

Report from Financial Management Services, Billing

Date of Report: June 3, 2019

Date of Meeting: June 17, 2019

Report Number: FMS-B018-2019

File: 10.57.99

Subject: Increased revenue from new businesses in downtown

Recommendation

That Report FMS-B018-2019 be received for information.

Background

At the Budget Standing Committee (BSC) meeting of January 7, 2019, Councillor Phillips requested information about the amount of increased revenues from the new businesses in the downtown and how these new establishments have lessened the tax burden on residents. This report provides information to address that request.

Report

Each year, municipalities determine how much they need to raise from property taxes to pay for services and establish the tax rate based on that amount. The City establishes a tax rate that will meet the funding requirements identified in the budget approved by Council.

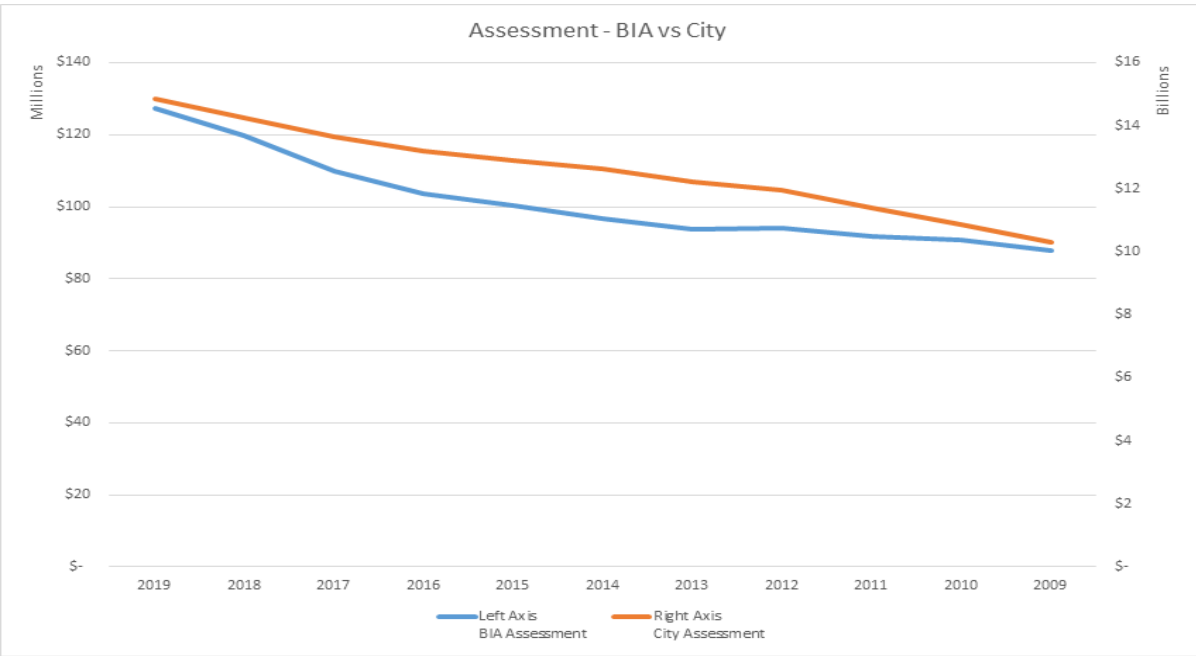
Property assessment values are determined by the Municipal Property Assessment Corporation (MPAC) based on the current market value assessment. The Current Value Assessment date is January 1, 2016, the previous date was January 1, 2012, with the next reassessment date being January 1, 2019 for taxation years beginning 2021. The most recent reassessment cycle saw an increase in assessed values across the Region, including the City of St. Catharines.

Tax rates are established for each class of property by dividing the tax levy requirement by the weighted assessment. The amount to be raised from taxation is distributed to all the properties within the municipalities based on the property's assessment value. However, changes in the market value of assessment does not necessarily generate additional revenue. The tax rate is often reduced to compensate for changes in assessment values. The only way that additional revenue is guaranteed to be received by the municipality is with an increase in the amount of taxes levied.

The amount of property taxes paid are determined by multiplying the property's assessment value by the tax rate. Therefore, when reviewing property tax amounts it is important to consider both of these factors and the role they have in the amount of taxes paid.

Chart 1 below shows how the St. Catharines Downtown BIA assessment has changed compared to the rest of the city for the past 10 years.

Chart 1



As seen in Chart 1, the assessment values of the BIA area have increased at a percentage very similar to the total assessment across the City - 4% and 4.11% per year respectively over this time period.

The second factor that impacts the amount of taxes is the tax rate. The determination of the tax rate occurs once the annual operating budget has been approved by Council. Once expenses are established (also known as budget requirements) the non-tax revenues are deducted (subsidies, grants and miscellaneous revenues) to arrive at the amount to be raised from property taxes that are needed to balance the budget (see Chart 2).

