
2018 OPERATING BUDGET BRIEFING NOTE

Assessment Growth – Revised Estimate for 2018

Financial Impact:

The 2018 preliminary Operating budget included an estimate of \$55M for assessment growth. As Table 1 below shows, confirmed assessment growth is now \$68.3M, an additional \$13.3M in revenues.

Issue/Background:

Assessment growth refers to additional revenues resulting from changes to the City's assessment base, since the prior year's assessment roll. Each year the assessment roll is returned to the City in December, identifying the total assessed value of all properties, in order to levy taxes for the upcoming year.

Over the course of a calendar year, assessment values change, due to:

- New building construction or increases in value due to improvements or renovations;
- Changes in assessment due to assessment appeal decisions;
- Changes in use; or
- Market-related changes in assessed value.

As such, assessment values can increase or decrease over the course of a year. The total of all in-year assessment changes (both positive and negative) is referred to as assessment growth – i.e., the total net change in assessment value since the assessment roll was returned. Where the total net change in assessment is positive, assessment growth increases the City's property tax revenues.

As outlined in the tax policy report entitled "2017 Property Tax Rates and Related Matters (EX22.1)" adopted by City Council at its meeting February 15, 2017, assessment growth was broken down under the following categories:

1. Traditional assessment growth: in-year changes to assessed value due to new building construction or increases in value due to improvements or renovations, changes in use or market-related changes in assessed value
2. Adjustments for assessment outliers: removing properties with assessment changes that increased more than 100% or decreased more than 25% from both the base and current year, for purposes of calculating the revenue neutral assessment change; and
3. Adjustments for assessment appeals: as provided under O.Reg 121/07, which adjust the base year's revenue-neutral tax rates.

Traditional assessment growth can be calculated once the assessment roll has been received.

Category 2 is a methodology that has been in place for many years for municipalities that use the OPTA (Ontario Property Tax Analysis System), the majority of municipalities in Ontario. This system is managed by Reamined Systems Inc, on behalf of the Province and user municipalities. Category 3 was first permitted in 2016, and first implemented in Toronto in 2017. The methodology used to calculate assessment growth for 2018 is the same method that was used in 2017. Reamined confirmed these calculations on January 10, and therefore the assessment growth numbers can now be considered final.

Table 1 provides a summary of the components of assessment growth calculations for 2018.

Table 1: Summary of Assessment Growth for 2018

Assessment Growth	Change in property tax revenue for 2018 (\$ million)
Traditional assessment growth	\$45.8
Adjustment for assessment outliers *	\$21.4
Adjust for assessment appeal losses *	\$1.1
Total Assessment growth	\$68.3

* *The adjustments for assessment outliers and assessment appeal losses are calculated by City staff and independently verified by an external agency, which was completed January 10, 2018.*

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Date: January 10, 2018