

Report To: **CITY COUNCIL**

Report Date: **August 10, 2001**

Meeting Date: **August 14, 2001**

**Subject: Property Taxation Changes for Properties in Former Unorganized Areas**

**Department Review:**



D. Wuksinic  
General Manager of Corporate Services

**Recommended for Agenda:**



J.L. (Jim) Rule  
Chief Administrative Officer

**Report Authored by:** Sandra Jonasson, Director of Finance/City Treasurer

**REPORT FOR INFORMATION**

## **Executive Summary:**

At the last Council meeting, further information was requested on property taxation changes in the former unorganized or annexed areas. This report addresses the following issues:

- a review of the decisions already made by Council with respect to 2001 tax policy and rates
- additional information provided by Hemson on taxation changes from 2000 to 2001 in the annexed areas
- a request for a provincially funded phase-in of property tax increases in the annexed areas
- the response from the province with respect to a provincially funded phase-in
- a review of the mitigation measures proposed, and
- a copy of the tax insert to residential homeowners in the annexed areas that will explain the changes affecting their taxes in 2001

## **Background:**

### ***Tax Policy and Tax Rate Decisions***

On June 28, 2001, the 2001 Current Budget process was completed. At this meeting, John Hughes from Hemson Consulting made his final presentation on tax policy issues, outlining the various tax impacts, tax capping impacts and tax relief alternatives. City Council set the municipal tax rates for 2001. At this time, Council also determined that a residential property tax phase-in was not in the best interests of the residents of the City of Greater Sudbury. Based on the decisions of Council at this meeting, the final tax due dates were established to be September 11 and October 11, 2001. All of the relevant tax by-laws were passed by Council on July 10, 2001.

Based on the due dates established, the tax bills must be in the mail by August 20, 2001 in order to comply with legislative requirements. All of the residential property tax bills have been run (with the exception of the annexed areas) and are ready for mailing. The balance of the bills (primarily the capped classes) will be printed the week of August 13, 2001. We are on target to meet the mailing date of August 20, 2001.

***Report from Hemson Consulting Ltd.***

At the last Council meeting, Council requested further information on the property tax impacts in the annexed areas. Hemson Consulting was requested to prepare a report on this issue and a copy of their report is attached.

The Hemson report outlines the changes in property taxes from 2000 to 2001 in the annexed areas. The report covers the following issues:

- the types of property service related taxes that residents paid in 2000 such as provincial land taxes and local roads boards payments
- how education taxes were assessed on properties in the annexed areas
- the impacts of reassessment
- the overall tax impacts
- potential tax impact mitigation measures such as grants and phase-ins
- arguments against proceeding with any tax impact mitigation measures

The report provides an excellent overview and a relatively easy read of the complex tax issues that affect the annexed areas. John Hughes has explained the reasons for the large property tax increases and the magnitude of these increases. He has outlined the mitigation options available to Council such as grants and phase ins, however he has also re-emphasized why mitigation measures would not be appropriate.

Properties in the annexed areas are able to access municipal services that they could not access before. They are now paying for services at levels consistent with other taxpayers whereas previously their tax amounts were reduced because of provincial subsidies. It would not be fair to expect the remaining residents of the City to pay for these ongoing subsidies. As well, over the years properties in the annexed areas have benefited from some of the city funded services such as roads to which they have never contributed.

John Hughes also proposed that as an alternative to a municipal/local taxpayer funded phase-in program, the Province be approached for funding because the tax impacts are mostly as a result of the elimination of the provincially funded subsidization of the costs of providing services and also because it was a provincial decision to include the annexed areas in the new city boundaries.

***Letter to Province dated July 27, 2001***

Based on this recommendation, a letter was forwarded to the Province requesting a provincially funded phase-in of the tax increases in the annexed areas only. A copy of the letter to Michael Fenn, Deputy Minister of Municipal Affairs and Housing is attached.

