Subject: 2025 Tax Policy and Other Revenue Matters

File Number: ACS2025-FCS-REV-0001

Report to Finance and Corporate Services Committee on 1 April 2025

and Council 16 April 2025

Submitted on March 21, 2025 by Joseph Muhuni, Deputy City Treasurer, Revenue, Finance and Corporate Services Department

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Ward: Citywide

Objet : Coefficients fiscaux et autres politiques d'imposition de 2025

Numéro de dossier : ACS2025-FCS-REV-0001

Rapport au Comité des finances et des services organisationnels

le 1 avril 2025

et au Conseil le 16 avril 2025

Soumis le 21 mars 2025 par Joseph Muhuni, Trésorier municipal adjoint, Recettes, Direction générale des finances et des services organisationnels

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATIONS

That the Finance and Corporate Services Committee recommend that Council:

1. **Discontinue the optional Parking Lot and Vacant Land property class and eliminate Vacant Land subclass discounts.**

2. **Approve a four-year plan to reduce the Multi-Residential tax ratio to 1.0000, subject to review after a province wide reassessment.**

3. **Adopt the following optional property tax classes in 2025:**

   - **Shopping Centre 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**

4. **Adopt the following tax ratios for 2025:**

Property Class	**Ratio***
Residential	1.00000
Multi-Residential	1.30000
New Multi-Residential	1.00000
Farm	0.20000
Managed Forest	0.25000
Pipeline	1.71980
Commercial Broad Class	1.97077
Commercial	1.92343
Office Building	2.38681
Shopping Centre	1.54793
Professional Sports Facility	1.92343
Industrial Broad Class	2.26631
Industrial	2.35889
Large Industrial	2.02568
Landfill	2.76212
Aggregate Extraction	2.09599

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

5. **Adopt the following tax reductions for the 2025 tax year:**

   - **Small business subclass: 15 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 and vacant land: No discount**

6. **Approve that the municipal tax rates for 2025 be established based on the ratios adopted herein.**
7. **Approve that the 2025 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 2025 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 four years, where the final year of the capping program will be 2026.**
8. **Approve the property tax and water mitigation programs previously approved by Council, including the changes and additions for 2025 as follows:**
    - **Charitable Rebate Program**
    - **Farm Grant Program**
    - **Low-Income Seniors and Persons with Disabilities Tax and/or Water Deferral Programs and set the income threshold for 2025 applicants to $56,556.**
    - **Approve the proposed By-law to establish tax relief parameters under section 357 of the *Municipal Act, 2001* and approve those applications for tax relief under section 357 1(d)(ii) and 1(g) be determined using the**

following parameters and as described in this report and in the general form set out in Document 2:

i. **Section 357 1(d)(ii), for buildings damaged by fire, demolition or otherwise rendering them substantially unusable, a 35 per cent property tax adjustment for the space affected.**

ii. **Section 357 1(g), for properties undergoing repairs and renovation which prevented normal use of the land for a period of at least three months, a 25 per cent property tax adjustment for the space affected.**

9. **Approve the introduction of a new service fee for Pre-Authorized Debit plans.**

10. **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.***

11. **Approve that $4.3 million in additional tax revenue from the application of the notional tax rate adjustment be allocated as follows:**

    - **$1.7 million be contributed to the assessment growth for 2025 and**
    - **$2.6 million be allocated to Councillor budgets as aligned by the third-party review and Motion No. 2025–50-14.**

12. **Approve that the 2026 property tax and due date provisions be as follows:**

    - **That the interim 2026 property tax billing be set at 50 per cent of the 2025 adjusted/annualized taxes as permitted by legislation.**
    - **That the following tax due dates be approved for 2026:**

        i. **Interim: March 19, 2026**

        ii. **Final: June 18, 2026.**

    - **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 2026, unchanged from 2025.**
    - **That Council enact a by-law to establish the 2026 interim taxes, tax due dates, penalty and interest charges.**

13. **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).**
14. **Approve the changes to the service fees for the Payment Card Processing By-law, as outlined in this report.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et des services organisationnels présente au Conseil les recommandations suivantes :

1. **Mettre fin à la catégorie de biens aire de stationnement et terrains vacants facultative et éliminer les réductions dans la sous-catégorie de terrains vacants.**
2. **Approuver un plan d’une durée de quatre ans en vue de réduire le coefficient fiscal pour la catégorie des immeubles à logements multiples à 1, 0000, sous réserve d’un examen après une réévaluation à l’échelle de la province.**
3. **Adopter pour 2025 les catégories d’impôts fonciers facultatives suivantes :**
    - **Centres commerciaux;**
    - **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.**

4. Adopter pour 2025 les coefficients fiscaux suivants :

Catégorie	**Coefficient***
Biens-fonds résidentielles	1,00000
Immeubles à logements multiples	1,30000
Nouveaux immeubles à logements multiples	1,00000
Biens-fonds agricole	0,20000
Forêts aménagées	0,25000
Pipelines	1,71980
Catégorie commerciale générale	1,97077
Biens-fonds commercial	1,92343
Immeuble de bureaux	2,38681
Centre commercial	1,54793
Installations sportives professionnelles	1,92343
Catégorie industrielle générale	2,26631
Biens-fonds industriel	2,35889
Grands biens-fonds industriels	2,02568
Décharges	2,76212
Extraction des agrégats	2,09599

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

5. Adopter les réductions d'impôts suivantes pour l'année d'imposition 2025 :

- **Sous-catégorie visant les petites entreprises : 15 %**
- **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 ainsi que terrains vacants : Pas de remise**

6. Approuver l'établissement des taux d'imposition municipaux de 2025 d'après les coefficients fiscaux adoptés dans le présent rapport.

