



## Corporate Services

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**Prepared for: Council-in-Budget Committee**

**Report: CBC-05-2024**

**Meeting Date: January 31, 2024**

**File: 230101**

### 1. Title

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Analysis of the 2023 Assessment for the 2024 Taxation

### 2. Recommendations

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**That:** Council receives Report CBC-05-2024 regarding the analysis of the 2023 assessment for the 2024 taxation year for information purposes.

### 3. Relation to Council's Corporate Strategic Plan

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Not applicable.

### 4. List of Stakeholders

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- Mayor & Council
- Staff of the Corporation of the Town of Fort Erie
- Town of Fort Erie Taxpayers here

### 5. Purpose of Report

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The purpose of this report is to analyze the 2023 assessment roll for the Town and the related 2024 property taxation impacts.

### 6. Analysis

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The Municipal Property Assessment Corporation (MPAC) is a not-for-profit corporation funded by all Ontario municipalities. Their job is to classify properties and assess their values. In December of each year, MPAC delivers to every municipality the assessment roll that will be used to calculate the next year's property tax rates and apportion the tax levy to individual property owners. Town staff analyzes the roll for reasonableness, accuracy, assessment related increases and assessment growth increases.

The following analysis has been prepared to distinguish the local impact of changes in:

- Assessment growth and losses which impact municipal revenue.

- Phased-in assessment growth that affects the overall distribution of the tax burden among property types and classes.

## 7. Financial, Staffing and Accessibility (AODA) Implications

### Assessment Growth Analysis During 2023

Assessment growth occurs during the taxation year as a result of construction of new homes and businesses and renovations/improvements to existing properties. These types of increases are a source of additional tax revenue for future years and are offset by assessment reductions that occur as the result of appeals of assessed values by property owners.

Supplementary and omitted tax bills (e.g., new construction, additions, renovations) issued during 2023 generated additional Town revenue. Supplementary tax revenues from new assessment amounted to \$952,489 and omitted tax revenues based on new assessment from 2021 and 2022 amounted to \$339,372 for a total of \$1,291,861. The 2023 budget included \$700,000 for this, resulting in a surplus of \$591,861.

Write-offs through appeals and Request for Reconsiderations offset new Town revenue received from assessment growth. As shown in Table 1, write-offs were budgeted at \$226,000. Actual adjustments processed in 2023 reduced Town revenue by \$106,199 resulting in a surplus of \$119,801. Actual supplementary tax revenues exceeded tax write-offs and adjustments by \$1,185,662 (\$1,291,861 less \$106,199) for 2023.

Table 1

	<b>Budget</b>	<b>Actual</b>	<b>Fav/(Unfav) Variance</b>
Supplementary	(\$700,000)	(\$1,291,861)	\$591,861
Write-offs	\$226,000	\$106,199	\$119,801
<b>Total</b>	<b>(\$474,000)</b>	<b>(\$1,185,662)</b>	<b>\$711,662</b>

Overall 2023 assessment growth is \$157.3 million or 3.77%. Table 2 reports differences in the assessment roll as returned on January 1, 2023 and the final 2023 assessment roll as at December 31, 2023. This reports growth and excludes phase-in increases.

Table 2

<b>Tax Class</b>	<b>Assessed Values for 2023 Tax Levy Jan. 1st 2023</b>	<b>Assessed Values for 2023 Year End Dec. 31st 2023</b>	<b>\$ Assessment Growth</b>	<b>% Assessment Growth</b>
Residential	3,733,901,870	3,870,279,233	136,377,363	3.65%
Multi Residential	42,365,000	43,161,796	796,796	1.88%
Commercial	272,999,752	285,183,393	12,183,641	4.46%
Industrial	50,847,895	55,575,895	4,728,000	9.30%
Farm & Forest	57,216,000	60,149,900	2,933,900	5.13%
Pipeline	17,104,000	17,389,000	285,000	1.67%
<b>Total</b>	<b>4,174,434,517</b>	<b>4,331,739,217</b>	<b>157,304,700</b>	<b>3.77%</b>

Assessment growth in the residential property class was \$136.3 million mainly due to an increase in the number of households of 197 in 2023. This residential growth is net of approximately 80 assessment requests for reconsideration for the 2016 re-assessment that were processed in 2023 and reduced assessment in this class by \$8.9 million. The commercial property class saw an overall assessment increase of \$12.2 million related to the in-year assessment of several Garrison Road properties.

The tax rate and Town's proportionate share for each property class determines the amount of taxation revenue that is generated by the assessment growth. The increase in 2023 tax revenue from assessment growth for all property classes, as reported on the December 31, 2023 roll is \$1,210,583. Table 3 shows the share of assessment growth revenue for the various property classes.

