

Presentations and Delegations

Request for Recommendation Finance Committee



Type of Decision

Meeting Date	April 23, 2003			Report Date	April 17, 2003				
Decision Requested		Yes	<input checked="" type="checkbox"/>	No	Priority		High		Low
	Direction Only				Type of Meeting		Open		Closed

Report Title

Tax Policy Presentation by Hemson Consulting Inc.

Policy Implication + Budget Impact

This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.

N/A


Background Attached

Recommendation

FOR INFORMATION ONLY

Recommendation Continued

Recommended by the General Manager


D. Wukerich
General Manager of Corporate Services

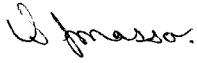
Recommended by the C.A.O.


M. Mieto
Chief Administrative Officer

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Date: April 17, 2003

Report Prepared By



S. Jonasson
Director of Finance / City Treasurer

Division Review

BACKGROUND

Attached is a copy of a report from John Hughes of Hemson Consulting Inc. with respect to Tax Policy issues. Mr. Hughes will be making a presentation at the Finance Committee meeting of April 23, 2003.

**REVIEW OF ISSUES CONCERNING
TAX RATIOS & OPTIONAL CLASSES**

POLICY DECISIONS FOR 2003

City of Greater Sudbury

HEMSON CONSULTING LTD.

April 2003

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I BACKGROUND

Since the Province reformed the property assessment and taxation system in 1998, municipalities have been required to establish policies regarding a number of taxation issues.

Of these policy decisions, those affecting the share of property taxes to be borne by the Multiple Residential, Commercial, Industrial and Pipeline classes of property are the most significant. Their share of taxes is governed by two factors, the total C.V.A. of the properties within each class and the class ratio. The class ratio is set by Council and is used as a multiplier against the tax rate for the Residential/Farm class. The higher the class ratio, the higher the tax rate and proportionate tax share that will be borne by a class.

For 2003, a key factor for consideration is the municipal levy increase restriction for classes with ratios that are above the Provincial average. The City must also decide whether to maintain the optional Large Industrial class. Other tax policy options for consideration of Council this year concern the choice of the class ratio for farm properties and the establishment of a new class for new multiple residential buildings.

Council is required to make these decisions by the 31st of May. This report addresses the options available to Council and provides a recommended course of action. The recommendations are made in light of projected effects of the 2003 reassessment data, changes in education tax rates and the 2003 budget that has been approved by Council.

II EFFECTS OF THE 2003 REASSESSMENT

Before considering tax policy issues and the effects of 2003 levy changes, it is important to understand the underlying assessment situation for 2003. This has changed from 2002 because of the third Province-wide reassessment since the 1998 reforms. This year the valuation base has moved up from June 1999 to June 2001. As with the two previous reassessments, different types of property have experienced different rates of change in values over the two year period. Consequently, there has been a further shift in the shares of each class relative to the overall tax base.

A. C.V.A. COMPARISONS

Over the five year period from 1998 to 2003 during which two reassessments have occurred, there have been substantial changes in the shares by class of Current Value Assessment (CVA) and weighted assessment¹. Exhibit 1 shows the comparative amounts for 1998, 2001 and 2003. Overall, the CVA for the City has remained relatively stable over the period – \$7.48 billion (1998) vs \$7.16 billion (2003). However, on a weighted assessment basis there has been a noticeable decline of 6.0% – \$9.23 billion (1998) vs \$8.67 billion (2003).

This change in weighted assessment is largely attributable to significant valuation adjustments from assessment appeal and reassessments involving Multiple Residential and Industrial properties. By comparison, the Commercial class has gained slightly. In 2003 its share of the weighted assessment base is 19.3% compared to 18.4% in 1998. The Farmland and Managed Forests classes have also experienced very substantial increases. However, overall they represent an extremely small share of the tax base, particularly on a weighted assessment basis when their 0.25 class ratio is taken into account. The Residential class now accounts for 75.2% of the City's CVA and 62.1% of the weighted assessment base. In relation to its share in 1998, it has risen about 5.0%. Some of this increase is attributable to growth – 987 units were built between 1998 and 2003. To the extent that the increase was not attributable to these new units, the result has been a tax shift onto residential property owners.

