

Speech at WRAFT Annual Meeting November 5, 2005
By Bob Topp, Executive Director

Welcome to WRAFT's second Annual Meeting. What a time for a meeting. The assessments are arriving and the Ombudsman is investigating. The combination of these events is stirring up a flurry of media activity together with howls of justified protest from property owners hit with massive assessment increases and a huge question mark about the impact on next year's taxes.

In the past year and a half, WRAFT's message has spread across the province and we have grown from four founding associations to close to 200 waterfront associations stretching from the Rideau Lakes to the Lake of the Woods. We now represent over 30,000 property owners and we estimate close to 100,000 Ontario voters. We've conducted extensive research on property tax systems across North America. We've made specific reform proposals to Queens Park and held numerous meetings with Finance staff and provincial politicians.

Our mission from the beginning was two fold: to halt the shift of property tax onto waterfront properties and to fight for a more equitable system for distributing property taxes, one not based solely on assessment. But with what we've learned from the extensive research on property tax systems across North America, in the feedback we've had from our membership and in the countless meetings we've had with provincial staff and politicians, it's clear that there's a lot that needs to be fixed to make the property tax system 'equitable'. This includes the way assessments are performed, it includes

what you actually pay for when you pay your property tax and it includes the use of volatile real estate markets as the basis for determining what your taxes are going to be from one year to the next. We've also learned that the prevailing view at Queens Park has been, believe it or not, that what you pay as property tax has nothing to do with the services you receive. What I'm saying is that the job of moving from where we are now to what could be called a fair system for distributing property taxes is a huge challenge. It has become increasingly clear that fundamental reforms are necessary in order to make the regime equitable for all residential property owners. The impact on waterfront of distributing taxes based on so-called current value is, in our view, more extreme than on other property classes. This has been well-documented. But the same flaws in the overall system affect all residential property owners.

What I'm announcing today is that we are now going to broaden our coalition. We are committed to our waterfront constituents who have supported us by joining, by providing the leadership and the financing to allow us to become the first Ontario-wide group dedicated to residential property tax reform. And we will fight for a new regime that produces fair and predictable tax levels for waterfront residents. But to get the job done we must join forces with other tax payer groups, both urban and rural who are being hurt by the present system. The latest reassessment has made it clear that there is widespread frustration and anger with the impact of this valuation and what it will do to peoples' tax bills all across the province. I attended an assessment meeting in Parkdale the other night and I can tell you that people are very angry. One Parkdale-High Park ward is up 18% compared to the Toronto average of 12%. They are angry at the increases,

they are angry at the demeaning appeal process and they are angry at the fact that for three successive assessments they have been picking up a bigger and bigger share of the Toronto tax load. Does that sound familiar?

Let me list the concerns common to all Ontario residential property owners:

1. In an environment where our provincial government has pledged no tax hikes, massive tax increases have, and will continue to be, the product of CVA for large numbers of Ontarians, in particular those on water and in other hot market areas. Imagine the reaction if someone's income tax rose by 30 to 40% in one year.
2. People don't understand their assessments, how they are prepared and how they translate to their tax bills. The system is the ultimate black box driven by formulae with local knowledge removed. This is what the Ombudsman is now investigating.
3. There are huge variations in valuation increases within local areas with no apparent cause. In trying to get answers, people end up in the middle of a three ring circus, MPAC, the municipality and the province: all have a role in determining their taxes but the system itself comes from Queens Park.
4. Ratepayers must build a case and appeal to get adjustments, then do it all again next time, year after year. The Ombudsman is looking at that as well.

5. Rising assessments allow municipalities to raise more money without increasing tax rates, what you could call a real stealth tax.
6. If taxpayers suffer serious financial hardship as a result of the provincial CVA system, their only recourse is to the municipality where they have to plead for relief. The province creates the problem but won't assist with the solution.
7. People cannot comprehend why there is absolutely no connection between taxes paid and services received. In the extreme, there is no discount for seasonal use of services.
8. Property taxes are thought of as municipal taxes but in fact education plus downloaded provincial social service costs make up over half the tax bill. Removal of these costs, which should be collected by the province based on income, would be a major step forward.
9. The Canadian tax system taxes realized gains. Ontario property tax is a tax on unrealized gains, gains which may never actually be realized. As a result there is no cash flow to pay the tax, creating financial hardship for countless property owners.

