

Subject: 2024 Tax Policy and Other Revenue Matters

File Number: ACS2024-FCS-REV-0001

Report to Finance and Corporate Services Committee on 2 April 2024

and Council 3 April 2024

**Submitted on March 20, 2024 by Joseph Muhuni, Deputy City Treasurer, Revenue,
Finance and Corporate Services Department**

**Contact Person: Krista O'Brien, Program Manager, Property Assessment and
PILTs, Finance and Corporate Services Department**

613-580-2424, ext. 15809, Krista.O'Brien@ottawa.ca

Ward: Citywide

Objet : Coefficients fiscaux et autres politiques d'imposition de 2024

Numéro de dossier : ACS2024-FCS-REV-0001

Rapport au Comité des finances et des services organisationnels

le 2 avril 2024

et au Conseil le 3 avril 2024

**Soumis le 20 mars 2024 par Joseph Muhuni, Trésorier municipal adjoint,
Recettes, Direction générale des finances et des services organisationnels**

**Personne ressource : Krista O'Brien, gestionnaire de programme, Évaluations
foncières et paiements tenant lieu d'impôts, Direction générale des finances et
des services organisationnels**

613-580-2424, poste 15809, Krista.O'Brien@ottawa.ca

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 2024:

- **Shopping Centre property class**

- **Parking Lot and Vacant Land property class**
- **Office Building property class**
- **Large Industrial property class**
- **Professional Sports Facility property class**
- **Small Business property subclass**
- **Small-scale business on farm subclass I & II**

2. Adopt the following tax ratios for 2024:

Property Class	Ratio*
Residential	1.00000
Multi-Residential	1.40831
New Multi-Residential	1.00000
Farm	0.20000
Managed Forest	0.25000
Pipeline	1.71919
Commercial Broad Class	1.95710
Commercial	1.93509
Office Building	2.40128
Parking Lot and Vacant Land	1.30613
Shopping Centre	1.55731
Professional Sports Facility	1.93509
Industrial Broad Class	2.46743
Industrial	2.57570
Large Industrial	2.21187
Landfill	2.76258

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

3. Adopt the following tax reductions for the 2024 tax year:

- **Small business subclass: 15 per cent**
- **Vacant industrial land: 35 per cent**
- **Farm land awaiting development subclass I: 25 per cent**
- **Farm land awaiting development subclass II: No Discount**
- **Small-scale business on farm subclass I: 75 per cent**
- **Small-scale business on farm subclass II: 75 per cent**

- **Commercial (including office and shopping classes) and Industrial excess land: No Discount**
4. **Approve that the municipal tax rates for 2024 be established based on the ratios adopted herein.**
 5. **Approve that the 2024 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 2024 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.**
 - **Continue the accelerated exit of the capping program, phased-out over 4 years, where the final year of the capping program will be 2026.**
 6. **Approve the property tax and water mitigation programs previously approved by Council including the changes for 2024 as follows:**
 - **Charitable Rebate Program**
 - **Farm Grant Program**
 - **Low-Income Seniors and Persons with Disabilities Tax and/or Water Deferral Programs; with the following eligibility changes to the program:**
 - i. **Indexing of the annual low-income threshold based on the Consumer Price Index, City of Ottawa shelter factor.**
 - ii. **Increase the Arrears Threshold to allow for up to 20 per cent of property tax arrears compared to the current value assessment (CVA).**
 - iii. **Exclude properties with Liens or WRITS**
 - iv. **Implement a Current Value Assessment cap for applicants.**

- v. Exempt existing clients from the new requirements.
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 \$4.2 million in additional tax revenue from the application of the notional tax rate adjustment be allocated as follows:
 - \$1.8 million be contributed to the assessment growth for 2024; and
 - \$2.4 million be contributed to the Tax Stabilization Reserve.
 9. Approve that the 2025 property tax and due date provisions be as follows:
 - That the interim 2025 property tax billing be set at 50 per cent of the 2024 adjusted/annualized taxes as permitted by legislation.
 - That the following tax due dates be approved for 2025:
 - i. Interim: March 20, 2025
 - ii. Final: June 19, 2025.
 - 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 2025, unchanged from 2024.
 - That Council enact a by-law to establish the 2025 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 place in provincial educational institutions, pursuant to Section 323 (5).

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil municipal :

1. D'adopter les catégories d'impôts fonciers facultatives suivantes pour 2024 :

- Centres commerciaux;
- Stationnements et biens-fonds vacants;
- Immeubles de bureaux;
- Grands biens-fonds industriels;
- Installations sportives professionnelles;
- Sous-catégorie de biens visant les petites entreprises;
- Entreprises de petite envergure sur terrain agricole, sous-catégories I et II; et

2. D'adopter les coefficients fiscaux suivants pour 2024 :

Catégorie	Coefficient*
Biens-fonds résidentiels	1,00000
Immeubles à logements multiples	1,40831
Nouveaux immeubles à logements multiples	1,00000
Biens-fonds agricoles	0,20000
Forêts aménagées	0,25000
Pipelines	1,71919
Catégorie commerciale générale	1,95710
Secteur commercial	1,93509
Immeuble de bureaux	2,40128
Parcs de stationnement et terrains vacants	1,30613
Centres commerciaux	1,55731
Installations sportives professionnelles	1,93509
Catégorie industrielle générale	2,46743
Biens-fonds industriels	2,57570
Grands biens-fonds industriels	2,21187
Décharges	2,76258