¹ *Weighted Assessment is the product of multiplying the Class CVA by the Class Ratio.*

It is to be noted that because of the declines in the values, the City has taken steps to have the CVA's of properties in both the Large Industrial and the Multiple Residential classes reviewed.

**CITY OF GREATER SUDBURY
Assessment Base Comparisons**

Exhibit 1

Unweighted Assessment

	A	B	C	D	E	F	G	H
RTC	1998 CVA	1998 Share of CVA	2001 CVA	2001 Share of CVA	2001 Share vs 1998 Share % Change	2003 CVA	2003 Share of CVA	2003 Share vs 1998 Share % Change
Residential	5,461,574,920	73.033%	5,383,341,711	73.609%	0.788%	5,387,073,211	75.224%	3.000%
Multi-Residential	444,674,120	5.946%	493,675,034	6.750%	13.521%	353,792,695	4.940%	-16.917%
Commercial	1,070,021,350	14.308%	1,038,293,955	14.197%	-0.779%	1,024,993,236	14.313%	0.031%
Industrial	194,843,640	2.605%	142,671,109	1.951%	-25.127%	138,122,265	1.929%	-25.975%
Large Industrial	269,061,850	3.598%	206,185,240	2.819%	-21.642%	196,886,215	2.749%	-23.587%
Farm	6,034,905	0.081%	6,851,190	0.094%	16.084%	8,672,232	0.121%	50.060%
Managed Forest	1,073,715	0.014%	7,503,198	0.103%	614.551%	14,715,225	0.205%	1331.139%
Pipeline	30,944,000	0.414%	34,937,000	0.478%	15.448%	37,094,000	0.518%	25.179%
Total Base	7,478,228,500	100%	7,313,458,437	100%		7,161,349,079	100%	

Weighted Assessment

	A	B	C	D	E	F	G	H
RTC	1998 Weighted CVA	1998 Share of Weighted CVA	2001 Weighted CVA	2001 Share of Weighted CVA	2001 Share vs 1998 Share % Change	2003 Weighted CVA	2003 Share of Weighted CVA	2003 Share vs 1998 Share % Change
Residential	5,461,574,920	59.182%	5,383,341,711	59.900%	1.212%	5,387,073,211	62.119%	4.962%
Multi-Residential	870,227,253	9.430%	966,118,092	10.750%	13.998%	692,372,304	7.984%	-15.335%
Commercial	1,701,826,349	18.441%	1,696,912,903	18.881%	2.386%	1,677,511,562	19.344%	4.894%
Industrial	427,442,293	4.632%	328,087,981	3.651%	-21.185%	319,549,071	3.685%	-20.447%
Large Industrial	725,757,635	7.864%	564,308,961	6.279%	-20.159%	542,112,172	6.251%	-20.513%
Farm	1,508,726	0.016%	1,712,798	0.019%	16.572%	2,168,058	0.025%	52.918%
Managed Forest	268,429	0.003%	1,875,800	0.021%	617.555%	3,678,806	0.042%	1358.401%
Pipeline	39,772,323	0.431%	44,904,351	0.500%	15.933%	47,676,918	0.550%	27.563%
Total Base	9,228,377,927	100%	8,987,262,597	100%		8,672,142,103	100%	

B. OVERALL TAX IMPACTS

Exhibit 2 shows the tax impacts of the 2003 reassessment **excluding the effects of the 2003 budget decisions**. The Exhibit does take account of 2003 changes in Provincial education taxes. These changes are significant in the residential class. They amount to a reduction of \$2.4 million or 11.5%. In total, education taxes paid by all properties in Greater Sudbury will decline in 2003 by \$3.4 million or 6.2%. In the case of residential properties, the reduction comes as a result of the Province wide rate being reduced to compensate for Province wide reassessment increases.