7. Approuver pour 2025 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 2025 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.**

8. Approuver les programmes d'allégement de l'impôt foncier et de la taxe d'eau approuvés précédemment par le Conseil, y compris les modifications et les ajouts pour 2025 comme suit :

- **Programmes de remboursement offerts aux organismes de bienfaisance**
- **Subvention pour les terres agricoles**
- **Programme de report des taxes foncières pour les personnes âgées et les personnes en situation de handicap à faible revenu et établir le seuil de faible revenu pour les demandeurs de 2025 à 56 556 $.**
- **Approuver le règlement proposé visant à établir des paramètres d'allègement de l'impôt foncier en vertu de l'article 357 de la *Loi de 2001 sur les municipalités* et approuver que ces demandes d'allégement de l'impôt foncier en vertu de l'article 357 1(d)(ii) et 1(g) soient calculées en fonction des paramètres suivants et comme décrit**

dans le présent rapport et selon la forme générale établie dans le document 2 :

i. **L'article 357 1(d)(ii), pour les propriétés endommagées par le feu, démolies ou autrement devenues en grande partie inutilisables, un redressement des impôts fonciers de 35 % pour l'espace touché.**

ii. **L'article 357 1(g), pour les propriétés faisant l'objet de réparations et de rénovations, qui ont empêché une utilisation normale du terrain pendant une période d'au moins trois mois, un redressement des impôts fonciers de 25 % pour l'espace touché.**

9. **Approuver l'introduction de nouveaux frais de service pour les régimes de paiements préautorisés.**

10. **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.***

11. **Approuver que les 4,3 millions de dollars en recettes fiscales supplémentaires issus du rajustement du taux d'imposition théorique soient ainsi répartis :**

- **affectation de 1,7 million de dollars à la croissance de l'évaluation foncière pour 2025; et**
- **affectation de 2,6 millions de dollars aux budgets des conseillers et conseillères, conformément à l'examen par un tiers et à la motion no 2025–50-14.**

12. **Approuver pour 2026 les dispositions du relevé d'imposition foncière et des dates d'exigibilité suivantes :**

- **Que le montant d'impôts fonciers provisoire de 2026 soit établi à 50 % du montant annualisé ou rajusté de 2025, comme l'autorise la loi.**
- **Que soient approuvées pour 2026 les dates d'exigibilité suivantes :**

i. **Date d'exigibilité provisoire : le 19 mars 2026**

ii. Date d’exigibilité finale : le 18 juin 2026.

- **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 2026, comme en 2025.**

- **Que le Conseil adopte un règlement établissant l’impôt provisoire, les dates d’exigibilité, les pénalités et les intérêts pour 2026.**

13. 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).**

14. Approuver les modifications apportées aux frais de service pour le règlement sur le traitement des transactions effectuées par carte de paiement, comme cela est décrit dans le présent rapport.

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 2025 taxation year.

1. **Parking Lot and Vacant Land optional class and subclass:** The report recommends that Council discontinue the use of the Parking Lot and Vacant Land optional class, and discontinue the discounts applied to the Industrial Vacant Land and Commercial Vacant Land subclass.

2. **Multi-Residential Tax Ratio:** The report recommends that Council adopt a plan to reduce the Multi-Residential tax ratio to 1.0 over the next four years, subject to a

review at the time of a province wide reassessment. The first step will occur in 2025 with a reduction of the ratio from 1.4 to 1.3.

3. **Optional Property Tax Classes:** The report recommends that Council approve the use of various optional property classes and subclasses permitted by the *Assessment Act* and outlined in this report.

4. **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.

5. **Mandatory and Optional Subclass Discounts**: The report recommends that Council adopt the tax rate discounts for the mandatory and optional subclasses. The recommended discounts are consistent with the previous year or prior Council direction, except for the Industrial Vacant Land discount.

6. **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.

7. **Capping Regulations**: The report recommends that Council continue with the program to accelerate the movement of the remaining commercial and industrial properties to their actual Current Value Assessment taxes in 2025.

8. **Tax Mitigation Programs**: The report recommends Council continue the following tax mitigation programs for 2025 and with proposed changes to the tax cancellation, reduction and refund program:

    - 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 eligibility criteria updates to the program outlined in this report.

- Tax adjustments under section 357 1(d)(ii), and 1(g) of the *Municipal Act, 2001*, to be calculated using the parameters and set percentage-based reductions on the affected space as outlined in this report.

9. **Service Fee for Pre-Authorized Debit Plans:** The report recommends that Council approve a service fee to recover the costs of administering the Pre-Authorized Debit plans.

10. **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*.

11. **Allocation to the Operating Budget**: This report recommends that the $4.3 million of additional growth identified from the application of the notional tax rate adjustment be allocated as follows:

    - $1.7 million be contributed to assessment growth for 2024 and

    - $2.6 million be allocated to Councillor budgets as aligned with the third-party review and Motion No. 2025–50-14

12. **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. This report recommends the 2026 property tax and due date provisions.

13. **Annual Levy Payments from Eligible Institutions:** This report recommends the adoption of annual levies on eligible institutions pursuant to section 323(1), (2), (3) and (5) of the *Municipal Act, 2001,* and Ontario Regulation 384/98 "Tax Matters - Universities and Other Institutions," where 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.

14. **Payment Card Processing By-law Update:** This report recommends updates to Schedule “A” to reflect the new transaction fees with the City's preferred payment provider for payments made through credit and debit cards and update the

payment card fees. Online payments for parking tickets and camera based POA offences that fall under the Administrative Penalty System will be paid through the City's preferred payment provider, and the same transaction fees above will apply.

