City of North Bay
Report to Council

Report No: CORP-2024-037 Date: April 12, 2024

Originator: Dan Robinson, Manager of Tax and Water

Business Unit: Corporate Services

Department: Financial Services Department

Subject: 2024 Tax Policy

Closed Session: yes ☐ no ☒

Recommendation

That Council adopts the 2024 Tax Policy recommendation as follows:

1. Tax Ratios:

Tax Class	*Ratio*	*Tax Class*	*Ratio*
New Multi-Residential	1.0000	Pipeline	1.1656
Multi-Residential	1.9900	Farmland	0.1500
Commercial	1.8800	Managed Forest	0.2500
Industrial	1.4000		

2. Tax Ratio and Rates By-Laws:

Council authorize staff to prepare the necessary By-Laws required to establish the 2024 tax rates as described within Report to Council No. CORP 2024-37 dated April 12, 2024, from Dan Robinson.

Background

Long-Term Tax Policy

The purpose of the Long-Term Tax Policy is to establish a framework for tax ratios and tax policy goals. The current policy provides for the reduction of tax ratios in the Multi-Residential and Commercial tax classes with the goal of bringing the ratios equal to the industrial ratio of 1.40. The policy provides for the reduction of tax ratios only if it can be achieved without imposing significant tax levy shifts to other classes.

Council, at its Meeting held April 2, 2024, passed Clause No. 2 of General Government Committee Report No. 2024-05 which authorized the 2024 Tax Levy of $109,961,836.00 representing an increase of $4,196,638 over 2023. Assuming that the 2024 Tax Policy, recommendation is adopted by Council, the overall tax rate increase including the prescribed education tax rate is estimated at 2.74%.

The following steps will guide Council in making the necessary Tax Policy decisions to finalize the 2024 tax rates:

1. Ministry of Finance Optional Changes
2. Assessment changes to the assessment roll
3. Tax ratio analysis
4. Property tax shifts and tax dollar impacts

Financial/Legal Implications

See Options/Analysis for Financial Implications.

Corporate Strategic Plan

☐ Natural North and Near

☐ Economic Prosperity

☒ Affordable Balanced Growth

☐ Spirited Safe Community

☒ Responsible and Responsive Government

Specific Objectives

- Provide smart, cost-effective services and programs to residents and businesses.
- Ensure that Council and staff have a shared perception of goals.
- Develop a practice of communications and engagement that ensures that residents are aware and understand what City Hall is doing.

Options Analysis

1. <u>Ministry of Finance Optional Changes:</u>

(a) New Multi-Residential Subclass:

The 2024 Provincial Budget provides an option for municipalities to create a New Multi-Residential subclass setting a reduced property tax rate of up to 35% to encourage the development of purpose-built rental properties and would only be available to new development. Eligibility for any property for the new subclass would require an executed by-law as well as a building permit issue date on or after the effective date of the by-law. Implementing a subclass would create a third-tier tax rate with in the multi-residential property class and create tax shifts onto other classes including residential, multi-residential, commercial and industrial. At this time Administration is not recommending implementation of a new multi-residential subclass.