The effect of the reassessment alone has been to sharply reduce the tax share for the Multiple Residential class – a 22.6% decline. This has led to increased shares for all other classes. In the case of the key residential class, the reassessment shift is 2.45%. However, because of the reduced education tax rate, the net shift is 0.62% before the effect of the 2003 municipal levy change is considered.

It is very important to emphasize that the impacts discussed above relate to the combined value of properties within classes as a whole, not to individual properties. Individual properties may experience tax and value changes that are different from those for the class as a whole.

Exhibit 2

CITY OF GREATER SUDBURY

**Tax Impacts of Reassessment
Including Education Changes - Excluding Municipal Levy Change**

Class	A		B		C		D		E		F		G		H		I		J		K		L	
	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education
Residential/Farm	72,430,264	20,414,551	92,844,815	74,211,722	18,053,393	92,265,115	1,781,458	2.46%	-2,361,158	-11.57%	-579,700	-0.62%												
Multi-residential	12,716,777	1,775,184	14,491,960	9,845,447	1,185,206	11,030,652	-2,871,330	-22.58%	-589,978	-33.23%	-3,461,308	-23.88%												
Commercial	23,234,278	21,829,782	45,064,060	23,681,370	21,358,628	45,039,998	447,092	1.92%	-471,155	-2.16%	-24,063	-0.05%												
Industrial	3,933,329	3,434,964	7,368,294	4,348,630	3,544,913	7,893,543	415,301	10.56%	109,949	3.20%	525,249	7.13%												
Large Industrial	7,077,827	6,061,780	13,139,607	7,511,606	6,013,914	13,525,519	433,778	6.13%	-47,866	-0.79%	385,912	2.94%												
Pipelines	610,007	559,566	1,169,574	648,539	559,566	1,208,105	38,531	6.32%	0	0.00%	38,531	3.29%												
Farmlands	20,760	6,150	26,910	29,085	7,443	36,527	8,325	40.10%	1,293	21.03%	9,618	35.74%												
Managed Forests	23,561	7,041	30,602	47,878	12,383	60,261	24,317	103.21%	5,342	75.87%	29,659	96.92%												
Total	120,046,803	54,089,019	174,135,822	120,324,275	50,735,445	171,059,721	277,472	0.23%	-3,353,573	-6.20%	-3,076,101	-1.77%												

III ISSUES CONCERNING TAX RATIOS FOR BROAD CLASSES

The first decision to be made by Council concerns the tax ratios to be used in setting tax rates for 2003. The Province originally established ratios in 1998. These ratios have largely been maintained since then with only small modifications being made. At the time of restructuring, slightly revised ratios were set by the Province to account for the inclusion of properties from the unorganized areas. The revised ratios had only a small effect.

The table below shows the ratios currently in effect.

	CURRENT TAX RATIOS
Residential/Farm	1.0000
Multi-Residential	1.9570
Commercial	1.6622
Industrial (Broad)	2.6340
Industrial (Residual)	2.4500
Industrial (Large)	2.7560
Pipelines	1.2853
Farms & Managed Forests	0.2500

The long-term policy objective of the Province is for all classes (excluding Farmland and Managed Forests) to have tax ratios of between 0.9 and 1.1. This is the so called Range of Fairness. Municipalities are permitted to leave ratios where they are or move them closer to the Range of Fairness. However, they may not move ratios further away. In Greater Sudbury, all affected ratios are currently above the range of fairness. Any change therefore would require a downward adjustment. Such adjustments would inevitably increase taxes on properties in the Residential/Farm, Farmland and Managed Forests classes (and on other classes if their ratios were also left unchanged). Three specific broad class issues warrant Council's attention.

A. BROAD INDUSTRIAL CLASS

Provincial legislation restricts municipalities from passing on municipal levy increases to properties in classes which have tax ratios above Province-wide average tax ratios. In Greater Sudbury this restriction currently applies to the broad Industrial Class. It has a rate of 2.634 which is slightly above the Provincial average ratio for the Industrial class which is 2.630.