***Response from the Province dated July 30, 2001***

A response was received from Mr. Fenn on August 2, 2001 (attached) indicating that phase-in costs or costs associated with tax relief were not considered to be transition costs and no provincial funding was available. Mr Fenn suggested the following mitigation alternatives:

- a city-wide residential phase-in that could be funded from other residential property tax decreases or through an increase in the general levy. The thresholds could be set extremely high so that basically only properties in the annexed areas would benefit. Or,
- the adoption of a municipally run program if taxes are considered "unduly burdensome"

***Review of Mitigation Measures Proposed***

Three mitigation measures have been suggested:

- a phase-in program for the entire residential class
- a grant program under section 113(1) of the Municipal Act, or
- a municipal tax relief program if taxes are "unduly burdensome"

Each of the mitigation measures is addressed below and none are recommended for implementation.

### **Phase in Program**

On June 28, 2001, Council reviewed the tax impacts within the City of Greater Sudbury and determined that a city wide phase-in for the residential property class was not in the best interests of the residents of the new city. Hemson Consulting and City staff had recommended against a phase-in program for the following reasons. The Region has been through 5 previous reassessments - all implemented without a municipally funded phase-in. As such, a phase-in in 2001 would be unfair to taxpayers who have paid their full increases in the past. Council will recall that Onaping Falls residential property owners experienced large tax increases in 1998.

A phase-in program with very high threshold limits would have mitigated the impacts on the annexed areas however other taxpayers in the City would have paid for this phase-in and this was not considered to be fair and equitable considering that there has never been a municipally funded phase-in in the past.

Based on the no phase-in decision, tax due dates were set for September 11 and October 11. If a phase-in program were to be introduced now, with residential property tax increases to be funded from residential property tax decreases, there would be a substantial delay in the issuance of the tax bills. The tax rate bylaw would have to be rescinded and new tax dates set. This would result in significant cost to the municipality for new bills, increased interest costs and additional staff costs. Interest costs alone are worth \$10,000 a day and over 52,000 tax bills have already been printed.

### **Grant Program under Section 113(1) of the Municipal Act**

Under Section 113(1) of the Municipal Act, Council may provide grants if it is considered to be within the interest of the municipality. Council could adopt a tax mitigation program under this section of the act however it would be an unusual application and may prompt other taxpayers to request grants for other reasons.

As the budget is already set, any such program would have to be funded from reserves. Again, it would not be fair to utilize reserves contributed to by taxpayers from the former Regional Municipality of Sudbury boundaries, to fund such a program.

### **Municipal Tax Relief Program if Taxes are “Unduly Burdensome”**

Under Bill 140, municipalities are given the option of providing tax reductions or refunds to owners of property where taxes are deemed to be “unduly burdensome”. The municipality would have to determine the eligibility criteria and the amount of relief.

For example, eligible properties with “unduly burdensome taxes” would need to be defined as residential, farm or managed forest properties in the annexed areas only. 2000 taxes would need to be defined as the total of education taxes, local roads board and land taxes levied. An “unduly burdensome amount” for each property would be based on specific parameters. For example, each property owner might be responsible for the first \$300 of the tax increase and 50 percent of the remaining increase. Thus the remaining 50 percent would be considered to be “unduly burdensome”.

Under such a program, the tax bills for the annexed areas would be issued as originally calculated. 1000 manual tax calculations would need to be done and refunds forwarded to property owners after the fact.

The advantage of this program under Bill 140 over the grant program under Section 113(1) of the Municipal Act is that the cost of relief under such a program would automatically be shared by school boards, with respect to the education portion of the tax.

This type of tax relief program would also have to be funded from reserves. Preliminary estimates indicate that a program as outlined above could cost about \$200,000 plus additional staff time and administrative costs, assuming that relief is extended for one year only.

None of these tax relief programs are being recommended by staff. However if Council proceeds with some form of mitigation, the least costly would be the “unduly burdensome tax” program and the program should be limited to this year only.

### ***Tax Insert for Residential Property Tax Owners in the Annexed Areas***

Based on the assumption that Council does not adopt any additional tax mitigation measures, tax bills will be mailed by no later than August 20, 2001. Residential property owners in the annexed areas would receive an additional insert with their tax bill explaining the reasons for the significant tax increase. A copy of the proposed insert in draft form is also attached for Council's information.