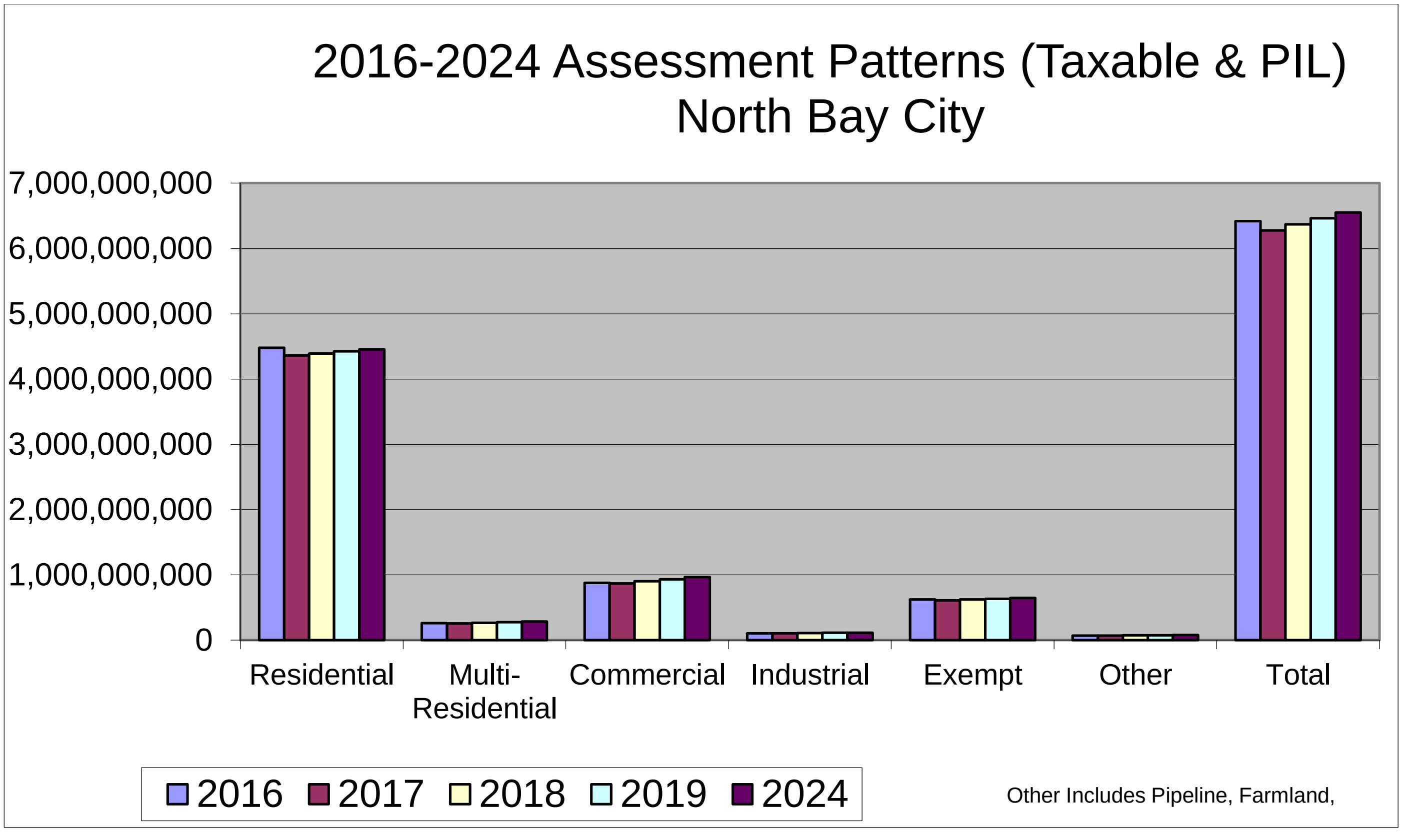
(b) Municipal Vacant Home Tax:

The 2024 Provincial Budget has extended authority broadly to all single tier and upper tier municipalities to impose a tax on vacant homes. The Provincial Policy Framework sets out best practices for implementing a Vacant Home Tax. The Framework also encourages municipalities to set a higher Vacant Home Tax rate for foreign-owned homes with the intent to increase housing supply by creating an incentive for property owners to sell unoccupied homes or to make them available to be rented. It is the municipalities responsibility to establish processes and policies for eligibility, compliance, enforcement, appeals and rate setting. As of the writing of this report Toronto and Ottawa have both imposed a 1% Vacant Home Tax rate.