The impact of reducing the ratio down to the provincial average is nominal since it would result in a tax shift onto other classes estimated to be less than \$15,000. By reducing the ratio, industrial properties would then be required to pay their share of the 2003 municipal levy increase which otherwise would have to be absorbed by properties in other classes.

It is accordingly recommended that the ratio for the broad Industrial class be set at 2.630.

B. NEW MULTIPLE RESIDENTIAL PROPERTY CLASS

The *Municipal Act* now empowers municipalities to establish a property tax class for New Multiple Residential buildings. These buildings can be either new construction or buildings converted from other uses. With the new class, the tax ratio can be set at 1.000, which is well below the ratio for existing multiple residential buildings. In Greater Sudbury the Multiple Residential class ratio is 1.957. No ratio change is recommended for this class, particularly given the substantial tax reductions that properties in this class have experienced as a result of assessment appeals and reassessments.

The objective of the new multiple residential class is to encourage the development of new rental residential units by placing them for property tax purposes on a 'level playing field' with condominium units. Condominiums are included in the residential class and therefore have a tax ratio of 1.0.

A particular reason for the City to consider establishing the new class is that it could act as catalyst to conversion projects in the downtown core involving office buildings which currently are largely vacant. There is a general benefit to Greater Sudbury from new development but especially so if it occurs in the core area which the City is making

strong efforts to revitalise. While conversion projects would result in the transfer of properties from a higher ratio class (commercial) to a lower ratio class, because of the tax rebate that must be provided to vacant commercial properties, the net tax difference would likely be small. It could result in a positive tax impact if the assessed value of a converted property were to be higher than its existing values.

It is accordingly recommended that Council establish a New Multiple Residential property tax class and that the class ratio be set at 1.0.

C. FARMLAND CLASS

A new policy option that is available to municipalities is to reduce the ratio applicable to Farmland. This option will be extended to include Managed Forests in 2004. While there are only a very small number of farm properties in Greater Sudbury, their values have risen substantially since 1998. However, since the tax rate on these properties is very low because of the provincially set 0.25 class ratio, it is not recommended that a lower ratio be set. To do so would be contrary to the approach taken with other classes where ratios have maintained except for the industrial class where changes have been necessary in order to permit levy increases to be applied.

It is recommended that Council maintain the tax ratio on the Farmland class at 0.2500.

IV ISSUES CONCERNING OPTIONAL CLASSES

The second main issue for Council to consider is the use of optional classes. Optional classes were a tax tool that was introduced following the 1998 reassessment in order to help limit tax shifts between different types of Commercial and Industrial properties. The Region chose to adopt the Large Industrial optional class and the City has maintained this approach. The Large Industrial optional class is higher than the broad class. Currently the broad ratio is 2.6340¹ whereas the large industrial ratio is 2.7560. The residual (small industrial ratio) is accordingly lower (2.4500). As a result of this policy choice, taxes for both large and small Industrial properties were maintained closer to the amounts that they had paid in 1997 prior to the introduction of the new system. Had the Region not adopted the optional class, taxes for smaller industrial properties would have risen more while taxes on large industrial properties would have declined. It is to be noted that due to reconsiderations and reassessments, the values of properties in the large industrial class have declined which has led to lower taxes on these properties notwithstanding the higher optional class ratio.

Council has a choice of maintaining the optional class in which case ratios would not be changed (except to account for the minor change related to the levy change restriction). If it were to cancel the optional class taxes for large industrial properties would decline while those for smaller industrial properties would rise.

The traditional argument for adopting broad class ratios is that they result in greater equity and hence comparable tax responsibility for all properties within a class. As well, there could be somewhat less administrative complexity. However, the key drawback to eliminating the optional class is that smaller properties in the residual Industrial class would be disadvantaged. Since the tax responsibility of the overall class is maintained, the decrease flowing to Large Industrial properties in the optional class must be made up by the other properties in the class.

As a result, properties in the residual Industrial class would experience greater increase than if the optional class were retained. It should be noted that capping legislation

¹ If Council adopts the recommendation made earlier in this report, the ratio would be reduced very slightly to 2.6300.

would soften any increases in the short run since an annual 5% cap would continue to apply. However, over time, increases would occur. To some extent, the negative impact on the small industrial properties would also be moderated because of the 2003 education tax reductions.