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Date: August 10, 2001

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***Summary***

No further tax mitigation measures are recommended. Tax bills will be mailed by August 20, 2001 and the residential property owners in the annexed areas will receive an additional tax insert outlining the reasons for the tax increase.

PROPERTY TAXATION CHANGES  
FOR PROPERTIES IN  
FORMER UNORGANIZED AREAS

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CITY OF GREATER SUDBURY

Hemson Consulting Ltd.

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July 2001



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## I BACKGROUND

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As part of the municipal restructuring of the Sudbury area, approximately 1000 properties in the unorganized Townships of Dill, Dryden, Cleland, Scadding, Rathbun, Mackelcan, Aylmer, Parkin and Fraleck have been incorporated into the City of Greater Sudbury. Table 1 summarizes the details of the affected properties.

Previously these properties were receiving services which were being paid for by the Province. Now municipal services are now being provided by the City and municipal property taxes are being levied. In addition, all of the affected properties are now required to pay education taxes, which was not the case before.

These new arrangements are a substantial change from the situation that previously existed. Formerly, properties in the unorganized areas paid Provincial Land Taxes. Some of the properties also made payments to Local Roads Boards. Finally some properties paid education taxes. As a consequence of the restructuring, the tax responsibilities of properties have increased substantially, especially for those that previously did not pay education taxes. The issue is further complicated by the fact that a property reassessment which in itself has tax implications has also been implemented for 2001.

As the former taxation arrangements are not well understood and because tax impacts are substantial, Council has requested that a report be prepared on the matter. The report is in four sections. The first section explains the Provincial Land Tax and the payments to Local Roads Boards. The next section reviews the taxes paid to the school board. This is followed by a discussion of the reassessment implications. Finally, the overall impacts and possible mitigation measures are reviewed.

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## II PROPERTY SERVICE RELATED CHARGES

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In this section the Provincial Land Taxes and Local Roads Boards payments are reviewed.

### A. PROVINCIAL LAND TAXES

All properties located within unorganized areas are subject to Provincial Land Taxes which are paid to the Province. Like municipal property taxes, they are calculated using property assessments and a tax rate. However, unlike municipal taxes, assessments are not based on current values and most importantly the tax rate does not change from year to year.

According to our investigations, the assessments for Provincial Land Tax purposes represent values for a base year dating back to the 1950's. Assessments are divided between land and building values. Land values are calculated using a table of land rates. Building values are determined through the application of a 1969 Provincial Costing Manual. The results of which are factored back to the 1950's base year. Because no reassessment has been carried out, the existing assessments bear no relationship to current values, nor is there an equitable assessment relationship between properties. As well because no periodic adjustments are made for depreciation. As a result, a brand new building could have exactly the same assessment as a building built twenty years ago.

The tax rate that is applied against the Provincial Land Tax assessments is fixed at 15 mills and has not been revised for many years. As a result, taxes are very modest. For example, a property in Cleland township with a 2001 Value of \$141,000 had an assessment of \$5,462 for Provincial Land Tax purposes. This resulted in a 2000 Provincial Land Tax liability of only \$81.93. In total, we estimate that the Provincial Land Taxes attributable to the properties affected by the restructuring amounted to approximately \$18,400 in 2000.

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## B. LOCAL ROADS BOARD PAYMENTS

In addition to Provincial Land Taxes, most properties in the unorganized areas were also required to make payments to Local Roads Boards. The properties affected by the restructuring fell under the jurisdictions of several different Boards.<sup>1</sup>

The payments to these Boards were also calculated using the Provincial Land Tax assessments against which a mill rate was applied. In 2000 the mill rates ranged from 47 to 85 mills depending on the Board. For the example property in Cleland mentioned previously, the applicable Roads Board rate was 80 mills and the payment was \$436.96. Boards also set minimum payments ranging from \$125 to \$200 per property. Roads Boards recovered approximately 50% of their costs through these payments, the balance being paid by the Ministry of Transportation. Accurate totals for the payments made by properties affected by the restructuring are not readily available, however we estimate that they would have been about \$110,000 in 2000.