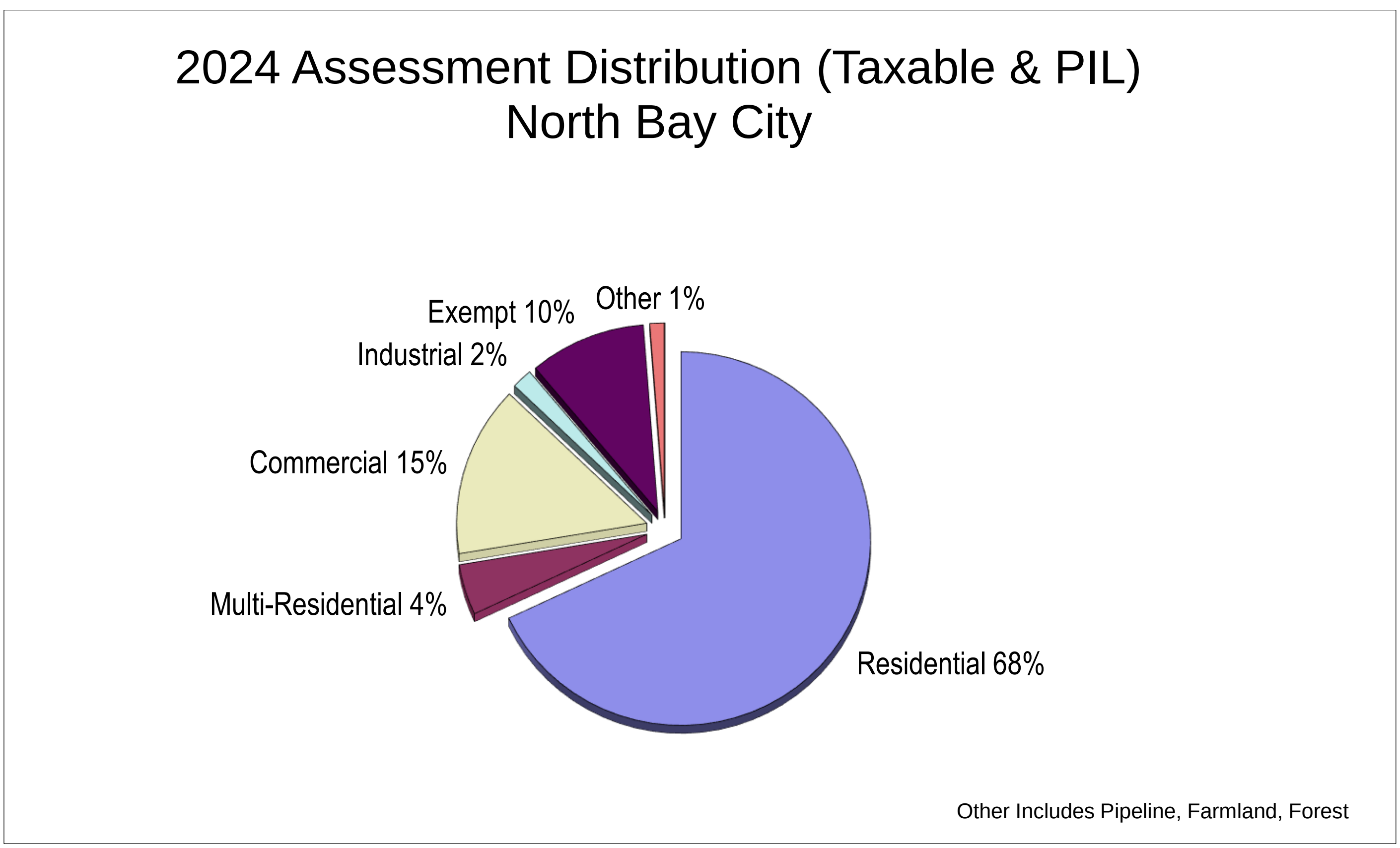
Prior to imposing a Vacant Home Tax, the municipality is also required to conduct consultations and share the results with the Province. To support evidence-based results information will be reported on the Annual Financial Information Return. City Administration is not recommending to impose this tax as it is highly administrative, and the City does not appear to have a vacancy challenge.

2. Assessment Changes to the Assessment Roll:

The assessment of all property in Ontario is carried out by the Municipal Property Assessment Corporation (MPAC), under the Province's Assessment Act. Reassessments are conducted on a four-year cycle with Current Value Assessment (CVA) increases being phased-in in equal increments in each year of the four-year phase-in period. The current reassessment cycle, reflecting a January 1, 2016, valuation date was intended to apply for the period 2017-2020. Since 2021 MPAC has been authorized by the Province to postpone any reassessment. As a result of the postponement, assessments for the 2024 property tax year will be the same as 2023; unless the property experienced changes that affected the assessed value (e.g. renovations, improvements, demolitions, year-end equity adjustments or changes in the use of the property). MPAC has continued to maintain the assessment roll and ensured that it is updated to reflect those changes. As can be seen in the Assessment Patterns graph below, assessment has remained fairly consistent since 2016.



The 2024 returned role distributes CVA according to the following pie chart.



2023 Real Assessment Growth

Assessment growth is the sum of all the changes that happen to the tax base during a taxation year. Items that change include new construction, major renovations, demolitions, year-end equity adjustments and the reduction in assessment due to property value appeals. These adjustments may occur during the year or may also take effect as of the Role Return. Below is a chart outlining the assessment growth by class after Role Return.