Chart 2

Property Taxes

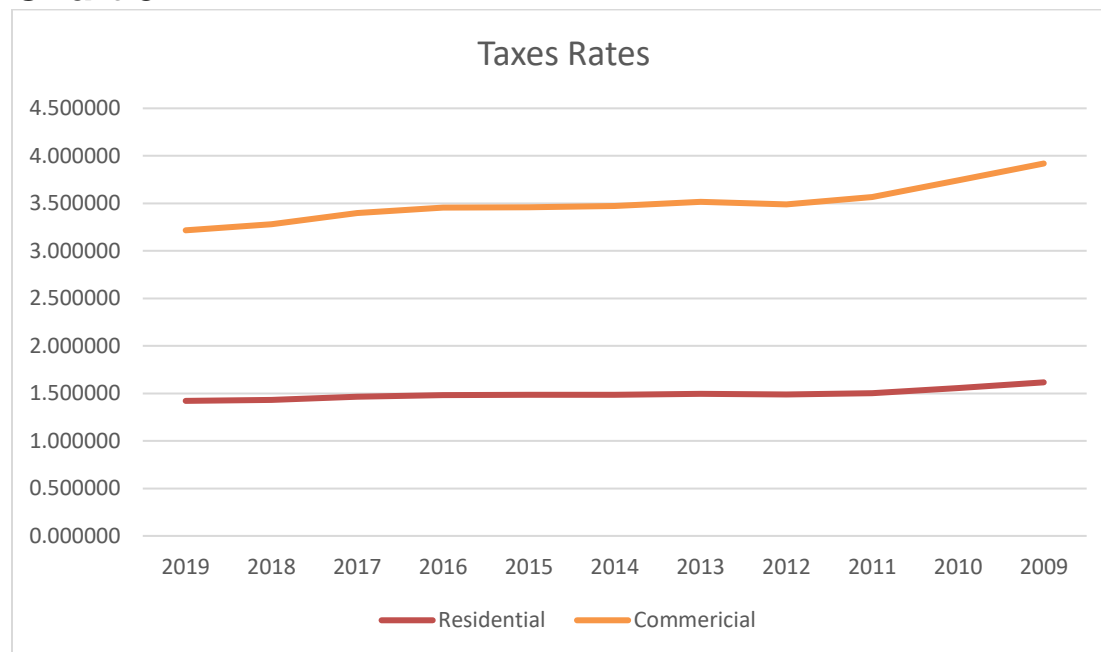
City budget requirements

Less: non-tax revenues (e.g. license fees, etc.)
= **Amount to be raised from taxation**
(property taxes)



The total tax rates for 2009 to 2019 for commercial and residential properties are shown here in Chart 3.

Chart 3



As shown in Chart 3, commercial and residential total tax rates have declined over the past 11 years, with the commercial declining at a slightly faster pace. The residential tax rate declined by 12% over the past 11 years, or 1.10% on an annual basis. The commercial tax rate declined by 17.94 % over the past 11 years, or 1.63% on an annual basis.

The Downtown BIA assessment increased by \$39,685,440 or 45.19% over an 11-year period, with the tax levy increasing by \$659,171 or 19.17% over the same 11-year period. The total city-wide tax levy increase was 23.73% in the same time period. The City has made some significant capital investments in its downtown with the Carlisle Street Parking Garage, Meridian Centre and FirstOntario Performing Arts Centre being built in recent years.

The revitalization of the downtown is a partial contributor to the increase seen in the assessed values of the downtown properties. The increase in the tax levy can be attributed to three main factors: the correction of property valuation, which is phased in over a four-year period; budgetary requirements increasing; and business growth, including existing and new.

Overall, the downtown commercial property assessment values represent only a small portion of the City's total assessment. In 2019, it represented 0.86% of the City's total assessment, which has a minimal impact on the total tax revenue generated by the City.

Downtown BIA Levy

The St. Catharines Downtown Association at its general membership meeting approved its 2019 Budget in the amount of \$384,431. This budget has remained consistent since 2009. The tax rate was set at 0.306975 to fund this amount in 2009 and in 2019 the tax rate has decreased to 0.211281 as there was an increase of assessment of \$39,685,440 between 2009 to 2019.

Financial Implications

There are no direct financial implications with this report.

Relationship to Strategic Plan

Economic Sustainability Pillar

GOALS:

1. Attract public and private investment, support local businesses and provide excellent customer service to demonstrate we are open for business.
2. Be an affordable city for all.
Develop partnerships to enhance the economic vitality of the community.

Conclusion

The downtown commercial assessment has increased by 45.19% over the past 11-year period with the tax levy increasing by \$659,171 or 19.17% over the same 11-year period. The City's total assessment increased 44% during the same 11-year period and its tax levy increasing 23.73%. While there has been a resurgence of new businesses within the downtown, the associated impact has only a nominal impact on reduction of the overall tax burden on residents, as the downtown commercial assessment represents a small portion of the City's total assessment. In 2019, the downtown assessment was 0.86% of the total City's assessment; therefore, the changes, either increases or decreases, have only a minor impact on the City's tax revenue generated.

Prepared and Submitted by:

Lisa Read
Manager of Revenue

Approved by:

Kristine Douglas
Director, Financial Management Services / City Treasurer