

**To:** Mayor Avis & Members of Council

**FROM:** Dawn Galusha, Deputy Treasurer

**DATE:** April 18, 2018

**Subject:** 2018 Capping Parameters for Capped Properties

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## **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
- Properties that were at CVA Tax in 2017 or that would cross over CVA Tax in 2018 can be excluded from capping
- Exclude Reassessment related increases from the capping Calculations (new in 2017)
- Minimum tax level for new to class construction properties eligible for 6 comparables (i.e. 70% for 2005, 80% for 2006, 90% for 2007 and 100% for 2008 and beyond)
- Capping Exit Options – Eligible Phase-out at 1/3, Year 2 of 4 only if vacant land is excluded (new for 2017)

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. In 2017, capping parameters were 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, exclude reassessment related increases from the capping calculation, properties that were at CVA Tax in 2016 or that would cross over CVA Tax in 2017 be excluded from capping, and that the capping phase-out Year 1 (1/4) be included in capping options.

As indicated in the OPTA 2017 Capping Summary Analysis Reports three (3) properties are subject to capping, 1 property is protected by the annualized tax limit and 2 properties that will be clawed back.

Since we chose to enter capping phase-out in 2017, it is best to continue with the same options as last year:

### Capping Options

- Increase 10% of annualized taxes

- Increase 10% CVA tax increase
- Properties that were at CVA Tax in 2017 or that would cross over CVA Tax in 2018 are excluded from capping
- Exclude Reassessment related increases from the capping Calculations
- Capping Exit Options – Eligible Phase-out at 1/3, Year 2 of 4 only if vacant land is excluded

This will ensure the earliest exit of capping as well as ensure that each property is paying as close to CVA tax as possible.

## **RECOMMENDATION**

The Administration & Finance Executive Committee recommends approval of the 2018 capping parameters:

1. That revenue neutral 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 2018.
5. That properties that were at CVA Tax in 2017 or that would cross over CVA Tax in 2018 be excluded from capping.
6. To exclude reassessment related increases from the Capping Calculation.
7. That the Capping Phase-out Year 2 (1/3) be included in capping options.
8. Further that the authorizing capping parameters by-law and the percentage by which tax decreases are limited by-law be prepared and brought forward to the April 23, 2018 Council Meeting.

Council Approval of This Report Will Agree to approve the 2018 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, to exclude properties that were at CVA Tax in 2017 or that would cross over CVA Tax in 2018, to exclude reassessment related increases from the Capping Calculation and that the Capping Phase-out Year 2 (1/3) be included in capping options.

Further that the authorizing capping parameters by-law and the percentage by which tax decreases are limited by-law be prepared and brought forward to the April 23, 2018 Council Meeting.