Subject: 2023 Tax Policy And Other Revenue Matters

File Number: ACS2023-FCS-REV-0001

Report to Finance and Corporate Services Committee on 4 April 2023

and Council 12 April 2023

Submitted on March 24, 2023 by Joseph Muhuni, Deputy City Treasurer, Revenue Services

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Ward: Citywide

Objet : Coefficients Fiscaux Et Autres Politiques D’imposition De 2023

Dossier : ACS2023-FCS-REV-0001

Rapport au Comité des finances et des services organisationnel le 4 avril 2023

et au Conseil le 12 avril 2023

Soumis le 24 mars 2023 par Joseph Muhuni, Trésorier municipal adjoint, Recettes

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATIONS

That the Finance and Corporate Services Committee recommend that Council:

1. Adopt the following optional property tax classes in 2023:

- **Shopping Centre property class**
- **Parking Lot and Vacant Land property class**
- **Office Building property class**

- **Large Industrial property class**
- **New Multi-Residential property class**
- **Professional Sports Facility property class**

2. Adopt the following tax ratios for 2023:

Property Class	Ratio*
Residential	1.00000
Multi-Residential	1.40001
New Multi-Residential	1.00000
Farm	0.20000
Managed Forest	0.25000
Pipeline	1.71982
Commercial Broad Class	1.94465
Commercial	1.91905
Office Building	2.38137
Parking Lot and Vacant Land	1.29531
Shopping Centre	1.54441
Professional Sports Facility	1.91905
Industrial Broad Class	2.44281
Industrial	2.55851
Large Industrial	2.19710
Landfill	2.76360

** Subject to final minor revisions upon Ontario Property Tax Analysis close-off.*

3. Adopt the following tax ratios, discounts and by-laws for the mandatory and optional property subclasses and the tax rate percentage reduction for farm land awaiting development:

- **Small business subclass (commercial and industrial): 15 per cent discount on the applicable Commercial and Industrial property tax class ratio**
- **Commercial excess land (commercial, office building and shopping centre property classes): No Discount**
- **Industrial and large industrial excess land: No discount.**
- **Vacant industrial land: 35 per cent discount on the applicable Industrial property class tax ratio**

- **Farm land awaiting development subclass I: a ratio equal to a 25 per cent discount on the residential property class tax rate**

- **Farm land awaiting development subclass II: No discount**

- **Small-scale business on farm subclass I: 25 per cent of the applicable commercial or Industrial property class tax ratio**

- **Small-scale business on farm subclass II: 25 per cent of the applicable commercial or Industrial property class tax.**

4. **Approve that the tax rates for 2023 be established based on the ratios adopted herein.**

5. **Approve that the 2023 capping and clawback provisions be as follows:**

   - **That capping parameters be approved at the higher of 10 per cent of the previous year's annualized tax or 10 per cent of the 2023 Current Value Assessment (CVA) taxes.**

   - **That capped or clawed back properties whose recalculated annualized taxes fall within $500 of their CVA taxation be moved to their CVA tax for the year and be excluded from any future capping adjustments.**

   - **That properties that have reached their CVA during the current year be excluded from any future capping adjustments.**

   - **Initiate the accelerated exit of the capping program, phased-out over 4 years.**

6. **Approve that the property tax and water mitigation programs previously approved by Council as established in this report be continued for 2023 as follows:**

   - **Charitable Rebate Program**

   - **Farm Grant Program**

   - **Low-Income Seniors and Persons with Disabilities Tax Deferral Program, and the revisions to the program outlined in this report**

   - **Low-Income Seniors and Persons with Disabilities Water Deferral Program, and the revisions outlined in this report.**

7. **Adopt the notional tax rate adjustment for the City of Ottawa as prescribed in the property tax-related regulations made under the *Municipal Act, 2001.***

8. **Approve that $5.7 million in additional tax revenue from the application of the notional tax rate adjustment be contributed to the tax stabilization reserve.**

9. **Approve that the 2024 property tax and due date provisions be as follows:**

    - **That the interim 2024 property tax billing be set at 50 per cent of the 2023 adjusted/annualized taxes as permitted by legislation.**

    - **That the following tax due dates be approved for 2024:**

        i. **Interim: March 21, 2024**

        ii. **Final: June 20, 2024.**

    - **That the penalty and interest percentage charged on overdue and unpaid tax arrears remain at 1.25 per cent per month (15 per cent per year) for 2024, unchanged from 2023.**

    - **That Council enact a by-law to establish the 2024 interim taxes, tax due dates, penalty and interest charges.**

10. **Adopt an annual levy on eligible institutions pursuant to Section 323 of the *Municipal Act, 2001*, and Ontario Regulation 384/98 as follows:**

    - **$75 per full-time student in attendance at universities and colleges, pursuant to Section 323 (1)**

    - **$75 per resident placed in correctional institutions, pursuant to Section 323 (2)**

    - **$75 per rated bed in public hospitals, pursuant to Section 323 (3)**

    - **$75 per student placed in provincial educational institutions, pursuant to Section 323 (5).**

11. **Authorize the Director, Corporate Real Estate Office, in consultation with the City Solicitor, to finalize and execute 4 Municipal Capital Facility Agreements that designate the portions of the following properties leased by the City of Ottawa as a Municipal Capital Facility:**

- **Designate a portion of 2430 Don Reid Drive, comprising approximately 4,499 square feet of office space, as Municipal Capital Facilities (MCF) for the purpose of the general administration of the Municipality as permitted under Section 110(6) of the *Municipal Act* and as defined in Ontario Regulation 603/06, as amended.**

- **Designate a portion of 2378 Holly Lane, comprising approximately 2,900 square feet of office space, as Municipal Capital Facilities (MCF) for the purpose of the general administration of the Municipality as permitted under Section 110(6) of the *Municipal Act* and as defined in Ontario Regulation 603/06, as amended.**

- **Designate a portion of 50 Rideau St, comprising of approximately 962 square feet of office space, as Municipal Capital Facilities for the purpose of the general administration of the Municipality as permitted under Section 110(6) of the *Municipal Act* and as defined in Ontario Regulation 603/06, as amended.**

- **Designate a portion of 1580 Merivale Rd, comprising approximately 9,950 square feet of office space, as Municipal Capital Facilities for the purpose of the general administration of the Municipality as permitted under Section 110(6) of the *Municipal Act* and as defined in Ontario Regulation 603/06, as amended**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil de prendre les mesures suivantes :

1. **Adopter les catégories de biens facultatives suivantes pour 2023 :**

    - **Centres commerciaux;**
    - **Stationnements et biens-fonds vacants;**
    - **Immeubles de bureaux;**
    - **Grands biens-fonds industriels;**

- **Nouveaux immeubles à logements multiples;**
- **Installations sportives professionnelles;**

2. Adopter les coefficients fiscaux suivants pour 2023 :

Catégorie	**Coefficient***
Biens-fonds résidentiels	1,00000
Immeubles à logements multiples	1,40001
Nouveaux immeubles à logements multiples	1,00000
Biens-fonds agricoles	0,20000
Forêts aménagées	0,25000
Pipelines	1,71982
Catégorie commerciale générale	1,94465
Secteur commercial	1,91905
Immeubles de bureaux	2,38137
Parcs de stationnement et terrains vacants	1,29531
Centres commerciaux	1,54441
Installations sportives professionnelles	1,91905
Catégorie industrielle générale	2,44281
Biens-fonds industriels	2,55851
Grands biens-fonds industriels	2,19710
Décharges	2,76360

** Sous réserve de dernières révisions mineures d’après les conclusions du Service en ligne d’analyse de l’impôt foncier (SLAIF).*

3. Adopter les coefficients fiscaux, les remises et les règlements municipaux suivants pour les sous-catégories de biens obligatoires et facultatives ainsi que la réduction du taux d’imposition proposé ci-dessous pour les terres agricoles en attente d’aménagement :

- **Petites entreprises (commerciales et industrielles) : 15 % de remise sur le coefficient fiscal applicable des catégories des biens-fonds commerciaux et industriels;**
- **Bien-fonds commerciaux excédentaires (catégories des biens commerciaux, des immeubles de bureaux et des centres commerciaux) : aucune remise;**

