Staff Report

To	**Committee of the Whole**
Service Area	Corporate Services
Date	Monday, March 7, 2022
Subject	**2022 Property Tax Policy**

Recommendation

That the 2022 City of Guelph property tax ratios, subclass discounts and corresponding tax rates, as set out in Attachment-1 to the report 2022-41 titled 2022 Property Tax Policy dated March 7, 2022, be approved.

Executive Summary

Purpose of Report

To provide information and recommend that the 2022 property tax ratios, subclass discounts and corresponding tax rates (Tax Policy), included as Attachment-1, be approved, and incorporated into by-laws. This provides sufficient time to prepare the final tax bills for meeting the legislated mailing date for the June 30, 2022 tax installment.

Key Findings

Municipal Councils are required to make a number of Tax Policy decisions and pass the related by-laws annually. Attachment-1 and calculated rates are an administrative consolidation of previous applicable Council decisions.

Through the 2022 budget process, property tax impacts and percentage increases were provided. This was calculated using the 2021 assessment roll, the most up to date information available at that time. Since then, the Municipal Property Assessment Corporation has provided assessment data for the 2022 taxation year and all calculations referred to in this report are based on this data.

In 2022, the taxpayer with an average residential property assessed at $389,970 (based on 2016 Current Value Assessment valuation date) will be levied $4,019.47 in City taxes for an overall property tax increase of $165.77, broken out in Table 1 below.

Table 1: Total Change in City Portion on an Average Residential Property.

City of Guelph Portion	$ Change	% Change
Assessment Roll Impact	$5.70	0.14%
2022 Budget Impact	$160.07	4.16%
Total Change in City Portion	$165.77	4.30%

Financial Implications

There are no financial implications related directly with this recommended Tax Policy. Tax ratios and subsequent tax rates only allocate the approved tax supported operating budget over the different tax classes.

Annually, the cost of the mandatory charity rebate program is approximately $130,000.

Report

Municipal Councils are required to make a number of Tax Policy decisions annually. The Municipal Act sets out the parameters to be followed by municipalities when setting property tax policies. These parameters include establishing tax ratios and discounts; use of graduated taxation and optional classes; capping options on multi-residential, commercial and industrial properties; and various tax mitigation measures. Annually Tax Policy decisions determine how the property tax levy, approved in the annual budget, will be distributed across the various classes of properties.

On December 2, 2021, Council approved the 2022 tax supported budget, of which $279,719,226 is to be raised from taxation and payments-in-lieu. Also, at this meeting, Council approved funding the annual hospital levy of $750,000 in 2022 and 2023 through reserves.

Through the 2022 budget process, property tax impacts and percentage increases were provided. This was calculated using the 2021 assessment roll, the most up to date information available at that time. Since then, the Municipal Property Assessment Corporation has provided assessment data for the 2022 taxation year and all calculations referred to in this report are based on this data.

2022 Tax Policy

The following summarizes the Tax Policy and programs discussed in this report and corresponding attachment:

- Approving the 2022 tax ratios, subclass discounts and tax rates
- Continuing the low-income seniors and low-income disabled tax relief program; and
- Continuing the charitable tax rebate program, of which the City annually accrues funds for

The by-laws for approval resulting from this report are to come to Council in March to allow sufficient time to prepare and mail the final property tax bills within the legislated time frame for the June 30, 2022 installment.

Tax Ratios

On April 24, 2017, Council adopted the recommendations in the Tax Ratios 2017-2020 Assessment Cycle report, which provided direction for setting tax ratios for the reassessment cycle 2017 through 2020. This direction was that all ratios remain at their start ratio, except for the multi-residential ratio, which would remain revenue neutral on an annual basis. This direction was intended to cease after the 2020 tax year due to the planned reassessment cycle 2021 through 2024.

However, in March 2020, the Province announced it was postponing the planned reassessment and that assessment values used in 2021 would be the same as the fully phased-in assessment values used in 2020. The Province further announced on March 24, 2021 that the assessment values used in 2022 and 2023 would be the same as 2021. Therefore, there is minimal impact relating to reassessment to consider, and 2022 ratios are proposed to be maintained at the levels used in 2021.