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

3. **D'adopter les réductions d'impôts suivantes pour l'année d'imposition 2024 :**
 - **Sous-catégorie visant les petites entreprises : 15 %;**
 - **Terrains industriels vacants : 35 %;**
 - **Terres agricoles en attente d'aménagement, sous-catégorie I : 25 %;**
 - **Terres agricoles en attente d'aménagement, sous-catégorie II : pas de remise;**
 - **Entreprises de petite envergure sur terrain agricole, sous-catégorie I : 75 %;**
 - **Entreprises de petite envergure sur terrain agricole, sous-catégorie II : 75 %;**
 - **Biens-fonds commerciaux (incluant les catégories des immeubles de bureaux et des centres commerciaux) et industriels excédentaires : pas de remise; et**
4. **D'approuver l'établissement des taux d'imposition municipaux de 2024 d'après les coefficients fiscaux adoptés dans le présent rapport; et**
5. **D'approuver pour 2024 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 2024 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 se poursuive le retrait accéléré du programme de plafonnement (qui se terminera en 2026), échelonné sur quatre ans; et
6. D'approuver les programmes suivants d'allègement de l'impôt foncier et de la taxe d'eau approuvés par le Conseil, dans leur version 2024 modifiée :
- Programme de remboursements offerts aux organismes de bienfaisance;
 - Programme de subventions pour terres agricoles;
 - Programmes de report de l'impôt foncier et de la taxe d'eau pour les personnes âgées et les personnes en situation de handicap à faible revenu, y compris les changements suivants aux critères d'admissibilité 2024 :
 - i. Indexation du seuil de faible revenu annuel en fonction du facteur de logement d'Ottawa dans l'indice des prix à la consommation;
 - ii. Augmentation du seuil des arriérés pour permettre jusqu'à 20 % d'arriérés d'impôt foncier par rapport à la valeur marchande;
 - iii. Exclusion des propriétés visées par des privilèges ou des brefs;
 - iv. Instauration d'un plafond de la valeur actuelle pour les demandeurs;
 - v. Exemption des clients existants des nouvelles exigences; et
7. D'adopter 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*; et
8. D'approuver que les 4,2 millions de dollars en recettes fiscales supplémentaires issus du rajustement du taux d'imposition théorique soient ainsi répartis :
- 1,8 million de dollars affectés à la croissance de l'évaluation foncière pour 2024;

- 2,4 millions de dollars affectés au fonds de réserve pour la stabilisation des taxes; et
9. D'approuver pour 2025 les paramètres du relevé d'imposition foncière et des dates d'exigibilité suivants :
- Que le montant d'impôts fonciers provisoire de 2025 soit établi à 50 % du montant annualisé ou rajusté de 2024, comme l'autorise la loi;
 - Que soient approuvées pour 2025 les dates d'exigibilité suivantes :
 - i. Provisoire : 20 mars 2025;
 - ii. Définitive : 19 juin 2025;
 - 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 2025, comme en 2024;
 - Que le Conseil adopte un règlement établissant l'impôt provisoire, les dates d'exigibilité, les pénalités et les intérêts pour 2025; et
10. D'adopter un prélèvement 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, selon les modalités suivantes :
- 75 \$ par étudiant à temps plein inscrit dans les universités et collèges, conformément au paragraphe 323(1);
 - 75 \$ par résident pouvant 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 dans les établissements d'enseignement provinciaux, conformément au paragraphe 323(5);

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 2024 taxation year.

1. **Optional Property Tax Classes:** The report recommends that Council approve the use of all optional property classes and subclasses permitted by the *Assessment Act* to minimize tax burden shifts within 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 that Council adopts the tax rate discounts for the mandatory and optional subclasses. The recommended discounts are consistent with the previous year or prior Council direction.
4. **Municipal Tax Rate:** The report recommends establishing tax rates based on the ratios and discounts recommended and the overall budgetary tax increase approved by Council with the associated by-laws.
5. **Capping Regulations:** The report recommends in 2024 Council continues with the program to accelerate movement of the remaining commercial and industrial properties to their actual CVA taxes.
6. **Tax Mitigation Programs:** The report recommends Council continue the following tax mitigation programs for 2024 with proposed changes to the deferral programs:
 - Charitable Rebate Program
 - Farm Grant Program
 - Full Property Tax Deferral for Low-Income Seniors and Persons with Disabilities and the eligibility criteria updates 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*.

- 8. Allocation to the Operating Budget:** This report recommends that the \$4.2 million of additional growth identified from the application of the notional tax rate adjustment be allocated as follows:
- \$1.8 million be contributed to assessment growth for 2024; and
 - \$2.4 million be contributed to the Tax Stabilization Reserve.
- 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.

After the adoption of this report, by-laws establishing the 2024 tax rates incorporating the overall budgetary increase are prepared for Council approval. The average urban residential tax impact for an average home assessed at \$415,000 is approximately \$105, with variations depending on services received and individual property assessments.

In consideration of the time required to carry out report recommendations and prepare the associated by-laws in advance of when tax bills are issued in May, staff are recommending this item be listed on the April 3, 2024 Council Agenda for Council consideration and approval.

RÉSUMÉ

Sont présentées dans le présent rapport les recommandations sur l'impôt foncier que doit examiner le Conseil 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 2024.

