



**City of Kingston
Report to Council
Report Number 16-155**

To: Mayor and Members of Council
From: Desirée Kennedy, Chief Financial Officer and City Treasurer
Resource Staff: Stephen Dickey, Director of Financial Services
Jeff Walker, Manager, Taxation and Revenue
Date of Meeting: June 21, 2016
Subject: 2016 Final Capping Limits for Commercial, Industrial and Multi-Residential Properties

Executive Summary:

On March 10, 2016 staff presented Report Number AP-16-012 to the Administrative Policies Committee with recommendations for approving the 2016 property tax capping program. Council subsequently approved the related tax capping parameters for commercial, industrial and multi-residential properties as well as direction to fund the capped properties from capping decreases within each respective property tax class. On April 5, 2016 Council passed By-law Number 2016-74, A By-Law to Establish the 2016 Tax Capping Limits.

This report provides information with respect to the final tax capping results. For the 2016 program, sufficient decreases were available in each property class to fund capped taxes resulting in no shortfall for the program.

Recommendation:

THAT a by-law be presented in order to establish the tax decrease limits for the 2016 tax capping program, in accordance with Part IX of the *Municipal Act, 2001, S.O. 2001, c.25*, as amended.

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Authorizing Signatures:

ORIGINAL SIGNED BY CHIEF FINANCIAL OFFICER AND CITY TREASURER

**Desirée Kennedy, Chief Financial Officer and
City Treasurer**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Lanie Hurdle, Community Services	Not required
Denis Leger, Transportation, Facilities & Emergency Services	Not required
Jim Keech, President and CEO, Utilities Kingston	Not required

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Options/Discussion:

The capping program, which is found in Part IX of the *Municipal Act, 2001* (Limitation on Taxes for Certain Property Classes), provides a relief program limiting assessment related tax increases for commercial, industrial and multi-residential properties.

On April 5, 2016, Council approved the 2016 capping program to provide for the exclusion of properties from the capping program when the property reached its uncapped tax during 2015, when the property crossed over from the clawed back category to the capped category or when the property crossed over from the capped category to the clawed back category. The remaining properties continue to be subject to capping.

The costs of the tax capping program can be funded from municipal funds (i.e. general tax levy) or by withholding capping decreases, or a combination thereof. Council’s approved policy requires full funding through the withholding of capping decreases within respective classes. For 2016, there were sufficient decreases available in each class in order to fund the capping program. In accordance with the Municipal Act, a by-law is being presented in order to establish the final tax decrease limits for the 2016 tax capping program.

The amount by which capping decreases are limited is different for each property class as a result of the requirement to fund separately from within each class. The clawback percentages and the remaining decrease that a taxpayer realizes (retains) by property class is as follows:

<u>Property Class</u>	<u>Clawback Percentage</u>	<u>Retained Percentage</u>
Multi-Residential	9.4637	90.5363
Commercial	39.8905	60.1095
Industrial	46.7286	53.2714

The percentages above represent the assessment-related tax decrease retained by the taxpayer in that particular property class. An assessment related tax decrease occurs when the Current Value Assessment (CVA) tax is less than the previous year’s capped tax. The previous year’s capped tax is the starting point for calculating capped property tax levies. For example, a commercial property having an assessment related tax decrease in 2016 of \$1,000 would have a reduction of \$601.10 applied as a capping adjustment to the previous year’s capped tax. The calculation for determining capped property taxes is provided on the City’s [Property Tax](#) webpage under “Related Documents”: 2016 Tax Capping Factors. A summary of this information is attached to this report as Exhibit B. Exhibit C provides 2016 final capping results for each property class.

Existing Policy/By-Law:

Municipal Act, 2001, as amended

City of Kingston By-Law Number 2016-74, A By-Law to Establish the 2016 Tax Capping Limits

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Notice Provisions:

There are no notice requirements under the *Municipal Act, 2001* for this report.

Accessibility Considerations:

The exhibits to this report are available in an alternate format upon request.

Financial Considerations:

There are no financial considerations for this report.

