

BMR ^{In} Review

ANNUAL LUNCHEON & MEETING

The Bureau Annual Meeting and Luncheon was held on May 25, 1983. BOB RAE, Leader of the New Democratic Party of Ontario, was the Luncheon speaker. Mr. Rae spoke on "Economic Development: The Challenge to Ontario's Municipalities".

At the Business Meeting, Bureau members elected the Council for the coming year. Ten current Council members were re-elected: Lorne Almack; Maryon Brechin; Jack Fraser; Geoffrey Milburn; Russell Morrison; Bud Trivett, O.C.; Michael Vaughan; Professor John Weaver; and Fred Whitehead. As well, three new Council members were elected: George Kapelos, The Fidinam Group; Professor Timothy Cartwright, York University; and Robert Whitten, Kodak Canada.

Dick Van Aelst was elected President of the Bureau. Michael Catford was elected Treasurer. The other Executive Committee members are: David C. Freeman; Leon Kentridge; Dr. Murray Frum; Russell Morrison; Mrs. Arthur Wait; and Jack Fraser.

Copies of the Annual Report are available to anyone wishing them from the Bureau office.

RESEARCH COMPLETED

INDUSTRIAL DEVELOPMENT: THE MUNICIPAL ROLE

This report outlines the best procedure to follow in starting an industrial development program at the local level. It is particularly useful to smaller municipalities just developing a strategy. Copies are available for \$5.00.

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THE CHANGE IN PROPERTY TAXES IN CANADA

As municipalities cope with restraint, limited federal and provincial transfer payments are leaving municipalities with two choices to raise badly needed revenue: higher user fees and increased property tax rates. (See BMR in Review, December 1982.) Property taxes must provide the majority of needed revenue.

These increases will not go by unnoticed. Forces have been at work over the last few years, increasing tax rates and the property tax burden. These factors, combined with increased revenue needs, will mean more increases over the next year.

Slowed Assessment Growth

Property tax revenue grows annually as a result of two factors: the annual increase in the tax rate (mill rate) and the growth in the taxable assessment base. The assessment base grew phenomenally the past three decades due to rapid industrial and residential development. Urban growth has slowed. New assessments no longer cushion the tax increases. The needed revenue must be made up by increasing the mill rate.

In some areas, net decreases in the assessment base are compounding the problem. In the Borough of York, they have estimated an \$800,000 loss in assessment this year in industrial and commercial property - a loss of \$150,000 in property taxes. The difference will be made up largely by residential property owners.

Paying for Rapid Growth

Rapid urban growth expanded the local revenue base and allowed for unprecedented capital expenditures. As the growth continued at the same rate, the capital projects were viable. Economic recession and high interest rates have forced greatly reduced capital spending. Past projects must now be paid for in terms of servicing

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BUREAU OF MUNICIPAL RESEARCH

Property Tax (con't)

and maintenance costs and through rising debt charges. This scenario is evident in Calgary and Edmonton where the impact of the recession has resulted in scrapping of capital projects, laying off city employees and the greatest increases in the city tax rates in Canada for 1983. Increases in the local tax rates excluding school taxes are for 1983: Calgary 9%; Edmonton 8%; Winnipeg 6%; Hamilton 6%; Toronto 5%; Ottawa 5%; Montreal 6%; Halifax 6%.

Rising School Costs

School board revenue needs make up a significant share of the local property tax that is not accountable to municipal government. Table 1 outlines the local contribution to school costs which are shared with the province and must be made up by property tax revenue. In many provinces the local portion of the costs are increasing due to rising costs and reduced provincial grants.

Table 1
Education as a Percentage of
Total Local Expenditure

	1978	1981
Newfoundland	7.6%	7.5%
Prince Edward Island	72.7	77.0
Nova Scotia	48.3	47.5
New Brunswick	-	-
Quebec	47.4	45.7
Ontario	41.2	41.6
Manitoba	42.7	46.5
Saskatchewan	41.0	43.1
Alberta	30.4	31.3
British Columbia	46.6	44.5

Source: Statistics Canada, 68-203, 1978, 1981

Nova Scotia, Quebec and British Columbia have decreased their share of the costs. In New Brunswick, the Province funds all education costs.