1. **Catégories de biens facultatives** : Il est recommandé au Conseil d'approuver l'application de toutes les catégories et sous-catégories de biens facultatives prévues dans la *Loi sur l'évaluation foncière* afin de réduire au minimum le transfert du fardeau fiscal d'une catégorie à l'autre.
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 ces dernières. Il est recommandé au Conseil d'adopter les coefficients proposés afin d'atténuer le transfert de la charge fiscale entre les catégories de biens.
3. **Réductions dans les sous-catégories obligatoires et facultatives** : Il est recommandé au Conseil d'adopter les réductions du taux d'imposition pour les sous-catégories obligatoires et facultatives. Les réductions recommandées cadrent avec celles de l'année précédente ou avec les directives données antérieurement par le Conseil.
4. **Taux d'imposition municipal** : Il est recommandé d'établir les taux d'imposition en fonction des coefficients et des réductions proposés et de la hausse d'impôt globale figurant au budget approuvé par le Conseil, et les règlements correspondants.
5. **Règlements de plafonnement** : Il est recommandé au Conseil de poursuivre en 2024 le programme 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.
6. **Programmes d'allègement de la charge fiscale** : Il est recommandé au Conseil de reconduire pour 2024 les programmes d'allègement de la charge fiscale suivants, accompagnés de changements proposés pour les programmes de report:
 - 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, et les modifications apportées aux critères d'admissibilité décrites dans le présent rapport;

- Programme de report total du paiement de la facture d'eau pour les personnes âgées et les personnes en situation de handicap à faible revenu, dans sa version modifiée par le présent rapport.
- 7. Redressement du taux d'imposition théorique :** Il est recommandé au Conseil 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*.
- 8. Affectation au budget de fonctionnement :** Il est recommandé de répartir comme suit les recettes de 4,2 millions de dollars découlant de la croissance générée par l'application du redressement technique :
- 1,8 million de dollars affectés à la croissance de l'évaluation foncière pour 2024;
 - 2,4 millions de dollars affectés au fonds de réserve pour la stabilisation des taxes.
- 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 à approuver, par règlement municipal, un relevé d'imposition provisoire (jusqu'à concurrence de 50 %), des dates d'exigibilité des impôts, 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 pouvant être accueilli dans les établissements correctionnels, de 75 \$ par lit reconnu dans les hôpitaux publics et de 75 \$ par place dans les établissements provinciaux d'enseignement. Les montants sont établis d'après la capacité des établissements.

Une fois le présent rapport adopté, les règlements fixant les taux d'imposition de 2024 en fonction de la hausse budgétaire globale seront soumis à l'approbation du Conseil. L'incidence moyenne sur les taxes résidentielles en milieu urbain pour une habitation

évaluée à 415 000 \$ est d'environ 105 \$. Elle variera en fonction des services reçus et de l'évaluation foncière.

Compte tenu du temps nécessaire pour appliquer les recommandations et préparer les règlements connexes avant l'émission des factures d'impôt foncier, en mai, le personnel recommande que ce point soit ajouté à l'ordre du jour de la réunion du Conseil du 3 avril 2024 pour examen et approbation.

BACKGROUND

Property taxation is the primary way that municipalities raise funds to provide city services. Municipalities in Ontario have the authority to apply differential tax rates to different property classes through tax class ratios. A tax ratio is the proportion by which a class or sub-class tax rate compares to the residential class tax rate, which has a base ratio of 1.0. For example, if a property has a tax ratio of 2.0, it means that the tax rate for that property would be twice as much as the residential property tax rate. Tax ratios allow municipalities to adjust the tax burden between different property classes within the limits set in the *Municipal Act*.

Annually, municipalities can maintain prior-year ratios, adopt revenue-neutral ratios, or adopt alternate ratios guided by its overall objectives and provincial regulations. Neutral ratios mitigate tax burden shifts between tax classes resulting from reassessment or tax appeals. Property taxation history in Ontario reflect the complex interplay between provincial regulations, municipal tax policies, and property class dynamics in achieving tax ratio parity. Historically, Council has adopted neutral ratios. Please refer to Appendix A for detailed history of tax ratio policies.

Reassessment

The last province wide reassessment was conducted in 2016, with changes phased in through the 2017 to 2020 taxation years. Due to the COVID-19 pandemic, the planned reassessment for the 2021-2024 taxation years has been postponed, resulting in 2024 assessments being based on the 2016 Current Value Assessment (CVA). There has been no date for a reassessment announced; the Province has confirmed that stakeholder discussions are underway to review the current system and determine next steps.

Growth

The City benefits from property tax growth as a result of new construction, major renovations, and changes in property use, net of any assessment appeals. For the 2024 tax year, the city saw a 1.6 per cent tax levy growth, which is lower than the record growth of 2.2 per cent for 2023. While residential saw the highest levy growth at \$23.8 million or 1.7 per cent, with over 2,600 new residential units, the New Multi-residential class recorded growth at 24.6 per cent. The New Multi-residential class increased by over \$8.5 million in new taxes, representing 2,280 rental apartment units. Table 1 illustrates the tax levy growth in 2023 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 by Class

Class	Final 2023 Levy (\$ millions)	Base 2024 Levy before Budget Increase (\$ millions)	Levy Growth (\$ millions)	Growth %
Residential	1,367.17	1,391.01	23.83	1.74%
Commercial	469.30	470.68	1.38	0.29%
Multi-Residential	115.39	113.59	-1.80	-1.56%
New Multi-Residential	34.72	43.25	8.53	24.56%
Industrial	34.56	35.20	0.64	1.86%
Farm and Managed Forests	3.05	3.09	0.04	1.20%
Other	5.22	5.28	0.06	1.12%
Grand Total	2,029.41	2,062.09	32.68	1.61%

As illustrated in the table below, Ottawa experienced 59 per cent of the total 2023 levy growth in the wards classified as suburban, 25 per cent in urban and 16 per cent in rural.

