

# Comparative Property Tax and Assessment Analysis

Presentation by Jim Bruzzese, BMA Management Consulting Inc.

# Importance of a Strong Assessment Base

- A strong, stable and well diversified assessment base provides a solid foundation upon which to raise taxes
- Assessment growth provides an indication of how the base upon which taxes are levied is changing over time
  - Is it keeping pace with other municipalities?
- Analysis of the assessment composition provides an understanding of the mix of assessment
  - Is there a good mix of residential and non-residential assessment?
- The levy per \$100,000 of assessment is compared to provide an indication of the cost of services in each municipality as well as the richness of the assessment base
- Tax policies – to what extent are tax burdens being shared across the assessment base



## Assessment Composition Trend

	Residential	Multi-Residential	Commercial	Industrial	Pipeline	Total
2010	76.4%	4.5%	14.4%	4.1%	0.5%	100.0%
2015	77.7%	4.4%	15.0%	2.5%	0.4%	100.0%

- Assessment composition has changed over time as a result of assessment growth and reassessment
  - The proportion of residential assessment has been increasing over time
  - Industrial's proportion of the total assessment base has declined from 4.1% in 2010 to 2.5% in 2015, largely related to large industrial properties

## Assessment Composition – Northern Municipalities Change

2010	Multi-			
	Residential	Residential	Commercial	Industrial
SSM	76.4%	4.5%	14.4%	4.1%
North Bay	75.9%	5.2%	15.5%	1.9%
Thunder Bay	76.4%	3.7%	16.2%	3.3%
Greater Sudbury	79.0%	4.3%	12.7%	3.4%
Timmins	74.5%	2.3%	15.3%	7.1%

2015	Multi-			
	Residential	Residential	Commercial	Industrial
SSM	77.7%	4.4%	15.0%	2.5%
North Bay	78.2%	4.4%	14.3%	1.8%
Thunder Bay	78.1%	3.8%	16.2%	1.5%
Greater Sudbury	79.7%	4.4%	12.4%	3.0%
Timmins	77.4%	2.1%	15.7%	4.1%

Difference	Multi-			
	Residential	Residential	Commercial	Industrial
SSM	1.7%	-3.0%	3.9%	-38.3%
North Bay	3.1%	-15.7%	-7.8%	-5.7%
Thunder Bay	2.2%	3.2%	-0.3%	-55.0%
Greater Sudbury	0.9%	2.2%	-2.2%	-10.8%
Timmins	4.0%	-10.4%	2.5%	-42.2%

- All Northern municipalities experienced significant reductions in their Industrial property's proportion of assessment

## Unweighted Assessment Composition Comparison

Municipality	Multi-						
	Residential	Residential	Commercial	Industrial	Pipelines	Farmlands	Forests
Sarnia	77.4%	4.1%	13.0%	3.1%	0.7%	1.7%	0.0%
Timmins	77.4%	2.1%	15.7%	4.1%	0.5%	0.2%	0.0%
Peterborough	77.9%	6.6%	13.9%	1.4%	0.2%	0.1%	0.0%
Thunder Bay	78.1%	3.8%	16.2%	1.5%	0.4%	0.0%	0.0%
North Bay	78.2%	4.4%	14.3%	1.8%	1.2%	0.0%	0.0%
Greater Sudbury	79.7%	4.4%	12.4%	3.0%	0.3%	0.1%	0.1%
Kenora	80.5%	1.6%	13.5%	2.2%	2.1%	0.1%	0.0%
Newmarket	82.4%	1.6%	13.4%	2.4%	0.1%	0.0%	0.0%
Halton Hills	83.2%	1.1%	9.4%	2.9%	0.1%	3.2%	0.1%
<b>Group Average</b>	<b>79.4%</b>	<b>3.3%</b>	<b>13.5%</b>	<b>2.5%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.0%</b>
Sault Ste. Marie	77.7%	4.4%	15.0%	2.5%	0.4%	0.0%	0.0%

