084,755	50.34%
Multi-Residential	585,533,535	574,466,433	11,067,102	18.52%
New Multi-Residential	1,349,392	1,122,371	227,021	.038 %
Commercial (Note 2)	1,124,523,794	1,104,860,074	19,663,720	32.90 %
Industrial	129,710,846	130,996,125	(1,285,279)	(2.15 %)
Other	3,223,932	3,219,957	3,975	0.01 %
TOTAL	3,076,244,303	3,016,483,009	59,761,294	100.00 %

Note 1: The \$30.1 million increase in Residential taxation is due to an increase of \$20.0 million in Residential Condominium, \$8.4 million in Single Family Dwellings and \$1.7 million in other residential type properties.

Note 2: The \$19.7 million in Commercial taxation growth is made up of Large Offices – \$6.1 million, Shopping Centres – 6.3 million, Warehouses - \$1.3 million, Big Box Stores – \$1.4 million, Vacant Commercial Land – \$3.8 million, and \$0.8 million other type of properties.

- Chart 3, below, provides an analysis of the assessment growth with respect to taxable properties for 2006 and identifies the major reasons for the change in the assessment base.

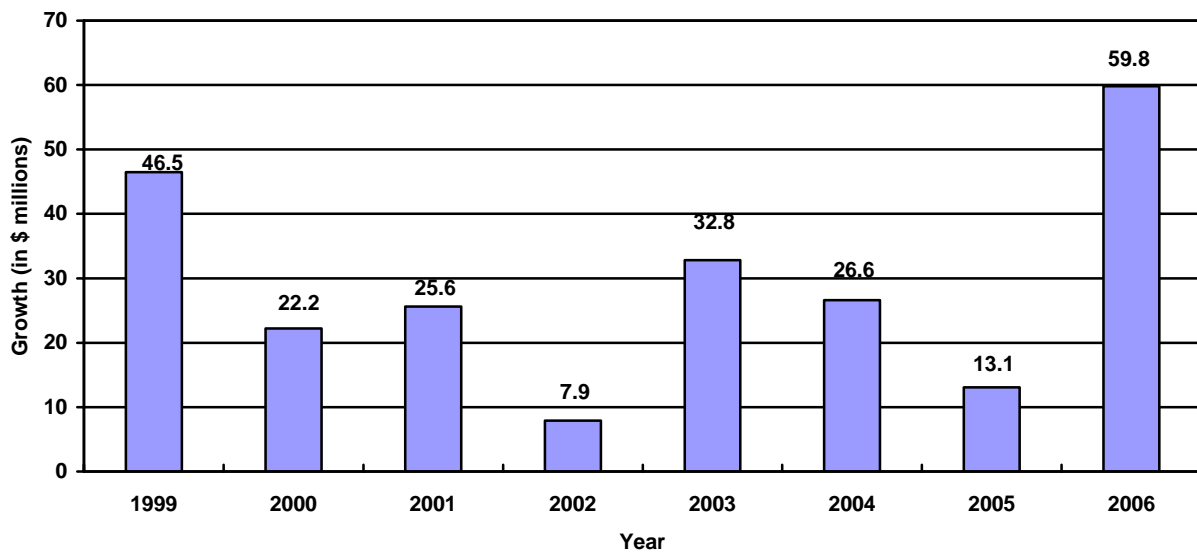
Chart 3: Assessment Growth for “Taxable” Properties

	Assessment	Revenue	Comments
	(\$000s)	(\$000s)	
Increase in Overall Assessments	5,964,203.6	53,136.6	Represents increases in assessment relating to new construction, improvements, etc and/or decreases in assessment from demolitions, adjustments etc.
Net Conversion of Taxable Assessment to Exempt Assessment	11,103.2	390.8	During 2005, properties were converted from taxable to exempt and vice-versa. However, overall there were more properties / assessment converting from exempt to taxable, resulting in a net gain in taxation revenue.
Net Conversion of PIL Assessment to Taxable Assessment	176,108.5	3,707.3	Throughout 2005, properties were converted from Payment in Lieu of Taxes (PILs) to Taxable and vice versa, with most properties converting from PILs to Taxable.
Conversion of Assessment between Properties Classes.	Nil	2,526.6	Represents assessment conversions from one property class into another. This does not represent true assessment growth, but does have an impact on net revenues for the City. The primary gain in overall revenues is attributable to assessment conversion from residential and commercial vacant/excess properties (with the lower tax rates) to multi-residential, which are taxed at a higher rate.
“Taxable” Assessments – Overall Growth in Assessments & “Taxation” Revenues	<u>6,151,415.3</u>	<u>59,761.3</u>	

History of Assessment Growth

- Graphs 1, 2 and Chart 4 below, provides a history of assessment growth and related changes to “taxation” and “PIL” revenues from 1999 to 2006.

