

City of North Bay Report to Council

Report No: CORP-2025-045

Date: April 8, 2025

Originator: Dan Robinson, Manager of Tax and Water

Business Unit: Corporate Services

Department: Financial Services Department

Subject: 2025 Tax Policy

Closed Session: yes ☐ no ☒

Recommendation

That Council adopts the 2025 Tax Policy recommendation as follows:

1. Tax Ratios:

<i>Tax Class</i>	<i>Ratio</i>	<i>Tax Class</i>	<i>Ratio</i>
New Multi-Residential	1.000000	Aggregate Extraction	1.139189
Multi-Residential	1.990000	Pipeline	1.165600
Commercial	1.880000	Farmland	0.150000
Industrial	1.400000	Managed Forest	0.250000

2. Tax Ratio and Rates By-Laws:

Council authorize staff to prepare the necessary By-Laws required to establish the 2025 tax rates as described within Report to Council No. CORP 2025-45 dated April 8, 2025, 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 March 31, 2025, passed Clause No. 2 of General Government Committee Report No. 2025-05 which authorized the 2025 Tax Levy of \$114,069,054 representing an increase of \$4,107,221 over 2024. Assuming that the 2025 Tax Policy recommendation is adopted by Council, the overall tax rate increase including the prescribed education tax rate is estimated at 2.99%.

The following steps will guide Council in making the necessary Tax Policy decisions to finalize the 2025 tax rates:

1. Assessment changes to the assessment roll
2. Tax ratio analysis
3. Property tax shifts and tax dollar impacts

Financial/Legal Implications

See Options/Analysis for Financial Implications.

Corporate Strategic Plan

- | | |
|---|--|
| <input type="checkbox"/> Natural North and Near | <input type="checkbox"/> Economic Prosperity |
| <input checked="" type="checkbox"/> Affordable Balanced Growth | <input type="checkbox"/> Spirited Safe Community |
| <input checked="" type="checkbox"/> 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.

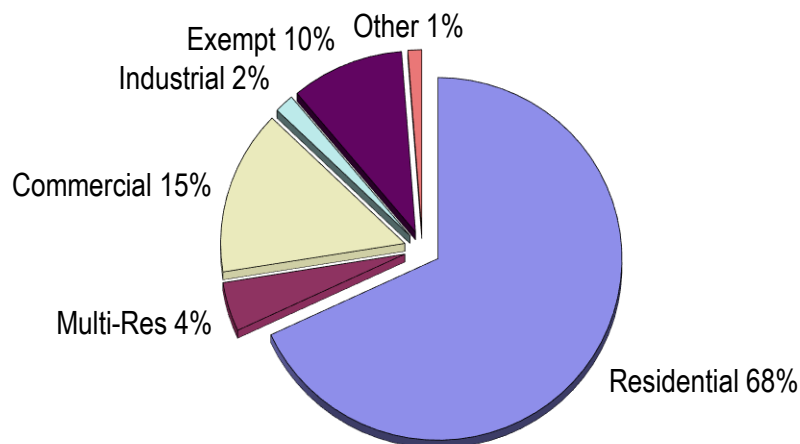
Options Analysis

1. 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 2025 property tax year will be the same as 2024; 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.

The 2025 returned roll distributes CVA according to the following pie chart – No major shifts which is consistent with prior years.

2025 Assessment Distribution (Taxable & PIL) North Bay City



Other Includes Pipeline, Farmland, Forest, Aggregate Extraction

2024 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 Roll Return.

Below is a table outlining the assessment growth by class after Roll Return.

Class	Revenue Impact	% Change
Commercial	113,568	0.40
Farmland	0.00	0.00
Industrial	-19,901	-0.81
Managed Forest	-61	-0.46
Multi Residential	42,624	0.49
Aggregate Ext.	68,179	0.00
Pipelines	5,810	0.43
Residential	596,080	0.86
Grand Total	806,299	0.73%

2. 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 all 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 2024, the Minister of Finance filed two regulations creating a temporary new subclass that was applied to the industrial class portion of aggregate producing properties for the 2024 Taxation year. For the 2025 Taxation year, the Ministry of Finance created a new Aggregate Extraction property class with a lower ratio and lower Education rate than the Industrial class. This new property class will have an impact of the tax burden on the other classes.

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 (2024 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	2025 Tax Ratios	2024 BMA Study Average
Residential	1.0000	1.0000	1.0000	1.0000
Multi-Res.	1.0000-1.1000	2.3556	1.9900	1.6876
Commercial	0.6000-1.1000	2.0326	1.8800	1.6622
Industrial	0.6000-1.1000	3.2920	1.4000	2.1172

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 2025 has been undertaken to show the effects of the following tax ratio scenarios for the affected classes:

Scenario 1 - continue to use the 2024 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 – Shows the change from Scenario 1 when we reduce the multi-residential ratio closer to the Tax Policy ratio which results in \$452,482 in savings in the multi-residential class and supports the housing strategy; however, it increases the portion paid by the residential class by \$308,997 and the commercial class by \$125,426.