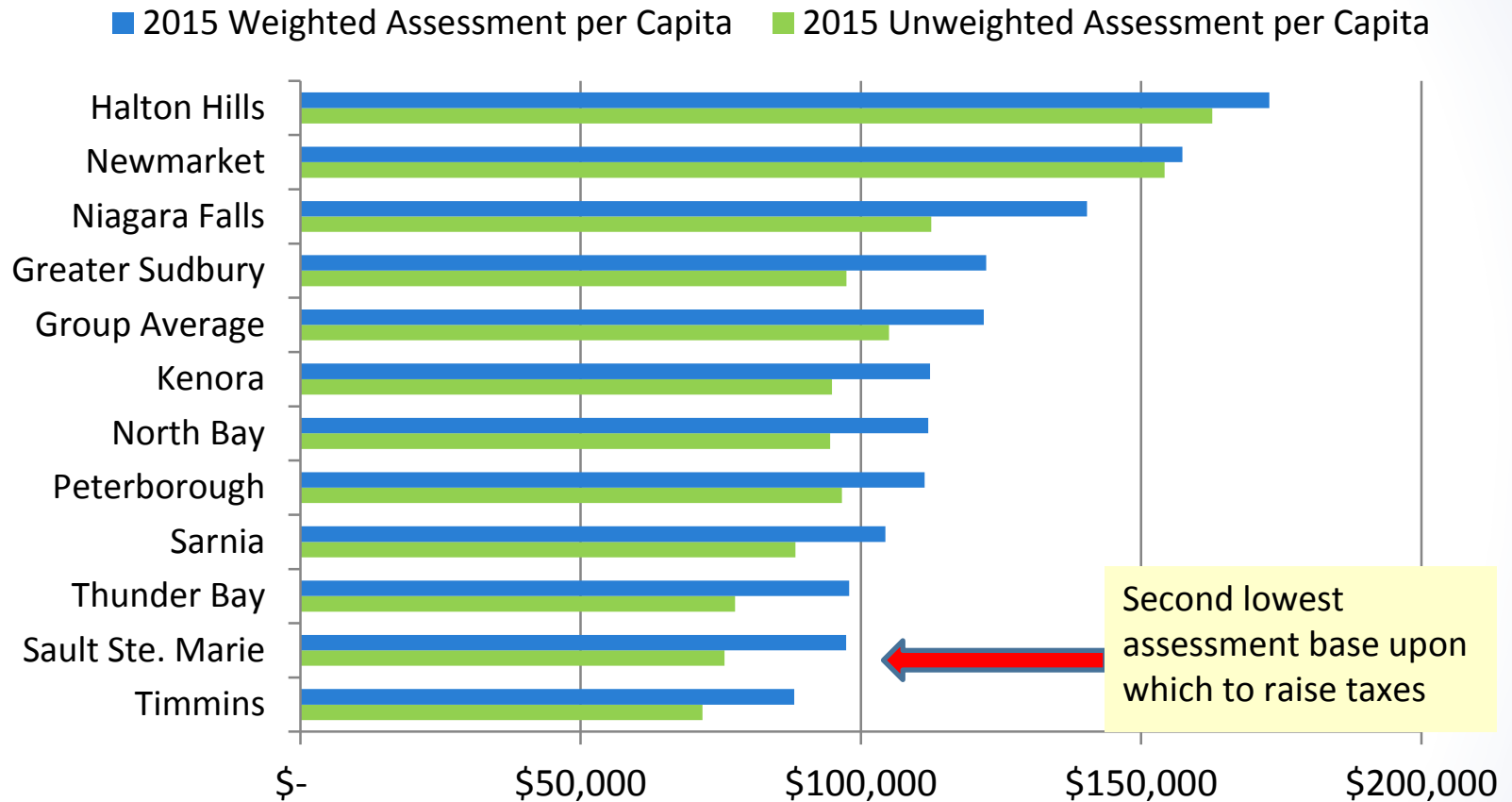
- Higher than average commercial assessment base and average industrial assessment base
- SSM has a good mix of assessment

## Change in Assessment Base

Municipality	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015
North Bay	7.0%	5.5%	6.1%	4.9%
Peterborough	5.6%	3.9%	3.3%	2.9%
Halton Hills	5.4%	5.4%	8.5%	6.2%
Newmarket	5.8%	6.6%	8.0%	6.3%
Sarnia	5.6%	-0.5%	2.1%	2.0%
Greater Sudbury	12.1%	5.9%	8.3%	6.3%
Timmins	3.9%	5.9%	7.1%	6.5%
Kenora	3.3%	6.0%	6.7%	6.5%
Thunder Bay	2.7%	7.2%	7.2%	7.1%
Group Average	5.7%	5.1%	6.4%	5.4%
Sault Ste. Marie	9.9%	5.9%	7.3%	6.3%

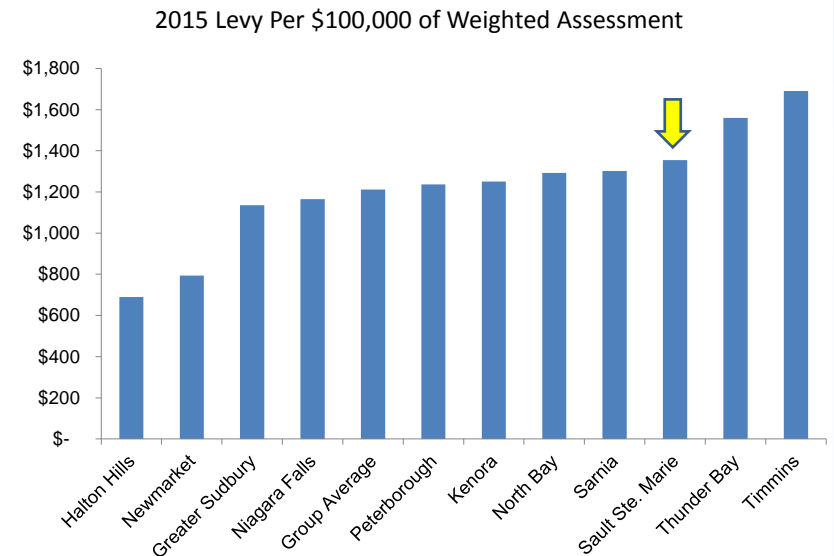
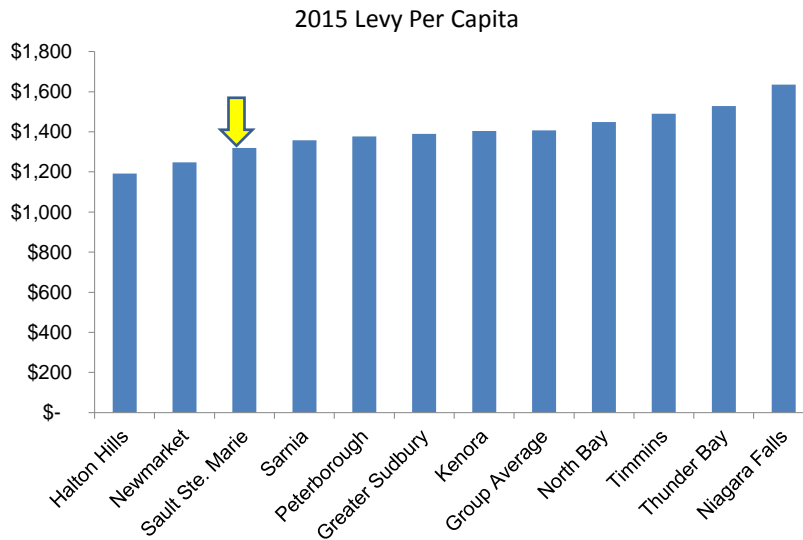
- This includes reassessment as well as growth
- SSM's assessment increases exceeded the survey average in every year, reflecting positive trends, however, as will be shown on the next slide, the richness of the assessment is low