Declining Provincial & Federal Transfers

The burden of the property tax varies relative to its contribution to local gross revenue. Provincial transfer payments, federal transfers and other local revenue sources such as user fees make up the rest. Table 2 indicates the changing pattern of property tax contribution.

Table 2
Property Taxes as a Percentage of
Local Gross Revenue

	1978	1981
Newfoundland	42.3%	45.8%
Prince Edward Island	7.9	9.6
Nova Scotia	27.4	27.1
New Brunswick	36.5	36.9
Quebec	33.4	30.2
Ontario	40.6	41.4
Manitoba	42.9	45.6
Saskatchewan	35.2	36.3
Alberta	29.7	31.4
British Columbia	50.9	53.1

Source: Statistics Canada 68-203, 1978, 1981

The contribution of the property tax to total revenue has increased in all provinces except Nova Scotia and Quebec.

Increase in Overall Property Taxes

Table 3 indicates the changing pattern of total property taxes per capita, which are lowest in the Atlantic Provinces and highest in the four Western Provinces and Ontario. The greatest increases are in Newfoundland, New Brunswick, Alberta, Manitoba and Prince Edward Island. Nova Scotia property taxes per capita have decreased.

Table 3
Total Property Taxes Per Capita

	1978	1981	% Change
Newfoundland	\$ 77	\$129	+67.5%
Prince Edward Is.	46	62	+34.8
Nova Scotia	402	277	-31.1
New Brunswick	82	117	+42.7
Quebec	314	378	+20.4
Ontario	402	524	+30.3
Manitoba	383	528	+37.9
Saskatchewan	335	442	+31.9
Alberta	354	497	+40.4
British Columbia	431	554	+28.5
Canada	347	451	+30.0

Source: Statistics Canada 68-203, 1978, 1981

Nationally, property taxes make up 12% of all taxes paid by individuals. This has remained fairly constant since World War II. Before, they often made up over 30% of all taxes. Table 4 indicates the total

Table 4
Property Taxes as Percentage of Total Taxes, GPP and Personal Income

	% of Total Taxes		% of GPP		% of Personal Income	
	1975	1980	1975	1980	1975	1980
Newfoundland	4.4%	5.1%	1.4%	1.7%	1.3%	1.7%
Prince Edward Island	2.9	2.9	0.9	0.9	0.8	0.8
Nova Scotia	10.7	10.1	3.6	3.5	3.7	3.4
New Brunswick	3.6	4.0	1.0	1.3	1.1	1.4
Quebec	11.0	11.7	3.8	4.1	4.5	4.7
Ontario	11.6	12.6	3.7	3.9	4.6	4.8
Manitoba	15.8	17.4	4.5	4.8	5.4	5.9
Saskatchewan	12.8	12.2	3.2	3.2	4.0	4.7
Alberta	8.2	10.8	2.4	2.5	4.1	4.3
British Columbia	13.7	12.9	4.3	3.9	5.2	4.9
Canada	11.2	12.1	3.6	3.8	4.4	4.6

Source: Statistics Canada, 68-203, 1980 and 13-001, 1982

property taxes relative to total taxes, G.P.P. (Gross Provincial Product) and personal income for the provinces between 1975 and 1980. Nova Scotia and British Columbia have de-emphasized the property tax. As of 1980, overall property taxes were highest in Manitoba and lowest in Prince Edward Island. (Differences in services provided account for some disparities.)

Residential Property Taxes

Property taxes are levied on commercial/industrial and residential properties. This varies in each municipality relative to the taxable assessment in both categories. In most provinces, commercial/industrial and residential are treated differently. The commercial/industrial mill rate is set at a higher rate than the residential, or commercial/industrial properties are assessed at a higher percentage of their market value. While commercial/industrial taxes are partially passed on to the consumer through higher prices for goods and services, the residents feel property taxes directly.