- **Biens-fonds industriels et grands biens-fonds industriels excédentaires : aucune remise;**
- **Bien-fonds industriels vacants : 35 % de remise sur le coefficient fiscal applicable de la catégorie des biens-fonds industriels;**
- **Terres agricoles en attente d'aménagement, sous-catégorie I : coefficient équivalent à 25 % de remise sur le taux d'imposition de la catégorie des biens résidentiels;**
- **Terres agricoles en attente d'aménagement, sous-catégorie II : pas de remise;**
- **Entreprises de petite envergure sur terrain agricole, sous-catégorie I : 25 % du coefficient fiscal applicable de la catégorie des biens-fonds commerciaux ou industriels;**
- **Entreprises de petite envergure sur terrain agricole, sous-catégorie II : 25 % du coefficient fiscal applicable de la catégorie des biens-fonds commerciaux ou industriels;**

4. **Approuver l'établissement des taux d'imposition de 2023 d'après les coefficients fiscaux ici énoncés;**
5. **Approuver pour 2023 les dispositions suivantes relativement au plafonnement et à la récupération fiscale :**

   - **Que le plafonnement corresponde au plus élevé des deux montants suivants : 10 % des impôts annualisés de l'année précédente, ou 10 % des impôts pour 2023 établis selon la valeur actuelle;**
   - **Que les biens faisant l'objet d'un plafonnement ou d'une récupération fiscale et pour lesquels l'écart entre les impôts annualisés recalculés et les impôts établis d'après la valeur actuelle ne dépasse pas 500 $ soient imposés d'après leur valeur actuelle pour l'année en cours et exclus de tout rajustement relatif au plafonnement;**
   - **Que les biens pour lesquels la valeur actuelle a été atteinte pendant l'année en cours soient exclus de tout rajustement relatif au plafonnement;**

- **Que débute le retrait accéléré du programme de plafonnement, échelonné sur une période de quatre ans;**

6. **Approuver que soient maintenus les programmes suivants d'allégement de l'impôt foncier et des redevances d'eau déjà approuvés par le Conseil et tels qu'établis dans le présent rapport :**

    - **Programme de remboursements offerts aux organismes de bienfaisance;**
    - **Programme de subventions pour terres agricoles;**
    - **Programme de report des taxes foncières pour les personnes âgées et les personnes en situation de handicap à faible revenu, dans sa version modifiée par le présent rapport;**
    - **Programme de report de paiement de la facture d'eau pour les personnes âgées et les personnes handicapées à faible revenu, dans sa version modifiée par le présent rapport;**

7. **Approuver pour la Ville d'Ottawa le redressement du taux d'imposition théorique prescrit par les règlements sur l'impôt foncier pris en application de la *Loi de 2001 sur les municipalités*;**

8. **Approuver le transfert de 5,7 millions de dollars en recettes fiscales supplémentaires issues du redressement du taux d'imposition théorique au fonds de réserve pour la stabilisation des taxes;**

9. **Approuver pour 2024 les paramètres du relevé d'imposition foncière et des dates d'exigibilité suivants :**

    - **Que le montant d'impôts fonciers provisoire de 2024 soit établi à 50 % du montant annualisé ou rajusté de 2023, comme l'autorise la loi;**
    - **Que soient approuvées pour 2024 les dates d'exigibilité suivantes :**

        i. **Montant provisoire : 21 mars 2024**

        ii. **Montant définitif : 20 juin 2024**

- **Que le taux de pénalité et d’intérêt applicable aux montants en souffrance et aux arriérés d’impôts demeure à 1,25 % par mois (15 % par année) pour 2024, comme en 2023;**

- **Que le Conseil adopte un règlement établissant l’impôt provisoire, les dates d’exigibilité, les pénalités et les intérêts pour 2024;**

10. Adopter le prélèvement d’un impôt annuel auprès des établissements admissibles aux termes de l’article 323 de la *Loi de 2001 sur les municipalités* et du Règlement de l’Ontario 384/98, conformément aux modalités suivantes :

- **75 $ par étudiant à temps plein inscrit dans les universités et collèges, conformément au paragraphe 323 (1);**

- **75 $ par résident qui peut être accueilli dans les établissements correctionnels, conformément au paragraphe 323 (2);**

- **75 $ par lit reconnu dans les hôpitaux publics, conformément au paragraphe 323 (3);**

- **75 $ par place d’étudiant dans les établissements provinciaux d’enseignement, conformément au paragraphe 323 (5);**

11. Autoriser le directeur, Bureau des biens immobiliers municipaux, à conclure et à signer, en consultation avec l’avocat général, quatre accords relatifs aux immobilisations municipales visant à attribuer la désignation d’immobilisation municipale aux parties des propriétés suivantes, louées par la Ville d’Ottawa :

- **Attribuer à une partie du 2430, promenade Don-Reid, qui comprend un espace de bureaux d’environ 4 499 pieds carrés, la désignation d’immobilisation municipale aux fins de l’administration générale de la municipalité, en vertu du paragraphe 110 (6) de la *Loi sur les municipalités* et au sens du Règlement de l’Ontario 603/06, dans sa dernière version;**

- **Attribuer à une partie du 2378, ruelle Holly, qui comprend un espace de bureaux d’environ 2 900 pieds carrés, la désignation d’immobilisation municipale aux fins de l’administration générale de la municipalité, en vertu du paragraphe 110 (6) de la *Loi sur les***

***municipalités* et au sens du Règlement de l’Ontario 603/06, dans sa dernière version;**

- **Attribuer à une partie du 50, rue Rideau, qui comprend un espace de bureaux d’environ 962 pieds carrés, la désignation d’immobilisation municipale aux fins de l’administration générale de la municipalité, en vertu du paragraphe 110 (6) de la *Loi sur les municipalités* et au sens du Règlement de l’Ontario 603/06, dans sa dernière version;**

- **Attribuer à une partie du 1580, chemin Merivale, qui comprend un espace de bureaux d’environ 9 950 pieds carrés, la désignation d’immobilisation municipale aux fins de l’administration générale de la municipalité, en vertu du paragraphe 110 (6) de la *Loi sur les municipalités* et au sens du Règlement de l’Ontario 603/06, dans sa version modifiée.**

EXECUTIVE SUMMARY

This report presents recommendations regarding property taxes that *the Municipal Act 2001*, requires Council to address each year. These decisions determine the tax burden on the various tax classes for the 2023 taxation year.

1. **Optional Property Tax Classes**: The report recommends that Council approve the use of all the optional property classes permitted by the Assessment Act, as it has done in the past. These ratios allow for different taxation levels within the property classes and minimize the shifting tax burden between the broad classes.

2. **Tax Ratios**: Council must approve tax ratios for various tax classes each year. These ratios allow different tax burdens between the property classes. The report recommends that Council adopt the ratios proposed to mitigate inter-class tax shifts.

3. **Mandatory and Optional Subclass Discounts**: The report recommends ratios for the property subclasses and the corresponding tax rate discounts. The recommended discounts are consistent with the previous year or prior Council direction.

4. **Tax Rate**: The report recommends establishing tax rates based on the ratios in this report and the overall budgetary tax increase approved by Council with the associated by-laws.

5. **Capping Regulations**: Commercial, Industrial and Multi-Residential properties are covered by a mandatory capping program that limits the tax increases from reassessment. Multi-Residential properties excited capping in 2019, and additional changes to accelerate the movement of the remaining commercial and industrial properties to their actual CVA taxes are recommended for 2023.

6. **Tax Mitigation Programs**: The report recommends Council continue the following tax mitigation programs for 2023:

   - Charitable Rebate Program
   - Farm Grant Program
   - Full Property Tax Deferral for Low-Income Seniors and Persons with Disabilities and the revisions to the program outlined in this report
   - Full Water Utility Bill Deferral Program for Low-Income Seniors and Persons with Disabilities and the revisions to the program outlined in this report.

7. **Notional Tax Rate Adjustment**: The report recommends that Council adopt the notional tax rate adjustment prescribed in the property tax-related regulations made under the *Municipal Act, 2001*. These regulatory amendments were tabled through the 2016 provincial budget in response to municipal requests and are further detailed in this report.

8. **Allocation to the Operating Budget**: The report recommends that the $5.7 million of additional growth identified from the application of the notional tax rate adjustment be contributed to the tax stabilization reserve, used to stabilize tax rates and protect the City against unforeseen operating expenses

9. **Property Taxes and Due Dates**: For the collection of property taxes, the *Municipal Act 2001*, requires that Council approve by by-law an interim tax billing up to 50 per cent, tax due dates, alternative instalments, due dates to allow taxpayers to spread the payment of taxes more evenly over the year, and penalty and interest percentage charges.

10. **Annual Levy Payments from Eligible Institutions**: Under Section 323 (1), (2), (3) and (5) of the *Municipal Act, 2001,* and Ontario Regulation 384/98 "Tax Matters - Universities and Other Institutions," municipalities are entitled to levy $75 per full-time student in attendance at universities and colleges, $75 per resident place in

correctional institutions, $75 per bed in public hospitals and $75 per place in provincial educational institutions. The levies are established based on the appropriate capacities.