# Weighted and Unweighted Assessment Per Capita



All else being equal, a lower assessment base per capita will result in higher property tax rates  
 SSM's assessment base is second lowest in the survey. Municipalities with stronger assessment bases have more flexibility in setting tax policies

# Municipal Levy Comparison



Relatively low per capita spending in SSM, third lowest in the survey and the lowest in Northern municipalities – from 2011-2016, SSM’s levy increase has been close to inflation

SSM has higher spending per assessment due to a low assessment base upon which to raise taxes

This reflects challenges in terms of the assessment base upon which to raise taxes – this will result in higher property tax rates





# Tax Policies

## SSM - Tax Ratio Trends

	Multi-Res	Commercial	Office	Shopping	Industrial	Large Industrial
2010	1.27	1.81	2.64	1.92	2.30	3.28
2016	1.30	2.20	3.22	2.34	3.10	5.51

- From 2010 to 2016, tax ratios were increased to adhere to the City's policy of revenue neutrality

## Tax Policies – Tax Ratios 2010 and 2015

2010	Multi-Res	Commercial	Office	Shopping	Industrial	Large Industrial
SSM	1.27	1.81	2.64	1.92	2.30	3.28
North Bay	2.21	1.88	1.88	1.88	1.40	1.40
Thunder Bay	2.74	1.95	1.95	1.95	2.43	2.47
Greater Sudbury	2.21	2.03	2.03	2.03	2.86	3.24
Timmins	1.68	1.75	1.75	1.75	2.18	2.71

2015	Multi-Res	Commercial	Office	Shopping	Industrial	Large Industrial
SSM	1.29	2.16	3.16	2.29	2.99	5.31
North Bay	2.21	1.88	1.88	1.88	1.40	1.40
Thunder Bay	2.65	2.05	2.05	2.05	2.50	3.33
Greater Sudbury	2.18	2.14	2.14	2.14	3.10	3.52
Timmins	1.82	1.90	1.90	1.90	2.36	2.93

Difference	Multi-Res	Commercial	Office	Shopping	Industrial	Large Industrial
SSM	2%	19%	19%	19%	30%	62%
North Bay	0%	0%	0%	0%	0%	0%
Thunder Bay	-3%	5%	5%	5%	3%	35%
Greater Sudbury	-1%	6%	6%	6%	9%	9%
Timmins	8%	8%	8%	8%	8%	8%

- All Northern municipalities except for North Bay increased their commercial and industrial tax ratios



# Property Taxes, Relative Burden & Cost of Municipal Services

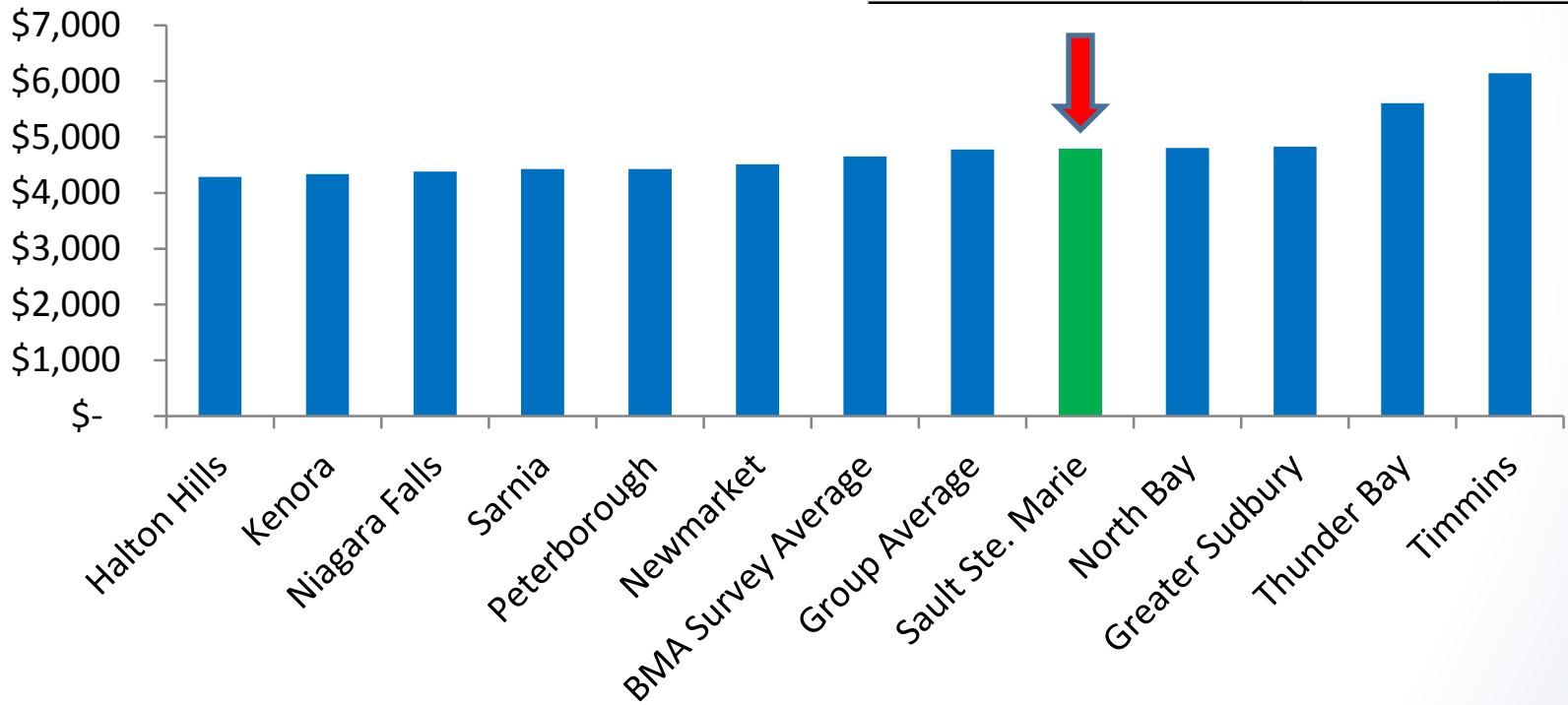
## Calculating Municipal Property Tax Rates