Table 2 - Tax Levy Growth by Zone

Zone	Final 2023 Levy (\$ millions)	Base 2024 Levy before Budget Increase (\$ millions)	Levy Growth (\$ millions)	Growth %
URBAN	1,173.55	1,181.70	8.15	0.69%
SUBURBAN	713.47	732.76	19.29	2.70%
RURAL	142.40	147.64	5.24	3.68%
Grand Total	2,029.41	2,062.09	32.68	1.61%

Affordable and Competitive Taxes

Ottawa continues to have one of the lowest taxes compared to some of the larger municipalities in Ontario, ensuring that our City remains affordable and economically competitive in attracting investment. Table 3 below provides benchmarking of residential taxes levied in 2023 in the top 10 large municipalities in Ontario. Taxes are based on the average 2 storey single detached 3-bedroom home with 2.5 bathroom and a 2-car garage in each municipality.

Table 3 - 2023 Average Municipal Taxes for Residential 2-Storey House

Municipality	2023 Property Taxes
Toronto (Average)	6,580
Windsor	6,329
Mississauga	6,315
Hamilton	6,027
Markham	5,827
Brampton	5,817
Vaughan	5,579
Kingston	5,409
Kitchener	5,303
Ottawa	5,210
London	5,020

For additional benchmarking information please refer to the [2023 BMA Consulting - Annual Ontario Municipal Study report](#).

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.

City Council approved the 2024 budget on December 6th, 2023, with 1.7 per cent increase coming from tax related growth and a 2.5 percent increase on municipal taxes. This report covers tax policy and decisions that Council is required to address annually under the *Municipal Act, 2001* to establish tax ratios for property classes and tax mitigation programs. The report also addresses other tax and revenue related policies.

DISCUSSION

1. Optional Property Tax Classes

Revenue Services recommends that the adoption of the optional tax classes continue in 2024. Specifically, the Shopping Centre property class, the Parking Lot and Vacant Land property class, the Office Building property class and the Large Industrial property class. This recommendation provides maximum flexibility to Council in apportioning tax burdens between different property types under the commercial and industrial property classes. By adopting optional classes with different ratios, different tax burdens are imposed to the sub-property types 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 classes, those properties would become part of the corresponding broad class and assume the overall ratio.

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. Property taxes in Ontario are calculated based on assessment values determined by the Municipal Property Assessment Corporation (MPAC) and multiplied by the City and Province's tax rates. Municipalities can

- Decrease tax ratios provided they do not go below the Range of Fairness thresholds set by the Province.

- Increase tax ratios by adopting neutral ratios that prevent tax shifting between classes.

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. 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 2024.

Tax Ratio Parity

With the Provincial Range of Fairness Ratios still in place, the ultimate goal is for municipalities to reach ratio parity with the residential ratio of 1.00. Parity would mean that all classes, except for Farm and Managed Forest, would have a tax rate equal to that of the residential class. It is estimated that implementing ratio parity would result in a \$664 tax increase (13 per cent) for the average residential property or \$217 million added to the Residential class in Ottawa. The average commercial property would see a savings of \$6,920 (28 per cent). Older apartment buildings in the multi-residential class, would see an average decrease of \$17,690 (14.7 per cent) however apartments in the new multi-residential class would see the same percentage increase as the residential property class.

Reduced Multi-Residential Ratio

Housing affordability is one of this Term of Council's four strategic priorities. One tax policy tool that Council has, is to lower selected ratios. Currently the new multi-residential ratio is prescribed by the Province at a ratio of 1.000 to align with the residential tax ratio. However, the multi-residential tax ratio remains higher at 1.4032.

If Council were to lower only the Multi-Residential (MT) ratio to 1.00, there would be a permanent shift to the residential class of \$23.1 million or a \$71 (1.6 per cent) increase to the average residential property. This ratio change would result in \$32.5 million savings to the MT class and an average property saving 23 percent in taxes resulting in a tenant being able to automatically reduce their rent by 4.5 per cent. Because the MT ratio is not a prescribed ratio, the impacts of appeals and reassessment can cause this

ratio to increase again in future years, forcing council to constantly shift the burden to the residential community to fund those shifts. Historically, Ottawa's multi-residential ratio is lower than other municipalities of a similar size and population. See Table 4 for a benchmarking.

Table 4 - Multi-Residential Tax Ratio benchmarking

Municipality	Multi-Residential Tax Ratio¹
Markham ²	1.0000
Vaughan ³	1.0000
Mississauga	1.2656
Ottawa	1.4032
Kingston	1.7000
Brampton	1.7050
London	1.7096
Kitchener ⁴	1.9500
Toronto	1.9635
Windsor	2.0000
Hamilton	2.2174

Additional Tax Savings to Farm Owners through the Farm Tax Ratio

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 \$915,839 in annual savings for the Farm class or \$216 for Ottawa's average farm property. There are slightly fewer than 3,600 farm properties in the City of Ottawa. In 2024, the average Farm class property will have a municipal property tax burden of approximately \$871.