11. **Municipal Capital Facilities Extension:** Designate a portion of City leased space located at 2430 Don Reid Drive, 2378 Holly Lane, 50 Rideau St, 1580 Merivale Rd, as Municipal Capital Facilities (MCF), for the purpose of the general administration of the Municipality as permitted under Section 110(6) of the Municipal Act and as defined in Ontario Regulation 603/06, for a total estimated tax revenue reduction of $62,650 per annum and a corresponding budget reduction to the appropriate department.

Following this report's adoption, by-laws establishing the 2023 tax rates incorporating the overall budgetary increase are prepared for Council approval. The overall budgetary tax increase on the average urban home assessed at $415,000 results in an average urban residential tax impact of approximately $104. The impact varies in different areas of the City, depending on the services received. Although the City does not benefit from annual assessment changes, individual properties are impacted differently based on how their value has changed relative to others. The tax increase change due to reassessment and the tax distribution by service are listed on the back of each tax bill.

RÉSUMÉ

Le présent rapport comporte des recommandations sur les questions relatives à l’impôt foncier que le Conseil doit examiner chaque année, conformément à la *Loi sur les municipalités*. Les décisions qui en découlent détermineront la charge fiscale imposée aux différentes catégories de biens pour l’année d’imposition 2023.

1. **Catégories de biens facultatives** : Dans le rapport, il est recommandé au Conseil municipal d’approuver, comme il l’a fait auparavant, l’application de toutes les catégories de biens facultatives prévues dans la *Loi sur l’évaluation foncière*. Les coefficients qui s’y rapportent permettent de différencier les niveaux d’imposition au sein d’une même catégorie et d’équilibrer la répartition de la charge fiscale entre les catégories générales.

2. **Coefficients fiscaux :** Le Conseil doit chaque année approuver des coefficients fiscaux pour les différentes catégories de biens. Ces coefficients permettent de différencier la charge fiscale entre elles. Dans le rapport, il est recommandé au Conseil municipal d’adopter les coefficients proposés afin d’équilibrer la répartition de la charge fiscale entre les catégories de biens.

3. **Réductions dans les sous-catégories obligatoires et facultatives :** Dans le rapport, il est recommandé au Conseil d'adopter les coefficients proposés pour les différentes sous-catégories de biens ainsi que les réductions du taux d'imposition correspondantes. Les réductions recommandées cadrent avec celles de l'année précédente ou avec les directives données antérieurement par le Conseil.

4. **Taux d'imposition :** Il est recommandé d'établir les taux d'imposition en fonction des coefficients proposés dans le présent rapport et de la hausse d'impôt globale figurant au budget et approuvée par le Conseil avec les règlements correspondants.

5. **Réglementation sur le plafonnement :** Les biens-fonds commerciaux, industriels et à logements multiples bénéficient d'un programme de plafonnement obligatoire qui limite les hausses d'impôts découlant d'une réévaluation. Les immeubles à logements multiples n'en bénéficient plus depuis 2019, et de nouvelles modifications visant à accélérer le retrait des biens-fonds commerciaux et industriels restants afin de les soumettre à un niveau d'imposition basé sur leur valeur actuelle sont recommandées pour 2023.

6. **Programmes d'allégement de la charge fiscale :** Dans le rapport, il est recommandé au Conseil municipal de reconduire pour 2023 les programmes d'allégement de la charge fiscale suivants :

   - Programme de remboursements offerts aux organismes de bienfaisance
   - Programme de subventions pour terres agricoles
   - Programme de report total des taxes foncières pour personnes âgées et personnes en situation de handicap à faible revenu, dans sa version modifiée par le présent rapport
   - Programme de report total du paiement de la facture d'eau pour les personnes âgées et les personnes handicapées à faible revenu, dans sa version modifiée par le présent rapport

7. **Redressement du taux d'imposition théorique :** Dans le rapport, il est recommandé au Conseil municipal d'approuver le redressement du taux d'imposition théorique prescrit dans les règlements sur l'impôt foncier pris en application de la *Loi de 2001 sur les municipalités*. Le rapport donne des précisions sur les modifications réglementaires en cause, déposées dans le cadre

du processus budgétaire provincial de 2016 en réponse aux demandes des municipalités.

8. **Affectation au budget de fonctionnement :** Dans le rapport, il est recommandé d'affecter les 5,7 millions de dollars en recettes supplémentaires issues du redressement du taux d'imposition théorique au fonds de réserve pour la stabilisation des taxes, lequel sert à assurer la stabilité des taux d'imposition et à protéger la Ville en cas de coûts de fonctionnement imprévus.

9. **Relevé d'imposition foncière et dates d'exigibilité :** Concernant la perception de l'impôt foncier, la *Loi de 2001 sur les municipalités* oblige le Conseil municipal à approuver, par règlement municipal, un relevé d'imposition provisoire (jusqu'à concurrence de 50 %), des dates d'exigibilité, des versements échelonnés et des dates d'exigibilité permettant aux contribuables d'échelonner leurs paiements plus uniformément dans l'année, ainsi que des pénalités et des taux d'intérêt exprimés en pourcentage.

10. **Prélèvement annuel auprès des établissements admissibles :** En vertu des paragraphes (1), (2), (3) et (5) de l'article 323 de la *Loi de 2001 sur les municipalités* et du Règlement de l'Ontario 384/98 (« Questions fiscales – Universités et autres établissements »), les municipalités ont le droit de prélever une somme de 75 $ par étudiant à temps plein inscrit dans les universités et collèges, de 75 $ par résident qui peut être accueilli dans les établissements correctionnels, de 75 $ par lit reconnu dans les hôpitaux publics et de 75 $ par place d'étudiant dans les établissements provinciaux d'enseignement. Les montants sont établis d'après la capacité des établissements.

11. **Prolongation des accords relatifs aux immobilisations municipales :** Attribuer à une partie des espaces loués par la Ville situés aux 2430, promenade Don-Reid, 2378, ruelle Holly, 50, rue Rideau et 1580, chemin Merivale la désignation d'immobilisation municipale aux fins de l'administration générale de la municipalité, en vertu du paragraphe 110 (6) de la *Loi sur les municipalités* et au sens du Règlement de l'Ontario 603/06, ce qui entraînera une baisse totale estimée des recettes fiscales de 62 650 $ par an et une réduction correspondante au budget de la direction générale concernée.

Une fois le présent rapport adopté, des règlements fixant les taux d'imposition de 2023 en fonction de la hausse budgétaire globale seront soumis à l'approbation du Conseil municipal. L'augmentation globale de l'impôt prévue au budget aura, pour une habitation moyenne en milieu urbain évaluée à 415 000 $, une incidence fiscale de l’ordre de 104 $. Cette incidence variera d’un secteur à l’autre de la ville en fonction des services reçus. Bien que la Ville ne profite pas de la fluctuation des évaluations annuelles, l’incidence de celle-ci sur chaque bien-fonds diffère selon l’évolution de la valeur dudit bien-fonds par rapport à celle des autres. La hausse de l’impôt foncier découlant d’une réévaluation et la répartition de l’impôt foncier par service sont indiquées au verso du relevé d’imposition.

BACKGROUND

This report covers tax policy and decisions that Council is required to address each year under the *Municipal Act, 2001.* The recommendations make minor amendments to programs and by-laws that affect property tax and other revenues.

Reassessment

Property taxes are calculated by multiplying assessment values, determined by the Municipal Property Assessment Corporation (MPAC) under provincial legislation, by the City and the Province's tax rates. MPAC conducted a reassessment in 2016 with changes phased in through the 2017 and 2020 taxation years. In response to the COVID-19 pandemic, the provincial government postponed the planned reassessment for the 2021-2024 taxation years. As a result, the 2023 assessments continue to be based on the 2016 CVA. There has been no update on when the next reassessment will occur.

Municipalities do not benefit from any reassessment changes. However, the delayed reassessment has caused higher remissions risk and affected our ability to negotiate assessment appeals effectively. Properties that have appealed their assessments this cycle and settled those appeals are being re-appealed and re-litigated, resulting in more tax remissions for the City. Several hundred high-value Commercial, Multi-residential and Industrial properties have re-appealed their property assessment values at the Assessment Review Board (ARB). With staff involvement in the ARB proceedings and support from MPAC, many have been dismissed. However, the issue is complex; some properties still manage to re-litigate previously settled values. A continued delay in reassessment will only complicate this issue and create more risk to the tax base. In January 2023, the Association of Municipalities of Ontario (AMO) confirmed they are engaging the Ministry of Finance to show the need for a timely return to the assessment cycle. Staff will update Council as soon as any announcement is made.