After the adoption of this report, by-laws establishing the 2025 tax rates incorporating the overall budgetary increase will be prepared for Council approval. The residential tax impact for an average urban home assessed at 415,000 is approximately $127, with variations depending on services received and individual property assessments.

RÉSUMÉ

Le présent rapport fait état des recommandations sur l’impôt foncier que le Conseil municipal doit examiner chaque année en application de la *Loi de 2001 sur les municipalités*. Les décisions qui en découlent détermineront la charge fiscale imposée aux différentes catégories de biens pour l’année d’imposition 2025.

1. **Catégories et sous-catégories facultatives de parcs de stationnement et terrains vacants :** Le rapport recommande que le Conseil cesse d’utiliser la catégorie facultative de parcs de stationnement et de terrains vacants appliquée à la sous-catégorie de biens-fonds industriels et de terrains commerciaux vacants et mette fin aux remises appliquées à ces sous-catégories.

2. **Coefficient fiscal pour la catégorie des immeubles à logements multiples :** Le rapport recommande que le Conseil adopte un plan en vue de réduire le coefficient fiscal pour la catégorie des immeubles à logements multiples à 1,0 au cours des quatre prochaines années, sous réserve d’un examen au moment d’une réévaluation à l’échelle de la province. La première étape aura lieu en 2025 avec une réduction du coefficient de 1,4 à 1,3.

3. **Catégories d’impôt foncier facultatives** : Le rapport recommande que le Conseil approuve l’utilisation des diverses catégories et sous-catégories d’impôt foncier facultatives permises par la *Loi sur l’évaluation foncière* et décrites dans le présent rapport.

4. **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.

5. **Réductions dans les sous-catégories obligatoires et facultatives :** Le rapport recommande que le Conseil adopte les réductions de 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, à l’exception de la réduction pour les terrains industriels vacants.

6. **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, approuvée par le Conseil, et les règlements correspondants.

7. **Règlements de plafonnement** : Le rapport recommande que le Conseil poursuive en 2025 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.

8. **Programmes d’allégement de la charge fiscale :** Il est recommandé au Conseil de reconduire pour 2025 les programmes d’allégement de la charge fiscale suivants, accompagnés de changements proposés aux programmes d'annulation, de réduction ou de report d’impôts fonciers :

   - Programme de remboursements offerts aux organismes de bienfaisance
   - Programme de subventions pour les 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, et les modifications apportées aux critères d’admissibilité décrites dans le présent rapport.
   - Ajustements fiscaux en vertu de l’article 357 1(d)(ii) et 1(g) de la *Loi de 2001 sur les municipalités* qui doivent être calculés en faisant appel aux paramètres et réductions établies basées sur un pourcentage de l’espace touché comme cela est décrit dans le présent rapport.

9. **Frais de service pour les régimes de paiement préautorisé :** Le rapport recommande que le Conseil approuve des frais de service pour récupérer les coûts d'administration des régimes de paiement préautorisé.

10. **Redressement du taux d'imposition théorique :** Le rapport recommande 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*.

11. **Affectation au budget de fonctionnement :** Il est recommandé de répartir comme suit les recettes de 4,3 millions de dollars découlant de la croissance générée par l'application du redressement du taux d'imposition théorique :

    - 1,7 million de dollars affectés à la croissance de l'évaluation foncière pour 2024; et

    - 2,6 millions de dollars affectés aux budgets des conseillers et conseillères, conformément à l'examen par un tiers et à la Motion no 2025–50-14.

12. **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. Le présent rapport recommande les dispositions du relevé d'imposition foncière et des dates d'exigibilité de 2026.

13. **Prélèvement annuel auprès des établissements admissibles :** Le présent rapport recommande l'adoption de prélèvements annuels sur les établissements admissibles conformément à l'article 323(1), (2), (3) et (5) de la *Loi de 2001 sur les municipalités* et du Règlement de l'Ontario 384/98 (Questions fiscales – Universités et autres établissements), où 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.

14. **Actualisation du Règlement sur le traitement des paiements par carte :** Le présent rapport recommande des mises à jour de l'annexe « A » pour refléter les nouveaux frais de transaction du fournisseur de solution de paiement privilégié de la Ville pour les paiements effectués par cartes de crédit ou de débit et la mise à jour des frais par cartes de paiement. Les paiements en ligne des contraventions de stationnement et des infractions liées aux caméras de contrôle automatisé qui relèvent des dispositions du Système de sanction administrative seront effectués par l'entremise du fournisseur de solution de paiement privilégié de la Ville, et les frais de transaction susmentionnés s'appliqueront.

Une fois le présent rapport adopté, les règlements fixant les taux d'imposition de 2025 en fonction de la hausse budgétaire globale seront préparés et 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 127 $. Elle variera en fonction des services reçus et de l'évaluation foncière.

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, 2001*.

Annually, municipalities can maintain prior-year ratios, adopt revenue-neutral ratios, or adopt alternate ratios guided by their 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 reflects 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 Document 1 - 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 to 2025 taxation years has been postponed, resulting in

2025 assessments being based on the 2016 Current Value Assessment (CVA). While no date for a reassessment has been announced, the Province has confirmed that stakeholder discussions are underway and has engaged municipalities to review the current system to determine the next steps and dates for the next reassessment.

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 2025 tax year, the City saw a 1.42 per cent tax levy growth, which is slightly lower than the growth of 1.6 per cent for 2024. While residential saw the highest levy growth at $18.5 million or 1.3 per cent, with over 3,000 new residential units, the New Multi-Residential class recorded growth at 25.3 per cent. The New Multi-Residential class increased by over $11.2 million in new taxes, representing 4,085 rental apartment units. Table 1 illustrates the tax levy growth in 2024 by class, and Table 2 shows the tax levy growth by zone. Please refer to Document 1 - Appendix A for additional details on levy growth by ward.