Contacts:

Desirée Kennedy, Chief Financial Officer and City Treasurer, Extension 2220

Stephen Dickey, Director of Financial Services, Extension 2370

Jeffrey Walker, Manager, Taxation and Revenue, Extension 2484

Other City of Kingston Staff Consulted:

No other City of Kingston staff consulted.

Exhibits Attached:

Exhibit A: Draft by-law: "A By-Law to Establish the 2016 Tax Capping Decrease Limits"

Exhibit B: 2016 Tax Capping Information

Exhibit C: 2016 Tax Capping Results

Exhibit A

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By-Law Number 2016-XX

A By-Law to Establish the 2016 Tax Capping Decrease Limits

Passed: Meeting date, 2016

Whereas Council of the Corporation of the City of Kingston has authorized a by-law to establish tax capping options to apply in the calculation of the 2016 final capped taxes for the multi-residential, commercial and industrial property classes; and

Whereas Part IX of the *Municipal Act, 2001, S.O. 2001, c.25*, as amended, governs the limiting of tax increases on property in the commercial property class, the industrial property class and the multi-residential property class; and

Whereas Subsection 329 of the *Municipal Act, 2001, S.O. 2001, c.25*, as amended, provides the determination of taxes for municipal school purposes, in the commercial property class, the industrial property class and the multi-residential property class; and

Whereas Subsection 329 of the *Municipal Act, 2001, S.O. 2001, c.25*, as amended, provides the determination of maximum taxes to be levied on a property in the commercial property class, the industrial property class and the multi-residential property class; and

Whereas Subsection 330 (1) of the *Municipal Act, 2001, S.O. 2001, c.25*, as amended, enables the Council of this municipality to pass a by-law to establish a percentage by which tax decreases are limited for 2016 in respect to property in the commercial property class, the industrial property class and the multi-residential property class in order to recover all or part of the revenues foregone as a result of the application of Subsection 329 of such statute; and

Whereas Subsection 330 (2) of the *Municipal Act, 2001, S.O. 2001, c.25*, as amended, provides that the application of the by-law shall apply to all properties in the property class whose taxes for municipal and school purposes for the previous year, as determined under Subsection 329 of such statute, exceed their taxes for municipal and school purposes for the current year, as determined in the statute; and

Whereas Subsection 330 (3) of the *Municipal Act, 2001, S.O. 2001, c.25*, as amended, provides for the same percentage for all properties in a property class, but different percentages may be established for different property classes;

Therefore be it resolved that the Council of The Corporation of the City of Kingston hereby enacts as follows:

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Exhibit A

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1. **That** the percentages by which tax decreases are limited for the year 2016 shall be:

Multi-Residential Class	90.5363%
Commercial Class	60.1095%
Industrial Class	53.2714%

2. **That** this By-Law shall come into force and take effect on the date of its passing.

Given First and Second Readings: June 21, 2016

Given Third Reading and Passed July 12, 2016

John Bolognone

City Clerk

Bryan Paterson

Mayor



2016 Final Capped Property Taxes

Multi-residential, Commercial, and Industrial Property Classes

Tax Capping Program

This program applies to properties taxed in 2012 and prior that were subject to either a cap or clawback pursuant to the Province of Ontario [legislation](#). These properties will continue to have their tax levies adjusted for the capping calculation as per the capping calculator found overleaf, until the property reaches its uncapped tax levy, which is *assessment x tax rate*, or is removed from the program as described next.

Properties that have been removed from the tax capping are those that have reached their uncapped tax during 2015, or crossed over from the clawed back category to the capped category, or crossed over from the capped category to the clawed back category. These properties will remain at uncapped taxes and be excluded from any further and future capping adjustments.

Mandatory assessment phase-in program

The Municipal Property Assessment Corporation (MPAC) has assessed all properties in Ontario using a base year of Jan. 1, 2012. Provincial legislation requires assessment increases to be phased-in equally over four years from 2013-16, while decreases will not be phased in and the lower assessment will be the assessed value for the four years. Taxes are still subject to capping.