Growth

In 2022 Ottawa experienced record property tax levy growth. Growth includes capturing new construction, major renovations, and changes in use, net of any assessment appeals. In 2023, the City netted 2.2 per cent in tax levy growth compared to 1.6 per cent in 2021. While residential saw the highest levy growth at $32.6 million or 2.5 per cent, with over 7,800 new residential units, the New Multi-residential class recorded growth at 35.2 per cent. The New Multi-residential class increased by over $8.8 million in new taxes, representing 3,740 rental apartment units. Table 1 illustrates the tax levy growth in 2022 by class, and Table 2 shows the tax levy growth by zone. Please refer to Appendix A for additional details on levy growth by ward.

Table 1 – Tax Levy Growth

Class	**Final 2022 Levy ($ millions)**	**Base 2023 Levy before Budget Increase ($ millions)**	**Levy Growth ($ millions)**	**Growth %**
Residential	1,301.84	1,334.45	32.60	2.50%
Commercial	449.35	451.13	1.78	0.40%
Multi-Res	112.59	112.07	-0.52	-0.46%
New Multi-Res	25.06	33.88	8.82	35.19%
Industrial	33.78	33.38	-0.39	-1.17%
Farm and Managed Forests	3.02	2.94	-0.07	-2.39%
Other	5.69	5.75	0.06	1.02%
Total Levy	1,931.34	1,973.61	42.27	**2.2%**

As illustrated in the table below, Ottawa experienced 68 per cent of the total 2022 levy growth in the wards classified as suburban, 19.5 per cent in urban and 12.5 per cent in rural.

Table 2 – Tax Levy Growth by Zone

Zone	Final 2022 Levy ($ millions)	Base 2023 Levy before Budget Increase ($ millions)	Levy Growth ($ millions)	Growth %
URBAN	1,131.96	1,140.14	8.18	0.72%
SUBURBAN	665.67	694.51	28.83	4.33%
RURAL	133.70	138.96	5.26	3.94%
Total levy	**1,931.34**	**1,973.61**	**42.27**	**2.2%**

Conclusion

Assessment changes to the tax base occur yearly to account for growth and reassessment. Assessment growth provides new taxes for the City. Reassessment changes do not provide any new taxes to the City. Instead, reassessment changes cause tax shifts between the tax classes unless mitigated. This report recommends mitigation measures similar to those that Council has approved in previous years' Tax Ratios and Other Tax Policies reports.

DISCUSSION

1. Optional Property Tax Classes

To provide maximum flexibility to Council for tax policy decisions, the City of Ottawa has continually adopted all the optional tax property classes the *Assessment Act* allows. These optional tax classes represent subclasses within the broad commercial and industrial property classes. By using tax ratios, different tax burdens are imposed within the broad tax class. Any changes to these optional property tax classes and their ratios would affect the tax burden on other properties within the broad tax class. If Council chose not to adopt the optional property class, those properties would become part of the corresponding broad class and assume the overall ratio.

Revenue Services recommends the adoption of the following optional tax classes in 2023:

- Shopping Centre property class
- Parking Lot and Vacant Land property class
- Office Building property class
- Large Industrial property class

- New Multi-Residential property class
- Professional Sports Facility property class.

2. Tax Ratios

Within the limits of the *Municipal Act 2001*, municipalities in Ontario have the authority to apply different tax rates to the property classes through tax class ratios. A tax ratio is the proportion by which a class or subclass tax rate compares to the residential class tax rate, which has a base ratio of 1.0. For example, a property with a tax ratio of 2.0 would pay twice the municipal tax amount as a similarly valued residential property. These ratios allow different tax burdens to be imposed on different property classes. This report recommends adopting a set of proposed tax ratios that maintain the proportion of property taxes paid in each property class. The ratios prevent shifting the tax burden from residential properties to the Commercial and Multi-Residential property classes. This would be consistent with the City's practice in previous years.

Tax Ratio Parity

In 1998, each municipality in Ontario inherited transition ratios equivalent to the 1997 tax level but was also prescribed a range of fairness targets set by the Province. For all classes, except for Farm and Managed Forest, the goal was to reach tax ratios of 1.0, or a tax rate equal to that of the residential class. However, most municipalities would require a large tax increase on the Residential class to meet that goal. It is estimated that implementing ratio parity would result in a $640 tax increase (15.2 per cent) for the average residential property or $208 million added to the Residential class in Ottawa.

Tax Ratios and Reassessment

While the City does not benefit from any reassessment changes, annual tax shifts between classes would occur if the City did not mitigate the shifts with neutral ratios. The tax burden shifts naturally happen based on how the various class increases differ from the residential class increase of approximately 3.8 per cent. Individual properties would also experience tax shifts within the class depending on the differential from the class's overall change.

Given that the province has postponed the next 4-year reassessment cycle that was scheduled to happen in 2021 and held the 2020 assessment values to date, there is no year-over-year reassessment change in 2023.

Table 3 – CVA Change by Class

CLASS	CVA 2022 ($ millions)	CVA 2023 ($ millions)	Reassessment Change	2016 - 2020 Change
Residential	139,057	139,057	0.00%	3.8%
Commercial	30,332	30,332	0.00%	6.0%
Multi-Residential	8,196	8,196	0.00%	11.8%
New Multi-Residential	3,436	3,436	0.00%	10.9%
Industrial	1,778	1,778	0.00%	17.7%
Farm & Managed Forest	1,823	1,823	0.00%	103.7%
Other	378	378	0.00%	8.0%
Total	185,000	185,000	0.00%	5.2%

The Need for Neutral Ratios

Municipalities can continue with prior-year ratios, adopt revenue-neutral or adopt alternate ratios. Neutral ratios ensure that each class pays the same portion of the tax burden year after year. Alternate ratios are specific ratio reductions to individual classes, as guided by the City's overall objectives and adherence to provincial regulation.

Neutral ratios mitigate tax shifts caused by reassessment or adjustments to the notional tax rate for lost growth due to assessment appeals. In 2023, neutral ratios are only required to mitigate tax shifts resulting from the notional tax rate adjustment because there is no reassessment change.

The estimated potential tax shifts between classes that the City would mitigate by adopting the proposed ratios instead of using the previous years' ratios are shown in Table 4 below.

Table 4 - Tax Shifts Mitigated by Adopting Neutral Ratios

Taxable class	2023 Revenue neutral tax ratios ($ millions)	Same ratio as 2022 ($ millions)	2023 Tax shift avoided ($ millions)	Tax change
Residential	1,369.6	1,373.4	3.9	0.285%
Commercial	468.1	464.1	(4.0)	(0.86%)
Multi- Residential	115.3	115.3	0.0	0.00%
New-Multi-Residential	34.8	34.9	0.1	0.29%
Industrial	34.4	34.4	(0.0)	(0.06%)
Farm & Managed Forest	3.0	3.0	0.0	0.26%
Other	5.9	5.69	0.0	0.02%
Net impact	2,031.0	2,031.0	0.0	0.00%

The ratios' history by class and the proposed neutral ratios for 2023 are outlined in Table 5 below.

Table 5 - Tax Ratios from 2020 to 2023

CLASS	Actual 2020	Actual 2021	Actual 2022	Proposed 2023*
Residential	1.00000	1.00000	1.00000	1.00000
Multi-Residential	1.38668	1.38668	1.39604	1.40001
New Multi-Residential	1.00000	1.00000	1.00000	1.00000
Farm	0.20000	0.20000	0.20000	0.20000
Managed Forest	0.25000	0.25000	0.25000	0.25000
Pipeline	1.72075	1.72014	1.71996	1.71982
Commercial Broad Class	1.83042	1.86026	1.90648	1.94465
Commercial	1.80635	1.83528	1.87661	1.91905
Office Building	2.24153	2.27743	2.32872	2.38137
Parking Lot and Vacant Land	1.21924	1.23877	1.26667	1.29531
Shopping Centre	1.45371	1.47700	1.51026	1.54440
Professional Sports Facility	1.80635	1.83528	1.87661	1.91905
Industrial Broad Class	2.39059	2.40573	2.41740	2.44281
Industrial	2.50228	2.52031	2.54255	2.55851
Large Industrial	2.14882	2.16430	2.18340	2.1971
Landfill	2.76509	2.76411	2.76382	2.76360

**Subject to final minor revisions upon Ontario Property Tax Analysis close off.*

**Revenue Neutral Ratios subject to in-year assessment changes and Notional Tax Rate Adjustment.*

Levy increase Restriction Ratio Thresholds

Certain property tax classes have ratio restrictions set by the Province. If these tax ratios for the property class exceed the restriction limit, then only 50 per cent of the budgetary increase can be passed on to the tax class. Levy restrictions directly impact a Municipality's ability to achieve the full budgetary tax increase. Before 2004, all municipalities with classes that exceeded these levels could not pass on any annual tax increases to these classes. Starting in 2004, the Province partially addressed this by limiting the annual tax increase to 50 per cent of the annual tax increase for those classes above these thresholds.