10. Before I finish this list of concerns, common to all residential property owners, I want to go back to the waterfront to give you an example of one more fundamental flaw in the CVA methodology. In Toronto there were significant differences between %age increases by ward, ranging from 6% to 19% with the Toronto average being 12%. But in Seguin Township, where my cottage is located, and where the average increase was 33%, the increase by lake was calculated. There are something like 60 bodies of water in the township. On those with significant numbers of properties average increases ranged from 20% to 101%. What that says to me is that there is no way MPAC can accurately assess rural properties, let alone rural waterfront properties. There are two reasons: not enough sales and the properties are all different. Otherwise how could the CVA system produce such results? By the way, these numbers had to be calculated by municipal staff, using MPAC assessment data. To get this kind of info from MPAC, you have to buy it and then you have to sign a license agreement saying you won't show it to anyone except your own membership.

I started my comments by saying we thought we could tinker with the CVA system. Now that we see more clearly the results it produces, we've concluded that perhaps it's time to go back to the drawing board. You may be aware that we proposed some earlier solutions, a capping scheme for all residential assessments and a separate waterfront class to prevent further tax shifts onto the water. We got no response to those

proposals. Now we're putting them aside. The reason we're putting them aside is because we are inviting other concerned residential property owner groups to join forces with us. Together with our allies we will develop solutions.

There are many possible ways to make the property tax system more equitable, less volatile and at least somewhat closer to paralleling the services received by ratepayers. We still believe the preferred solution would be some form of capping which would reduce volatility, stop the shift of tax onto areas with hot markets, make taxes more predictable and reduce reliance on a very unpopular and unreliable assessment system. Another would be to have a basic charge to all taxpayers for services received and distribute the remainder based on assessment. A third would be to scrap the value-based assessment system altogether and assess instead based on size and quality of building and property.

There are lots of alternatives but I'm going to leave it at that, because our intention, along with our new allies, is to develop solutions together. This will take time. For now our task is two-fold: to build the strongest possible alliance of residential property owners and to stop the 2005 assessment in its tracks. Our constituency, waterfront property owners, has had enough. The analysis we acquired last year from MPAC showed that between 1999 and 2003, assessment increases had caused a massive shift in tax onto waterfront across the province. We have now learned that a further substantial tax shift onto waterfront will occur in 2006 based on the 2005 assessment. We don't have all the numbers yet because they haven't all been released. For example we don't have

Niagara Region and we don't have Muskoka District. But we do have a breakdown of residential waterfront and off waterfront for most parts of the province and it's a devastating picture. The overall average for the regions already available shows waterfront up an average of 24 %, double the increase of 12% for residential properties off water. Upper tier municipalities including Haliburton, Parry Sound, Nipissing, Peterborough, Renfrew, Bruce, Durham and Hastings have average waterfront increases of roughly double the off waterfront averages. We will be circulating the detailed numbers to our members in the next few weeks but remember two things. First we had to sign an agreement that we can't show them to those outside your own membership. Secondly, they are averages and when you look in greater detail, as I've shown in Seguin, you see quite a different picture.

I'd like to say one final word about the Ombudsman before I talk about what you can do to help. His investigation at present is limited to specific questions of transparency and the appeal process. He is responding to concerns about the difficulty people have in understanding how their assessments are calculated and about the fact that if they get a reduction from an appeal, they find next time they have apply all over again. We believe it would be a good thing if the investigation was broadened to cover the whole assessment process which would obviously extend the four to six month time period estimated to get the job done. Meanwhile the Premier, echoed by a number of his MPPs, is saying nothing will be done about assessments and property taxes until the Ombudsman reports. We say that that's not good enough. Its time to move ahead with a serious review of the whole assessment-based

property tax system and we will continue to push for that review and until that is done, a shelving of the 2005 assessment.

Looking ahead we have specific plans to expand both our lobbying and communications efforts. We plan to meet with a number of MPPs who have large numbers of waterfront residents in their ridings, in some cases greater in number than their pluralities in the last election. We will identify and meet with groups and municipalities who have a common interest in reforming the property tax system and will build our alliance. Both these activities are already underway. With professional help we have a communications plan in place to raise our profile with potential stakeholders, the media and the public.

Let me tell you five things you can do to help us move forward:

1. Write or email your MPP where you live and tell him or her how you're being hurt by this CVA-based system. We will within a week or two introduce a new improved process on our website to make it even easier for you to send that email and to send us a copy.
2. Build interest in your local community. Write letters to the editor of your local paper. Talk up the issue with your neighbours. Be sure your local association belongs to WRAFT.
3. Keep an eye on our website for latest developments

4. Support us financially. Send a donation to WRAFT.

5. On your way out please sign a letter we plan to use as a petition as well as a means of focusing more media attention on our efforts. Sign your name and indicate the association you represent.

Thanks for your attention. Its now time for you to ask us questions and tell us whether there are things we should be doing that we aren't and generally how we can best serve our membership. We attend many of your meetings throughout the year but this is the only time we all meet together so please give us your feedback.