Tax rebate program for vacant units in commercial & industrial buildings

Owners of eligible property must submit an application in order to receive a rebate. The deadline to submit applications for a tax year is February 28 of the following year. Eligibility criteria and applications are available on our website www.cityofkingston.ca/taxrebates or by contacting our Taxation Services representatives at 613-546-4291, extension 2015.

Tax rebate program for eligible charities

Eligible charities must submit an application in order to receive a rebate. Landlords are required to complete a declaration in the application, and must provide a copy of the tax bill and a statement of calculations for tax amounts billed to the charity. Eligibility criteria and applications are available on our website www.cityofkingston.ca/taxrebates or by contacting our Taxation Services representatives at 613-546-4291, extension 2015.

Mixed use properties

If your property is assessed in both capped and uncapped* property classes, you will receive two (2) tax bills. To determine your property's total taxes, add together the 2016 final taxes from the tax bill summary sections. If you receive two final tax bills, please be aware that any arrears or credits will show on uncapped tax bills ONLY. Payments will be applied according to payment application information, which is noted on the back of the tax bill. (***uncapped properties** include property assessed in the residential, farm, new multi-residential, managed forests and pipeline property classes)

Payment application and late payment charges

Payments must be received on or before the due date to avoid late payment charges. ***Please note that changes to Canada Post mail pick-up and sorting may require you to mail your tax bill well in advance of the due date.*** Postdating your cheque for the due date and mailing as soon as possible is recommended. If paying online, please be aware of your bank's processing times. Payments will be recorded as of the date of the teller stamp or bank confirmation page (include processing time) confirming payment.

2016 Fees

New Owner / New Roll Fee: If you have recently purchased or transferred title, or if your property is new to the tax roll in 2016, you will incur a fee of \$29.80 to cover the costs associated with setting up your tax roll.

Payment Re-Distribution Fee: You will incur a fee of \$29.80 for any request to re-distribute payment when an electronic payment has been made to an incorrect account.

E-City Property assessment and Tax Levy Lookup Tool

Find out the amount of property taxes and the assessment used calculating them. Go to www.cityofkingston.ca/assessment

2016 Tax Capping

The following table describes the steps used to calculate your 2016 tax levy.

2016 Capping Calculator		
	Description	Formula
1	Properties removed from capping calculations below	i) previous year's capped tax = uncapped tax; ii) property crossed over from the clawed back to the capped category iii) property crossed over from the capped category to the clawed back category
A.	Previous Year's Annualized Taxes	Previous year's capped tax (including Supp/Omit)
B.	Previous Year's CVA tax	Previous year's uncapped tax (including Supp/Omit)
C.	Current Year's CVA Taxes before capping	CVA x Tax Rate(s)
D.	Overall Levy Change	OLC % (see table – 2016 Capping Factors, line i)
E.	Current Year's CVA Taxes before levy change	$C / (1 + OLC)$
G.	Tax Change Subject to Capping	$E - A$
H.	Annualized Tax Limit based on 2015 annualized Taxes	A x Annualized Tax Limit (see table – 2016 Capping Options, line 1)
I.	CVA Tax Limit based on 2015 uncapped tax	B x CVA Tax Limit (see table below – 2016 Capping Options, line 2)
J.	2016 Capping Adjustment	If $G \geq 0$ then $\text{Min}(G, \text{Max}(H, I))$ If $G < 0$ then $G * \text{Decrease \% Retained Limit}$ (see table - 2016 Capping Factors, line ii)
K.	Overall Levy Change Adjustment	$(A + J) \times D$
L.	2016 Adjusted Taxes (pre-threshold)	$A + J + K$
M.	CVA Tax Threshold Adjustment	If $C - L =$ within threshold limit, then $C - L$, else 0 (see table - 2016 Capping Options, lines 3a,b)
N.	2016 Adjusted Taxes	$L + M$

The 2016 capping options adopted by Council to set the 2016 limits, as well as the capping factors used in calculating 2016 capped taxes, are listed in the table below.