Levy restrictions exist for these tax classes:

1. 2.00 for the multi-residential property class.
2. 1.98 for the broad commercial property class.
3. 2.63 for the broad industrial property class.
4. 25.00 for the landfill property class.

Commercial Tax Ratio

The broad Commercial class aggregates the shopping centre, office, parking and vacant land and residual commercial optional classes. It also includes the small business and excess land subclasses. Appeals within the broad class have caused the assessments to decrease slightly, with a corresponding annual increase in the neutral ratio to avoid tax shifting.

The recommended broad Commercial class ratio for 2023 is 1.94465, which remains lower than the 1.98 levy restriction ratio threshold. The broad Commercial class tax ratio was previously higher than the restriction threshold, which restricted the annual tax increase to 50 per cent, and the other classes bore the shortfall. Since 2017, the broad Commercial class ratio has been below 1.98, and the City passed on the full budgetary increase to this class.

Multi-Residential Tax Ratio

The Multi-Residential tax class includes all large rental apartment properties constructed before 2001. The recommended Multi-Residential (MT) neutral ratio of 1.40001 in 2023 is 40 per cent lower than the transition ratio of 2.3359 set in 1998. The ratio has naturally continued to drop through reassessment over time. This ratio is slightly higher than the 2022 ratio due to assessment appeals. However, this neutral ratio does not equate to paying more taxes in 2023.

If the city were to lower the ratio to 1.00, there would be a permanent shift to the residential class of $22.3 million or $98 to the average residential property. The average multi-residential property would save over $11,000 annually. The reduction in taxes is required to be passed on to tenants through an automatic rent reduction. The average reduction would be a 4.5 per cent monthly rent reduction.

New Multi-Residential Tax Ratio

All large rental apartment properties constructed after 2001 are captured in the New Multi-Residential Tax Class and pay the same tax rate as residential properties at a ratio of 1.00. The introduction of the New Multi-Residential Tax Class in 2001 was intended to promote the construction of additional apartment rental buildings. The Province did this to ease the pressures on the low vacancy rate and high rent levels experienced by tenants over the years.

Industrial Tax Ratio

The broad Industrial class includes the industrial and optional large industrial classes. It also consists of the small business, excess land and vacant land subclasses.

Slight reductions due to appeals have caused the assessment to decrease in 2023. The industrial class broad class ratio for 2023 is 2.44281, which remains lower than the 2.63 ratio threshold.

Farm and Managed Forest Tax Ratios

Provincial legislation prohibits the tax ratios for the Farm and Managed Forest classes from exceeding 0.25. In 2004, the City of Ottawa became the first municipality in the Province to drop its Farm class tax ratio to 0.20. The reduction from 0.25 to 0.20 equates to approximately $737,000 in annual savings for the Farm class or $166 for Ottawa's average farm property. There are slightly more than 3,600 farm properties in the City of Ottawa. In 2023, the average Farm class property will have a municipal property tax burden of approximately $670.

Revenue Services recommends that Council adopt the proposed ratios outlined in the report.

3. Mandatory and Optional Subclass Discounts

Small Business Subclass

In 2021, Council approved the adoption of a new optional small business subclass. The tax subclass gives eligible small businesses a discount from the existing Commercial and Industrial class ratio. City Council approved a phased-in approach for the discount, with the total discount being a 15 per cent phase-in over 2022 and 2023.

In 2023, the small business subclass discount will increase from 7.5 percent to 15 per cent from the Commercial and Industrial tax rates. The increase to the full 15 per cent discount will provide the small business community with an additional $5.1 million in municipal tax savings in 2023, on top of the $4.8 million from 2022. The province has also confirmed that they will match the increased 15 per cent discount for the small business subclass education taxes, resulting in a $2.6 million savings for small businesses in 2023. In 2023, the average small business property will see an additional $1,300 discount in municipal taxes and an additional $500 discount in education taxes for a total of $1,800 in savings. The average small business property saw a $1,400 reduction in 2022 and an additional $1,800 discount in 2023 for a total savings of $3,200.

Excess Land and Vacant Land Subclasses

The vacant and excess land subclasses are only applicable to Commercial and Industrial properties. Provincial legislation prescribes vacant land and excess land as mandatory subclasses but allows the City to set the tax ratios for these subclasses as a percentage of the applicable class tax ratio. Prior to a change in regulation in 2017 the maximum discounts previously allowed by provincial legislation and adopted by the City were as follows:

- 30 per cent of the applicable Commercial tax class ratio for commercial excess land (Commercial, Office Building and Shopping Centre classes), and
- 35 per cent of the applicable Industrial class tax ratio for vacant industrial land and industrial excess land.

In 2019, the Province removed the education rate discounts for the Excess and Vacant Land subclasses. As part of the initiative for the Small Business Subclass and to offset the cost of the discount, Council also approved eliminating the discounts for the excess land tax subclasses classes; while maintaining the discount for vacant land subclasses. As a result, the discount for Commercial Excess Land was reduced from 30 per cent in 2021 to 15 per cent in 2022 and will be eliminated in 2023. The discount for Industrial Excess Land reduced from 35 per cent in 2021, to 17.5 per cent in 2022 and will be eliminated in 2023.

The discount for vacant industrial and large industrial subclass remains at 35 per cent.

Farm Land Awaiting Development I and II

Ontario Regulation 383/98 prescribes two mandatory Farm Land awaiting development subclasses but allows Municipalities to set a percentage reduction on the tax rate applied to the subclass. The subclasses can exist in the residential, Multi-residential, Commercial, and Industrial tax classes.

- Farm land awaiting development subclass I, is farm land used solely for farming where there is no registered subdivision plan on the lands and no building permit for non-farm use construction. A reduction of 25 per cent and 75 per cent of the residential tax rate is allowed for the first subclass. Staff recommend a discount of 25 per cent, consistent with prior years, to avoid shifting the tax burden to other property classes.

- Farm land Awaiting Development II subclass is land in subclass I, except there is a building permit for non-farm use construction on the land. While it is a mandatory subclass, Ottawa does not have properties in this category. A tax rate reduction between 25 per cent and 100 per cent on the residential rate is allowed for the second subclass. No discount is recommended since we do not have properties in this subclass.

The Ontario Regulation allows a reduction of between 25 per cent and 75 per cent of the residential tax rate for the first subclass and between 25 per cent and 100 per cent of the second subclass. Staff recommend a discount of 25 per cent for Farm land awaiting development subclass I, consistent with prior years, to avoid shifting the tax burden to other property classes.

Small-scale Business on Farm Subclass I and II

In 2018, the Province enacted a new regulation, O. Reg 363/18, to reduce the tax rate on qualifying value-added activities on farms as part of the farming business. The regulation enables municipalities and the Province to reduce the tax rate, for the first $50,000 of assessment, to 25 per cent of the commercial or industrial rate, where properties are assessed under $1 million. The 19 qualifying properties received this new tax class in 2019 and the City adopted a 25 percent reduction to the tax rate for this subclass.

In 2022, the Province expanded the existing Small-Scale On-Farm Business Subclasses. Municipalities are now permitted to adopt a second Subclass to reduce the tax rate for the next $50,000 in eligible assessments for these same properties and provide a discount of up to 25 per cent of the commercial or industrial rate. It is recommended that Ottawa adopts this subclass and adopts a 25 per cent discount for subclass II, similar to the first subclass. The Province has adopted a 25 per cent discount on the education rates for these two subclasses.

Revenue Services recommends the adoption of the following discounts and corresponding by-laws for these mandatory and optional property subclasses:

- Small business subclass (commercial and industrial): 15 per cent discount on the applicable commercial and industrial property tax class ratio
- Vacant industrial land: 35 per cent discount on the applicable industrial property class tax ratio
- Farm Land awaiting development subclass I: a ratio equal to a 25 per cent discount on the residential property class ratio
- Farm Land awaiting development subclass II: No Discount
- Small-scale Business on Farm subclass I: 25 per cent of the applicable commercial or industrial property class tax ratios.
- Small-scale business on Farm subclass II: 25 per cent of the applicable commercial or Industrial property class tax ratios.
- Excess land subclasses: No Discount

4. Tax Rates

Tax rates are set based on the 2023 budget property tax levy requirement, the total property assessment value by class and the effects of the tax ratios recommended within this report. The final tax rates for all classes are submitted to Council in May through by-laws for approval.