1.  $\text{Unweighted Assessment (MPAC)} \times \text{Tax Ratios (by property class – municipal decision)} = \text{Total Weighted Assessment}$
  2.  $\text{Total Levy (municipal decision)} \div \text{total weighted assessment} = \text{Residential tax rate}$
  3.  $\text{Residential Tax Rate} \times \text{Tax Ratio per class} = \text{Property Class Tax Rate}$
- $\text{Taxes paid by property owner} = \text{CVA (MPAC)} \times \text{Property Tax Rate}$
  - The next illustrations reflect the importance of focusing on the taxes paid for similar properties rather the tax rate itself

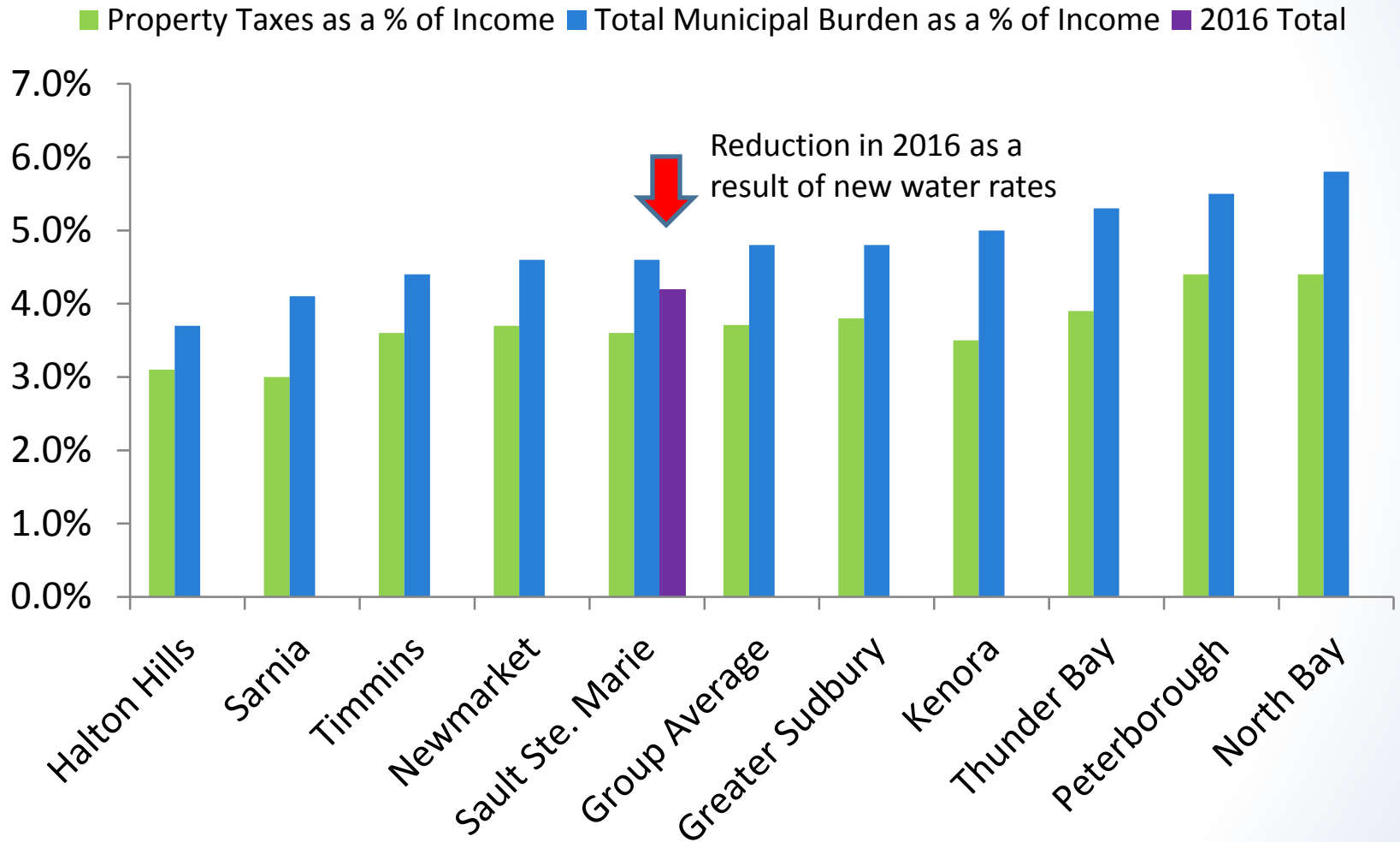
## Residential 2 Storey Home - 2015

While the residential tax rate in SSM is 8.3% higher than North Bay, the CVA on a two storey home is higher in North Bay by 7.7% resulting in similar taxes paid