On the other hand, the result for large industrial properties would be better even if in the short term some of the tax reductions were offset by clawbacks. Again it should be emphasised that these impacts apply to the class as a whole, not to individual properties. The impacts on individual properties will depend on reassessment changes as well as on capping and clawback.

Overall, despite the offsetting effect of the lower education taxes it is clear that small industrial properties would be disadvantaged if the optional Large Industrial class were to be dropped. There are no compelling reasons for lowering the tax responsibility for the Large Industrial class to balance out this disadvantage.

It is our recommendation that the optional Large Industrial class be maintained. It is also recommended that in order to permit levy increases to be applied, the ratio for the optional Large Industrial class be reduced to 2.7518 and for the residual Industrial class to 2.4463.

V OVERALL TAX IMPACTS CONSIDERING REASSESSMENT, TAX POLICY AND RATE AND LEVY CHANGES

Analysis has been carried out to quantify the overall impacts that will occur in 2003 as a result of the four factors that will influence the distribution of taxes. The four factors are:

- The 2003 Reassessment
- Provincial Education Tax Rates for 2003
- Recommended Reduction in Broad Industrial Class Ratio
- Increased Municipal Levy for 2003

The results of this analysis are shown on Exhibit 3. It shows that the City-wide net tax change for 2003 will be 2.87%. This is the net result of the increase in the municipal levy which will be partially balanced by a decrease in education taxes. In the residential class, the increase will be 4.9% which is in part attributable to the 2.5% impact of the reassessment shift. Because of the substantial reduction in the CVA's of Multiple Residential properties, taxes for the class will decline by 19.6%.

The impacts on individual properties will differ from the average because the effect of the 2003 reassessment will vary from property to property. There will also be differences because of variations in levy changes for the various service area rates. Exhibit 4 indicates the approximate change in taxes for average value detached homes in each service area. The average change is estimated to range from \$73.41 (4.38%) to \$108.23 (6.20%).

Exhibit 5 provides the overall distribution of tax changes for residential properties expressed in terms of dollar increases and decreases. It shows that of the 42,679 residential properties that will experience increases, 23,293 will see increases averaging \$49. In contrast, 8,329 properties will see decreased taxes averaging \$37. Exhibit 6 displays the same distributional effects in terms of percentage increases and decreases.

Exhibit 3

CITY OF GREATER SUDBURY

**Tax Impacts by Property Class
Including Education and Municipal Levy Change**

Property Class	A		B		C		D		E		F		G		H		I		J		K		L	
	2002 Total Year End Taxation		2003 Estimated Total Taxation (\$)		2003 Estimated Total Taxation (\$)		2003 Estimated Total Taxation (\$)		2003 Estimated Total Taxation (\$)		2003 Estimated Total Taxation (\$)		2003 Estimated Total Taxation (\$)		2003 Estimated Total Taxation (\$)		2003 Estimated Total Taxation (\$)		2003 Estimated Total Taxation (\$)		2003 Estimated Total Taxation (\$)		2003 Estimated Total Taxation (\$)	
	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Municipal	Education	Total Change	%
Residential/Farm	72,430,264	20,414,551	92,844,815	18,053,393	79,309,585	18,053,393	97,362,978	6,879,321	9.50%	-2,361,158	-11.57%	4,518,163	4.87%											
Multi-residential	12,716,777	1,775,184	14,491,960	1,185,206	10,471,889	1,185,206	11,657,094	-2,244,888	-17.65%	-589,978	-33.23%	-2,834,866	-19.56%											
Commercial	23,234,278	21,829,782	45,064,060	21,358,628	25,215,754	21,358,628	46,574,381	1,981,476	8.53%	-471,155	-2.16%	1,510,321	3.35%											
Industrial	3,933,329	3,434,964	7,368,294	3,544,913	4,638,751	3,544,913	8,183,664	705,422	17.93%	109,949	3.20%	815,371	11.07%											
Large Industrial	7,077,827	6,061,780	13,139,607	6,013,914	7,992,982	6,013,914	14,006,896	915,155	12.93%	-47,866	-0.79%	867,289	6.60%											
Pipelines	610,007	559,566	1,169,574	559,566	693,887	559,566	1,253,454	83,880	13.75%	0	0.00%	83,880	7.17%											
Farmlands	20,760	6,150	26,910	7,443	31,238	7,443	38,681	10,478	50.47%	1,293	21.03%	11,771	43.74%											
Managed Forests	23,561	7,041	30,602	12,383	51,466	12,383	63,849	27,905	118.44%	5,342	75.87%	33,247	108.64%											
Total	120,046,803	54,089,019	174,135,822	50,735,445	128,405,552	50,735,445	179,140,997	8,358,749	6.96%	-3,353,573	-6.20%	5,005,176	2.87%											