By-laws establishing the 2023 tax rates will incorporate a budgetary increase of 2.5 per cent. The result is an overall municipal property tax increase of approximately $104 for the average urban residential property, plus a $12 increase in the garbage collection fee. Listed at the back of each final tax bill is the budgetary tax increase, any change due to a reassessment and the tax distribution by service.

Revenue Services recommends that the municipal tax rates for 2023 be established based on the ratios adopted herein.

Education Rates

In 2021, as part of the 2020 Ontario Budget, the Province reduced the 2021 Business Education Tax (BET) rates. The reduction set the maximum rates for all business classes to 0.88 per cent but maintained the Residential, Farm and Multi-Residential rates. The Province has maintained the same education rates in 2022 and 2023 for all properties, and therefore properties should see no increase in their education taxes.

The municipality retains the education taxes paid by Payments In Lieu of Taxes (PILT) properties, and they form part of the annual budgeted revenue. To ensure Municipalities did not suffer unintended financial hardship as part of the Province's plan to help businesses, the Province maintained the 2020 BET rates for PILT properties for the 2021, 2022 and 2023 taxation years.

As noted in the memo to Council on January 19, 2023, the Federal government, the NCC and Canada Post have paid their PILTs using the reduced rates approved to help businesses struggling due to the COVID-19 pandemic. This resulted in a PILT revenue loss of $11.5 million in 2021, $11.5 million in 2022 and an anticipated loss of $11.5 million in 2023. In response to this loss, the City has filed an application to Federal Court seeking full payment for the owed PILT amounts.

5. Capping Regulations

The Province of Ontario legislated tax capping as a temporary tool to transition certain commercial, industrial and multi-residential properties to full Current Value Assessment

(CVA) taxation. Before 1998, business properties were taxed differently. With the change to a Fair Assessment approach using CVA, certain properties were faced with substantial one-time property tax increases. Tax capping was introduced to protect significantly impacted properties from large property tax increases due to this change. It limits the annual property tax increases by slowly phasing in the property tax increase from the change in methodology. Once a property's tax increase is fully phased in, it is no longer capped and taxed based on its full CVA.

In order to capture the lost revenue from capped properties, the City annually calculates a clawback rate that effectively limits significant decreases experienced by certain properties due to the change in property taxation methodology in 1998.

Over time, as property increases and decreases are fully realized, they exit the capping and clawback program. As a result, the number of properties in this program has been decreasing steadily over the years. In 2002, 9,377 properties were in the program; in 2008, there were 5,000. The last properties in the multi-residential class exited the program in 2019, and in 2023 only 41 properties in the Industrial and Commercial class remain in the program.

Given the low number of properties left, the City has the option to begin an accelerated exit of this program. This option is only available when all remaining properties are within 50 per cent of CVA tax. If the City selects this option, each property will move towards phasing in the remaining increase over a 4-year phase-out period.

To expedite this process and bring more properties to CVA taxes, staff recommend adopting the following parameters for the 2023 taxation year. This would bring the number of properties in the program down from 41 for 2023 to 33, steadily decreasing annually until no more properties are in the program by 2026. For additional information regarding the history, rules associated with this program and recommendations outlined in this report, please refer to Appendix A. The capping parameters recommended for 2023 are summarized below.

- Set the annualized tax limit to 10 per cent of the prior years annualized taxes.
- Set the prior year CVA tax limit to 10 per cent of the prior years CVA taxes.
- Set the CVA increasing/decreasing thresholds to $500.
- Exclude properties from the program once they reach CVA taxes.
- Initiate the accelerated 4-year phase-out of the capping program.

6. Mitigation Programs

Several tax mitigation programs allowed under the *Municipal Act, 2001* have been adopted by Ottawa in previous years. It is recommended that these mitigation programs be continued in 2023. These programs include:

- The Charitable Rebate Program: provision of a 40 per cent tax rebate to charitable organizations.
- The Tax Deferral Program: provision of partial tax deferral relating to the increase in assessment and a full tax deferral program, both for low-income seniors and persons with disabilities.
- The Water Deferral Program: provision of a complete water deferral program for low-income seniors and persons with disabilities.
- The Farm Grant Program: to defer the due date for annual taxes.

Charitable Rebate Program

In Ontario, charitable organizations are not exempt from property taxation. However, as required by the *Municipal Act, 2001*, Section 361 Rebates for Charities, the City of Ottawa must have a program to provide property tax rebates of 40 per cent or more to eligible charities. To be eligible, an organization must occupy space in the commercial or industrial tax class and be a registered charity under the federal *Income Tax Act*.

This program was implemented following the adoption of the Fair Assessment System in 1998. With the Business Occupancy Tax being removed and rolled up into the commercial and industrial property taxes, charities that rented commercial or industrial space were subjected to a higher level of municipal taxes recovered through their leases. Previously, charities had been exempted from the Business Occupancy Tax. Most charities that occupy properties they own are subject to lower residential tax rates.

Revenue Services administers the Charitable Rebate Program under its Charitable Rebate Program Policy. Highlights of the policy include:

- Rebates to eligible charities of at least 40 per cent of their property taxes for the space they occupy.
- The property tax rebate is calculated based on the square footage occupied by an eligible charity or, if available, on the CVA of the space occupied as determined by MPAC.

- Calculation details are provided to the charity.
- The rebate payment is within *Municipal Act* timeframes (at least 50 per cent within 60 days of receipt of the application; the balance within 120 days).
- Interest, as required by the *Municipal Act, 2001*, is paid if the City fails to rebate within the mandated timelines.
- Upon assessment changes, charity rebates are recalculated. Funds owing or due to charities are recovered or remitted depending on the actual change in the taxes paid.

Late applications may be accepted due to extenuating circumstances, as authorized by the *Municipal Act, 2001* and directed by Council in October 2010.

The Charitable Rebate Program also includes the following sub-programs:

- A 100 per cent rebate to any church leasing space to houses of refuge and similar purpose registered charities.
- A 100 per cent rebate for non-profit, non-home-based licensed childcare centres for space occupied for childcare purposes.
- A 100 per cent rebate of the education portion of taxes for properties used and occupied by the Polish Combatant's Association of Canada identified in By-law 2017-318, as amended which is effective until 2027.

Rebate applications are received until the last day of February of the year following the taxation year for which the application is made. Applications for 2022 have yet to be finalized. To date, 77 have been received. For the 2021 taxation year, 176 charitable rebate applications totalling approximately $2.4 million for the municipal portion were processed.

Deferral Programs

The Deferral Programs allows eligible low-income seniors and low-income people with disabilities to defer their annual property taxes and their water utility bills at a reduced interest rate of 5 per cent instead of 15 per cent.

Tax Deferral Program

Since the full Property Tax Deferral launch in 2007, the amount of property taxes deferred increases slightly year over year. The increase in the number of applications for this program has been gradual.

As of December 31, 2022, there were 105 taxpayers in the program. On average, the annual deferral is approximately $3,893. Taxes deferred through the program in 2022 amounted to $408,764. The total amount of deferred taxes in this program is $2,718,846. The income threshold for 2023 is $48,441, as required by the by-law. There is no application deadline for first-time applicants. It is recommended, effective 2023, that the City adopts a revised renewal deadline of September 30 of the relevant year instead of July 1, for those already on the program. The new renewal deadline will provide applicants with the necessary time to obtain and submit the required documentation, such as their tax notice of assessment from the Canada Revenue Agency.

A qualifying senior for this program is currently defined as a person who was 65 years of age or older by December 31 of the year prior to when the application for the tax property deferral is made. To be more inclusive of the changing environment since this program was first approved in 2007, staff recommend the definition of a qualifying senior for these tax deferral programs be revised as follows:

- A person 65 of age OR
- A person 60-64 of age and in receipt of an Allowance under the Old Age Security Act, if widowed, be in receipt of the Spouses Allowance under the Old Age Security OR
- A person 55 of age or older and receiving either a pension or a pension annuity resulting from a pension plan under the *Income Tax Act*

Staff commit to review the low-income qualification threshold for this program and report back with any recommendations through the 2024 Tax Policy Report.