Scenario 3 – Shows the change from Scenario 1 when we reduce the commercial ratio closer to the Tax Policy ratio which results in \$934,030 savings in the commercial class; however, it shifts a significant burden of \$791,621 to the residential and \$97,201 to the multi-residential classes, both which did not have sufficient growth to absorb the increase.

	<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>
Tax Class	2025 Tax Ratios (Status Quo)	Reduced Multi-Residential Ratio	Reduced Commercial Ratio
	\$	\$	\$
Residential	\$71,863,612	\$308,997	\$791,621
New - Multi-Res.	\$194,344	\$836	\$2,138
Multi-Res.	\$8,835,053	\$(452,482)	\$97,201
Comm.	\$29,170,297	\$125,426	\$(934,030)
Industrial	\$2,521,374	\$10,841	\$27,739
Aggregate Ext.	\$57,498	\$247	\$633
Pipelines	\$1,411,761	\$6,070	\$15,532
Farmland	\$1,556	\$7	\$18
M. Forest	\$13,162	\$58	\$148
Total Impact	\$114,069,035	\$0	\$0

Administration is recommending Scenario 1 – continue to use the 2024 Tax Ratios.

2025 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	1.599162	0.153000	1.752162	2.99%	0.00%	2.72%
New Multi-Res.	1.599162	0.153000	1.752162	2.99%	0.00%	2.72%
Multi-Res.	3.182332	0.153000	3.335332	2.99%	0.00%	2.85%
Commercial	3.006425	0.880000	3.886425	2.99%	0.00%	2.30%
Industrial	2.238827	0.880000	3.118827	2.99%	0.00%	2.13%
Aggregate Ext. (New)	1.821748	0.511000	2.332748	0.00%	0.00%	0.00%
Pipelines	1.863983	0.880000	2.743983	2.99%	0.00%	2.01%
Farmland	0.239874	0.038250	0.278124	2.99%	0.00%	2.57%
M. Forest	0.399790	0.038250	0.438040	2.99%	0.00%	2.72%

During the 2025 budget process the Tax Levy increase was set at 3.74% for a total levy change of \$4,107,221. 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 2025 remain unchanged from 2024.

3. Property Tax Shifts and Tax Dollar Impacts:

The following table demonstrates the effect on specific property classes when applying the 2025 Current Value Assessment, 2025 recommended Tax Ratios and 2025 estimated total tax rates. Total taxes include Payment in Lieu of Taxes (PIL) properties. The only class with a decrease is the new Aggregate Extraction.

Tax Class	Properties increasing	Properties decreasing
Residential	18,476	0
New Multi-Res.	9	0
Multi-Res.	156	0
Commercial	1,258	0
Industrial	272	0
Aggregate Ext.	0	18
Pipeline	2	0
Farmland	9	0
M. Forest	82	0
Total	20,264	18

The following table reflects the projected number of residential class properties that will experience either an increase or decrease within the identified \$ Impact ranges.

\$ Impact	Increasing Properties	Decreasing Properties
\$ 0 - \$100	9,365	0
\$100 - \$200	7,887	0
\$200+	1,224	0
Total	18,476	0

The average annual tax change in the residential class is \$113.

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 2025 based on OPTA (Online Property Tax Analysis) data is \$227,000. The recommended tax ratios and estimated 2025 municipal tax rates and the education tax rates have been used in the calculations.

The table below illustrates the tax dollar impact: (A) per \$100,000 in assessment; (B) on a median residential assessment; and (C) on a property with an increase in assessment due to renovations.

	(A) \$100,000 CVA	(B) Median CVA (No change in CVA)	(C) Increase in CVA (due to \$15,000 Renovation)
2024 CVA	\$ 100,000	\$ 227,000	\$ 227,000
2025 CVA	\$ 100,000	\$ 227,000	\$ 242,000
CVA Change	\$ 0	\$ 0	\$ 15,000
Percentage Change in CVA	0%	0%	6.61%
*2024 Taxation	\$ 1,552.71	\$ 3,524.66	\$ 3,524.66
*2025 Taxation	\$ 1,599.16	\$ 3,630.10	\$ 3,869.97
Percentage Change	2.99%	2.99%	9.80%
Dollar change	\$ 46.45	\$ 105.44	\$ 345.31
Monthly Dollar Change	\$ 3.87	\$ 8.79	\$ 28.76

**Municipal tax only*

(A) Dollar Change / \$100,000 in CVA:

If a property's assessment remained constant year over year, then for every \$100,000 in assessment municipal taxes would increase by 2.99% or \$46.45 over 2024.

(B) Median CVA:

If a property's assessment was equal to the median CVA of \$227,000 then the municipal taxes of that property would increase by 2.99% or \$105.44 over 2024.

(C) Increase in CVA (i.e. \$15,000 renovation):

If a property's assessment was equal to the median CVA in 2024 but had an increase in 2025 of \$15,000 to the CVA due to a renovation, the municipal taxes would increase by 9.80% or \$345.31 over 2024.

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

Recommended Option

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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