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In combination, the Provincial Land Tax and the Local Roads Board payment clearly do not cover the full cost of providing services to properties within unorganized areas. The services involved include roads, police, fire, ambulance and social services (such as Ontario Works). Waste collection and/or disposal however was not provided. Instead, owners were required to make their own arrangements. We are advised that in the more developed Wahnapiatae area owners paid a private contractor between \$70 and \$200 per year for this service.

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<sup>1</sup> Properties in Cleland were either the Red Deer, St. Cloud or Burwash-Hendrie Boards  
 Properties in Dryden were in either the Red Deer or St. Cloud Board  
 Properties in Dill were in either the St. Cloud or Dill Second Board  
 Properties in Scadding and Rathbun were in the Kukagami Board

### III SCHOOL BOARD PAYMENTS

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The properties located within Dill, Dryden, Cleland and Scadding were within the boundaries of the Rainbow District School Board and therefore were required to make tax payments to the Board. The remaining properties in the unorganized areas were outside the Board boundaries and therefore were not liable for education taxes. Nevertheless, we understand that this situation was unlikely to have continued much longer. The Ministry of Education is likely to be revising the School Board boundaries once the current round of municipal restructuring has been concluded.

In 2000, the education taxes paid by properties in the School Board boundaries were determined using Current Value Assessments (CVA's) which were based on 1996 values. These are the same base values used to calculate education taxes elsewhere in the Province. However, in the case of residential properties in the unorganized areas, the tax rate was 0.8277% which is approximately double the 0.4140% rate applied to properties within organized municipalities. This higher rate is made up of the standard 0.414 education rate plus an additional 0.4137% rate referred to as the 'Interim Provincial Land Tax Rate'. The reason for having this higher two part rate stems from the 1997 downloading and tax reforms. As part of the package of municipal finance reforms, the Province took over the funding of schools and halved the education taxes on residential properties. This tax cut provided the necessary tax room municipalities needed in order to help pay for the cost of downloaded services. However, since properties in unorganized areas were unaffected by this downloading, the Province continued to levy the same amount as before from residential properties.

In contrast, non-residential properties are treated in the same manner for education tax purposes as non-residential properties elsewhere. This is because the 1998 downloading and tax reforms did not significantly affect non-residential education taxes.

Overall, the education taxes levied from the properties within the School Board boundaries amounted to \$361,560 in 2000. Of this, approximately \$320,000 was levied from residential properties.

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## IV REASSESSMENT IMPACTS

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For the 2001 and 2002 taxation years properties throughout the Province will be taxed on CVA's based on 1999 values. For the three year period from 1998 to 2000, assessments were based on 1996 values. For residential properties in Sudbury that were within the former Region, assessed values on the new 1999 base year have declined from the 1996 values. On average, the decline was 6.7%. In sharp contrast, residential properties in the unorganized areas increased by 25.5% on average. While market factors may have contributed to this contrasting result, discussions with Ontario Property Assessment Corporation (OPAC) staff indicate that two other factors played a role. Because of the restructuring, OPAC staff carried out detailed inspections of the properties in the unorganized areas to ensure that the assessments of the affected properties would be fully compatible with the assessments of other properties in the restructured City. This more detailed attention was considered necessary since many improvements had not been accounted for in the last reassessment. The reason for improvements on properties in the unorganized areas being missed stems from the fact that building permits upon which assessors depend for information about improvements were not required in these areas. As a result of the detailed inspections, substantial amounts of added value from previously unassessed improvements were identified.

A second more technical factor also contributed to the large increases in values in the unorganized areas. In the previous reassessment, a 'cost approach' was used to estimate values. Elsewhere, a more sophisticated Multiple Regression Analysis was employed. For the 2001 reassessment OPAC decided for consistency reasons to use this approach for properties in the previously unorganized areas. The apparent effect of this change in assessment techniques was to generally increase assessed values.

The implications of significant value increases for properties in the unorganized areas are difficult to properly isolate since they are tied in with the effects of being incorporated into the new City. Had the properties remained in the unorganized areas, education taxes on those properties within the School Board jurisdictions are likely to have risen significantly. Whereas the overall education tax rate has declined by about 10%, the 25.5% average increase in assessed values would more than offset this change and would have resulted in a net education tax increase of approximately 13.2%. Provincial Land Tax and Roads Boards payments would not have been affected by the reassessment since they are not based on CVA assessments.