		2016 Capping Options/Factors		
Capping Options		Multi-residential	Commercial	Industrial
1	Annualized Tax Limit	10%	10%	10%
2	CVA Tax Limit	5%	5%	5%
3 a	CVA Tax Threshold – Increases	\$250	\$250	\$250
3 b	CVA Tax Threshold – Decreases	\$250	\$250	\$250
4	New To Class Limit	100%	100%	100%
Capping Factors		Multi-residential	Commercial	Industrial
i	Overall Levy Change (OLC)*	2.3229%	0.8479%	1.5640%
ii	Decrease % Retained Limit	90.5363%	60.1095%	53.2714%
iii	Decrease % Clawback Limit	9.4637%	39.8905%	46.7286%

*The overall levy change is a provincial calculation used specifically for capping purposes.

Questions or Concerns

If you require additional information, please contact our Taxation Services representatives at 613-546-4291, extension 2015. Our office hours are 8:30 a.m. to 4:30 p.m., Monday to Friday; or contact us by email at tax@cityofkingston.ca. Please visit our web site at www.cityofkingston.ca/tax.

2016 Tax Capping Results

Capping and Threshold Parameters Used	Multi-residential	Commercial	Industrial
Annualized Tax Limit	10.00%	10.00%	10.00%
Prior Year CVA Tax Limit	5.00%	5.00%	5.00%
CVA Tax Threshold - Increases	\$ 250	\$ 250	\$ 250
CVA Tax Threshold - Decreasers	\$ 250	\$ 250	\$ 250
Exclude Properties Previously at CVA Tax	Yes	Yes	Yes
Exclude Properties that Move from Capped to Clawed Back	Yes	Yes	Yes
Exclude Properties that Move from Clawed Back to Capped	Yes	Yes	Yes
Clawback Percentage	9.4637%	39.8905%	46.7286%
Retained Percentage	90.5363%	60.1095%	53.2714%
Total	100.0000%	100.0000%	100.0000%
Capped Properties Adjustment	\$ (36,087)	\$ (163,331)	\$ (27,809)
Clawback Properties Adjustment	\$ 36,087	\$ 163,331	\$ 27,809
Net Class Impact/Shortfall	\$ 0	\$ 0	\$ 0

2016 Multi-Residential Property Class - Capped Taxes Results

Capped Taxes	Number of Properties	2015 Capped Taxes \$	2016 CVA Taxes \$	2016 Capped Taxes \$	Cap Adjustment \$
Increase	4	23,002	63,307	27,220	(36,087)
Decrease	48	7,356,302	7,145,872	7,181,959	36,087
Total subject to capping	52	7,379,304	7,209,179	7,209,179	0
New to Class	6	0	142,221	142,221	0
Excluded	273	12,755,648	12,944,738	12,944,738	0
Class Total	331	20,134,952	20,296,138	20,296,138	0

2016 Commercial Property Class - Capped Taxes Results

Capped Taxes	Number of Properties	2015 Capped Taxes \$	2016 CVA Taxes \$	2016 Capped Taxes \$	Cap Adjustment \$
Increase	17	451,067	663,903	500,572	(163,331)
Decrease	75	9,515,318	9,186,550	9,349,881	163,331
Total subject to capping	92	9,966,385	9,850,453	9,850,453	0
New to Class	14	0	59,095	59,095	0
Excluded	1,731	65,003,479	67,260,280	67,260,280	0
Class Total	1,837	74,969,864	77,169,828	77,169,828	0

2016 Industrial Property Class - Capped Taxes Results

Capped Taxes	Number of Properties	2015 Capped Taxes \$	2016 CVA Taxes \$	2016 Capped Taxes \$	Cap Adjustment \$
Increase	4	74,953	111,547	83,738	(27,809)
Decrease	19	1,379,480	1,341,543	1,369,352	27,809
Total subject to capping	23	1,454,433	1,453,090	1,453,090	0
New to Class	0	0	0	0	0
Excluded	161	5,414,943	5,550,937	5,550,937	0
Class Total	184	6,869,376	7,004,027	7,004,027	0