2 Storey House	Tax Rate	Average CVA	Property Taxes Paid
North Bay	1.4876%	\$ 322,936	\$ 4,804
Sault Ste. Marie	1.6110%	\$ 298,014	\$ 4,801
Difference	8.3%	-7.7%	-0.1%



# Residential Affordability Must Also Be Considered – 2015



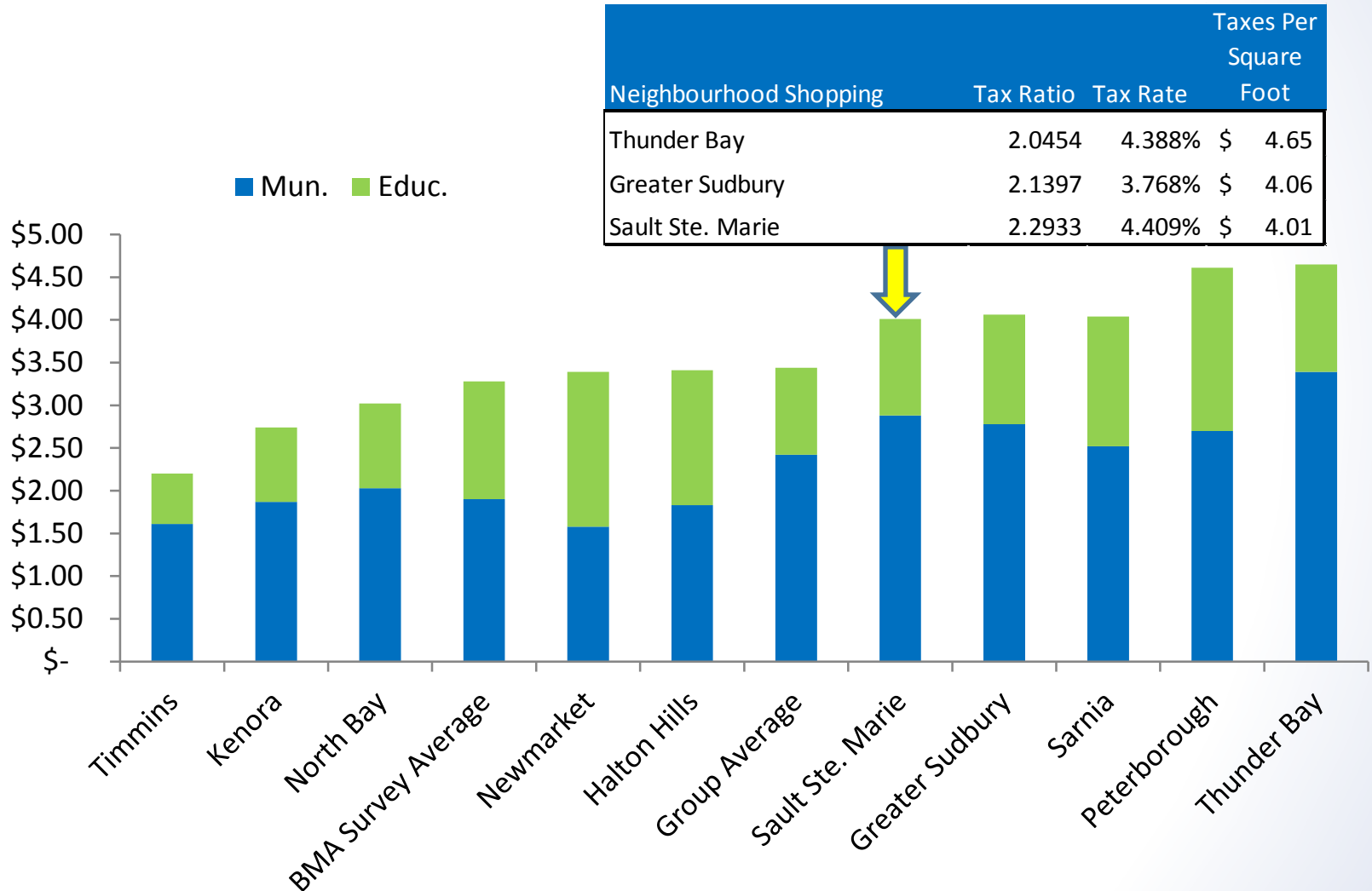
## Non-Residential Property Taxes

- Most studies indicate that the major location factors include:
  - Raw materials
  - Access to markets
  - Availability of water and power
  - Labour supply
  - Transportation
- Taxes are less important to most businesses in making their location decision