The Need for Neutral Ratios

Neutral ratios mitigate tax shifts caused by reassessment or adjustments to the notional tax rate for lost growth due to assessment appeals. In 2024, neutral ratios are only

¹ All ratios with the exception of those identified are sourced from the [2023 BMA Municipal Study](#)

² [Tax Rates \(markham.ca\)](#)

³ [Property Tax and Assessment | City of Vaughan](#)

⁴ [Understanding your property taxes - City of Kitchener](#)

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 5 below.

Table 5 - Tax Shifts Mitigated by Adopting Neutral Ratios

Taxable class	2024 Revenue neutral tax ratios (\$ millions)	Same ratio as 2023 (\$ millions)	2024 Tax shift avoided (\$ millions)	Tax change
Residential	1,426.8	1,429.2	2.4	0.17%
Commercial	485.0	482.8	-2.2	-0.45%
Multi- Residential	116.9	116.7	-0.2	-0.15%
New-Multi-Residential	44.4	44.4	0.1	0.17%
Industrial	36.4	36.2	-0.2	-0.49%
Farm & Managed Forest	3.2	3.2	0.0	0.16%
Other	6.1	6.116	0.0	0.13%
Net impact	2,118.60	2,118.60	0	0.00%

The legislation surrounding tax ratios, Ottawa's previous tax ratio history by class and the proposed neutral ratios for 2024 are further outlined in Appendix A.

Commercial Tax Ratio: The recommended tax ratio for the broad Commercial class remains below the levy restriction threshold since 2017, allowing the full budgetary increase to be passed on.

Multi-Residential Tax Ratio: The recommended Multi-Residential neutral ratio is significantly lower than the transition ratio of 2.3359 set in 1998. Lowering it further could result in a tax shift to the residential class, necessitating automatic rent reductions.

New Multi-Residential Tax Ratio: Properties in this class pay the same tax rate as residential properties to encourage construction of rental buildings.

Industrial Tax Ratio: The recommended ratio for the broad Industrial class remains below the levy restriction threshold, allowing for full budgetary increases to be passed on.

Farm and Managed Forest Tax Ratios: Legislation limits these ratios to 0.25 with the ability to further reduce the Farm ratio, these reductions lead to annual savings for property owners.

In Table 6 below, shows the 2023 ratios are compared to the recommended 2024 Neutral Ratios.

Table 6 - 2023 vs 2024 Ratios

CLASS	Actual 2023	Proposed 2024
Residential	1.0000	1.0000
Multi-Residential	1.4032	1.4083
New Multi-Residential	1.0000	1.0000
Farm	0.2000	0.2000
Managed Forest	0.2500	0.2500
Pipe line	1.7197	1.7192
Commercial Broad Class	1.9487	1.9571
- Commercial	1.9231	1.9351
- Office Building	2.3864	2.4013
- Parking Lots and Vacant Land	1.2980	1.3061
- Shopping Centre	1.5476	1.5573
Professional Sports Facility	1.9231	1.9351
Industrial Broad Class	2.4429	2.4674
- Industrial	2.5586	2.5757
- Large Industrial	2.1972	2.2119
Landfill	2.7634	2.7626

Revenue Services recommends adopting the ratios, outlined in the report, 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. The proposed ratios in the recommendations are subject to final minor revisions upon Ontario Property Tax Analysis close off.

3. Mandatory and Optional Subclass Discounts

Tax Savings for the Small Business Subclass

In 2021, Council approved the adoption of [a new optional small business subclass](#). This optional subclass offers eligible small businesses a discount on commercial and

industrial property taxes. The discount was phased in over 2022 and 2023, with a total of 15 per cent discount by 2024, providing significant municipal tax savings, which is matched with the same discount for the education rate.

The 15 per cent discount will provide the small business community with a \$12.5 million in municipal tax savings and \$5.4 million savings in education taxes for small businesses in 2024. In 2024, the average small business property will continue to see a \$2,500 discount in municipal taxes and a \$1,100 discount in education taxes for a total of \$3,600 in savings.

Tax Savings for Excess Land and Vacant Land Subclasses

These subclasses apply only to commercial and industrial properties. Prior to 2017, provincial legislation allowed for maximum discounts on excess and vacant land taxes. However, in 2019, the Province removed education rate discounts for these subclasses. Council approved reducing and eventually eliminating discounts for excess land taxes while maintaining the 35 per cent discount for industrial vacant land.

Tax Savings for Farm Land Awaiting Development I and II

These subclasses, mandated by Ontario Regulation 383/98, allow for tax rate reductions on farm lands awaiting development. The subclasses can exist in the residential, Multi-residential, Commercial, and Industrial tax classes. The reduction ranges from 25 per cent to 75 per cent for subclass I and 25 per cent to 100 per cent for subclass II, depending on specific criteria. Revenue Services recommend maintaining a 25 per cent discount for subclass I.

- 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 to 75 per cent of the residential tax rate is allowed for the first subclass. Revenue Services 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.

Tax Savings for 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, by 75 per cent of the commercial or industrial rate, where properties are assessed under \$1 million. 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 75 per cent of the commercial or industrial rate. Revenue Services recommends the adoption of both the subclasses with a 75 per cent discount each.