Water Deferral Program

In 2019, the City of Ottawa launched the Full Water Utility Bill Deferral Program. As of December 31, 2022, 18 water utility ratepayers were on the program. On average, the annual deferral is about $899. The amount of water utility charges deferred for those water utility ratepayers in 2022 was approximately $16,178, for a total water utility charge deferred amounting to $50,599. The income threshold for 2023 is $48,441, as required by the by-law. There is no application deadline for first-time applicants. It is recommended, effective 2023, that the City adopt a new renewal deadline of September 30 of the relevant year instead of July 1. The new renewal deadline will provide applicants with the necessary time to obtain and submit the required documentation, such as their tax notice of assessment from the Canada Revenue Agency.

A qualifying senior for this program is currently defined as a person 65 years or older by December 31 of the year before the year for which the application for the tax property deferral is made. To be more inclusive of the changing environment since this program was first approved in 2007, staff recommend the definition of a qualifying senior for these tax deferral programs be revised as follows:

- A person 65 of age OR
- A person 60-64 of age and in receipt of an Allowance under the Old Age Security Act, if widowed, be in receipt of the Spouses Allowance under the Old Age Security OR
- A person 55 of age or older and receiving either a pension or a pension annuity resulting from a pension plan under the *Income Tax Act*

Staff also recommend that previous balances on the account no longer be a factor in denying entry to the program. Staff commit to review the low-income qualification threshold for this program and report back with any recommendations through the 2024 Tax Policy Report.

Farm Grant Program

In 2006, Council approved a tax mitigation program for farmers to aid with economic challenges relating to the timing of the harvest of their crops. The Farm Grant Program allowed eligible farmers to defer their final tax bill due in June to December. The grant, administration, printing and mailing costs are estimated to be $42,000 annually. While the program's uptake remains limited, 510 out of 3,683 farm properties in 2022, staff recommend continuing the program in 2023 in response to rural concerns.

Revenue Services recommends continuing the property tax mitigation programs for 2023, including the Charitable Rebate Program, the Farm Grant Program and the Low-Income Seniors and Persons with Disabilities Deferral Program for Tax and Water as previously approved by Council.

7. Notional Tax Rate Adjustment

The Province introduced regulatory amendments that allowed municipalities to include an adjustment for assessment appeal losses from previous years to determine the current year's base tax rate. The amendments allow municipalities to recover the levy portion that would have otherwise been permanently lost from the tax base in perpetuity due to prior year appeal losses. The Minister of Finance requires municipalities to annually confirm the adoption of the notional tax rate adjustment through a by-law. The report recommends the adoption of the notional tax rate adjustment in 2023 for the City of Ottawa through a by-law, as prescribed in the property tax-related regulations made under the *Municipal Act, 2001*.

Revenue Services recommends the notional tax rate adjustment be adopted for 2023 per the prescribed property tax-related regulations made under the *Municipal Act, 2001*.

8. Allocation to the Operating Budget

As part of the annual budget exercise, the City estimates assessment growth and its associated revenue. The detailed data is unavailable to staff around the budget tabling and approval timelines. Staff have completed an analysis of the 2022 year-end assessment data from MPAC and confirmed an additional $5.7 million in revenue for 2023 due to the application of the notional tax rate adjustment. The notional tax rate adjustment restores appeal losses related to the prior taxation year that would otherwise have been permanently eroded from the tax base.

Revenue Services recommends $5.7 million in additional growth identified from the application of the notional tax rate be contributed to the tax stabilization reserve. A new Tax Stabilization reserve was established as part of the reserves review in 2018 by combining the winter maintenance, childcare, self-insurance and election reserves with the existing tax stabilization reserve. The purpose of the Reserve is to maintain stable tax rates and protect the City against unforeseen operating costs.

9. Interim Property Taxes and Due Dates (2024)

Sections 342, 343 and 345 of the *Municipal Act 2001* require Council to approve tax due dates, penalty and interest charges. The interim and final due dates do not apply to those taxpayers registered in the City's Pre-Authorized Debit Plan or those registered under the Full Tax Deferral Program for Low-Income Seniors and Low-Income Persons with Disabilities.

Section 317 of the *Municipal Act, 2001* requires Council to establish a by-law that sets interim tax billing for uncapped classes such as residential and pipeline and capped classes that include Commercial, Industrial and Multi-Residential. The amount raised by the interim bill cannot exceed 50 per cent of the previous year's adjusted annualized taxation.

Revenue Services recommends setting the 2024 interim tax billing at 50 per cent of the 2023 adjusted/annualized taxation. Fifty per cent is consistent with previous years.

Revenue Services recommends setting the 2024 tax due dates as March 21, 2024, for the interim and June 20, 2024, for the final. These dates fall on the third Thursday of the month, as has been the City's practice for many years. The predictability of these dates benefits many taxpayers and eases the City's administrative planning. These fixed due dates do not apply to registered preauthorized debit tax accounts or those registered under the Full Tax Deferral Program for Low-Income Seniors and Low-Income Persons with Disabilities.

If Council were to delay the tax due dates, the impact would be approximately $1 million per month beyond the recommended dates.

The *Municipal Act, 2001*, requires that Council set interest and penalty rates. These rates are consistent with previous years and are set to encourage prompt payment to compensate the City for the cost of money and the administrative costs of dealing with late payments. The rate of 1.25 per cent per month is the maximum permitted by the Municipal Act, 2001, and is used by most Ontario municipalities. The penalty and interest charges are recommended to be maintained at 1.25 per cent per month. This recommendation is consistent with previous years.

Revenue Services recommends that Council enact a by-law as required by the *Municipal Act, 2001*, to establish the 2024 interim taxes, tax due dates, penalty and interest charges. The by-law also includes direction on the City's pre-authorized debit plan for property taxes as authorized by Section 342 of the *Municipal Act, 2001*.

10. Annual Levy Payments from Eligible Public Institutions

Under Section 323 (1), (2), (3) and (5) of the *Municipal Act, 2001*, and Ontario Regulation 384/98, "Tax Matters - Universities and Other Institutions," municipalities are entitled to levy an amount of $75 per full-time student in attendance at universities and colleges, $75 per resident place in correctional institutions, $75 per bed in public hospitals and $75 per place in provincial educational institutions. These public institutions are not subject to regular taxation as other properties. However, they still have annual levy payments determined by the number of students, resident places and beds.

Each June, the Ministry of Municipal Affairs and Housing provides municipalities with a letter detailing each institution's eligible capacity for payment under Section 323 of the *Municipal Act, 2001*. The annual amount of eligible institutional revenue collected over the last three years is shown in Table 7 below.

Revenue Services recommends that Council enact a by-law to establish the 2023 tax levy amounts once the Ministry of Municipal Affairs and Housing sends the City the capacities.

Table 7 - Levy from eligible public institutions

Category	2020	2021	2022
Universities and colleges	$6,500,175	$6,441,300	$6,455,925
Correctional institutions	$31,950	$38,700	$38,700
Public hospitals or provincial mental health facilities	$269,100	$269,250	$269,250
Provincial education institutions	$4,275	$3,150	$4,650
Total	**$6,805,500**	**$6,752,400**	**$6,768,525**

11. Municipal Capital Facilities Agreement

Under section 110(6) of the *Municipal Act, 2001*, and Ontario Regulation 603/06, Municipalities may enter into an agreement for Municipal Capital Facilities to exempt properties from municipal and education taxes. These agreements are entered for properties that are being used to provide various services by or on behalf of the City.

Section 2(1) 2 of Ontario Regulation 603/06 allows Municipalities to exempt taxes for facilities used for the general administration of the municipality. Where the City rents a private facility for City administration, we must pay property taxes as part of the rent to the Landlord. The City pays the property tax through property tax funding allocated to the appropriate department. An exemption to properties discussed in this section does not impact the overall City budget. The tax revenue reduction from the exemptions will be matched with the appropriate budget expense reduction for the department paying the property tax. This report recommends that the City enter into the following four agreements for Municipal Capital Facilities for private facilities used for the general administration of the municipality and that the required municipal capital facilities by-laws be enacted to implement the tax exemption for municipal purposes.

2430 Don Reid Dr

Under Delegated Authority Report DEL2019-CREO-0148, the City of Ottawa entered into a lease agreement with P.N.P.T. Ontario Enterprise Incorporated. The lease was for approximately 4,499 square feet of office space and 20 unreserved parking spaces to house a training center for the Emergency and Protective Services department at 2430 Don Reid Drive. The lease is for five years, from December 1, 2021, to November 30, 2026, and provides the City with the opportunity to register the leased premises as a Municipal Capital Facility (MCF). The estimated annual municipal property tax revenue reduction is $8,600, and a corresponding decrease to the Emergency and Protective Services department expense budget.