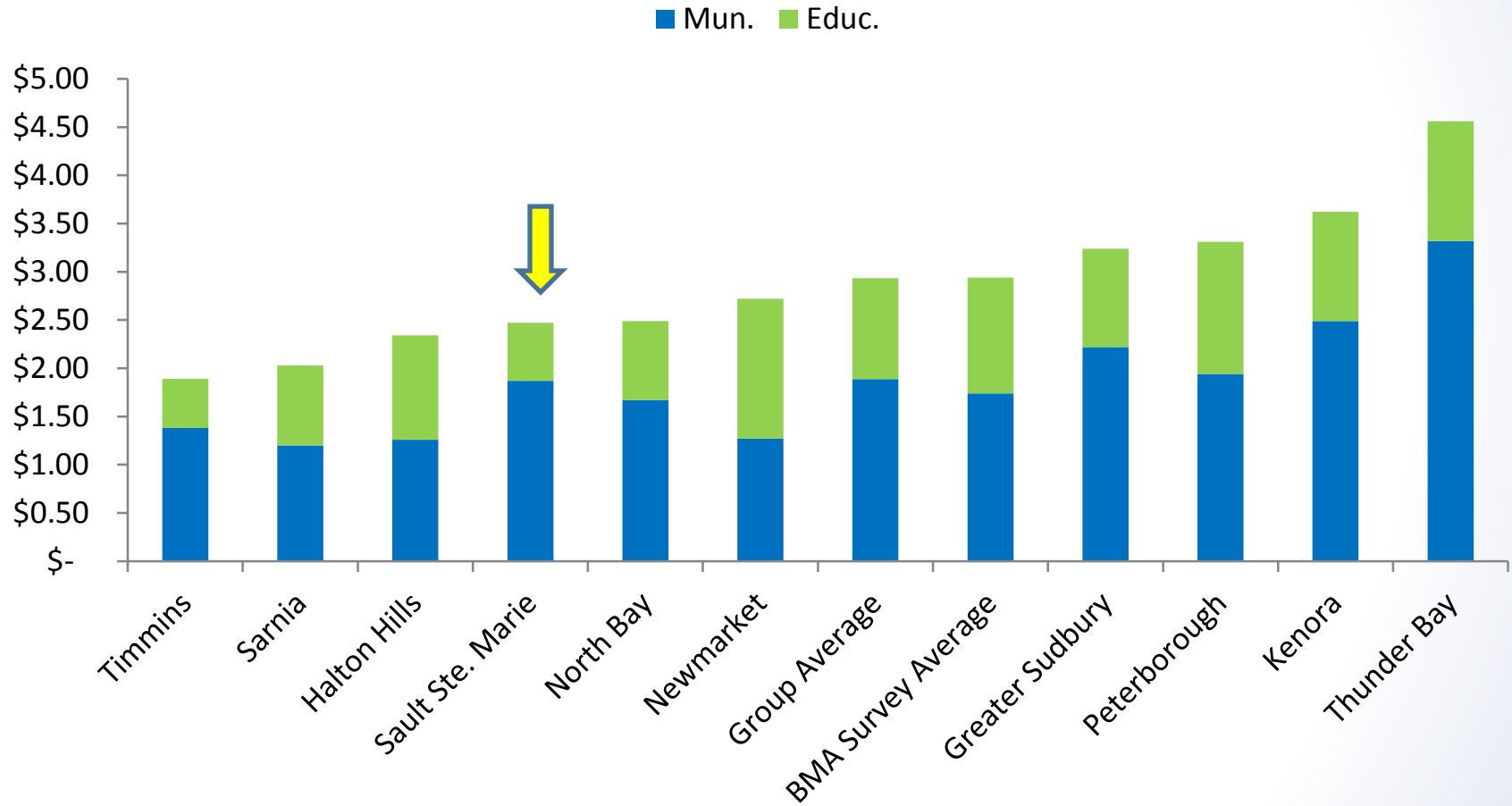




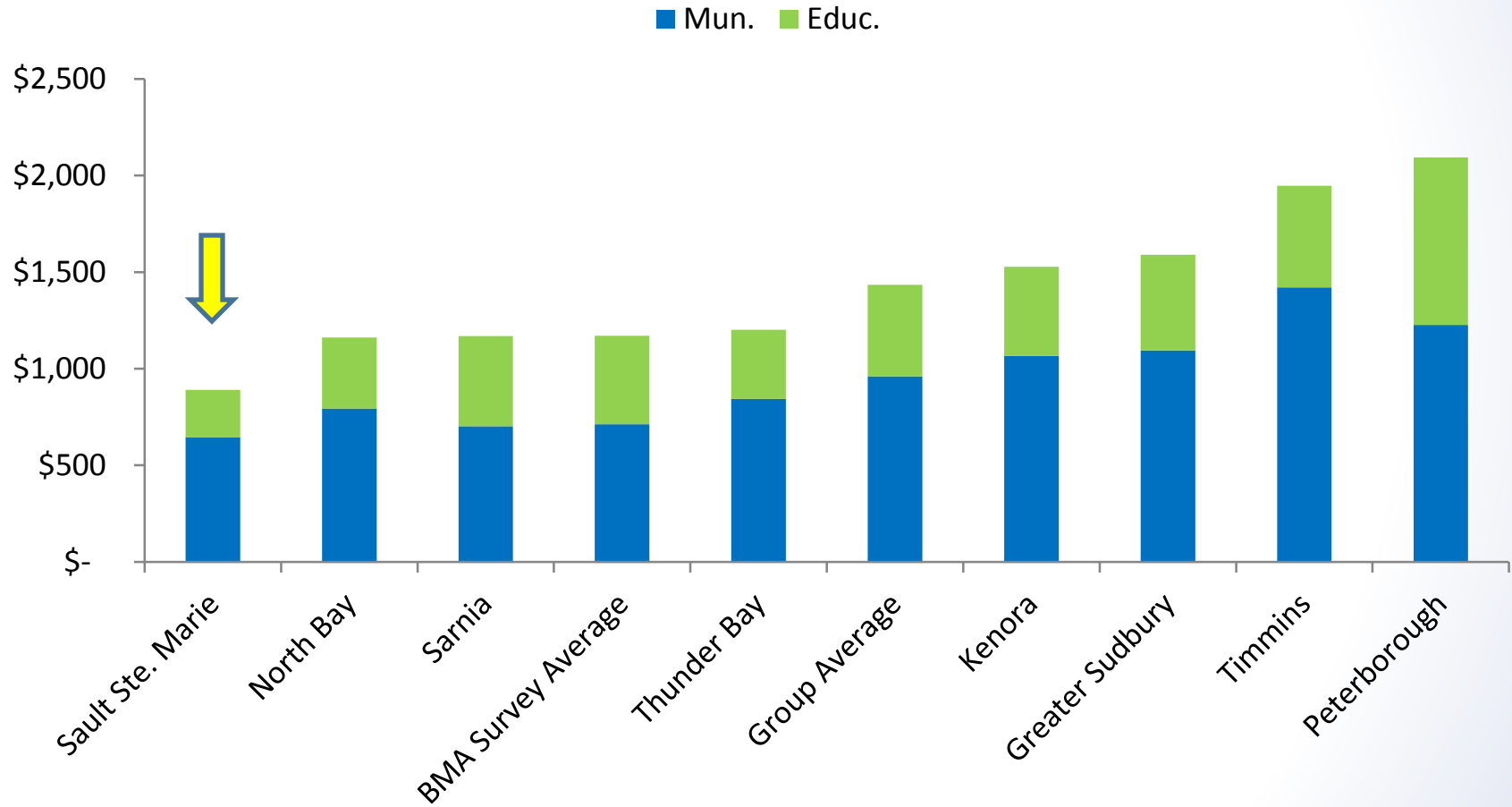
# 2015 Commercial Neighbourhood Shopping Property Taxes Per Square Foot



