

City of Belleville

Report No: MTF-2024-01

Meeting Date: February 27, 2024



To: Mayor and Members of Council
Department: Finance
Staff Contact: Andrea Steenburgh, Manager of Taxation

Subject: 2024 Property Assessment Analysis

Recommendation:

“THAT Report No. MTF-2024-01 regarding 2024 Property Assessment Analysis, be received.”

Strategic Plan Alignment:

The City of Belleville’s Strategic Plan identifies nine strategic themes. This report aligns with each of the City’s nine strategic themes and the City’s mission statement by providing innovative and efficient services in support of our community’s vision.

Background:

The 2020 assessment roll represented the final year of the province-wide assessment update based on the January 1, 2016, valuation date. Eligible assessment increases were phased-in over the 4-year period 2017-2020. Any decreases in assessment at the January 1, 2016, valuation date were recognized in their entirety in 2017.

Pursuant to regulation, 2021 was planned to be the first year of the next assessment cycle with properties to be based on January 1, 2019, values. To mitigate the effects of the COVID-19 pandemic, the Province elected to defer the re-assessment and the municipality is still awaiting confirmation on when the next assessment cycle will be.

Assessed values continue to be based on a January 1, 2016 valuation date, with changes in assessment representing new or supplementary assessments added and tax adjustments through appeals, classification adjustments, etc.

Financial/Analysis:

2024 Returned Assessment

Based on the 2024 returned assessment, the City of Belleville has 21,329 taxable properties with a total value for property taxation purposes of \$6.7 billion. Included in this total is \$446.4 million in “exempt” assessment which represents 6.64% of total assessment for the City. Examples of some of the significant exempt properties include but are not limited to Municipal property, Schools, Hospitals, and Churches.

The City’s assessment base is comprised of various property classes as shown in the following table comparative to 2023:

City of Belleville Assessment								
	Total 2023 Assessment	2023 to 2024			Total 2024 Assessment	2023 to 2024		
		Growth	Phase In (Equity)	Total		Growth	Phase In (Equity)	Total
Residential	4,421,957,350	52,888,700	-	52,888,700	4,474,846,050	1.20%	0.00%	1.20%
Multi-Residential	289,021,800	10,278,800	-	10,278,800	299,300,600	3.56%	0.00%	3.56%
Commercial	1,179,661,995	7,769,900	-	7,769,900	1,187,431,895	0.66%	0.00%	0.66%
Industrial	181,799,500	2,286,300	-	2,286,300	184,085,800	1.26%	0.00%	1.26%
Farmland	101,807,500	3,520,200	-	3,520,200	105,327,700	3.46%	0.00%	3.46%
Other	25,667,000	402,000	-	402,000	26,069,000	1.57%	0.00%	1.57%
Total Taxable	6,199,915,145	77,145,900	-	77,145,900	6,277,061,045	1.24%	0.00%	1.24%
Exempt	445,261,300	1,160,900	-	1,160,900	446,422,200	0.26%	0.00%	0.26%
Total Assessment	6,645,176,445	78,306,800	-	78,306,800	6,723,483,245	1.18%	0.00%	1.18%

As there is no phase-in for 2024, the change in assessment is solely attributable to new assessment (growth) net of any reductions in assessment. Assessment growth reflects construction, additions, improvements, and changes in property use. Reductions in assessment can occur due to the settlement of requests for reconsideration, appeals, demolition and change in property use.

Residential Assessment

In 2023, residential assessment increased by 1.20% or \$52.9M. Assessment in this area has slowed from the prior year, however the Cannifton Rural area continues to see stable residential assessment growth.

Multi-Residential Assessment

In 2023, the finalization and occupancy of Multi-Residential properties provided a positive increase to this assessment base. Several new properties have been identified and assessment added. Growth in this area is also positive and in line with strategic housing priorities of delivering more housing units with in the community.

Commercial Assessment

Many assessment appeals launched with the Assessment Review Board (ARB) in prior years had a backlog due to COVID-19, with a number of these appeals being related to retail, hospitality and office buildings. That backlog continued to be cleared in 2023. This has resulted in some reductions to assessment, reducing the overall growth in the assessment classification to 0.66%.