2378 Holly Lane

The Assessment Review Board (ARB) hears appeals on property assessments and property tax appeals for all municipalities in Ontario. Since 1973, the City has entered into gross commercial lease agreements with the Landlord for the Leased Premises to fulfill the City's obligations under Section 12 of the *Assessment Review Board Act, R.S.O. 1990, c. A32*. It provides office space for the ARB to conduct its hearings and related administrative operations.

The City and the Landlord executed a gross commercial lease agreement for the Leased Premises through Delegated Authority Report DEL2022-CREO-0123. The commercial lease agreement is for five (5) years, from December 1, 2022, to November 30, 2027, and provides the City with the opportunity to designate the Leased Premises as an MCF during the term. The estimated annual municipal property tax revenue reduction is $2,850, and a corresponding decrease to the Corporate Real Estate Office expense budget.

50 Rideau St

Under Delegated Authority Report DEL2022-CREO-0127 the Director of Corporate Real Estate Services approved a lease extension agreement between Viking Rideau Corporation and the City of Ottawa for approximately 962 square feet of retail space at 50 Rideau Street designated as Unit 351B for use by the OC Transpo Rideau Centre Ticket Sales and Information Office for a term of five years from January 1, 2023, to December 31, 2027. The Lease Extension provides the City the opportunity to designate the leased premises as a Municipal Capital Facility (MCF). The estimated annual municipal property tax revenue reduction is $21,900, and a corresponding decrease to the Transit Services department expense budget.

1580 Merivale Rd.

Under the Delegated Authority Report DEL2022-CREO-0058, the City of Ottawa entered into a lease agreement with the Merivale Professional Centre Limited Partnership by Its General Partner, Kai General Partners Inc. The agreement was for 9,590 rentable square feet of office space and twenty-five (25) parking stalls to house a dental clinic on behalf of Ottawa Public Health. Three parking stalls are reserved, and 22 are unreserved. The lease is for ten (10) years from October 1, 2022 – September 31, 2032, and allows the City to register the leased premises as a Municipal Capital Facility (MCF). An MCF designation will allow for an exemption on the City's leased portion of the property on taxes levied. The estimated annual municipal property tax revenue reduction is $29,300 and a corresponding reduction to the Ottawa Public Health expense budget.

Other Taxation Issues

In 2022, the Ontario Ministry of Finance announced that it would be eliminating the Commercial and Industrial New Construction classes for education property taxes purposes. With the change in the Business Education Tax rate that occurred for 2021, the new construction property classes implemented for education tax purposes are not required. Effective 2023 the new construction classes have been eliminated, and new construction properties will now be classed in their respective main property classes. This change has no impact on municipal revenue or property taxes paid by businesses.

FINANCIAL IMPLICATIONS

The financial implications are identified in the body of this report.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a citywide report.

CONSULTATION

In preparing this report, Revenue Services staff have consulted with internal and external stakeholders over the last year, including Legal Services, Economic Development, the City Clerks Office, the Municipal Property Assessment Corporation, Eastern Ontario Landlords Organization, among others. In addition, staff have received feedback from the budget consultations related to tax rates.

ACCESSIBILITY IMPACTS

The City of Ottawa is committed to ensuring accessibility for persons with disabilities and older adults. The City of Ottawa's programs and services follow the City's Accessibility Policy, Accessible Formats and Communication Supports Procedure, the *Accessibility for Ontarians with Disabilities Act (2005)* and the Integrated Accessibility Standards Regulation, O.Reg. 191/11.

The Revenue Services department actively offers disability-related initiatives to help low-income older adults and people with disabilities. These include the Full Property Tax Deferral Program and the Water Deferral Program. This program allows eligible homeowners to apply for a full or partial deferral of their annual property taxes and/or water billing. These programs' eligibility requirements and annual statistics are outlined under recommendation 6 of this report. They are also available on the City of Ottawa website and reported annually in the City of Ottawa Municipal Accessibility Plan Report presented to Committee and Council.

Since the launch of the Full Property Tax Deferral for Low-Income Seniors and Low-Income Persons with Disabilities in 2007, the amount of property taxes deferred increases slightly year over year. The increase in the number of applications for this program has been gradual. Revenue services will continue to monitor the use of these programs and services for trends and review the programs periodically to ensure they meet the needs of low-income Seniors and residents with disabilities.

There are several recommendations being presented to Council through this report for the water and tax deferral programs that will benefit people with disabilities who have low-income and older adults for increased entry consideration for these programs. The recommendations include Council approval of a reduced interest rate, a more inclusive definition of a qualifying older adult, a revised deadline to provide applicants with more time to obtain and submit the required documentation and that previous balances on the account as no longer be a factor in denying entry to the programs.

Staff commit to review the low-income qualification threshold for this program and report back with any recommendations through the 2024 Tax Policy Report.

Tax bills are sent in a prescribed format by Provincial legislation; however, the City works with an external vendor to offer the bills accessible formats. In 2022, Revenue Services issued 14 accessible bills at the interim tax bill and again at the final tax bill. There were three braille bills, one e-text bill and ten large font bills at each billing.

In addition to these programs, residents with disabilities can receive their water and sewer bill or tax bill in an accessible format (e-text, large print or Braille) upon request by contacting Revenue Services by phone or through email.

ECONOMIC IMPLICATIONS

According to an Ontario benchmarking 2022 BMA Municipal Study completed by BMA consulting, the property tax burden as a percentage of income for Municipalities in Ontario ranges from 2.5 per cent to 5.7 per cent, with an Ontario average of 3.9 per cent. Ottawa's property tax burden as a percentage of income is 3.9 per cent. It aligns with the provincial average making Ottawa a competitive market for new residents and businesses.

The elimination of the Excess Land subclass and the small increase to the residual properties' tax bills is not expected to hurt local job creation or retention.

While the annual tax savings that will accrue to small businesses through the Small Business Tax Subclass is unlikely to be a significant factor in job creation, the savings demonstrate the City's recognition of the contribution of small businesses to employment, neighbourhood vibrancy and quality of life. Deliberate City's support of Ottawa's business-friendly brand increases the business community's confidence and support toward further growth and investment.

ENVIRONMENTAL IMPLICATIONS

The City of Ottawa currently has over 240 properties classified as Managed Forest. These are properties of environmental significance as they contain forested land with an approved forest plan from the Provincial Ministry of Natural Resources and Forestry. To protect these lands and keep maintenance costs affordable, the Province offers a 75 per cent discount on the residential rate. Property owners must apply under the Managed Forest Tax Incentive Program to be eligible for the classification and corresponding discount. In addition, they need to submit a five-year progress report and update their management plan every ten years to remain in the program.

INDIGENOUS GENDER AND EQUITY IMPLICATIONS

The City sets tax rates and ratios per the *Municipal Act, 2001*, and related prescribed regulations. The City recognizes that tax rates and ratios may disproportionately impact equity-deserving groups, including equity-seeking women and gender-diverse individuals in the City. However, the municipal taxation process is currently the same across the City for each ward and neighbourhood. Tax ratios differ with each tax class and subclass regardless of ownership. A property with a higher assessment value than another in the same class would pay a proportionally higher amount of taxes and vice versa. The City will continue to monitor the differentiated impacts of tax policy using an equity and inclusion lens.

The proposed tax mitigation strategies provide tax relief to seniors and persons with disabilities, including indigenous persons eligible under the Full Tax Deferral Program.

RISK MANAGEMENT IMPLICATIONS

There are no risk implications to approving the recommendations in this report.

RURAL IMPLICATIONS

The City of Ottawa has over 3,500 properties that have a farm class classification. For a farm to be classified in the Farm class, a property owner must apply for the Farm Property Tax Class Rate Program with Agricorp. Farm properties that meet the eligibility requirements for the Farm Property Tax Class are taxed at 20 per cent of the residential tax rate. In addition to the Farm Tax Rate discount, the City offers the annual Farm Grant Program to provide seasonal financial relief to working farmers. The grant program assists eligible farm property owners by deferring the June final property tax instalment to December. In 2022, while over 2,400 properties qualified for the Farm Grant Program, about 500 properties took advantage of the deferral option. The discount and deferral options are not limited to rural properties. However, most farm-classified properties are in rural areas.

TERM OF COUNCIL PRIORITIES

This report supports the City's ongoing commitment to financial sustainability and transparency.

DISPOSITION

Revenue Services will use the tax ratios and rates to calculate and issue the 2023 final tax bills.

Revenue Services will invoice designated institutions to levy the 2023 annual amounts payable to the City of Ottawa on or after July 1, 2023.

The City Clerk's Office and the Revenue Services will work together to prepare all applicable by-laws to be placed on Council's agenda for enactment.

The Director of Corporate Real Estate Office to finalize and execute 4 Municipal Capital Facility Agreements.