Table 3

<b>Property Class</b>	<b>2023 Town Tax Rate</b>	<b>Assessment Growth</b>	<b>Town Revenue Share of Growth</b>
Residential	0.700915%	136,377,363	\$ 955,889
Multi Residential	1.380803%	796,796	\$ 11,002
Commercial	1.216010%	12,183,641	\$ 146,277
Industrial	1.843406%	4,728,000	\$ 88,873
Farm & Forest	0.175229%	2,933,900	\$ 5,141
Pipeline	1.193027%	285,000	\$ 3,400
<b>Total</b>		<b>157,304,700</b>	<b>\$ 1,210,583</b>
<b>2023 Tax Levy</b>			<b>\$ 31,286,414</b>
<b>Assessment Growth Revenue as</b>			<b>3.87%</b>

### Re-Assessment Analysis

The re-assessment originally scheduled to be implemented for the 2021 tax year using a January 1, 2019 property valuation date was postponed by the provincial government. MPAC advised that the current property valuation date of January 1, 2016 will remain in effect for the 2024 taxation year. Property values for the 2024 tax year continue to be held at the 2020 phased-in values that were phased in over the four-year period 2017 to 2020 for all Ontario properties. These valuations are intended to reflect the real estate market as at that date. There is no increase in phased-in assessment for any property class in 2024. The assessed values as at December 31, 2023 are equal to those as at January 1, 2024. Due to these reassessment changes by the province, the median single family detached house in Fort Erie remains assessed at \$200,300 for 2024.

Re-assessment increases do not result in additional tax revenue but can shift the tax burden amongst property classes. Since there are no changes there are no shifts between property classes.

Staff caution that the revised assessment values for the 2025 budget are expected to have a number of significant impacts on municipal taxes. The period represents a time that has experienced extraordinary changes in values that will shift tax burdens between property classes (e.g., residential, commercial) and within property classes (e.g., subdivisions). It will also

result in shifts between municipalities, which will impact a number of programs that rely on assessed values such as the Ontario Municipal Partnership Fund (OMPF) Assessment Equalization Grant. The Town will work with regional counterparts to review these changes and mitigate impacts through available options such as tax ratios. The Town has also discussed the changes with MPAC and other provincial agencies to warn of the impacts and request additional resources to assist in moderating taxpayer impacts.

## **2023 Tax Adjustment Forecast**

### **Potential Growth**

At the end of 2023 there were 2022 and 2023 building permits not processed by MPAC worth an assessment increase of approximately \$9.4 million in commercial construction for renovations and upgrades to existing properties. Once completed and occupied, these properties could generate an additional estimated \$50,000 of annual tax revenue.

There were also building permits not yet processed for the same period for residential construction worth \$137 million. This new construction could generate assessment growth with estimated annual revenues of \$850,000. Town procedures and monitoring of MPAC data adds new assessment to the roll as quickly as possible. Total estimated revenue potential for all growth could be \$900,000, which would not be expected until the third quarter of 2024. \$900,000 has been included in the proposed 2024 Budget which is a \$200,000 increase over 2023 Budget to reflect actual trends.

### **Tax Adjustments**

The 2024 tax year is now year eight of the 2016 re-assessment. MPAC focused on the residential Requests for Reconsideration (RfRs) and less complex RfRs for commercial and industrial properties during the earlier years.

At the end of 2023 there was one commercial and one industrial outstanding appeal with respect to the 2016 re-assessment for the tax years 2017 to 2023. Both of the appeals date back to 2021 assessments. These remaining appeals are complex and potential losses are difficult to estimate as an appeal can take two years to complete. Settlement of these multi-year appeals will result in one-time in-year adjustment for the appealed years. These adjustments are mitigated by allowances that have been included in prior year's statements. The 2024 tax write-off budget will be \$220,000. Added to this for 2024 is a Tax Increment Based Grant as approved by By-law No. 54-2021 for an estimated \$91,000 based on actual assessment received for 2024. This brings the total tax write-off \$311,000.

2023 actual tax write-offs as a percentage of the General Levy was 0.39% but averages 1.10% over the past ten years. The Region budgets 1.7% of its levy for these purposes.

## **8. Policies Affecting Proposal**

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By-law No. 136-2023 adopted Council's 2023-2026 Corporate Strategic Plan

By-law No. 127-09, as amended, adopted the Budget Policy

## **9. Comments from Departments, Community and Corporate Partners**

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MPAC carries out its activities in accordance with the provisions of *The Assessment Act*, *The Education Act*, and *The Municipal Act*

## **10. Alternatives**

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N/a

## **11. Communicating Results**

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MPAC communicates directly with property owners with annual Property Assessment Notices if valuation changes are made.

## **12. Conclusion**

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Tax rates are established using the assessment roll information as supplied by MPAC for 2024 in December 2023. The related supplementary revenue and write-offs are subject to many variables. Quarterly variance reporting will advise Council of the adequacy of these estimates and any recommendation to use the General Levy Rate Stabilization Reserve to mitigate possible shortfalls.

## **13. Report Approval**

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## **14. Attachments**

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N/A