Class	Revenue Impact	% Change
Commercial	514,514	1.91%
Farmland	297	24.37%
Industrial	-98,563	-3.94%
Managed Forest	841	7.02%
Multi Residential	-2,280	-0.03%
Pipelines	1,479	0.11%
Residential	748,653	1.12%
Grand Total	**1,164,941**	**1.10%**

3. Tax Ratios:

One of the most critical decisions impacting the relative tax burden paid by a property owner is that of tax ratio movement.

Municipalities are required to establish tax ratios annually for the Multi-Residential, Commercial, Industrial and Pipeline classes prior to finalizing tax rates. The established ratios govern the relationship between the rate of taxation for each property class and the tax rate for the residential property class.

In setting tax ratios, municipalities must do so within the guidelines prescribed by the province. Council may choose to:

- adopt the current tax ratio for any class (2023 adopted)
- adopt the alternative tax ratios for any class within the Provincial ranges of fairness.

In previous years, Council has strategically chosen to reduce tax ratios of the business classes (multi-residential, commercial, and industrial) downward toward the Provincial Ranges of Fairness as noted below:

Property Class	Provincial Ranges Of Fairness O.Reg 96/17	City Transition Ratio 1998	2023 Tax Ratios	2022 BMA Study Average
Residential	1.0000	1.0000	1.0000	1.0000
Multi-Res.	1.0000-1.1000	2.3556	1.9900	1.7246
Commercial	0.6000-1.1000	2.0326	1.8800	1.6689
Industrial	0.6000-1.1000	3.2920	1.4000	2.1175

One of the goals of the Long-Term Tax Policy is to reduce the tax ratios for the Multi-Residential and Commercial classes. This goal was based on the rationale that lower tax ratios would stimulate economic development, reduce rental housing rates as well as facilitate competitiveness. However, it should be noted that reducing ratios may also create shifts in the tax burden if there is insufficient growth in the other classes.

An analysis of options for 2024 has been undertaken to show the effects of the following tax ratio scenarios for the affected classes:

Scenario 1 - continue to use the 2023 ratios (Status Quo),.
Scenario 2 - reduce the multi-residential ratio from 1.99 to 1.88.
Scenario 3 - reduce the commercial ratio from 1.88 to 1.80.

The table below highlights the impact on the various classes.

Scenario 1 – Once a ratio is changed it becomes the new starting point. As such this scenario represents the status quo and demonstrates how the total tax levy is to be collected by each class. As per the assessment distribution noted above the residential class is absorbing the highest proportion of the levy.

Scenario 2 – Reducing the multi-residential ratio closer to the Tax Policy ratio results in $439,981 in savings in the multi-residential class and supports the housing strategy; however, it increases the portion paid by the residential class by $300,296 and the commercial class by $122,451.

Scenario 3 – Reducing the commercial ratio closer to the Tax Policy ratio results in $902,310 savings in the commercial class; however, it shifts a significant burden of $763,525 to the residential and $94,888 to the multi-residential classes, both which did not have sufficient growth to absorb the increase.

	Scenario 1	Scenario 2	Scenario 3
Tax Class	2023 Tax Ratios (Status Quo)	Reduced Multi-Residential Ratio	Reduced Commercial Ratio
	$	$	$
Residential	$69,180,195	$300,296	$763,525
New - Multi-Res.	$127,020	$551	$1,402
Multi-Res.	$8,597,488	$(439,981)	$94,888
Comm.	$28,209,454	$122,451	$(902,310)
Industrial	$2,468,039	$10,713	$27,239
Pipelines	$1,364,946	$5,925	$15,065
Farmland	$1,556	$7	$17
M. Forest	$13,162	$57	$145
Total Impact	$109,961,859	$0	$0

Administration is recommending Scenario 1 – continue to use the 2023 Tax Ratios.

2024 Proposed Tax Rates

The tax rates outlined in the table below assume the adoption of the Status Quo Tax ratios.