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## V TAX IMPACTS & MITIGATION OPTIONS

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In this section overall tax impacts are discussed and possible mitigation approaches are reviewed.

### A. OVERALL TAX IMPACTS

For the properties formerly in unorganized areas that are now within the City of Greater Sudbury taxation liabilities have changed significantly for 2001. Properties are no longer liable for either Provincial Land Taxes or payments to Local Roads Boards. Residential properties that were formerly within the School Board jurisdiction will continue to pay the basic Provincial school tax but will no longer be liable for the Interim Provincial Land Tax. Properties that were outside the school board boundaries are now required to pay school taxes. Finally, all properties are now required to pay municipal taxes albeit at a lower rate than elsewhere in the City. This lower rate reflects the volunteer fire service and a reduced responsibility for transportation costs.

Table 2 summarizes the estimated impacts.

It is important to note other factors which bear on the impacts. Firstly, the impacts do not take account of savings in waste collection and disposal fees for property owners who previously used private contractors. As noted previously, we understand that fees varied between \$70 and \$200 per year. Secondly, the impacts assume that some of properties would have continued to be excluded from paying education taxes. This situation may not have continued indefinitely.

It is very evident from the review that the taxes related to municipal type services could not possibly have paid for the services provided. The total amount of Provincial Land Taxes was less \$20,000. This obviously did not cover the cost of the emergency and social services which the Province paid for. Road costs for which approximately \$110,000 was taxed were subsidized on a 50:50 basis by the Ministry of Transportation. On the other hand, education taxes were, for residential properties charged at double the rate applicable elsewhere in the Province. However, as noted before, not all properties were liable.

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As part of the City of Greater Sudbury these properties now have access to a full range of municipal services. With this access there is also liability to pay municipal taxes. Since the City is not subsidized, property taxes must pay for the full cost of services.

The situation with education taxes is somewhat different. For properties that have already been paying education taxes, the new tax responsibility will be substantially less than before. For other properties that did not pay in the past, education taxes will now be levied but only at the lower province wide rate on residential properties. This change puts these properties on a par with other properties in keeping with the long established Provincial practice of paying for education costs through property taxes.

## **B. TAX IMPACT MITIGATION**

Because of the magnitude of tax increases, mitigation options warrant review. This is not however to suggest that the increases should in fact be phased in. It is not unreasonable to suggest that the new tax responsibilities are well justified and that the previous amounts paid were low because of subsidies. This being the case, it would perhaps be unfair to expect other taxpayers to pay for an ongoing subsidy. As well, the fact that properties in the former unorganized areas have to some extent long benefited from City funded services (such as roads) is perhaps a further argument against tax impact mitigation.

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Notwithstanding, these points there are two municipally funded approaches that could be considered.

## **1. Grants**

Under Section 113(1) of the Municipal Act, Councils may provide grants if it is considered to be within the interest of the municipality. A tax mitigation program would be an unusual application of this section. As well its use might give rise to other groups of taxpayers requesting grants for other reasons.

## **2. Phase In Program**

Under Section 372(2) of the Municipal Act, tax increases can be phased-in. However, the program would have to apply to all properties in Greater Sudbury within the property classes affected (residential, farm, farmland and managed forests). Despite this requirement it would be possible, through the program parameters to effectively limit the applicability of the program to properties within the former unorganized areas. Since the tax increases are in percentage terms generally much greater than virtually all of the increases on other properties, a high percentage increase threshold could be set. For example, if the threshold were set at 50% only properties with increases greater than 50% would be eligible for a phase-in. A phase-in program could run for up to eight years and could include minimum dollar increase thresholds.

As an alternative to a municipal/local tax payer funded phase-in program, Council could consider requesting funding for a program from the Province given that the tax impacts largely stem from the elimination of provincially funded subsidization of the costs of providing services.

It is to be noted that the properties that were already paying education taxes were subject to a five year Provincial phase-in program which was implemented in 1998, in conjunction with the previous reassessment.

The 45 commercial and industrial properties within the former unorganized areas are included within the Commercial and Industrial capping program and therefore do not require any special phase-in program.

