



City of  
**Peterborough**

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**To:** Members of the Committee of the Whole

**From:** Sandra Clancy, Director of Corporate Services

**Meeting Date:** May 30, 2016

**Subject:** Report CPFS16-013  
New Business Property Tax Capping Options

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## **Purpose**

A report to recommend that the new Business Property Tax Capping options, as part of the capping exit strategy provided by the Province in the 2015 Fall Economic Statement, be adopted beginning in the 2016 taxation year.

## **Recommendations**

That Council approve the recommendations outlined in report CPFS16-013 dated May 30, 2016 of the Director of Corporate Services as follows:

- a) That capping be based on a maximum increase of 10% of the previous year's CVA (Current Value Assessment) tax for the eligible property.
- b) That no capping credit be applied for properties where the required billing adjustment is within \$500 of the properties' CVA tax; affected properties would be billed at their full CVA tax level.
- c) That properties within the Industrial tax class will no longer be eligible for the capping program.
- d) That properties within the Commercial and Multi-Residential tax classes move towards CVA Tax over a four year phase-out period.

## Budget and Financial Implications

There are no budget and financial implications to the City as the capping options are revenue neutral.

## Background

### Council Direction

As part of the annual Budget process, Council approves a series of recommendations for the capping program for that budget year. The Capping program was introduced in 1998 as a temporary measure to mitigate tax changes in Industrial, Commercial and Multi-Residential properties resulting from the implementation of Current Value Assessment (CVA). Potential tax increases based on CVA are “capped” and the difference is funded by other properties in the same class that continue to pay more than they otherwise would based on their CVA.

The 2016 series of recommendations were approved as part of Report CPFS15-050 – 2016 Draft Budget recommendations ii) which read as follows:

- ii) That the capping policy for 2016 for the Multi-residential, Commercial and Industrial classes be as follows:
  - i. Capping be based on a maximum increase threshold at the greater of 10% of the previous year’s annualized capped taxes and 5% of the previous year’s annualized CVA tax for the eligible property. (Page 194)
  - ii. No capping credit be applied for properties where the required billing adjustment is within a \$250 credit of the properties’ CVA tax; affected properties would be billed at their full CVA tax level. (Page 194)
  - iii. That properties that achieved CVA tax in 2015 remain at CVA tax from 2016 forward regardless of how reassessment affects the property. (Page 194)
  - iv. That properties that cross over from the clawback to the capping category or vice versa from 2015 to 2016 be taxed at CVA tax. (Page 194)

### New Legislation Announced in the 2016 Ontario Budget

The Province recently initiated a review of the capping program in response to requests from municipalities and business stakeholders and, in April 2016, announced it was providing municipalities with additional flexibility to adjust their capping parameters to increase progress toward CVA level taxes.

There are four changes being recommended for the City of Peterborough as to when a property is taxed based on their full CVA or by what amount the taxes are capped.

### Capping Parameter Changes

1. Previously, municipalities could increase the annual cap by 5% of the previous year's CVA taxes. With the new legislation, the percentage is increased to 10% of the previous year's CVA taxes.
2. Previously, the threshold to bring a property to CVA tax was that if the required adjustment was within \$250. With the new legislation, the threshold has been increased to \$500.

Based on this, recommendations i. and ii. that were approved in Report CPFS15-050 would change as follows:

- i. Capping be based on a maximum increase threshold at the greater of ~~10% of the previous year's annualized capped taxes and 5~~ of 10% of the previous year's annualized CVA tax for the eligible property.
- ii. No capping credit be applied for properties where the required billing adjustment is within a ~~\$250~~ \$500 credit of the properties' CVA tax; affected properties would be billed at their full CVA tax level.

### 2016 Capping Program Exit or Phase-Out

3. An entire class of properties is eligible to exit the capping program immediately if every property has reached CVA Tax. In the City of Peterborough, the Industrial Tax Class is eligible for this exit option.
4. If a class of properties is not eligible to exit capping immediately, they may still be eligible to exit through a four year phase-out program if all protected properties in a class have reached at least 50% of their CVA tax.

Each year a portion of the capping protection will be removed to increase the taxes toward full CVA Tax. After the annualized taxes are calculated, the difference between CVA taxes and annualized taxes will be reduced based on the following schedule:

- For year 1, the phase out will be 1/4
- For year 2, the phase out will be 1/3
- For year 3, the phase out will be 1/2
- For year 4, all properties in the tax class will be at full CVA tax.

In the City of Peterborough, both the Commercial and Multi-Residential property classes meet this eligibility requirement. There are currently three properties in the multi-residential tax class receiving capping protection in the amount of \$9,963. To finance this protection, 19 properties are being taxed above CVA tax. In the commercial tax class, 268 are being taxed above CVA tax to fund capping protection for six properties in the amount of \$26,016.

By adopting the four year phase out, all properties in the City will be at CVA tax by the year 2019.

There are no changes being proposed to recommendations iii. and iv. from Report CPFS15-050.

## Summary

The Province has recognized that the capping program has created inequities among properties in the protected tax classes and has also acknowledged that these measures, which were originally enacted to mitigate tax changes in the commercial, multi-residential and industrial classes, are made redundant by the four-year assessment phase in. By adopting the new capping parameters along with the four year phase out option, the City of Peterborough will move all properties in the City of Peterborough to CVA tax level by the 2019 taxation year.

Submitted by,

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