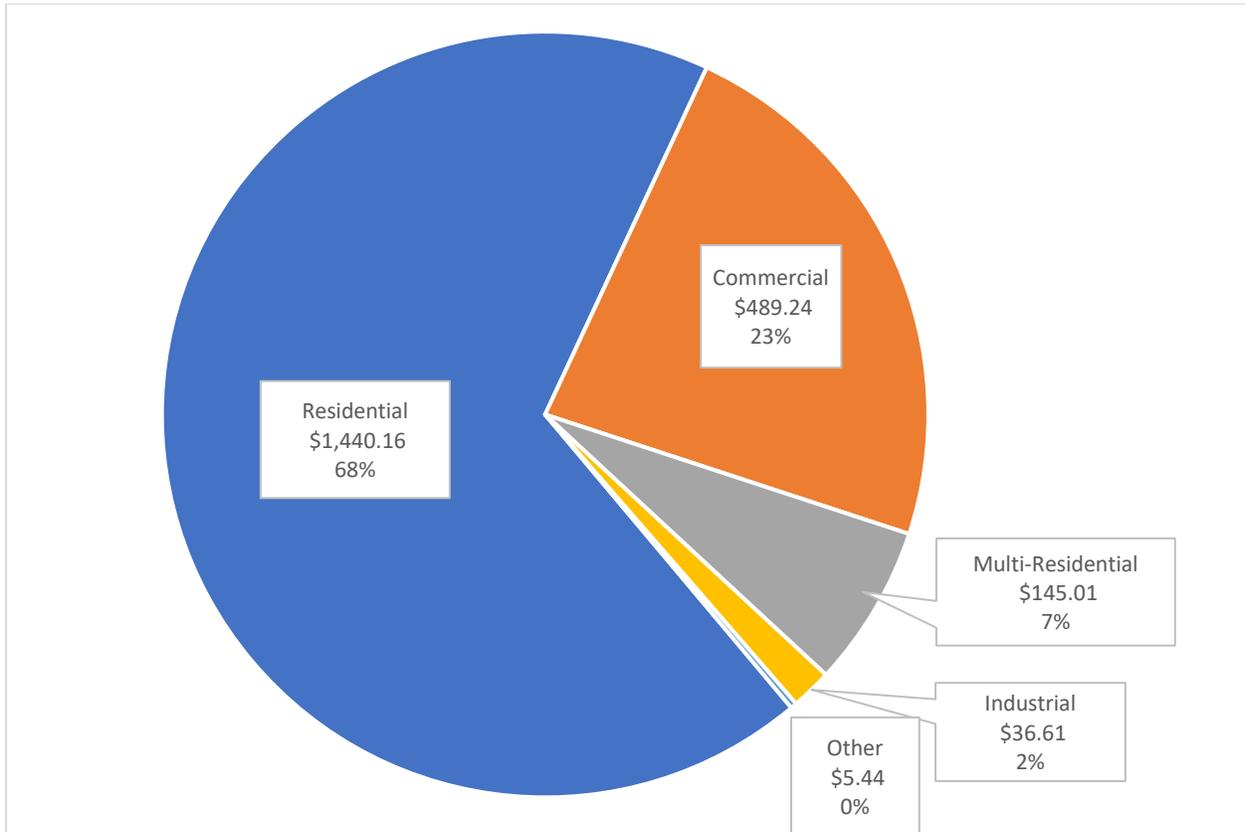
In conclusion, Revenue Services recommends the adoption of the discounts as outlined in this report. These discounts balance tax incentives for small businesses, manage land use effectively, and support agricultural activities through various property tax subclasses.

4. Municipal Tax Rates

Municipal Tax rates for 2024 are set based on the 2024 budget property tax levy requirement, the total property assessment value by class and the tax ratios recommended within this report. Final tax rates for all classes will be presented to Council in May for approval through by-laws.

The by-laws establishing the 2024 tax rates will incorporate a budgetary increase of 2.5 per cent. The result is an overall municipal property tax increase of approximately \$105 for the average urban residential property, in addition to a \$15 increase in the solid waste collection fee. Residents can view their property specific budgetary tax increase, any change due to policies/reassessment and the tax distribution by services listed at the back of final tax bill issued in June.

The following chart displays the estimated tax levy burden by Property Broad Class using the ratios and discounts as recommended in this report.

Figure 1 – 2024 Tax Levy Burden by Broad Class

Revenue Services recommends that the municipal tax rates for 2024 be established based on the ratios adopted herein.

Education Tax Rates

The Province reduced the 2021 Business Education Tax (BET) rates as part of the 2020 Ontario Budget. 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, 2023, and 2024 for all properties, resulting in no change in education taxes for property owners.

Municipalities retain the education taxes paid by Payments In Lieu of Taxes (PILT) properties, which are included in 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, 2023 and 2024 taxation years.

The Federal Government, the NCC, and Canada Post continue to pay their Payments In Lieu of Taxes (PILTs) using the reduced taxable rates. This has resulted in a PILT

revenue loss of approximately \$35 million for the years 2021, 2022, and 2023. As noted in the December 22 memo to Council, due to the financial burden this placed on municipalities, the Province made a one-time payment to the City for \$35 million. However, this payment does not cover the potential loss in the 2024 tax year or future tax years.

In response to this ongoing loss, the City has filed an application to the Federal Court seeking full payment for the owed PILT amounts. The hearing date is set for June 10, 2024, with hopes for a decision to be reached in the same year.

5. Capping Regulations

The Province of Ontario introduced tax capping as a temporary measure to ease the transition of certain commercial, industrial, and multi-residential properties to full Current Value Assessment (CVA) taxation. Before 1998, these properties were taxed differently. With the switch to a Fair Assessment approach using CVA, some properties faced substantial one-time tax increases. Tax capping was implemented to protect these properties from sudden large tax hikes by gradually phasing in the increase.