Notably, despite the same assessment values being used in 2022 as 2021, the assessment base for the City grew by 1.4 per cent, driven by growth of approximately $284 million in assessment, or 1.6 per cent, in the residential tax class.

Subclass Discounts

On July 22, 2019, Council adopted the recommendations in the Vacant and Excess Land Subclass Review report, which provided direction for phasing out those subclass discounts. This direction provided that subclass discounts would be phased out over two years beginning in 2020, reducing the discounts from 30 per cent to 15 per cent in 2020 and fully eliminating the discount in 2021. Subclass discounts will continue to no longer apply to the commercial and industrial property classes.

Optional Subclass for Small Business

In 2021, the province announced the ability for municipalities to adopt a new optional subclass for small business properties. The intent of the small business subclass is to allow municipalities to define on their own what a small business is within their community and further also define the extent that small businesses could receive in terms of a tax reduction. This reduction though would fall on the backs of other commercial properties that would not qualify or to the overall tax base including the residential taxpayer. For clarity, the intent of this subclass is not to provide COVID-19 relief, but to provide a tool for tax policy decisions like the subclass discounts allowable for vacant and excess land, that Council agreed to fully phase out.

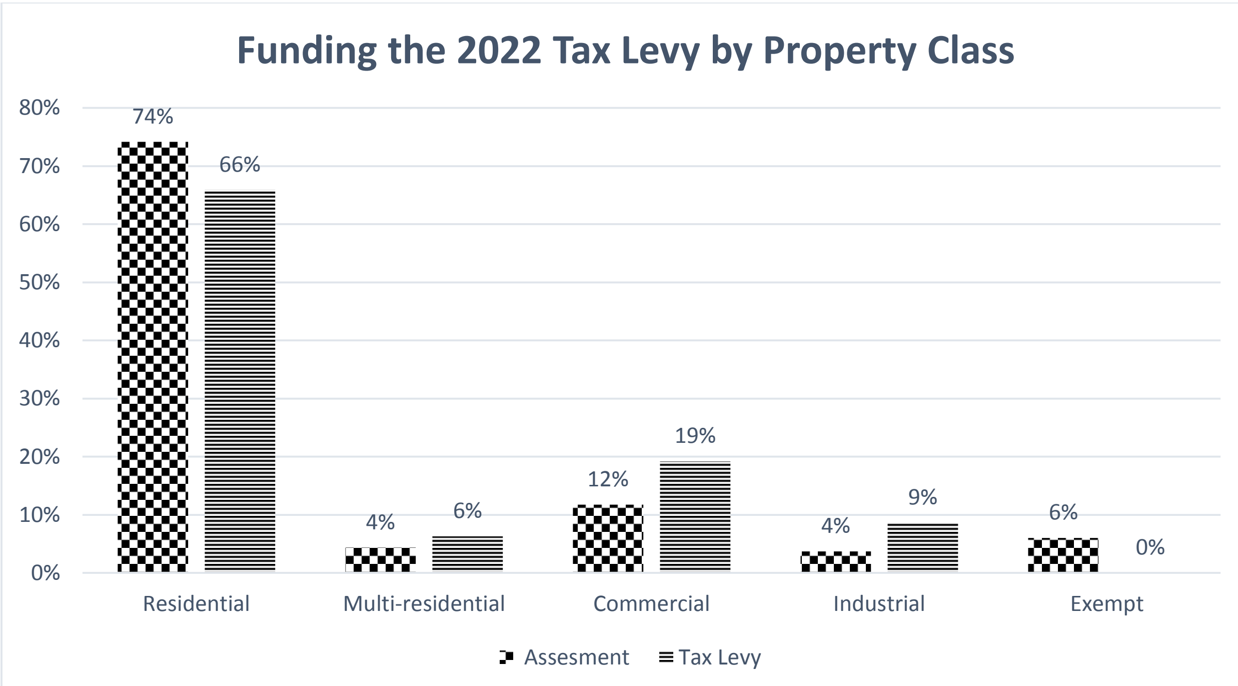
Defining a "small business" is very difficult and may lead to unintended results. Stipulating a limit building size/area or Current Value Assessment (CVA), for example, may not allow the city to differentiate between a locally owned and operated small business and a chartered bank branch or a large national company. Many municipalities have experienced this challenge with other subclasses that are available. These would include but are not limited to Large Industrial, Shopping Center, Office Building, Vacant Land, and Excess Land. Guelph has purposely not used different tax levels for these sub-classes based on the inequity it may have created. The only exception was the subclass discounts on vacant and excess land that was legislated until recently when the province revised the legislation. At that time, Guelph chose to phase those subclass discounts out and as of 2021, these no longer apply.

