

AUMA's Submission on Assessment Sub-classes

AUMA used the working group discussions to develop a response in the form of questions and answers to specific issues that will need to be addressed in the assessment sub-classing regulation.

1. Do you support the splitting of property assessment into subclasses, even though it may mean more administrative burden?

- Yes – as subclasses allow municipalities to more effectively recoup costs from certain land uses and incentivize specific types of development.
- Subclasses should be specified as optional (i.e. municipalities do not need to create a subclass if they are not going to use it).

2. What classes should be included in the regulation as potential subclasses?

- The regulation should allow for subclasses such as:
 - o Light industrial;
 - o Heavy industrial including designated industrial properties;
 - o Commercial;
 - o Vacant/ Properties without a permanent building on it;
 - o Brownfields - above the 5:1 link; and
 - o Marijuana grow operations (remove from the definition of farm so that it can be assessed and taxed)
- Regional approaches should be enabled to allow for collaborative approaches between municipalities.

3. Should municipalities that exceed the 5:1 tax rate linkage be allowed to create subclasses, or is it reasonable to prohibit sub-classes if a municipality exceeds the 5:1 linkage?

- Prohibit sub-classes if a municipality is above the 5:1 cap unless there are other extenuating circumstances such as a resort community, or a very low residential and non-residential rate.

4. Should the province put in further controls to ensure that municipalities do not target industrial properties at a 5:1 level?

- No further controls should be contemplated.
- This is supported by the Municipal Affairs draft Principles Paper entitled “Principles of a Sound Property Assessment and Taxation System” that states that “Tax rules should not be arbitrary” and “The system should be flexible and dynamic to ensure a match with technological and commercial developments” and “Tax incidence in property tax system should be based on ability to pay and not benefits received. Ability to pay uses the value of real estate as a proxy for wealth.
- Creating a new link (e.g. 1.33 to 1) is arbitrary in its very nature and reduces flexibility and ability to use the system effectively in the future.

- 5. Should the sub-classing regulation create further links between non-residential and residential sub-classes?**
- No, there should not be a linkage between the lowest and highest residential tax rates, the lowest and highest non-residential tax rates, or between any of the non-residential tax rates.
 - The additional links would needlessly reduce municipal autonomy and reduce the ability of municipalities to generate revenue. If municipalities have reduced revenue capacity, this could have indirect implications for Intermunicipal Collaboration Frameworks and related cost-sharing agreements.
- 6. If there is a decision to require a link between non-residential sub-classes, which option would you prefer?**
- If there must be a link between non-residential sub-classes, then AUMA would choose the option that establishes a link between designated industrial properties and the normalized tax (i.e. weighted average) rate of the remainder of non-residential properties.
 - Compared to the option that establishes a link between the highest and lowest non-residential rate, the option above offers more flexibility for municipalities and is not as constraining as limiting the upper and lower rates for the sub-classes.
- 7. What should the link be set at?**
- The ministry's suggestion of a link at 1.10:1 or 1.33:1 is far too low and nullifies the intent of the sub-classing policy. The link within non-residential sub-classes should be a minimum of 3:1 (i.e. designated industrial property would be no more than 300 per cent of the normalized non-residential tax rate).
 - A 3:1 linkage within a 5:1 ratio could mean the following:

Residential Tax Rate:	2.00
Designated Industrial Property Rate:	10.00
Normalized non-residential rates:	3.33
- 8. Is there anything else you want to add?**
- AUMA further recommends that the determination of taxation for sub classes needs to be determined at the council level and municipalities should have flexibility to determine their own sub-classes based on local needs. Further, municipalities should have the ability to create sub-classes based on geography.
 - Several sub-classes should be allowed to be excluded from the 5:1 linkage (e.g. brownfields, affordable housing and vacant non-residential property).
 - A municipality should only be required to code non-residential properties as a sub-class if they intend to implement the sub-class.