

To: Mayor Avis & Members of Council
FROM: Laurie Witherspoon, Treasurer
DATE: May 4, 2016
Subject: 2016 Capping Parameters for Capped Properties

BACKGROUND

In accordance with s. 329.1 of the *Municipal Act*, a single tier municipality may pass a by-law to implement one or more of the capping parameters provided for each of the capped property classes (commercial, industrial and multi-residential).

Capping parameters consist of the following:

- Increase 10% of annualized taxes
- Increase 10% CVA tax increase
- Utilize up to \$500 threshold to move to CVA based taxes
- Minimum tax level for new to class construction properties eligible for 6 comparables (1.e. 70% for 2005, 80% for 2006, 90% for 2007 and 100% for 2008 and beyond)

Any of the above referenced capping parameters may be used on their own or in combination with other options and can be applied differently to each capped class. If a by-law is not passed under section 329.1 then only 5% of the previous year's annualized tax limit would be allowed. From 2006 through to 2015 the capping parameters approved were revenue neutral within each property class, 10% increase of annualized tax limit based on previous year's annualized taxes and minimum tax level of 100% for new to class construction properties.

The "Stay at CVA Tax" and "Cross CVA Tax" option gives consideration whether to include or to exclude properties that were at CVA Tax in the previous year, to include or exclude properties that would cross over CVA tax from capped to clawed back or to include or exclude properties that would cross over CVA tax from clawed back to capped for each property class.

OPTA has implemented new Business Property Tax Capping options for 2016. Municipalities can now utilize a CVA tax increase up to 10% (instead of 5%) and utilize \$500 thresholds (instead of \$250) for increasing and/or decreasing properties to CVA tax quicker. Where eligible, a municipality can now exit the capping program immediately (either no properties or no capped properties in the class) or Phase out of the capping program in 4 years if all properties in the class are within 50% of CVA tax.

As indicated in the OPTA 2016 Capping Summary Analysis Reports three (3)) properties subject to capping, 2 properties are protected by the annualized tax limit and 1 property that will be clawed back leaving a Net Impact shortfall of \$1,716. An amount of \$1,800 has been included in the Tax Capping line item in the Administration & Finance 2016 Operating budget.

RECOMMENDATION

Administration recommends approval of the following 2016 capping parameters:

1. That revenue neutral shall be maintained within the Industrial class.
2. That the annual limit on capping for the Industrial class will be a 10 per cent increase of the annualized tax limit based on the previous year's annualized taxes.
3. That the annual limit for the Industrial class will be a 10 per cent increase of the prior year CVA tax limit.
4. That there shall be a minimum tax level of 100% for properties eligible for New Construction or New to Class in 2016.
5. That properties that were at CVA Tax in 2015 or that would cross over CVA Tax in 2016 be excluded from capping.
6. That the Multi-Residential and Commercial classes shall be exited immediately for the Capping Program.
7. Further, that the authorizing capping parameters by-law and the percentage by which tax decreases are limited by-law be prepared.

Council Approval of This Report Will Agree to approve the 2016 capping parameters for revenue neutral within the industrial class, 10% increase of annualized tax limit based on previous year's annualized taxes, 10% increase of the prior year CVA tax limit, that the minimum tax level of 100% for new construction to capped property classes be maintained, properties that were at CVA Tax in 2015 or that would cross over CVA Tax in 2016 be excluded from capping and that the Multi-Residential and Commercial classes exit from the Capping Program. Further that the authorizing by-laws authorizing capping parameters by-law and the percentage by which tax decreases are limited by-law be prepared.

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2016 Capping Summary Analysis Report using Actual Rates

Fort Frances Town, 5912

Capping Report	Frequency Distribution Report	Back to Capping Options		
		Multi-residential	Commercial	Industrial
Capping Parameters				
Annualized Tax Limit				10.00%
Prior Year CVA Tax Limit				10.00%
CVA Tax Threshold - Increases				\$0
CVA Tax Threshold - Decreasers				\$0
Exclude Properties Previously at CVA Tax				Yes
Exclude Properties that Move from Capped to Clawed Back				Yes
Exclude Properties that Move from Clawed Back to Capped				Yes
Exit capping immediately	Yes	Yes	Yes	Not Eligible
Capping phase-out	Not Eligible	Not Eligible	Not Eligible	Not Eligible
Capping Clawback and Retained Percentages				
Clawback Percentage				100.0000%
Retained Percentage				0.0000%
Total				100.0000%
Total Tax Adjustment				
Capped Properties				-\$3,086
Clawback Properties				\$1,360
Net Class Impact/Shortfall				-\$1,726

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Category	Properties	2015 Annualized Taxes	2016 CVA Taxes Without Adjustments	2016 CVA Taxes Before Levy Change	2016 Capping Adjustment	2016 Overall Levy Change Adjustment	Threshold or Phase- Out Adj	Revised 2016 Tax	Tax Adjustment for 2016 \$ Amount	% of CVA Taxes
Multi-residential										
At CVA Tax due to Exclude Options:										
CVA Tax-Class is Excluded from Capping	19	592,955	600,664	592,101	0	0	0	600,664	0	0.00%
Commercial										
At CVA Tax due to Exclude Options:										
CVA Tax-Class is Excluded from Capping	272	3,017,002	3,032,702	2,985,637	0	0	0	3,032,702	0	0.00%
Industrial										
Capped/Protected by CVA Tax Limit	2	1,649	5,203	5,123	435	32	0	2,117	-3,086	-59.31%
Tax Above CVA Tax due to Clawback	2	26,142	25,189	24,803	0	407	0	26,549	1,360	5.40%
Total Subject to Capping	4	27,791	30,392	29,926	435	440	0	28,666	-1,726	-5.68%
	7	0	4,984	4,908	0	0	0	4,984	0	0.00%

<u>New Construction/Class, 100% Min Tax Level</u>										
At CVA Tax due to Exclude Options:										
<u>Excluded, Previously CVA Tax</u>	38	1,201,074	902,754	889,169	0	0	0	902,754	0	0.00%
<u>Total Excluded</u>	38	1,201,074	902,754	889,169	0	0	0	902,754	0	0.00%
<u>Class Total</u>	49	1,228,865	938,131	924,003	435	440	0	936,405	-1,726	-0.18%
Total All Classes										
<u>Capped/Protected by CVA Tax Limit</u>	2	1,649	5,203	5,123	435	32	0	2,117	-3,086	-59.31%
<u>Tax Above CVA Tax due to Clawback</u>	2	26,142	25,189	24,803	0	407	0	26,549	1,360	5.40%
<u>Total Subject to Capping</u>	4	27,791	30,392	29,926	435	440	0	28,666	-1,726	-5.68%
<u>New Construction/Class, 100% Min Tax Level</u>	7	0	4,984	4,908	0	0	0	4,984	0	0.00%
At CVA Tax due to Exclude Options:										
<u>Excluded, Previously CVA Tax</u>	38	1,201,074	902,754	889,169	0	0	0	902,754	0	0.00%
<u>CVA Tax-Class is Excluded from Capping</u>	291	3,609,957	3,633,366	3,577,738	0	0	0	3,633,366	0	0.00%
<u>Total Excluded</u>	329	4,811,031	4,536,120	4,466,907	0	0	0	4,536,120	0	0.00%
<u>Grand Total</u>	340	4,838,823	4,571,496	4,501,741	435	440	0	4,569,770	-1,726	-0.04%

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