*Broad Class Industrial Ratio set at 2.63

Exhibit 4

CITY OF GREATER SUDBURY
Estimated Detached Home Tax Changes by Service Area
2003 vs. 2002

Service Areas	A	B	C	D	E	F
	2002 Residential Tax Rate	2002 Taxes on Avg. Det. Home*	Estimated 2003 Residential Tax Rate	Estimated 2003 Taxes on Avg. Det. Home**	Tax Change \$	Tax Change %
Career Fire and Transit Area	1.755422%	\$ 1,862.50	1.866132%	\$ 1,951.97	\$ 89.47	4.80%
Composite Fire and Transit Area	1.644290%	\$ 1,744.59	1.771344%	\$ 1,852.83	\$ 108.23	6.20%
Volunteer Fire and Transit Area	1.615531%	\$ 1,714.08	1.718163%	\$ 1,797.20	\$ 83.12	4.85%
Volunteer Fire - No Transit	1.580093%	\$ 1,676.48	1.672930%	\$ 1,749.89	\$ 73.41	4.38%

* City wide average assessment - 2002 \$106,100

**City wide average assessment - 2003 \$104,600

CITY OF GREATER SUDBURY
Residential Frequency Distribution
By Dollars

Exhibit 5

Properties with Increases										Properties with Decreases				
A	B	C	D	E	F	G	H	I	J					
Dollar Increase	Number of Properties	% of Total	Average \$ Change	Total Dollar Increase	Dollar Decrease	Number of Properties	% of Total	Average \$ Change	Total Dollar Decrease					
0 - 100	23,293	54.58	49	1,133,243	0 - 100	8,329	74.51	37	305,382					
100 - 200	13,159	30.83	140	1,835,933	100 - 200	1,783	15.95	138	245,230					
200 - 300	3,440	8.06	240	826,621	200 - 300	658	5.89	242	159,563					
300 - 500	1,939	4.54	377	731,589	300 - 500	282	2.52	363	102,269					
500 - 700	477	1.12	583	277,925	500 - 700	78	0.70	587	45,756					
700 - 1,000	249	0.58	836	208,266	700 - 1,000	29	0.26	787	22,811					
1000 - 1,500	62	0.15	1,187	73,575	1000 - 1,500	15	0.13	1,219	18,281					
1500 - 2,000	17	0.04	1,740	29,577	1500 - 2,000	0	0.00		0					
2000 - 3,000	3	0.01	2,751	8,254	2000 - 3,000	2	0.02	2,702	5,403					
3000 - Over	40	0.09	8,275	331,020	3000 - Over	3	0.03	10,330	30,989					
Total	42,679	100	128	5,456,004	Total	11,179	100	84	935,685					