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## VI CONCLUSIONS

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There are a number of key conclusions to be drawn from the analysis.

- **Provincial Land Tax**

The Provincial Land Tax is based on a system that is extremely outdated and that raises only a very small amount of taxation. As such, it is totally unrelated to the cost of providing the services which are paid for by the Province. The tax cannot be compared to a municipal tax which must be set at a rate sufficient to cover the full cost of providing municipal services. In effect, properties in the unorganized areas have been receiving services that were being subsidized by the Province. Municipal services which are now being provided are also more extensive than the services previously available in the unorganized area. Waste collection and disposal in an example. Previously owners were required to contract privately for this service.

- **Local Roads Board Payments**

Those properties covered by Local Roads Boards also benefited from a subsidized service since the Boards shared their costs on a roughly 50:50 basis with the Ministry of Transportation.

- **Education Taxes**

Previously not all properties were subject to education taxation. This was an advantage enjoyed by few properties in the Province. As well, the benefit might well have been eliminated in the near future since school board boundaries are being revised by the Ministry of Education. The rate of education taxes on those properties that did pay was approximately double the standard provincial rate. Now as part of the City, these properties will pay the lower standard provincial education tax rate.

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- **Reassessment Impacts**

Because of the restructuring, OPAC undertook extensive reassessment analysis for the affected properties. This work identified many improvements that had previously not been assessed. As well, the application of the assessment methods applied to all other properties in the City also contributed to the substantial value increases that occurred with the reassessment. These reassessment increases would have had the effect of increasing education taxes had the restructuring not occurred.

- **Tax Impact Mitigation**

There are sound arguments for not providing a phase-in of the tax impacts that have occurred as a result of restructuring and reassessment. The most compelling is that the taxes previously paid were kept low because of subsidies and since other City residents would have to pay for any continued subsidy rather than the Province, it would be inequitable. If however funding could be obtained from the Province, a phase-in program could be implemented without imposing an unfair burden on other taxpayers.

TABLE 1

## CITY OF GREATER SUDBURY

## Properties From Former Unorganized Areas

	# of Residential Propertie s	2001 CVA	Commercial # of Properties	2001 CVA	Industrial # of Properties	2001 CVA	Farm # of Properties	2001 CVA	# of Propertie s	Total 2001 CVA
<b>Outside School Board</b>										
Fraleck	8	181,100	0	0	0	0	0	0	8	181,100
Parkin	21	433,500	0	0	0	0	0	0	21	433,500
Aylmer	2	111,000	0	0	0	0	0	0	2	111,000
MacKelcan	2	57,000	0	0	0	0	0	0	2	57,000
Rathbun	194	10,682,100	2	151,500	0	0	0	0	196	10,833,600
Sub-total	227	11,464,700	2	151,500	0	0	0	0	229	11,616,200
<b>Within School Board</b>										
Dryden	59	3,780,000	3	312,000	0	0	0	0	62	4,092,000
Dill	235	16,143,485	19	1,499,520	3	162,095	2	59,000	259	17,864,100
Cleland	364	25,121,100	3	55,600	0	0	2	59,900	369	25,236,600
Scadding	65	3,894,900	8	126,100	7	205,300	0	0	80	4,226,300
Sub-total	723	48,939,485	33	1,993,220	10	367,395	4	118,900	770	51,419,000
<b>TOTAL</b>	950	60,404,185	35	2,144,720	10	367,395	4	118,900	999	63,035,200