Tax Class	Municipal Tax Rate	Education Tax Rate	Total Tax Rate	Municipal Change	Education Change	Total Change
Residential	1.552712	0.153000	1.705712	2.74%	0.00%	**2.49%**
New Multi-Res.	1.552712	0.153000	1.705712	2.74%	0.00%	**2.49%**
Multi-Res.	3.089897	0.153000	3.242897	2.74%	0.00%	**2.61%**
Commercial	2.919099	0.880000	3.799099	2.74%	0.00%	**2.09%**
Industrial	2.173797	0.880000	3.053797	2.74%	0.00%	**1.93%**
Pipelines	1.809841	0.880000	2.689841	2.74%	0.00%	**1.83%**
Farmland	0.232907	0.038250	0.271157	2.74%	0.00%	**2.34%**
M. Forest	0.388178	0.038250	0.426428	2.74%	0.00%	**2.49%**

During the 2024 budget process the Tax Levy increase was set at 3.97% for a total levy change of $4,196,638. Assessment is revenue neutral to the municipality; however, assessment growth will reduce the overall change in the municipal tax rate. The prescribed education tax rates per Ontario Regulation 5/24 for 2024 remain unchanged from 2023.

4. Property Tax Shifts and Tax Dollar Impacts:

The following chart demonstrates the effect on specific property classes when applying the 2024 Current Value Assessment, 2024 recommended Tax Ratios and 2024 estimated total tax rates. Total taxes include Payment in Lieu of Taxes (PIL) properties. There are no properties with decreasing taxes.

Tax Class	Properties increasing
Residential	18,414
New Multi-Res.	5
Multi-Res.	156
Commercial	1,261
Industrial	292
Pipeline	2
Farmland	9
M. Forest	82
Total	**20,221**

The following chart reflects the projected tax impact to the residential class. The average annual tax change in the residential class is $100.

$ Impact	Increasing Properties	Decreasing Properties
$ 0 - $100	11,951	0
$100 - $200	5,737	0
$200+	726	0
Total	**18,414**	**0**

Current Value Assessment Change Analysis and Tax Dollar Impacts

Residential Properties – Municipal & Education Taxes

For comparative purposes the BMA Study defines a single family detached dwelling as a detached three-bedroom single story home with 1.5 bathrooms and a one car garage. The total area of the house is approximately 1,200 sq. ft. and the property is situated on a lot that is approximately 5,500 sq. ft.

The median assessment of this home in North Bay for 2024 based on OPTA (Online Property Tax Analysis) data is $226,000. The recommended tax ratios and estimated 2024 municipal tax rates and the education tax rates have been used in the calculations.

The following illustrations demonstrate (1) 0% change in CVA per 100,000 assessment, and (2) 0% change in CVA for median single family dwelling unit (3) an increase in assessment due to a $15,000 renovation.

	Scenario 1 - $100,000 CVA	**Scenario 2 – Median CVA No change in CVA**	**Scenario 3 - $15,000 Increase in CVA due to Renovation Assessment**
2023 CVA	**$100,000.00**	**$ 227,000.00**	**$ 226,000.00**
2024 CVA	**$100,000.00**	**$ 227,000.00**	**$ 241,000.00**
CVA Change	$0	$0	$15,000
Percentage Change in CVA	0%	0%	6.64%
*2023 Taxation	$ 1,511.32	$ 3,430.70	$ 3,415.58
*2024 Taxation	$ 1,552.71	$ 3,524.66	$ 3,742.04
Percentage Change	2.74%	2.74%	9.56%
Dollar change	$ 41.39	$ 93.96	$ 326.45
Monthly Dollar Change	$ 3.45	$ 7.83	$ 27.20

**Municipal tax only*

Scenario 1: if a property's assessment remained constant year over year, then for every $100,000 in assessment municipal taxes would increase by 2.74% or $41.39 over 2023.

Scenario 2: if a property's assessment was equal to the median CVA of $227,000 then the municipal taxes would increase by 2.74% or $93.96 over 2023.

Scenario 3: if a property's assessment was equal to the median CVA and had an increase in 2024 of $15,000 due to a renovation, the municipal taxes would increase by 9.56% or $326.45 over 2023.

Note: The specific impact on individual taxpayers within each class will depend on their assessment valuation results.

Recommended Option

That Council adopts the 2024 Tax Policy recommendation as follows:

1. **Tax Ratios:**

Tax Class	***Ratio***	***Tax Class***	***Ratio***
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Respectfully submitted,

Name: Dan Robinson

Title: Manager, Revenues & Taxation

I concur with this report and recommendation

Name Margaret Karpenko, CPA, CMA
Title: Chief Financial Officer /Treasurer

Name John Severino, P.Eng., MBA
Title: Chief Administrative Officer

Personnel designated for continuance:
Dan Robinson
Manager, Revenues & Taxation

Shannon Saucier, CPA, CA
Director, Financial Services / Deputy Treasurer