CITY OF GREATER SUDBURY
Residential Frequency Distribution
By Percentage Change

Exhibit 6

Properties with Increases										Properties with Decreases					
A	B	C	D	E	F	G	H	I	J						
Dollar Increase	Number of Properties	% of Total	Average \$ Change	Total Dollar Increase	Dollar Decrease	Number of Properties	% of Total	Average \$ Change	Total Dollar Decrease						
0.00 - 3.00	8,636	20.23	36	311,294	0.00 - 3.00	4,738	42.38	19	91,991						
3.00 - 6.00	13,397	31.39	80	1,069,527	3.00 - 6.00	2,254	20.16	62	139,874						
6.00 - 10.00	14,738	34.53	138	2,035,404	6.00 - 10.00	2,013	18.01	101	202,939						
10.00 - 15.00	3,588	8.41	298	1,068,935	10.00 - 15.00	1,249	11.17	163	203,223						
15.00 - 20.00	1,049	2.46	329	345,116	15.00 - 20.00	409	3.66	224	91,708						
20.00 - 30.00	717	1.68	358	256,330	20.00 - 30.00	396	3.54	309	122,392						
30.00 - 50.00	330	0.77	347	114,637	30.00 - 50.00	100	0.89	420	41,951						
50.00 - 80.00	97	0.23	670	65,032	50.00 - 80.00	18	0.16	2,217	39,908						
80.00 - 100.00	24	0.06	3,437	82,479	80.00 - 100.00	2	0.02	849	1,698						
100.00 - Over	103	0.24	1,041	107,251	100.00 - Over	0	0.00	0	0						
Total	42,679	100	128	5,456,004	Total	11,179	100	84	935,685						

Request for Recommendation Finance Committee




Type of Decision									
Meeting Date	April 23, 2003				Report Date	April 16, 2003			
Decision Requested	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High	<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open	<input type="checkbox"/>	Closed

Report Title
Property Tax Policy Issues

Policy Implication + Budget Impact	
<input checked="" type="checkbox"/>	This report and recommendation(s) have been reviewed by the Finance Division and the funding source has been identified.
<input checked="" type="checkbox"/>	Background Attached

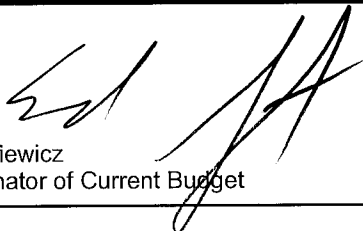
Recommendation	
<p>WHEREAS all property tax policies which are currently in place were passed under The Municipal Act, R.S.O. 1990, and</p> <p>Whereas The Municipal Act, 2001 took effect on January 1, 2003, and</p> <p>Whereas the City of Greater Sudbury wishes to reaffirm its position relating to property tax policy decisions to conform to The Municipal Act, 2001,</p>	
<input checked="" type="checkbox"/>	Recommendation Continued

Recommended by the General Manager
 D. Wyksiniak General Manager of Corporate Services

Recommended by the C.A.O.
 M. Mieto Chief Administrative Officer

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Report Prepared By



E. Stankiewicz
Co-Ordinator of Current Budget

Division Review



S. Jonasson
Director of Finance/City Treasurer

RECOMMENDATION

Therefore, be it resolved that Council reaffirm

- 1) its adoption of the Large Industrial Optional Class,
- 2) its policy to provide tax reductions for vacant commercial and industrial properties,
- 3) its policy to provide tax rebates to registered charities occupying commercial and industrial property,
- 4) its policy regarding property tax deferrals for low income seniors and low income disabled residential property owners,
- 5) its policy regarding the vacancy rebate program for properties in the commercial and industrial property classes, and

That Council adopt the same tax ratios for 2003 as were approved in 2002 with the exception of the Industrial and Large Industrial Class, and

That Council adopt the new Multi-Residential Class, and

That all property tax policy bylaws passed under The Municipal Act, R.S.O. 1990 be rescinded, and

That the City Solicitor prepare the necessary property tax policy bylaws under The Municipal Act, 2001.

BACKGROUND

The Municipal Act, 2001 came into effect on January 1, 2003, and sections from the old Municipal Act do not necessarily align themselves with this new Municipal Act. All current property tax policy bylaws reference the old Municipal Act and new bylaws should be passed for all property tax policy decisions made by Council to ensure compliance under the new Act.