Farmland Assessment

Assessment has increased due to significant approvals for conversion of Residential and Commercial properties to Farmland classification. Farm assessments in 2024 are now similar to the overall assessed values seen in 2020 and 2021.

Tax Rate Billing Tables

The following table outlines the relative shift in assessment by billing table from 2023 to 2024 as well as their proportionate share of total assessment:

Property Area	Total 2023 Assessment (\$)	Total 2024 Assessment (\$)	Change in Assessment (\$)	% Change in Assessment (%)	Share of Total Assessment (%)
Belleville Urban	4,958,004,036	4,983,344,736	25,340,700	0.51%	74.12%
Cannifton Urban	75,981,400	77,425,600	1,444,200	1.90%	1.15%
Cannifton Rural	654,641,809	697,198,109	42,556,300	6.50%	10.37%
Rural	956,549,200	965,514,800	8,965,600	0.94%	14.36%
Total Assessment	6,645,176,445	6,723,483,245	78,306,800	1.18%	100.00%

Within the City's four billing tables, Cannifton Rural continues to experience the highest percent change in assessment at 6.50% (2023 - 7.67%). This increase continues to be spurred by residential property growth in this area. The Belleville Urban area continues to have the largest proportion of property assessment at 74%. Growth in this area was fairly evenly split across residential, multi-residential and commercial property types.

Based on 2023 City Tax Rates, the incremental (growth) assessment of \$78.3 million would generate approximately \$1.23 million in municipal property taxation.

Assessment at Risk

Assessment at Risk results from appeals launched by taxpayers. Taxpayers in all classes, who disagree with MPAC's assessment of their property value or classification, can submit a Request for Reconsideration (RFR) to MPAC. The deadline for submitting a RFR is provided on each Property Assessment Notice. As all municipalities issue tax bills based on returned assessment, any subsequent appeal constitutes a potential liability for the City. In recent years, we have witnessed many Commercial appeals which have resulted in significant reductions in assessment.

Since 2016, there have been 1,280 properties with Assessment Appeals of which 2 properties for multiple years remain open and unresolved. While the number of unresolved appeals is small, the overall value being appealed is quite significant and would have a large financial impact if successful.

The municipal law as it relates to property taxation continues to be subject to challenge. In reaction to the effects of the COVID-19 pandemic, some large commercial property owners, ineligible for government relief programs, filed claims for Section 357 tax relief due to the emergent issues created by the pandemic. While these claims were denied by the Assessment Review Board (ARB), the ruling has been challenged in court. Municipalities across Ontario and the ARB are awaiting decision. The remaining assessment at risk is approximately \$793 million.

City of Belleville Reconsiderations & Appeals								
Effective Tax Year	Property Count		Total City CVA Assessment	Original		Current Outstanding		
	Total Per	Properties		CVA	Appealed	Appeal	CVA	Municipal Taxes
2016	18,903	185	5,571,198,452	574,440,068	10.31%	0	0	0
2017	19,252	459	5,759,634,625	850,366,083	14.76%	0	0	0
2018	19,487	153	6,015,628,625	739,143,119	12.29%	0	0	0
2019	20,200	148	6,268,028,738	769,931,909	12.28%	0	0	0
2020	20,428	151	6,463,913,042	646,922,100	10.01%	0	0	0
2021	20,645	107	6,591,691,139	663,207,239	10.06%	2	266,711,559	8,058,570
2022	20,777	49	6,656,376,533	563,976,791	8.47%	2	264,155,000	8,136,949
2023	21,098	28	6,721,930,615	352,812,000	5.25%	2	263,061,000	8,391,048
2024	21,329	0	6,723,483,245	0	0.00%	0	0	N/A
Total		1,280	56,771,885,014	5,160,799,309		6	793,927,559	24,586,568

As a rough estimate, using the Commercial tax rates for the years in question, an appeal decision rendering an average 25% reduction in the remaining assessment at risk would produce a liability for the City of approximately \$6.15 million. As tax appeals commonly take several years to be resolved, the eventual expenditures resulting from current outstanding claims would be determined over years to come. It should be noted that this calculation does not include any potential assessment appeal in 2024 for these properties.