Table 1 - Tax Levy Growth by Class

Class	**Final 2024 Levy**	**Base 2025 Levy Before Budget Increase**	**Levy Growth**	**Growth %**
	($ millions)	**($ millions)**	**($ millions)**	
Residential	1,426.04	1,444.57	18.53	1.30%
Commercial	486.12	486.29	0.17	0.04%
Multi-Residential	116.82	116.05	-0.77	-0.66%
New Multi-Residential	44.37	55.60	11.23	25.31%
Industrial	35.87	36.66	0.79	2.19%
Farm and Managed Forests	3.17	3.20	0.02	0.73%
Other	5.40	5.44	0.04	0.71%
Grand Total	**2,117.80**	**2,147.81**	**30.01**	**1.42%**

As illustrated in the table below, Ottawa experienced 51 per cent of the total 2024 levy growth in the wards classified as suburban, 35 per cent in urban and 14 per cent in rural.

Table 2 - Tax Levy Growth by Zone

Zone	Final 2024 Levy ($ millions)	Base 2025 Levy Before Budget Increase ($ millions)	Levy Growth ($ millions)	Growth %
Urban	1,214.88	1,225.29	10.41	0.86%
Suburban	751.89	767.29	15.41	2.05%
Rural	151.03	155.23	4.19	2.78%
Grand Total	**2,117.80**	**2,147.81**	**30.01**	**1.42%**

Affordable and Competitive Taxes

Ottawa continues to have one of the lowest property taxes compared to some of the larger municipalities in Ontario, ensuring that our City remains affordable and economically competitive in attracting investment. Table 3 provides benchmarking of residential taxes levied in 2024 in Ontario's top 10 large municipalities. In each municipality listed below, taxes are based on the average 2-storey single detached 3-bedroom home with 2.5 bathrooms and a 2-car garage.

Table 3 - 2024 Average Municipal Taxes for Residential 2-Storey House

Municipality	2023 Property Taxes	2024 Property Taxes	% Change
Toronto (Average)	6,580	7,068	7.4%
Mississauga	6,315	6,781	7.4%
Windsor	6,329	6,633	4.8%
Hamilton	6,027	6,469	7.3%
Brampton	5,817	6,195	6.5%
Markham	5,827	5,983	2.7%
Vaughan	5,579	5,729	2.7%
Kitchener	5,303	5,568	5.0%
Kingston	5,409	5,535	2.3%
London	5,020	5,405	7.7%
Ottawa	**5,210**	**5,349**	**2.7%**

For additional benchmarking information please refer to the 2024 BMA Consulting - Annual Ontario Municipal Study report.

In summary, 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 2025 Budget on December 11, 2024 (ACS2024-FCS-FSP-0017), with 1.5 per cent increase coming from tax-related growth and a 3.9 percent overall increase on municipal taxes.

DISCUSSION

This report outlines the tax policy and related 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.

1. Discontinuation of Optional Parking Lot and Vacant Land Class and Elimination of Vacant Land Discounts

The City of Ottawa has adopted all optional tax classes, including the Parking Lot and Vacant Land class, since 2001. The Parking Lot and Vacant Land optional tax class allows for properties assessed in that tax class to have their own tax ratio and tax rate. When the class was first adopted, it was given the lowest tax ratio of all the properties in the commercial broad class. In 2024, the optional tax class was taxed at 32.5 per cent lower in municipal taxes than properties in the regular commercial class. Ottawa currently has 1,535 properties in the Parking Lot and Vacant Land optional tax class. There are 810 properties that the Municipal Property Assessment Corporation (MPAC) has described as parking lots, parking garages or parking for commercial/industrial condominiums and there are 725 properties that are classified as Commercial Vacant Land.

Vacant Land is a prescribed subclass of commercial and industrial property classes. Prior to 2017, Provincial legislation allowed for maximum discounts on excess and vacant land taxes. However, in 2019, the province eliminated the discounts on the education rate for these subclasses and many municipalities have since followed suit. There are 388 properties in the Industrial Vacant Land tax class that receive the discounted tax rate.

With changing markets and social dynamics, the fairness and objectives of having lower tax rates for parking lots and commercial/industrial vacant land have been the focus of attention. The discontinuation of the Parking and Vacant Land class and elimination of the Industrial Vacant Land discount would align with the strategic priorities for this Term of Council. It would stimulate economic development, by incentivizing the development of vacant land and encourage the use of transit by redeveloping vacant urban lands or increasing the costs of parking, moving forward with a greener city.

Since tax ratios can only be decreased, the only option available is to discontinue the optional Parking Lot and Vacant Land tax class and eliminate the 35 per cent discount for Industrial Vacant Land properties. This would mean that parking lots and commercial vacant land would pay the commercial rate and industrial vacant land properties would pay the industrial rate. This approach lines up with the residential and multi-residential vacant land which pay the same tax rate as properties within tier respective classes.