Optional Class - Large Industrial Class

In 1998, Council chose to adopt the Large Industrial Class as an optional class within the Broad Industrial Class. This ensured that the tax burden placed on the large industrial property owners collectively in 1997 would be the same in 1998. This option ensured that the residual industrial property owners would not experience an additional tax burden from 1997 to 1998 as a result of the province wide reassessment and the new valuation methodology.

It is recommended that Council reaffirm its position to retain the Large Industrial Class to ensure no tax shift to the residual Industrial Property Class.

Tax reductions for vacant Commercial and Industrial properties

Under provincial legislation, municipalities are required to provide tax reductions for these properties that have excess land or are vacant land. Currently, the City provides a 30% tax reduction to Commercial properties and a 35% reduction to Industrial properties.

It is recommended that Council reaffirm its position to continue with the current tax reductions.

Tax rebates for Registered Charities occupying Commercial and Industrial properties

Under provincial legislation, municipalities are required to rebate a minimum of 40% of the taxes paid by a registered charity occupying Commercial or Industrial property. Currently, the City provides a tax rebate of 40% to Registered Charities.

It is recommended that Council reaffirm its policy on Charity rebates.

Tax deferrals for Low Income Seniors and Low Income Disabled Persons residential property owners

Under provincial legislation, municipalities are required to provide tax relief to Low Income Seniors and Low Income Disabled residential property owners, beginning in a taxation year in which a general reassessment occurs. Currently, the City provides the option for these individuals to have a tax deferral on their property for any increase greater than \$100 on their residential property tax bill.

It is recommended that council reaffirm this policy.

Vacancy Rebate Program for properties in the Commercial and Industrial Property Classes

Under provincial legislation, municipalities are required to provide vacancy rebates to owners who have vacant units within their building and who apply for the rebate. Currently, the City reviews the application and provides the rebate to the property owners for the period that the units were vacant.

It is recommended that Council reaffirm its policy on vacancy rebates.

Tax Ratios

John Hughes of Hemson Consulting will be making a presentation to the Finance Committee on April 23, 2003, relating to tax policy issues. At this presentation, Mr. Hughes will explain the need to adjust the tax ratios marginally lower for the Industrial and Large Industrial classes.

It is recommended that Council adopt the same tax ratios in 2003 as were approved in 2002 with the exception of the Industrial and Large Industrial classes.

New Multi-Residential Class

Mr. Hughes addresses the issue of adopting a New Multi-Residential Class with a tax ratio of 1.0000 (same as residential). The creation of this new class may spur development of additional multi-residential units.

It is recommended that Council adopt the New Multi-Residential Class with a ratio of 1.0000.

Tax Rates

The final tax rates cannot be developed until the tax ratios have been adopted. After adoption of the tax ratios, the City will develop the tax rates based on the revised roll, as in the past two years. This roll would be the returned roll updated with changes such as reconsiderations of assessment, demolition of properties, and Court decisions (results of tax appeals). This revised roll will not be available until April 17, 2003. The presentation that Mr. Hughes will be making deals with tax rates based on the returned roll. The rates will have to be adjusted marginally, when the revised roll is being used.

The tax rate report will be tabled at the Finance Committee meeting of April 23, 2003, detailing all tax rates.

Tax capping of Multi-Residential, Commercial and Industrial properties

The Online Property Tax Analysis (OPTA) system that the City uses to determine the capping and clawback calculations is currently only in test mode for calculations of the tax capping. It is anticipated that the final numbers will not be materially different from the current test numbers. However, it is imperative that the most accurate information is used in order to generate the final capping numbers.

A report dealing with capping and setting capped class due dates will be brought forward in May or June. In past years some municipalities have had insufficient funds to fund the cap and preliminary numbers indicate that this may be the case for the Industrial Class in Sudbury this year. A contribution from reserves may be required to fund the shortfall.

Summary

This report addresses the tax policy issues that Council must deal with. With the exception of the revised ratios for the Industrial and Large Industrial Class and the adoption of the new Multi-Residential Class, this is a housekeeping exercise to ensure that the City is in compliance with the new Municipal Act, 2001.