To recapture lost revenue from capped properties, the City calculates a clawback rate each year, limiting significant decreases in tax revenue due to the change in taxation methodology in 1998.

Over time, as property increases and decreases are fully realized, they exit the capping and clawback program. The number of properties in the program has steadily decreased: in 2002, there were 9,377 properties; by 2008, only 5,000 remained. The last properties in the multi-residential class left the program in 2019, and as of 2024, only 12 properties in the Industrial and Commercial class remain.

In 2023, Council adopted the accelerated four-year exit option with refined capping parameters to bring the remaining properties to CVA taxes quicker. The accelerated capping exit will continue in 2024, bringing the estimated number of properties in the program from 41 in 2023 to 12 in 2024. This a positive movement as only very few properties remain in the program. Revenue Services recommends that Council adopt the capping parameters as outlined in the recommendations of this report.

For additional information regarding the history, rules associated with this program and recommendations outlined in this report, please refer to Appendix A.

6. Property Tax 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 2024. 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*.

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, 2001* 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 the 2023 tax year were received by end of February this year and have yet to be processed and finalized. For the 2022 taxation year, 181 charitable rebate applications totaling approximately \$1.7 million for the municipal portion were processed.

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 \$29,000 annually. While the program's uptake remains limited, 393 out of 3,609 farm properties in 2023, Revenue Services recommend continuing the program in 2024 in response to rural concerns.

Deferral Programs

The Deferral Programs allow 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. The application deadline for new

applicants is December 31 of that year. The renewal deadline for the programs is September 30 of the relevant year, for those already on the program.

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, 2023, there were 110 taxpayers in the program. On average, the annual deferral is approximately \$4,203. Taxes deferred through the program in 2023 amounted to \$462,333. The total amount of deferred taxes in this program is \$3,078,469.

Water Deferral Program

In 2019, the City of Ottawa launched the Full Water Utility Bill Deferral Program. As of December 31, 2023, 24 water utility ratepayers were on the program. On average, the annual deferral is about \$691. The amount of water utility charges deferred for those water utility ratepayers in 2023 was approximately \$16,589, for a total water utility charge deferred amounting to \$74,911.

Deferral Programs Review and Revisions

Through the 2023 Tax Policy Report, staff committed to review the low-income qualification threshold for the property tax and water deferral program and report back with any recommendations through the 2024 Tax Policy Report. Following the review Revenue Services recommends the following changes:

Income Threshold

Revenue Services recommends raising the income threshold for applicants by adjusting the annual low-income indexing formula. Currently the annual income threshold for 2024 applicants is \$50,331, which is indexed annually based on the Consumer Price Index (CPI) using Canada's average for 2023. This measures the changes in prices for goods and services through time on eight major components that define the cost of living. The Ottawa CPI Shelter value is more reflective of the low-income levels in our area. Using the Ottawa specific CPI for shelter would increase the threshold for 2024 applicants from \$50,331 to \$55,900.

Arrears Threshold

While the majority of municipalities in Ontario have a zero-balance requirement when first entering the program, Revenue Services recommends allowing for up to 20 per cent of property tax arrears compared to the current value assessment (CVA). This reduces the City's risk of possible lost revenue. Arrears from previous years have the possibility of significantly increasing the overall balance to be paid should the owner(s) no longer eligible for the program. This would inflate the possible cancellation prices should the property be auctioned through a tax sale. By allowing arrears of up to 20 per cent of the CVA, it allows property owners to react to their financial circumstances and show due diligence.

Liens and WRITs

Revenue Services recommends introducing a new eligibility requirement where applicants would be denied should they have a Crown or Canada Revenue Agency lien and/or WRIT to their name or the property. While the City of Ottawa recoups the entirety of the outstanding balance after the successful completion of a tax sale through the cancellation price, it might not however when there are liens from the federal government or The Crown. This new requirement would allow the city to reduce its risks of recouping the entirety of the balance once it becomes due, especially if the property were to be auctioned through a tax sale. This requirement was a recommendation of the internal audit of the deferral program conducted in 2021 to limit the City's risk.

Maximum Current Value Assessment (CVA)

Revenue Services also recommends introducing a maximum CVA as part of the eligibility requirements. Property taxes are an indirect tax imposed on wealth determined by using a property's assessment. We recommend having a maximum residential value of 120 per cent of the annual residential average CVA value as returned on the annual assessment roll. This requirement is also used by other Ontario municipalities. The average CVA lends itself well to our definition of low-income by outlining what the average residential property owner's property is worth. Using the average value allows for inclusivity all while excluding owners who could take advantage of such a program. The current average residential assessment is 415,000. The new requirement would have a maximum assessment of 498,000 which would be reviewed and updated annually.

In order to continue supporting the residents that are already on this program, Revenue Services recommends that existing clients are exempt from these new recommendations.

Revenue Services recommends continuing the property tax mitigation programs for 2024, 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 outlined in this report.

7. Notional Tax Rate Adjustment

The Province introduced a regulatory amendment in 2016 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. Revenue Services recommends the adoption of the notional tax rate adjustment in 2024 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 2024 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 final roll return data is not available to staff around the budget tabling and approval timelines. Staff have completed an analysis of the 2023 year-end assessment data from MPAC and confirmed an additional \$4.2 million in revenue for 2024 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.