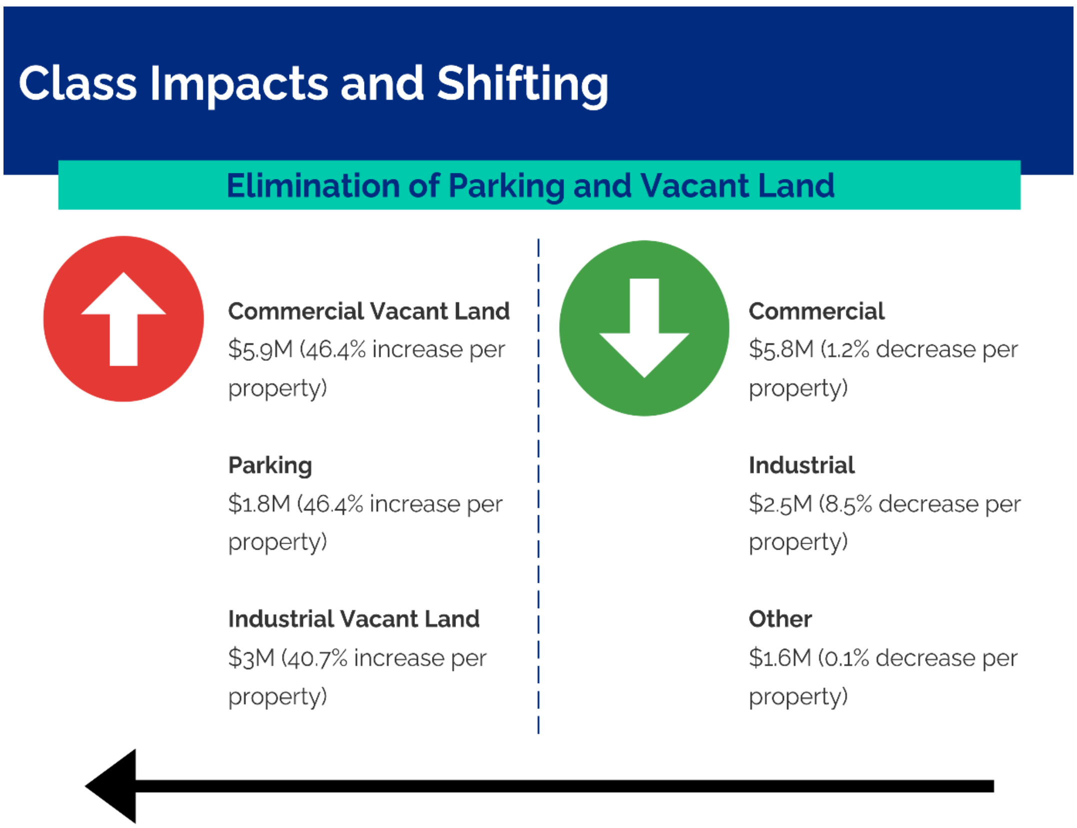
A review of the top 10 municipalities in Ontario shows that only Ottawa has the optional Parking Lots and Commercial Vacant Land class, and most have eliminated the discounts for industrial and vacant land. Refer to Table 4 for benchmarking.

Table 4 - Parking Lot and Vacant Land Benchmarking

Municipality	Optional Parking Lot/Vacant Land Class	Vacant Commercial Land Discount	Vacant Industrial Land Discount
Ottawa	**YES**		**35%**
Vaughan	NO	**30%**	**35%**
London	NO	0%	0%
Toronto	NO	**30%**	**35%**
Windsor	NO	0%	0%
Kitchener	NO	0%	0%
Markham	NO	**30%**	**35%**
Brampton	NO	0%	0%
Hamilton	NO	0%	0%
Mississauga	NO	0%	0%
Kingston	NO	0%	0%

Eliminating the Parking tax class and the Vacant Land discounts will increase the taxes paid by the Parking and Commercial Vacant classes by $7.7 million or 46.4 per cent for each property and increase the Industrial Vacant Land class by $3 million or 40.7 per cent. The increase would be offset by a 1.2 per cent reduction for properties in all other commercial tax classes, and 8.5 per cent reduction for properties in all other industrial tax classes and a 0.1 per cent reduction for properties in all other tax classes. The average residential property assessed at 415,000 would experience a decrease of $4 in municipal taxes from this change. Figure 1 illustrates the property tax shifts that would result form this change.

Figure 1 - Property Tax Shifts from the Elimination of Parking and Vacant Land



54.3 per cent of the properties affected, are in the urban core of the city, 28.5 per cent are in the suburban area and 17.2 per cent in the rural area. Refer to Table 5 for the impacts by area and property type.

Table 5 - Impacted Property Type by Area

Property Type by Area	URBAN		SUBURBAN		RURAL	
	Change $ (in mil)	Property Count	Change $ (in mil)	Property Count	Change $ (in mil)	Property Count
Industrial Vacant Land	$0.8	88	$1.6	115	$0.6	185
Parking Condo	$0.1	470	$0.0	217	$0.0	

Parking Lot/Garage	$1.0	110	$0.1	10	$0.0	3
Commercial Vacant Land	$4.1	377	$1.8	205	$0.5	143
Grand Total	**$6.0**	**1045**	**$3.5**	**547**	**$1.1**	**331**

Staff recommend discontinuing the use of the optional Parking Lot and Vacant Land class and eliminating the discount for industrial vacant land. While MPAC will continue to assess properties in a Parking Lot tax class, or Vacant Land tax class, they will be taxed at the commercial and industrial rate respectively.

2. Reducing the Multi-Residential Ratio

The City of Ottawa has the Multi-Residential tax class for properties built prior to 2001 that has a tax ratio of 1.4094 and a New Multi-Residential class for properties built after 2001 with a ratio of 1.0000, to align with the residential tax ratio. Generally, properties in the Multi-Residential class tend to have lower rents and a higher tax ratio when compared to properties in the New Multi-Residential class.

Table 6 shows how Ottawa's Multi-Residential tax ratio compares to Ontario's top 10 municipalities for the 2024 tax year.