**Graph 1: Taxation Revenue Growth
1999 to 2006**



**Graph 2: Net Revenue Growth (i.e. Taxation and PILs)
1999 to 2006**

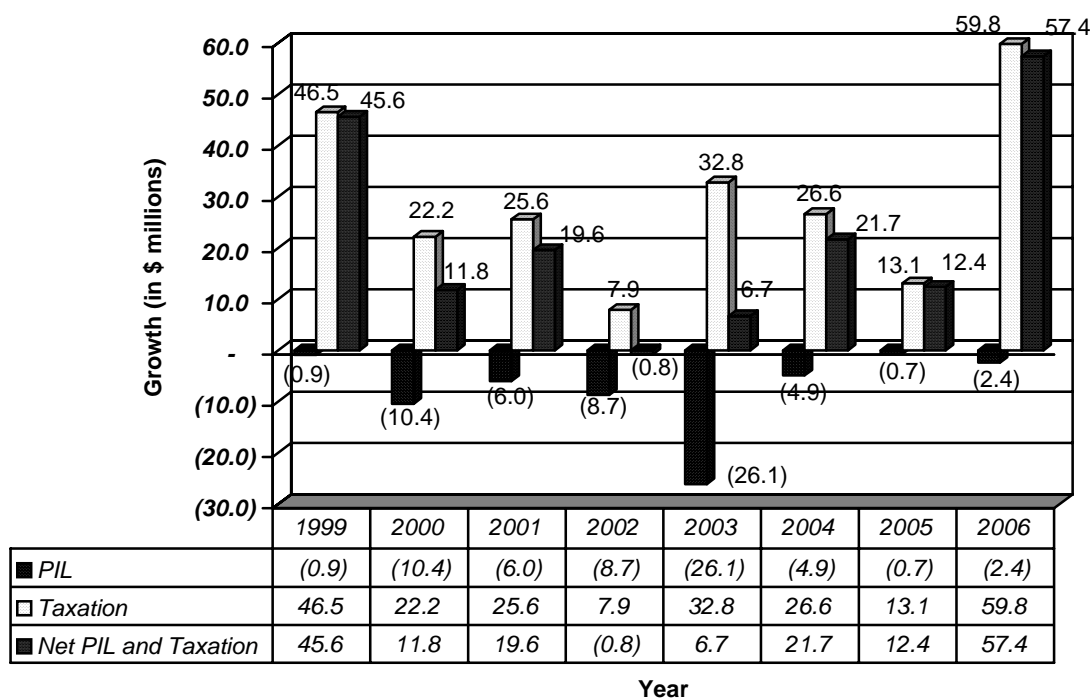


Chart 4: History of Assessment Base Changes due to Growth and/ or Conversions

Tax Year	Taxable Properties		PIL Properties		Total Taxation & PILs	
	Change in Assessment Base	Taxation Revenue - Assessment Growth (Loss)	Change in Assessment Base	PIL Revenue - Assessment Growth (Loss)	Total Change In Assessment	Total / Net Change In Revenues
	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
1999	1,312,587.1	46,461.0	(89,642.1)	(866.4)	1,222,945.0	45,594.6
2000	1,231,640.1	22,155.8	(278,094.9)	(10,438.2)	953,545.2	11,717.6
2001 (See Note 1 below)	782,858.4	25,634.6 (16,974.5) 8,660.1	(16,723.1)	(5,988.9)	766,135.3	19,645.7 (16,974.5) 2,671.2
2002	1,160,933.9	7,885.8	(36,817.8)	(8,720.0)	1,124,116.1	(834.2)
2003	2,186,878.5	32,760.2	(954,331.4)	(26,121.2)	1,232,547.1	6,639.0
2004	2,571,257.8	26,570.3	(499,298.9)	(4,914.9)	2,071,958.9	21,655.4
2005	2,485,748.5	13,068.3	(30,391.8)	(721.7)	2,455,356.7	12,346.6
2006	6,151,415.3	59,761.3	(151,895.3)	(2,412.6)	5,999,520.0	57,348.7

Note 1: In 2001, the Province changed the treatment of vacant commercial and industrial properties such that commencing with the 2001 taxation year these vacant properties were returned on the assessment roll as fully taxable, however municipalities were required to provide a tax rebate for these vacancies. The portion of assessment growth attributable change in treatment of vacant commercial and industrial properties is not true "growth" and as such was used to fund the tax rebates for these properties.

- Graph 3 and Chart 5, below, compares Assessment Growth for Taxable properties from 2003 to 2006 by property classification.