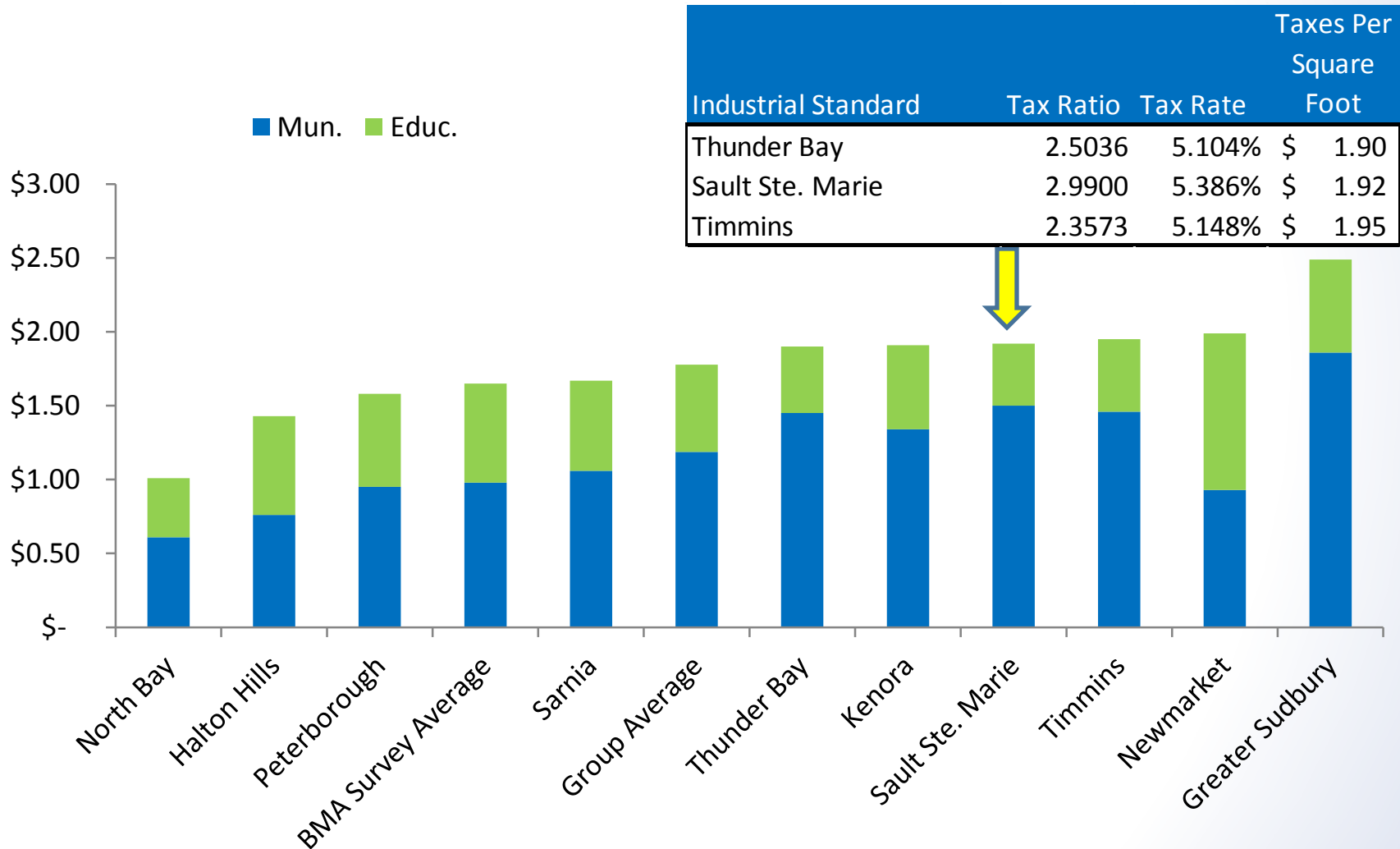
# 2015 Office



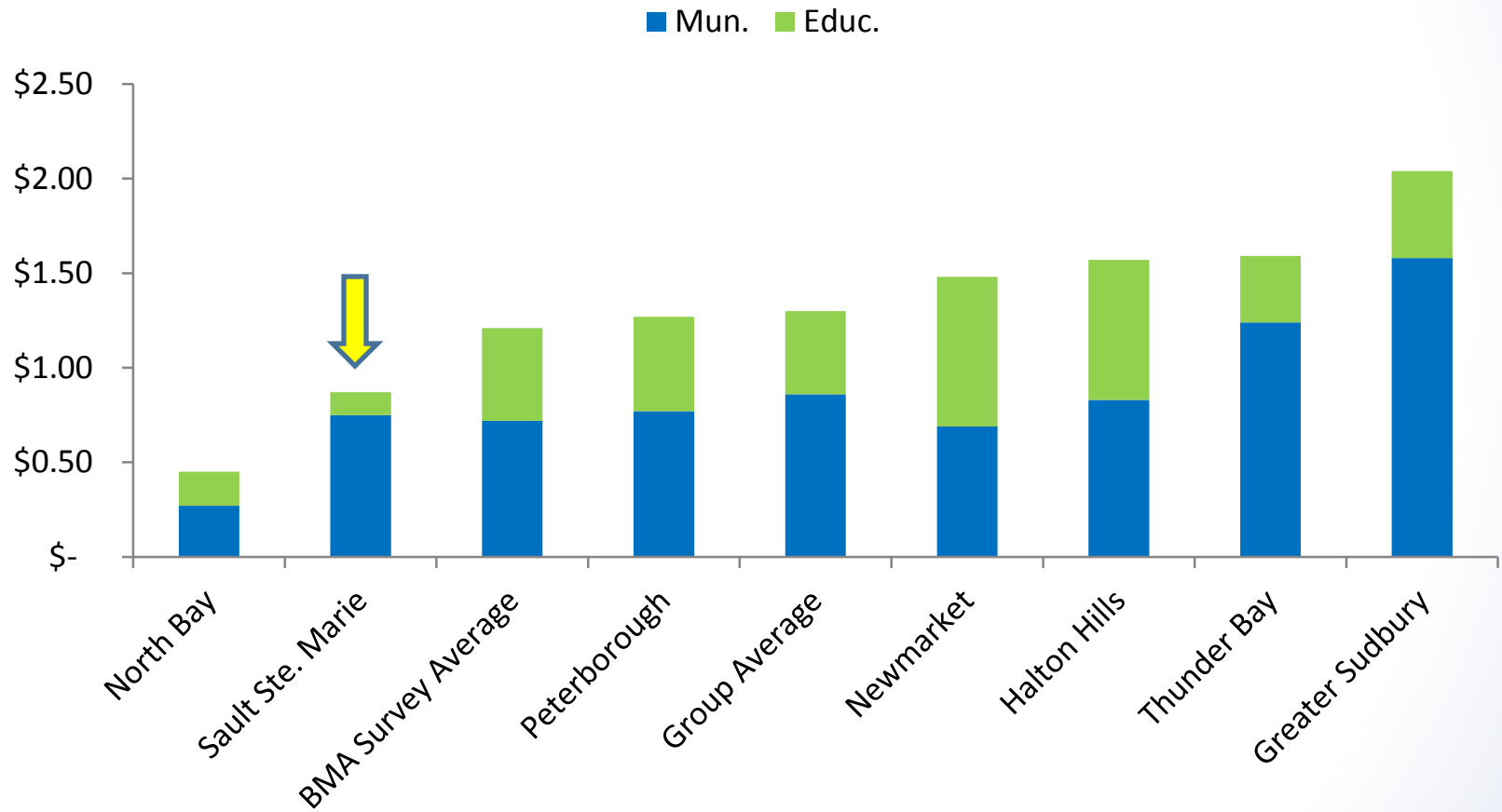
# 2015 Motel Property Taxes Per Unit



# 2015 Standard Industrial Property Taxes Per Sq.ft.



# 2015 Large Industrial Property Taxes Per Square Foot



## Summary

- Assessment base is growing at a rate faster than the peer municipal average
- Assessment composition reflects a good mix of residential and non-residential assessment however, there have been decreases in the large industrial and commercial classes over the past several years
- The City's municipal spending per capita is amongst the lowest in the survey
- The City's assessment base on a per capita basis is very low compared to peer municipalities – this results in higher tax rates, all else being equal
- The City's residential affordability ratio is below group average
- Tax ratios for the Commercial and Industrial Classes have been increasing over time and are high in comparison to the peer group
- The taxes per square foot in the standard industrial class are slightly higher than the peer average, but comparable to Thunder Bay and Timmins
- Commercial taxes per square foot in office are low and in Neighbourhood Shopping is slightly above the average
- Large industrial property taxes per square foot are low and have declined due to reductions in the assessed values