Table 6 - 2024 Multi-Residential Tax Ratio benchmarking

Municipality	Multi-Residential Tax Ratio[1]
Markham[2]	1.0000
Vaughan[3]	1.0000
Mississauga	1.2656
Ottawa	**1.4091**
Kingston	1.7000
London	1.7037
Brampton	1.7050
Toronto	1.8993
Kitchener[4]	1.9500
Windsor	2.0000
Hamilton	2.0658

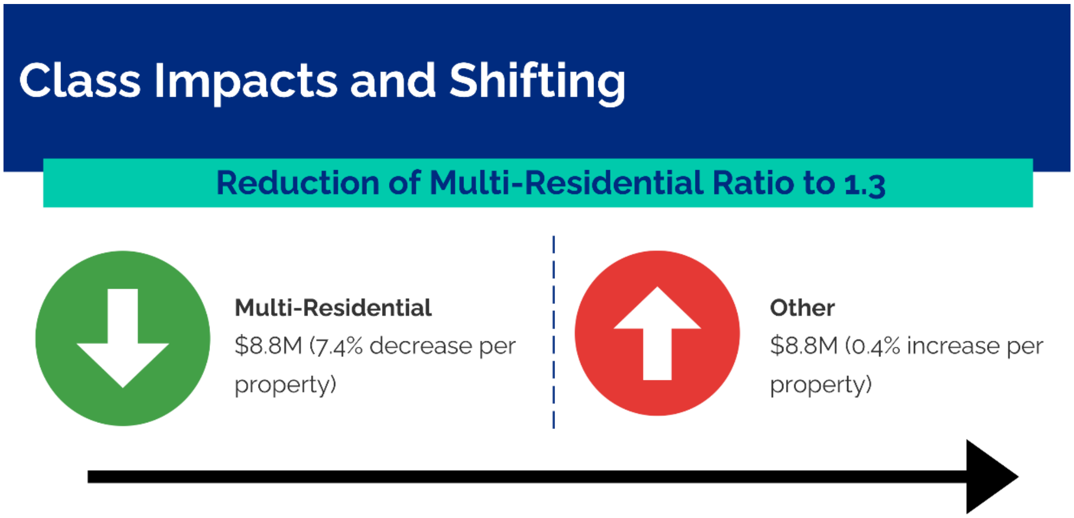
[1] All ratios with the exception of those identified are sourced from the 2024 BMA Municipal Study
[2] About Your Tax Bill | City of Markham
[3] Property Tax and Assessment | City of Vaughan
[4] Understanding your property taxes - City of Kitchener

Housing affordability is one of this Term of Council’s four strategic priorities. At the Finance and Corporate Services Committee meeting of April 2, 2024, Councillor Menard directed “That Finance and Corporate Services Department staff be directed to explore the feasibility of a proactive ratio reduction for the Multi-Residential ratio to 1.0 over three to five years starting in 2025 and report back through the 2025 Tax Policy report, with consideration of reassessment resuming in which the Multi-Residential ratio will continue to drop incrementally to a ratio of 1.0, and remains within the range of fairness and no less than 1.0 once the provincial property reassessment process has resumed.”

One of the tools that Council has in the tax policy toolkit is the ability to shift the tax burden to other classes by lowering a tax ratio toward the range of fairness through its annual tax policy. If Council were to immediately reduce the Multi-Residential ratio from 1.409 to 1.00, there would be a permanent reduction to the Multi-Residential class of $32 million or 23.5 per cent for each property. The reduction would be offset by a 1.6 per cent tax increase for all other classes. The average residential property assessed at 415,000 would experience a tax increase of $69 per year, while a person paying a rent of $2,000 per month would experience a forced rent reduction of $94 monthly ($1,128 per year).

To minimize the impacts of tax shifting to the residential and other tax classes while still triggering a forced rent reduction, staff recommend reducing the Multi-Residential ratio to 1.3 in 2025 and then by 0.1 each year until ratio parity of 1.00 is achieved or until a provincewide reassessment occurs, at which time staff will evaluate the ratio and provide a revised plan. Reducing the Multi-Residential ratio from 1.409 to 1.30 will permanently reduce the municipal taxes paid by the Multi-Residential class by $8.8 million or 7.4 per cent for each property. The reduction would be offset by a 0.4 per cent tax increase for all other classes. The average residential property assessed at 415,000 would experience a tax increase of $19 per year. Figure 2 below demonstrates the property tax shift from Multi-Residential to other classes as a result of reducing the ratio.

Figure 2 - Property Tax Shifts from the reduction for the Multi-Residential ratio



By lowering the Multi-Residential tax ratio to 1.3 in 2025, a multi-residential property would experience a 7.4 per cent decrease or a 4.5 per cent decrease after the approved 2025 budgetary increase, which means an automatic rent reduction under the *Residential Tenancies Act, 2006* would be triggered and apply. Any decrease over 2.5 per cent requires municipalities to send notices to landlords and tenants regarding an automatic rent reduction. A 4.5 per cent reduction in property taxes in 2025 equates to a 0.89 per cent forced rent reduction in 2026. For example, a person paying $2,000 per month in rent will see an estimated $16 automatic rent reduction per month ($192 per year) in 2026.

3. Optional Property Tax Classes

Revenue Services recommends that the adoption of optional tax classes continue in 2025. Specifically, the Shopping Centre property class, the Office Building property class and the Large Industrial property class.

4. 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 four-year reassessment cycle that was scheduled to happen in 2021 and has held the 2020 assessment values to date, there is no year-over-year reassessment change in 2025.

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 means 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 $672 tax increase (13.5 per cent) for the average residential property or $222.5 million added to the Residential class in Ottawa. The average commercial property would see a savings of $32,000 (27 per cent). Older apartment buildings in the Multi-Residential class would see an average decrease of $18,000 (14.5 per cent); however, apartments in the New Multi-Residential class would see the same percentage increase as the Residential property class.