**Graph 3: Taxation Levy Change Due To Assessment Growth
2003 to 2006**

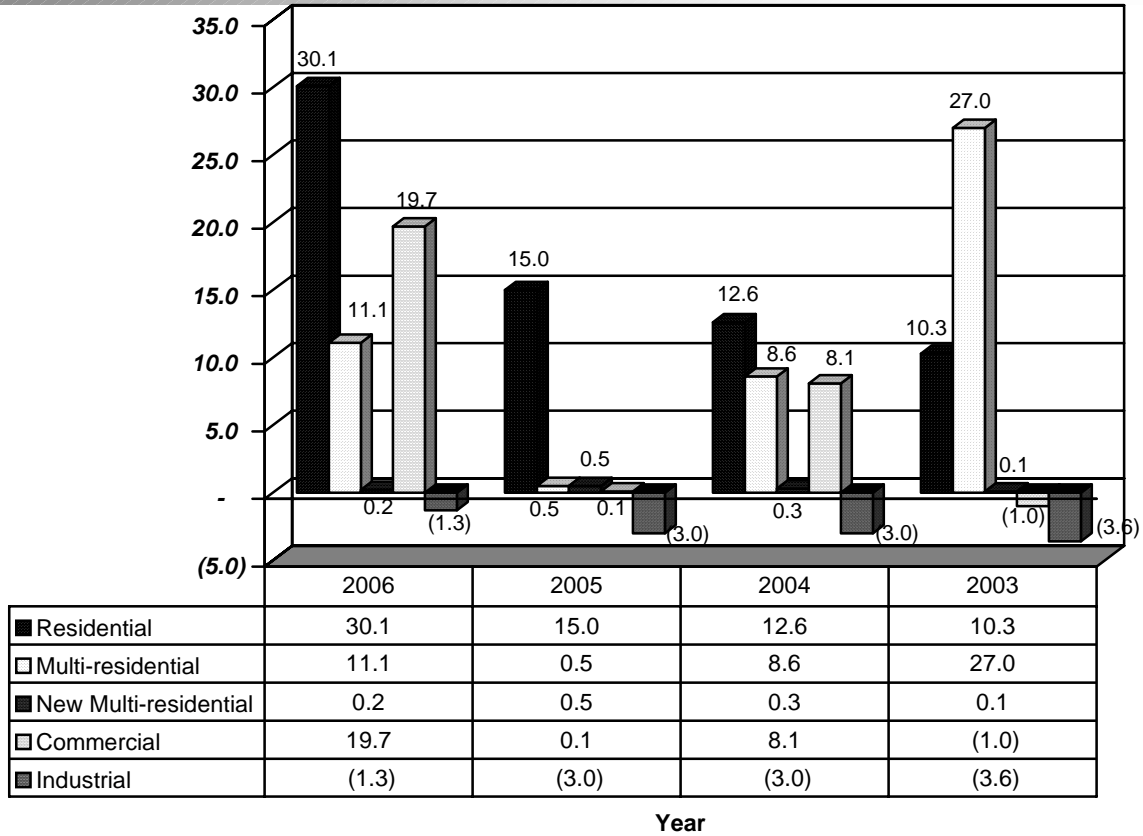


Chart 5: Taxation Levy Change due to Assessment Growth – 2003 to 2006

Property Tax Class	2006 Assessment Growth - Taxation \$	2005 Assessment Growth - Taxation \$	2004 Assessment Growth - Taxation \$	2003 Assessment Growth - Taxation \$
Residential	30,084,755	14,956,055	12,582,857	10,277,992
Multi-Residential	11,067,102	498,027	8,622,271	27,031,163
New Multi-Residential	227,021	494,761	272,921	102,036
Commercial	19,663,720	83,777	8,056,680	(1,021,134)
Industrial	(1,285,279)	(2,966,195)	(2,992,580)	(3,649,917)
Other	3,975	1,857	28,183	20,067
TOTAL	59,761,294	13,068,282	26,570,332	32,760,207

KEY POINTS

- The initial assessment data provided by MPAC identified \$46.1 million in assessment taxation growth for 2006. Revenue Services' work with MPAC to ensure the integrity and accuracy of the data resulted in \$14 million of additional growth. Given that the City has over 600,000 properties, coupled with the re-assessment of property values for the 2006 taxation year, staff's analysis of the assessment growth data was complex and time intensive.
- Based on the final data provided by MPAC, the assessment base for taxable properties in the City has increased by 6.2 billion (approximately 2.22% growth). The 6.2 billion in assessment growth equates to an increase in municipal taxation revenue of \$59.8 million.

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