During the budget, staff estimate the anticipated assessment growth and its associated revenue as part of the annual budget process. For the 2024 budget, staff forecasted annual assessment growth of 1.7 per cent. Staff have completed an analysis of the 2023 year-end assessment data from MPAC and confirmed assessment growth was 1.6 per cent versus the 1.7 per cent assumption in the budget. With the technical adjustment application, the remaining 0.1 per cent or \$1.8 million offsets the difference

in the actual assessment growth versus the budgeted assessment growth and achieves the City's target of 1.7 per cent. Revenue Services recommends that \$1.8 million be allocated towards the budgeted assessment growth to align with the Council approved budget.

For the remaining additional growth identified from the application of the notional tax rate, Revenue Services recommends \$2.4 million in additional growth identified from the application of the notional tax rate be contributed to the 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 2025 interim tax billing at 50 per cent of the 2024 adjusted/annualized taxation. 50 per cent is consistent with previous years.

Revenue Services recommends setting the 2025 tax due dates as March 20, 2025, for the interim and June 19, 2025, 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. 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. These rates are consistent with previous years and are set to encourage prompt payment to ensure that the City has the fund required to deliver services. The penalty and interest charges are recommended to be remain at 1.25 per cent per month. This recommendation is consistent with previous years.

By-laws for the due dates and penalty and interest will be presented to Council in December for approval through by-laws as required by section 312 of the *Municipal Act, 2001*. The by-law will also include 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 2024 tax levy amounts once the Ministry of Municipal Affairs and Housing sends the City the capacities.

Table 7 - Levy from eligible public institutions

Category	2021	2022	2023
Universities and colleges	\$6,441,300	\$6,455,925	\$6,518,775
Correctional institutions	\$38,700	\$38,700	\$38,700
Public hospitals or provincial mental health facilities	\$269,250	\$269,250	\$272,250
Provincial education institutions	\$3,150	\$4,650	\$5,250
Total	\$6,752,400	\$6,768,525	\$6,834,975

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, services and facilities follow the City's Accessibility Policy, the Accessible Formats and Communication Supports Procedure, and the *Integrated Accessibility Standards Regulation*, O.Reg. 191/11 of the *Accessibility for Ontarians with Disabilities Act (2005)*.

Revenue Services actively offers disability-related initiatives to help older adults and people with disabilities on low-income, including both the Full Property Tax Deferral Program and the Water Deferral Program. These programs allow 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's website and reported annually in the City of Ottawa Municipal Accessibility Plan Update 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 program 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 older adults and residents with disabilities.

There are several recommendations being presented to Council through this report regarding the water and tax deferral programs that will benefit both people with disabilities and older adults who have low-income for increased entry considerations for these programs. The recommendations include Council approval of indexing the annual low-income threshold to be reflective of the local area, increasing the arrears threshold to allow for up to 20 per cent of property tax arrears compared to the current value assessment (CVA), excluding properties with Liens or WRITS and implement a current value assessment cap, while exempting existing clients from the new requirements.

Staff commit to review the low-income qualification threshold for this program and report back with any recommendations through the 2025 Tax Policy Report.

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. Tax bills are sent in a prescribed format by Provincial legislation; however, the City works with an external vendor to offer the bills in accessible formats. In 2023, Revenue Services issued 12 accessible bills at the interim tax bill and again at the final tax bill, in addition to five accessible statements for clients on the preauthorized monthly payment plan. Additionally, there were two requests for bills in Braille, four requests for e-text bills and 11 requests for large font bills at each billing.

DELEGATION OF AUTHORITY IMPLICATIONS

In accordance with the Delegation of Authority By-law (2023-067), Schedule "B", sections 19-21, Revenue Services has delegated authority to administer the tax mitigation programs outlined in this report. Any usage of this delegated authority is reported to Finance and Corporate Services annually.

ECONOMIC IMPLICATIONS

According to an Ontario benchmarking 2023 BMA Municipal Study completed by BMA consulting, the property tax burden as a percentage of income for Municipalities in Ontario ranges from 2.0 per cent to 5.2 per cent, with an Ontario average of 3.6 per cent. Ottawa's property tax burden as a percentage of income is 3.5 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 250 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 impact equity-denied 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.

RISK MANAGEMENT IMPLICATIONS

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

RURAL IMPLICATIONS

The City of Ottawa has over 3,600 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 Agricornp. 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 2023, while over 2,370 properties qualified for the Farm Grant Program, about 395 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.

It supports all of the 2023-2026 Term of Council Priorities:

- A city that has affordable housing and is more liveable for all
- A city that is more connected with reliable, safe and accessible mobility options
- A city that is green and resilient
- A city with a diversified and prosperous economy

SUPPORTING DOCUMENTATION

Appendix A

DISPOSITION

Revenue Services will use the tax ratios and rates to calculate and issue the 2024 final tax bills.

Revenue Services will invoice designated institutions to levy the 2024 annual amounts payable to the City of Ottawa on or after July 1, 2024.

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.

Subject to Committee approval, Council will be requested to suspend the Rules of Procedure to consider this report at the April 3, 2024 Council meeting due to the time sensitivity of this item.

*Note: A Minor correction was made to this report further to the City Clerk's Delegated Authority, as set out in Schedule C, Section 8 of Delegation of Authority By-Law 2023-67. the report was corrected with respect to a numerical typo for Appendix A.