The Need for Neutral Ratios

Neutral ratios can help mitigate tax shifts caused by reassessment or adjustments to the notional tax rate for lost growth due to assessment appeals. In 2025, neutral ratios are required to mitigate tax shifts resulting from the notional tax rate adjustment and the elimination of the Parking Lot and Vacant Land optional class. As explained above, in 2025, the Multi-Residential ratio is being manually reduced and, thus, is no longer a neutral ratio. Table 7, compares the 2024 ratios to the recommended 2025 ratios.

Table 7 - 2024 versus 2025 Ratios

CLASS	Actual Ratio 2024	Proposed Ratio 2025
Residential	1.0000	1.0000
Multi-Residential	1.4091	1.3000

New Multi-Residential	1.0000	1.0000
Farm	0.2000	0.2000
Managed Forest	0.2500	0.2500
Pipeline	1.7192	1.7189
Commercial Broad Class	1.9604	1.9707
Commercial	1.9384	1.9234
Office Building	2.4053	2.3868
Shopping Centre	1.5599	1.5479
Professional Sports Facility	1.9384	1.9234
Industrial Broad Class	2.4676	2.2663
Industrial	2.5759	2.3589
Large Industrial	2.2120	2.0256
Landfill	2.7626	2.7621
Aggregate Extraction		2.0959

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 tax ratio is 1.3 to accelerate the City's goal of achieving ratio parity with the residential tax class.

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

Managed Forest Tax Ratio: Legislation limits this ratio to a maximum 0.25, in 2025 it will continue to be 0.25.

Farm Tax Ratio Savings to Farm Owners: Provincial legislation limits the Farm ratio to a maximum of 0.25. In 2004, the City of Ottawa became the first municipality in Ontario to drop its Farm class tax ratio to 0.20. The 0.20 ratio was introduced in 2004 to provide relief to farmers severely impacted by the financial hardships caused by 'mad cow disease', and Council has adopted this ratio every year since. The reduction from 0.25 to 0.20 equates to approximately $779,680 in annual savings for the Farm class or $219 for Ottawa's average farm property. There are slightly fewer than 3,600 farm properties in the City of Ottawa. In 2025, the average Farm class property will have a municipal property tax burden of approximately $893.

Aggregate Extraction Tax Ratio

In July 2024, the Minister of Finance created a new temporary property sub-class for aggregate extraction sites in Ontario. The temporary sub-class was created to help offset significant property tax changes because of an assessment decision that MPAC implemented for a province-wide update in 2024. The Province created the temporary subclass to provide education property tax savings for the affected properties in Ontario, mitigating their tax impacts. In 2024, the reduced education rate resulted in an adjustment of $393,720 in education taxes with no impact to the City.

For 2025, the Minister created an entirely new property tax class, amending regulation Ontario Regulation 282/98, adding the aggregate extraction property class. This new property tax class affects 98 properties in Ottawa and includes a Provincially mandated tax ratio of 2.095990 for municipal taxes. The creation of a separate property class also ensures that properties receive an adequate level of revenue and that other taxpayers don’t see a disproportionate impact because of the new tax class. In 2025, these properties will once again have a lower education tax rate, paying the lowest rate of any property tax class in the province. This results in overall savings to the aggregate extraction class of $415,200 in education property tax classes. The purpose of the new tax class is to provide education property tax savings. The Province’s objective is “to support a principled and sustainable approach to the taxation of aggregate sites for the long term.”

Document 1 - Appendix A further outlines the legislation surrounding tax ratios, Ottawa’s previous tax ratio history by class, and the proposed ratios for 2025.

By eliminating the Parking Lot and Vacant Land discounts and reducing the Multi-Residential ratio to 1.3 in 2025, the average residential property assessed at 415,000 will see a property tax increase of $15. Further, because of the Multi-Residential ratio decrease, renters in these properties will see an automatic rent reduction of 0.91 per cent in 2026. A person paying $2,000 monthly rent will see an estimated $18 automatic rent reduction per month ($216 per year) in 2026. The overall tax shifting between classes resulting from these changes is summarized in Table 8 below.

Table 8 - Municipal Impacts of 2025 proposed ratios

Class	Elimination of Parking and Vacant Land		Reduction of Multi Residential Ratio to 1.3		Elimination of Parking/VL and Reduction of MR Ratio to 1.3	
	Million $	%	Million $	%	Million $	%
Residential	-1.39	-0.1%	6.23	0.4%	4.83	0.3%
Multi-Residential	-0.11	-0.1%	-8.79	-7.4%	-8.89	-7.5%
Commercial	1.92	0.4%	2.12	0.4%	4.05	0.8%
Industrial	0.45	1.2%	0.15	0.4%	0.61	1.7%
New Multi-Residential	-0.05	-0.1%	0.24	0.4%	0.19	0.3%
Farm	-0.00	-0.1%	0.01	0.4%	0.01	0.3%
Other	0.02	-0.2%	0.03	0.4%	0.01	0.2%

Revenue Services recommends adopting the ratios outlined in the report that maintain the proportion of property taxes paid in each property class. The ratios support the City’s need to support to the multi-residential community and the need to better utilize commercial vacant land and parking lots. The proposed ratios in the recommendations are subject to final minor revisions upon the Ontario Property Tax Analysis system close off.