On October 29, 2021, Staff provided an Information Report for Council titled Small Business Property Tax Sub-class. This report, and the accompanying attachments prepared by the Municipal Tax Advisory Group, outlined from a qualitative perspective how this optional subclass would create inequities within the City's tax policy. The recommended 2022 property tax policy does not include any provisions for this optional subclass.

The Province of Ontario is offering several programs that will provide grants and property tax rebates to businesses experiencing reduced revenues due to pandemic restrictions and closures. The Federal government also has grant and loan programs available that businesses experiencing difficulties can access. All these programs are designed to assist businesses, of all sizes, pay their ongoing financial obligations such as property taxes.

Funding the Tax Levy by Property Class

The tax levy is funded primarily through four broad property tax classes: residential, multi-residential, commercial, and industrial. The split between total assessment and total tax levy based on the proposed Tax Policy for 2022 is shown below.



The residential tax class makes up 74 per cent of the City's total assessment base and funds 66 per cent of the tax levy. The assessment and tax levy split among all classes is consistent with prior years.

Impact on the Average Residential Taxpayer

The impact on a taxpayer with an average residential property assessment of $389,970 (based on 2016 Current Value Assessment valuation date) is shown in Table 2 below.

Table 2: Total Change in City Portion on an Average Residential Property.

City of Guelph Portion	$ Change	% Change
Assessment Roll Impact	$5.70	0.14%
2022 Budget Impact	$160.07	4.16%
Total Change in City Portion	$165.77	4.30%

The assessment roll impact is not driven by the 2022 budget and tax policy decisions. This impact is solely driven by tax shifting; the cumulative effect that assessment growth and loss have on the entire tax base, along with what an average residential property assessment in Guelph looks like. On an annual basis the average residential property continues to be bigger and of a higher quality as new larger, higher value homes are being constructed. This further increase in the average residential property value provides for upward pressure when comparing an average property year-over-year.

Hospital Levy

In 2022, the hospital levy placeholder will continue to be shown separately on the final tax bill. However, a hospital levy amount will not be calculated, as the hospital levy will be funded through the use of reserves in 2022 and 2023. This placeholder on the final tax bill represents Council's commitment to funding Guelph General Hospital renovations with $750,000 on an annual basis that commenced in 2020 and continues 2022 through 2026.

Tax Relief for Low-income Seniors and Low-income Persons with Disabilities

Municipalities are legislatively required to have a tax relief program under Section 319 of the Municipal Act. This program provides qualifying low-income seniors and low-income persons with disabilities tax relief through a deferral of property tax, should their annual assessment-related tax increase be greater than $200. The program is set out in By-law (2015)-19988.

Tax Rebates for Charities

Municipalities are legislatively required to have this rebate under Section 361 of the Municipal Act. Qualifying charities, upon application, are provided a rebate of 40 per cent of taxes paid. In 2021, the City processed 37 rebate applications for a total dollar amount of $203,847, of which the City's share was $123,526. The charitable tax rebate program is set out in By-law (2002)-16851 and By-law (2003)-17152.

Financial Implications

There are no financial implications related directly with the recommended 2022 Tax Policy. Tax ratios and subsequent tax rates only allocate the approved tax supported operating budget over the different tax classes.

Annually the cost of the mandatory charity rebate program is approximately $130,000.

Consultations

None.

Strategic Plan Alignment

This report aligns with Strategic Plan priority Working Together for our Future, running an effective, fiscally responsibly and trusted local government.

Attachments

Attachment-1 2022 City of Guelph Tax Ratios, Discounts and Rates

Departmental Approval

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