Note: Including PILs

TABLE 2

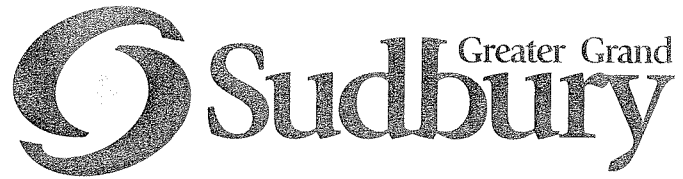
## CITY OF GREATER SUDBURY

## Tax Impacts For Residential Properties in Former Unorganised Areas

	2000 (Pre Restructuring)	2001 (Post Restructuring)	\$ Change	% Change
<b>Outside School Board (227 Properties)</b>				
Provincial Land Tax (Estimates)	\$3,300	\$0		
Local Roads Boards (Estimates)	\$28,800	\$0		
Education Tax	\$0	\$42,763		
Municipal Tax	\$0	\$133,410		
Total	\$32,100	\$176,173	\$144,073	448.8%
Average Per Property	\$141	\$776	\$635	
<b>Within School Board (723 Properties)</b>				
Provincial Land Tax (Estimates)	\$15,000	\$0		
Local Roads Boards (Estimates)	\$82,000	\$0		
Education Tax	\$320,903	\$182,544		
Municipal Tax	\$0	\$569,490		
Total	\$417,903	\$752,034	\$334,131	80.0%
Average Per Property	\$578	\$1,040	\$462	

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July 27, 2001

Mr. Michael Fenn  
Deputy Minister of Municipal Affairs  
and Housing  
17<sup>th</sup> Floor, 777 Bay Street  
TORONTO ON M5G 2E5

Dear Michael:

CITY OF  
GREATER SUDBURY

JUL 27 2001

GENERAL MANAGER  
CORPORATE SERVICES

**RE: Unorganized Township Amalgamation with the City of  
Greater Sudbury**

This correspondence is a follow up to our telephone conversation of yesterday concerning unusually high tax increases on residential properties in the unorganized areas amalgamated with the City of Greater Sudbury.

There are approximately 1,000 residential properties in the unorganized townships that have been amalgamated. Of the approximately 1,000 properties, only one property had a tax decrease. The tax increases for all remaining properties are on average 448% in areas that did not previously pay education tax and 80% in areas that did pay education tax. This compares to a global tax reduction in the remaining geographic area of Greater Sudbury of -6.2953%.

As discussed, the tax increases on the residential properties in the unorganized township areas are excessively high and we are requesting that there be provincial assistance for a phase-in program.

Although significantly more complex than stated below, three primary reasons for these large residential increases are as follows:

1. Provincial wide property reassessment.
2. Amalgamation of unorganized townships into the City of Greater Sudbury. The properties in the unorganized townships had been subject to Provincial Land Tax and the program has not been updated for many years. The taxes levied by the Local Roads Boards represented only 50% of the costs and the remaining costs were paid by the Ministry of Transportation. The sum of these two taxes is considerably lower than the municipal tax that these properties are now subject to.

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3. A significant number of properties will be paying education tax for the first time in 2001 as they were previously exempt.

We are requesting the Province to allow the municipality to phase-in the tax increases in the amalgamated unorganized townships and to pay for the cost of the phase-in program.

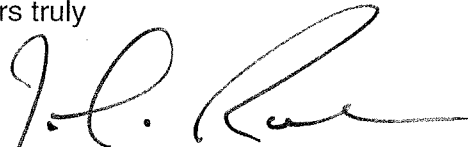
We are proposing a phase-in period of 5 years and the amount to be phased in will be the net increase in residential taxes(education and municipal). The approximate cost of the phase-in is approximately \$900,000 to \$1,000,000.

As you are aware, we have set our final due dates for tax payments and are currently printing bills. Therefore, we would appreciate a response within the next two weeks so that we might notify these property owners of what to expect.

I will be on vacation for the next two weeks and will be back in the office on Monday, August 13<sup>th</sup>. In my absence, I would ask that you contact Ms. Paddy Buchanan, Acting City Treasurer, at 671-2489, Extension 2414, for any follow up information that you might require.

I look forward to your assistance in resolving this issue.

Yours truly



J. L. (Jim) Rule  
Chief Administrative Officer

JLR/dmd

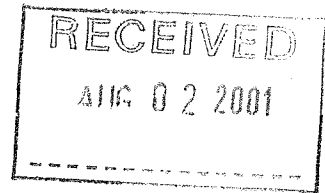
cc Mayor and Members of City Council  
Doug Wuksinic  
Paddy Buchanan  
General Managers

Ministry of  
Municipal Affairs  
and Housing

Office of the Deputy Minister  
777 Bay Street  
Toronto ON M5G 2E5  
(416) 585-7100

