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DATE: April 28, 2011

REPORT TITLE: **FUNDING OF CAPPED TAX INCREASES - 2011**

FROM: Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

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## RECOMMENDATION

That a by-law be presented for enactment to establish a percentage by which tax decreases respecting the commercial, industrial and multi-residential property classes are limited for the 2011 taxation year as required to fund the capped tax increases of properties in those property classes for that year.

## REPORT HIGHLIGHTS

- The 2011 reduction of tax decreases ("clawback factors") required to fund the cap on tax increases in the capped property classes are: 45.69817% for commercial, 56.04536% for industrial and 7.54069% for the multi-residential class.
- The Joint Regional and Area Municipal Tax Policy Team has reviewed and confirmed the calculations to determine the clawback factors.
- Regional Council needs to enact a by-law establishing the clawback factors.

## DISCUSSION

### 1. Background

#### Funding of Capped Tax Increases

Regional Council at its meeting on April 14, 2011 approved By-law 50-2011 which adopts all the optional tools of subsection 329.1(1) of the *Municipal Act*, 2001 (the "Act") as well as Ontario Regulation 73/03 as amended for calculating the amount of taxes for municipal and school purposes payable in respect of property in the commercial, industrial and multi-residential (capped) property classes for 2011. Section 330 of the Act allows municipalities to fund the cap for 2011 by limiting tax decreases through clawback factors within each of the capped classes. The optional tools adopted by Council are as follows:

1. The annual cap is set at 10 per cent of the prior year's annualized capped taxes; and/or
2. The upper-limit on the annual tax increase is the greater of the amount calculated under number 1 above or 5 per cent of the property's previous year's annualized Current Value Assessment (CVA) based tax; and/or
3. A \$250 threshold is applied to both increasing (capped) properties and decreasing (clawback) properties after application of either number 1 and number 2 options in

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order to move all those properties that are within the \$250 threshold to their full CVA based taxes.

4. Properties that reached CVA level taxes in 2010 are eligible to be removed from the capping program for the 2011 taxation year.
5. Properties that cross over from being capped properties in 2010 to clawback properties in 2011 are eligible to be removed from the capping program for the 2011 taxation year.
6. Properties that cross over from being clawback properties in 2010 to capped properties in 2011 are eligible to be removed from the capping program for the 2011 taxation year.

**2. Findings**

**a) 2011 Clawback of Tax Decreases**

The Joint Regional and Area Municipal Tax Policy Team agreed to continue to use the Online Property Tax Analysis (OPTA) system for the 2011 capping calculation. The Tax Policy Team worked with OPTA and Ministry of Municipal Affairs and Housing staff to prepare the assessment data as well as the parameters that were used to calculate the 2011 clawback of tax decreases and confirms the 2011 clawback factors as follows:

**Final 2011 Clawback Factors (\$000's)**

	<u>Commercial Class</u>	<u>Industrial Class</u>	<u>Multi-residential Class</u>
Capped Taxes \$	\$(1,811)	\$(1,041)	\$(38)
Clawback Taxes \$	\$1,811	\$1,041	\$38
Surplus/(Shortfall) \$	\$0	\$0	\$0
Properties Capped	182	73	7
Properties Clawed back	636	259	48
Decrease % Allowed	54.30183%	43.95464%	92.45931%
<b>Clawback %</b>	<b>45.69817%</b>	<b>56.04536%</b>	<b>7.54069%</b>

**b) Capping/Clawback Summary**

It should be noted that for 2011, 1.7 per cent of the properties in the commercial, industrial and multi-residential classes are capped, while 6.1 per cent of the properties in these classes will have their tax decreases reduced. This means that 92.2 per cent of the properties in the capped classes will pay tax at their full CVA level. The number of properties at full CVA taxation has increased from the 90.4 per cent of properties in 2010. Appendix I provides details of the 2011 capping calculation by lower-tier municipality.

**c) Regional Tax Capping By-law Required**

Regional Council is required to pass a by-law to limit the tax decreases on properties in the commercial, industrial and multi-residential classes in order to fund the 2011 capping requirements.

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**CONCLUSION**

The Joint Regional and Area Municipal Tax Policy Team has reviewed the capping calculation and confirms that the 2011 clawback factors required to fund the 2011 capped increases in the capped property classes are 45.69817 per cent for commercial, 56.04536 per cent for industrial and 7.54069 per cent for multi-residential. Council's enactment of a by-law will permit the lower-tier municipalities to apply these clawback factors to their final tax bills for the capped property classes.



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**Approved for Submission:**



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c. Legislative Services

**Region of Peel**  
**2011 Capping/Clawback Summary**

	<u>Commercial</u>		<u>Industrial</u>		<u>Multi-residential</u>		<u>Total</u>	
	<u># of Properties</u>	<u>\$</u>	<u># of Properties</u>	<u>\$</u>	<u># of Properties</u>	<u>\$</u>	<u># of Properties</u>	<u>\$</u>
<b><u>Capped Tax Increases</u></b>								
Mississauga	85	1,195,262	26	339,397	7	38,166	118	1,572,825
Brampton	42	301,938	11	265,171	-	-	53	567,109
Caledon	55	314,020	36	436,599	-	-	91	750,619
Total Region	182	1,811,220	73	1,041,167	7	38,166	262	2,890,553
<b><u>Clawback of Tax Decreases</u></b>								
Mississauga	496	1,429,595	187	512,550	31	21,579	714	1,963,724
Brampton	115	342,146	55	460,719	17	16,587	187	819,452
Caledon	25	39,479	17	67,898	-	-	42	107,377
Total Region	636	1,811,220	259	1,041,167	48	38,166	943	2,890,553
<b><u>Net Balance</u></b>								
Mississauga		234,333		173,153		(16,587)		390,899
Brampton		40,208		195,548		16,587		252,343
Caledon		(274,541)		(368,701)		-		(643,242)
Total Region		-		-		-		-

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