Few studies exist that compare residential property taxes in Canada. This information is limited to independent surveys such as the Royal Trust quarterly survey of Canadian House Prices. It presents house prices and property taxes for comparable dwellings across Canada. Using this information, we can compare relative tax burden between surveys of June 1, 1978 and April

1, 1983 by calculating the residential property tax as a percent of market value.

Table 5 outlines these values for 2 types of houses and estimates the percent change in residential property tax relative to market value. The detached bungalow represents a 3-bedroom home, 5 to 8 years old with 1-1/2 bathrooms, a 1 car garage, and a full basement on a fully serviced 511 square metre lot. Taxes as a percent of market value in 1978 varied from .7% in Calgary to 4% in Chateaugay, Montreal. By 1983, they ranged from .9% in Fredericton to 3.4% in Chateaugay.

The 2-storey detached home is 4-bedroom, 5 to 8 years old with 2-1/2 bathrooms, a 2 car attached garage, and a full basement on a fully serviced 604 square metre lot. Taxes as a percent of market value in 1978 ranged from .7% in Edmonton to 2.7% in Longueuil, Montreal. By 1983, they ranged from .8% of market value in Calgary to 2.6% in Point Claire, Montreal.

It is interesting to note that Proposition 13 in California limits property taxes to 1% of market value and Proposition 2-1/2 recently passed in Massachusetts, limits property taxes to 2-1/2% of market value. In Canada, residential property taxes are rising where they have been lowest (Newfoundland, Alberta) and declining where they have been highest (Quebec). The Atlantic Provinces, Alberta and parts of British Columbia enjoy the lowest tax rates that by 1983 are close to 1% of market

Table 5
Change in Residential Property Taxes as a Percentage of Market Value for June 1, 1978 to April 1, 1983

	Detached Bungalow				Detached 2-Storey			
	1978		1983		1978		1983	
	Value (\$)	Tax as % of Value Tax (\$)	Value (\$)	Tax as % of Value Tax (\$)	Value (\$)	Tax as % of Value Tax (\$)	Value (\$)	Tax as % of Value Tax (\$)
St. John's	44,000	390	66,000	726	76,500	720	95,000	1,045
Charlottetown	44,000	625	61,000	675	68,500	1,125	92,000	1,250
Halifax	56,000	840	114,000	1,500	98,000	1,500	145,000	2,000
Dartmouth	53,500	800	75,000	900	79,500	1,150	141,500	1,500
Fredericton	45,000	450	55,500	500	85,000	700	100,000	1,000
Saint John	40,000	500	53,000	550	73,000	550	96,000	1,050
Moncton	38,000	456	46,500	450	62,000	744	75,000	730
Mont.(Pt.Claire)	39,500	950*	58,000	1,200*	65,000	1,500*	100,000	2,600*
Mont.(St.Lambert)	48,500	870*	88,000	1,350*	69,000	1,170*	122,000	2,000*
Mont.(Longueuil)					56,000	1,500*	81,700	1,553*
Mont.(Chateauguay)	28,500	1,150*	41,500	1,400*	78,000	1,800*	92,500	2,183*
Que.(Charlesbourg)	45,500	1,000*	60,000	1,505*	133,000	1,800	195,000	2,800
Toronto (Centre)	81,600	990	110,000	1,625	105,000	1,500	137,000	1,850
Scarborough	68,000	875	100,000	1,450	90,000	1,225	133,000	1,520
Richmond Hill	72,500	825	89,000	1,200	89,000	1,050	125,300	1,690
Mississauga	69,000	760	95,600	1,290	97,500	1,300	140,000	1,400
Oakville	65,900	850	87,000	950	80,000	1,325	102,000	1,400
Hamilton	58,900	875	62,500	1,100	74,000	1,100	92,200	1,380
London	50,000	680	67,000	1,086	83,000	1,755	88,250	1,887
Windsor	57,000	1,200	52,000	1,378	90,250	1,550	130,000	1,810
Ottawa (W.)	62,600	1,225	88,000	1,380	77,000	1,075	98,000	1,650
Sault Ste. Marie	50,000	785	64,900	960	105,000	950	110,500	1,700
Thunder Bay	70,000	700	78,500	1,100	85,000	1,495	140,000	2,450
Winnipeg(St.James)	57,000	695	76,000	1,650	90,000	1,020	125,000	2,300
Regina	57,000	720	84,000	1,800	92,000	970	126,000	1,900
Saskatoon (N.E.)	58,500	470	78,000	1,150	97,000	750	120,000	1,180
Calgary (N.E.)	68,000	480	88,000	900	165,000	1,400	240,000	1,900
Calgary(Mt.Royal)	105,000	800	132,000	1,400	121,500	880	132,000	1,400
Edmonton(Petrolia)	81,000	670	93,000	1,100	105,000	800	118,000	1,240
Edmonton(Mill Woods)	75,000	600	85,000	1,080	112,000	1,220	145,000	2,000
Vancouver-Burnaby	73,000	820	109,000	1,575	93,900	1,220	160,000	1,950
North Vancouver	72,700	870	122,500	1,500	156,500	1,810	265,000	2,800
Van.(Kerrisdale)	97,000	1,140	180,000	1,800	70,000	1,040	115,000	1,500
Van.(Surrey)	53,500	520	85,000	1,200	94,000	1,020	135,000	1,600
Victoria	63,500	670	105,000	1,250				