Since 2017, the City has paid out approximately \$12.3 million in tax adjustments from Assessment Review Board and Request for Reconsideration Appeals, Post Roll Amendments, Amended Notice Adjustments, and Classification changes:

Year	Tax Adjustments Processed	Budget
2017	3,521,674	3,500,000
2018	1,385,892	3,500,000
2019	409,594	3,500,000
2020	2,458,910	3,500,000
2021	166,362	3,500,000
2022	3,766,955	3,575,000
2023	553,712	3,242,000
	12,263,099	24,317,000

The City has budgeted aggressively for appeals and tax adjustments since 2017, with residual funds being allocated to the Tax Rate Stabilization reserve fund to provide funding availability for assessment at risk. Below is the projected transfer to the Tax Rate Stabilization Reserve fund based on the preliminary 2023 tax adjustments and supplemental taxes:

2023 Preliminary Results	Budget	Actual	Variance
A. Tax Adjustments - Municipal Only			
Charity Rebates	115,200	108,164	7,036
Seniors & Disabled Rebates	306,000	316,703	(10,703)
Taxes Written off City Properties	-	6,258	(6,258)
	421,200	431,125	(9,925)
B. Tax Adjustments - Assessment change			
Tax Adjustments - Core and Other	3,175,000	464,932	2,710,068
Tax Adjustments - PILS	67,000	81,645	(14,645)
	3,663,200	977,702	2,685,498
C. Supplementary Taxes	(1,900,000)	(1,162,184)	(737,816)
Projected Transfer at Year End			1,937,757

As the timing of an appeal decision is generally unknown and the magnitude of successful appeals can be significant, it is critical that funding is maintained in the Tax Rate Stabilization Reserve Fund to adequately accommodate against these potential financial risks. For 2023, approximately \$2M is projected to be transferred to this reserve fund.

For 2024, a budget of \$3.1 million is proposed. This funding combined with the reserve fund balance are important to allow the City to fund outstanding and potential appeal settlements in 2024 and beyond.

Supplementary and Omitted Assessments

Assessment increases that occur after the annual assessment roll has been returned are liable for property taxation. These assessment increases can be supplementary - arising from changes to property values (triggered by building construction), classification, or tax-exempt status - or omissions from the roll when it was returned. Omitted assessments can only be issued for the two preceding tax years.

MPAC is responsible for notifying property owners of any change in property value resulting from a supplementary or omitted assessment. The City issues supplementary/omitted tax bills upon notification by MPAC. A summary of annual supplementary and omitted tax bills is outlined below:

Year	Supplementary Tax Bills	Budget
2017	3,041,656	1,000,000
2018	1,988,612	1,000,000
2019	1,882,636	1,500,000
2020	1,963,228	1,600,000
2021	1,911,123	1,800,000
2022	1,061,130	1,900,000
2023	1,162,184	1,900,000
	13,010,569	

For 2024, staff are proposing a budget for supplementary and omitted taxes of \$4.4 million. Over the course of 2022 and 2023 there were significant increases in Building Permit valuations for new construction. At the end of 2023 certain identifiable occupancy permits have been issued supporting significant increases in assessment that has occurred, and should be added to the assessment base in 2024.

Conclusion:

The City has benefited from considerable residential growth in recent years. However, continuing commercial tax appeals have and continue to pose a significant cost and financial risk to the City. Staff continues to monitor these issues and has developed Operating Budget provisions to ensure any future liabilities are addressed.

Respectfully submitted,

Andrea Steenburgh,
Manager of Taxation

Approved by:

Brandon Ferguson, Director of Finance, Treasurer
Matt MacDonald, Director Corporate Services

Status:

Approved - 31 Jan 2024
Approved - 31 Jan 2024