22 March 2013

City Council
Committee Report

TO: Mayor and Council

FR: Melissa Shaw, Tax Collector

RE: Capping Options 2013- Committee Report

Recommendation:

That Council hereby approves the implementation of the following tools related to the capping process for the 2013 taxation year:

- Annualized Tax Limit of 10% for each of the commercial, industrial and multi-residential property classes.
- Prior Year's CVA Tax Limit of 5% for each of the commercial, industrial and multi-residential property classes.
- CVA Tax Threshold for Protected Properties related to increases in the amount of $250 for each of the commercial, industrial and multi-residential property classes.
- CVA Tax Threshold for Clawed Back Properties related to decreases in the amount of $250 for each of the commercial, industrial and multi-residential property classes.
- CVA Tax in 2012
- Cross Over CVA Tax in 2013

and further;

That Council hereby gives three readings to a By-law to adopt optional tools for the purposes of both administering limits for certain property classes and excluding certain properties from the capping process.

Background:

Capping was introduced by the Province in 1998 as a mandatory program for the protection of Commercial, Industrial, and Multi-Residential Properties. The objective of the program is to reduce the impacts of large increases in assessment by limiting property tax increases.

Commencing in 2005, possibly as a result of this municipal pressure, the Province introduced some changes to the capping legislation, options for each municipality to consider, that can help move the protected classes towards CVA taxation. These options must be reviewed annually and the related decisions made by Council each year.

Recently, the Province introduced a phase in of all properties over a four year period, including capped classes, which commenced with the 2009 tax year and related reassessment. Even more significantly, they also introduced new tools, commencing in 2009, which allowed municipalities to exclude properties from the capping process.

Available Capping Tools:
Municipalities continue to have access to the tools introduced in 2005, as well as additional ones introduced in 2009, to help escalate moving properties to CVA taxation. These tools are:

- ***Annualized Tax Limit (ATL)*** – This represents the annual cap on changes to assessment values for the purposes of calculating taxes on protected classes. Prior to 2005, the ATL was 5%. Starting in 2005, municipalities received the ability to use any amount between 5% and 10%.
- ***Prior Year's CVA Tax Limit*** – Commencing in 2005, municipalities were also able to set a limit based on the prior year's CVA, from 0% to 5%. When the CVA Tax Limit (CVATL) is used for the purposes of capping, both the ATL and the CVATL are calculated, and the one that passes on the greater amount to the taxpayer is used. The CVATL would only be greater than the ATL and impact taxes when the property owner is paying less than 50% of the CVA taxes on the property.
- ***CVA Tax Threshold for Protected Properties (Increases)*** – Starting in 2005, the Province also allowed municipalities to set a threshold for increases on protected property class increases of up to $250. This means that, once the other capping adjustments have been applied to the property, if the property is within $250 of CVA taxes, then the property is moved to CVA.
- ***CVA Tax Threshold for Clawed Back Properties (Decreases)*** – As with the threshold for protected properties, municipalities can also set a threshold for decreases on properties subject to the claw back of up to $250. Prior to 2005, municipalities funded the capping through clawing back a percentage of assessment related decreases applied evenly throughout decreasing properties within the class. With the CVA Tax Threshold, municipalities can move any properties within $250 of their CVA taxes to their CVA.
- ***Stay at CVA Tax–*** This tool enables municipalities the option to excludes properties from the capping and claw-back calculation if they were at CVA tax in the prior year.
- ***Cross CVA Tax*** – This tool enables municipalities the option to exclude properties that would move from being capped in the prior year to being clawed back in the current year or from being clawed back in the prior year to being capped in current year.

The decisions Council has made with regards to implementing the capping tools to escalate moving properties to CVA taxation since these were first introduced in 2005 and 2009 has already eliminated the majority of its commercial, industrial and multi-residential properties from the capping process. Since implementation of capping in 1998, all properties are now at CVA. In order to fully eliminate the capping requirement for the City; it must continue to implement these tools annually until all properties are excluded from the cap. While all tools may no longer be required in 2013, it is recommended that the consistent application of these tools will ensure City properties are removed from the cap as quickly as possible.

Sources of Financing
The implementation of these tools will result in no net impact to the City. All three protected classes are in a revenue neutral position as a result of the capping.

Communication Plan / Notice By-law Requirements – Bylaw only