Ministère des  
Affaires municipales  
et du Logement

Bureau du Sous-ministre  
777 rue Bay  
Toronto ON M5G 2E5  
(416) 585-7100



July 30, 2001

Mr. J. L. (Jim) Rule  
Chief Administrative Officer  
City of Greater Sudbury  
P.O. Box 5000, Station A  
200 Brady Street  
Sudbury ON P3A 5P3

CITY OF  
GREATER SUDBURY

AUG 7 2001

GENERAL MANAGER  
CORPORATE SERVICES

Dear Mr. Rule:

**Subject: Unorganized Township Amalgamation with the City of Greater Sudbury**

Thank you for your letter of July 27, 2001, following up on our telephone conversation of July 26, regarding tax increases on residential properties in the unorganized areas amalgamated with the City of Greater Sudbury.

While I appreciate your concerns, I have noted that the City of Greater Sudbury has received \$22.379 million from the Regional Transition Assistance program for restructuring transition costs. Phase-in shortfalls or costs associated with tax relief are not considered to be transition costs.

The Continued Protection for Property Taxpayers Act (Bill 140) provides a number of tools to mitigate against reform-related property tax increases. For example, the City of Greater Sudbury has the ability, under the legislation, to run a residential phase-in for a period up to eight years in order to mitigate property tax impacts. This phase-in could incorporate the impacts from reassessment and from restructuring.

According to the legislation, if the municipality decides to run a residential phase-in, all properties within the municipality must be included. However, if the City of Greater Sudbury decides to target the large tax increases occurring within the annexed areas, it has the ability to set thresholds that would accomplish that. In addition, the municipality is free to fund any shortfall from a residential phase-in from the general levy.

Bill 140 also provides municipalities with the option of providing tax reductions or refunds to owners of property in the residential, farmlands and managed forests property classes if the taxes are 'unduly burdensome'. The municipality would determine the eligibility criteria and the amount of relief. The cost of relief under this program would automatically be shared by school boards, with respect to the education portion of the tax.

Aug 2/01 12 145  
cc Ladd, Buchanan



Mr. J. L. (Jim) Rule

The Online Property Tax Analysis system can help municipalities determine the appropriate parameters for their respective residential phase-ins.

I trust this information is helpful. Thank you, again, for sharing your concerns with me.

Yours truly,

A handwritten signature in black ink, appearing to read "W. Michael Fenn". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

W. Michael Fenn  
Deputy Minister

## **NOTICE TO TAXPAYERS IN THE ANNEXED TOWNSHIPS OF FRALECK, PARKIN, AYLMER, MACKELCAN, RATHBURN, DRYDEN, DILL, CLELAND, SCADDING**

The Province of Ontario passed legislation in 2000 that annexed the properties in the above noted townships to the City of Greater Sudbury. As a result, these properties, effective in 2001, are subject to the municipal tax of the City of Greater Sudbury and the provincially regulated education tax.

Prior to amalgamations, your taxes may have included some or all of the following:

- Provincial Land Tax  
~ Based on assessments that date back to the 1950's and at a rate that had not been revised for many years.
- Local Roads Board  
~ Levied at 50% of the total cost with the remaining 50% paid by the Ministry of Transportation.
- Education  
~ Some properties were not subject to education tax and other properties paid education tax at approximately twice the rate of organized areas.

Based on this method of taxation, property owners were subsidized for the services they were receiving.

Post amalgamation, your taxes will be calculated on a municipal general rate, an area volunteer fire rate and a provincially regulated education tax. Your taxes will also be affected by the recent reassessment that based the assessment on June 30, 1999 property market values. On average, in the annexed areas the Current Value Assessment (C.V.A.) has increased by approximately 25 percent.

As a result of the amalgamation and the reassessment most property taxes will increase over the 2000 values. In an attempt to mitigate the effects of these tax increases, the City approached the Province and requested the Province to fund a program to offer relief to these taxpayers. The Province reviewed our submission and have declined to offer any assistance.

Consequently, the City of Greater Sudbury will not provide a phase-in program nor a rebate to the property owners as the cost of the program would have to be unfairly carried by other residents in the city.

If you have any inquiries please contact the City tax department at 671-2489 extension 2601.