* includes initial servicing costs

Source: Royal Trust Survey of Canadian House Prices, June 1, 1978 and April 1, 1983 (reprinted with permission)

Table 6

The Changing Property Tax Burden in Canada

Province	Burden		School Portion	As % of Total Revenue	Relative to Total Taxes	Relative to GPP	Relative to Personal Income	Change Per Capita	Residential as % of Market Value
	Overall Per Capita	Residential							
Newfoundland	low	low	no change	increase	increase	increase	increase	above average	increase
Prince Edward Island	low	moderate	increase	increase	no change	no change	no change	above average	decrease
Nova Scotia	moderate	moderate	decrease	decrease	decrease	decrease	decrease	decrease	decrease
New Brunswick	low	low	-	increase	increase	increase	increase	above average	decrease/mixed
Quebec	high	high	decrease	decrease	increase	increase	increase	below average	decrease
Ontario	high	moderate	no change	increase	increase	increase	increase	average	mixed
Manitoba	high	high	increase	increase	increase	increase	increase	above average	increase
Saskatchewan	high	high	increase	increase	decrease	no change	increase	average	increase
Alberta	high	low	increase	increase	increase	increase	increase	average	increase
British Columbia	high	moderate	decrease	increase	decrease	decrease	decrease	average	mixed

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value. The highest rates in parts of Quebec, Windsor, Winnipeg and Regina rarely exceed 2-1/2%.

Conclusions

Table 6 sums up the pressures and changes affecting the property tax burden across Canada. Slowed assessment growth, past rapid growth and rising school costs are forcing increases to the property tax burden in all provinces except Nova Scotia, Quebec and British Columbia, where attempts are being made to reduce this burden. This is occurring in part by reducing the portion of property tax revenue going towards local schools.

However, only in Nova Scotia is there a clear pattern to the reduction of property taxes. Quebec has the highest property tax rates in Canada although these rates are on the decline. Residential property tax burden is high and growing in parts of Ontario, Manitoba and Saskatchewan. While Alberta has enjoyed some of the lowest residential property taxes, in the last few years they have also experienced the greatest rate increases in Canada.

Robert Ferguson, Research Associate

Research (con't)

STREET PROSTITUTION

In recent years, pressure on politicians to control prostitution has been increasing. The Bureau has recently published a report which addresses the problem of street prostitution from the municipal perspective. Copies are available from the Bureau for \$5.00.

DIRECTORY FOR METRO TORONTO - 1983

The Directory of Governments for Metro Toronto provides essential information for individuals, companies or groups dealing on a continuing basis with the Metro municipalities. Copies are available from the Bureau for \$10.00 for non-members. Members may obtain additional copies at \$5.00 each.

BMR IN REVIEW is published on a periodic basis and serves as both a newsletter on Bureau activities and a vehicle to provide information on various issues. Any comments are welcome.

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