5. Mandatory and Optional Subclass Discounts

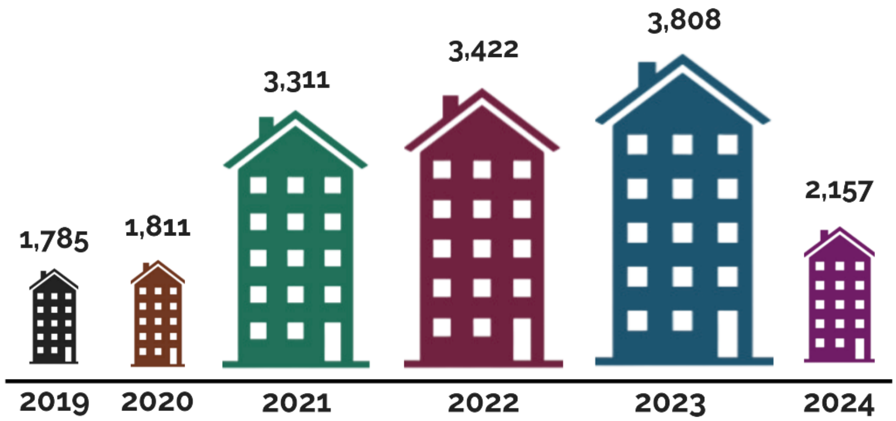
New Multi-Residential Subclass

Through the 2024 Ontario Budget, the Provincial government committed to supporting purpose-built rental housing by allowing municipalities to offer a reduced property tax rate for new multi-residential developments. The optional tax class for new multi-residential developments is a subclass from the existing New Multi-Residential tax class. It would apply to units built or converted from non-residential use, aiming to increase rental housing availability. To qualify, new developments would need to have a building permit issued after Council approves the by-law adopting the subclass.

The new subclass enables municipalities to offer up to a 35 per cent discount on the municipal portion of taxes. However, the new subclass provides no incentive for affordable rents and only creates a larger disparity between the taxes the same types of buildings are paying.

Ottawa has the highest annual multi-residential unit growth in Ontario. Detailed multi-residential growth by units is shown in Figure 3 below.

Figure 3 - Ottawa Multi-Residential Units by Year Built



Currently, there is no correlation between newer properties having a lower tax rate and their rental affordability. Typically, newer constructed properties have higher rents while paying the same tax rate as residential properties. To support affordability, Council has previously adopted the Affordable Housing Community Improvement Plan and the Affordable Housing Municipal Capital Facilities by-law. Given that the market is already well incentivized at this time, staff do not recommend adopting the new subclass.

In the Ontario Fall Economic Statement, the Province announced that it is considering an affordable housing subclass to ensure that tax relief is provided to support affordable housing units. If this becomes an option, it would be a much more targeted tool that would align property tax relief with affordability. More details are expected in the spring budget announcement.

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 a 15 per cent discount by 2024 and again in 2025, 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 $12.9 million in municipal tax savings and $5.6 million savings in education taxes for small businesses in 2025. In 2025, the average small business property will continue to see a $2,600 discount in municipal taxes and a $1,100 discount in education taxes for a total of $3,700 in savings.

Tax Savings for Farm Land Awaiting Development I and II

Farm Land Awaiting Development I and II subclasses are 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 recommends 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 recommends 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 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, effectively manage land use, and support agricultural activities through various property tax subclasses.

6. Municipal Tax Rates

Municipal Tax rates for 2025 are set based on the 2025 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 2025 tax rates result in a net municipal property tax increase of $127 for the average single-family home, comprised of a municipal budget increase of $168 (3.9 per cent), a reduction of $56 that will move to the solid waste flat fee, and a $15 increase from the policy changes described in this report. The solid waste flat fee will increase by $98 for the average single-family home, comprised of the $56 moving from the tax rate, a $26 shift from non-residential properties and a $16 (7 per cent) annual budgetary increase. 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 the final tax bill issued in June.

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

Figure 4 - 2025 Tax Levy Burden by Broad Class

Revenue Services recommends that the municipal tax rates for 2025 be established based on the ratios adopted herein.

Education Tax Rates

The Ontario Government reduced the 2021 Business Education Tax (BET) rates as part of their 2020 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 government has maintained the same education rates in 2022, 2023, 2024, and 2025 for all properties except the new aggregate extraction class mentioned earlier in the report, 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 Provincial government's plan to help businesses, the Provincial government maintained the 2020 BET rates for PILT properties for 2021 through 2025 taxation years.

The Federal Government, the National Capital Commission (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 $45 million from 2021 to 2025. As noted in the December 22, 2023, memo to Council, the Province made a one-time payment to the City for $35 million due to the financial burden this placed on municipalities. However, this payment does not cover the potential loss in 2024 or future tax years.

In response to this ongoing loss, the City had filed an application to the Federal Court seeking full payment for the owed PILT amounts. The hearing was held on June 10, 2024, and the judgement, released on February 19, 2025, ruled in favour of the defendant. The judge determined that the Federal Government, the NCC, and Canada Post were within their right to pay at the reduced BET rate. Council was notified of the ruling through memoranda on February 20, 2025. To preserve the City's legal right, a Notice of Appeal was filed with the Court on March 21, 2025.

7. 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; as of 2025, only thirteen 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 2025. This is 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.

Refer to Document 1 - Appendix A for additional information regarding the history, rules associated with this program and recommendations outlined in this report.

8. 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 2025, with the addition of standardized percentages to calculate the tax relief under various sections of the 357 program. These programs include:

- The Charitable Rebate Program: provision of a 40 per cent tax rebate to charitable organizations.
- The Farm Grant Program: to defer the due date for annual taxes.
- The Tax Deferral Program: provision of partial tax deferral relating to the increase in assessment and a complete tax deferral program 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.
- Cancellation, reduction and refund of taxes under section 357 of the *Municipal Act, 2001*.

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 the *Municipal Act, 2001* timeframes (at least 50 per cent within 60 days of receipt of the application; the balance within 120 days).
- Interest is paid, as required by the *Municipal Act, 2001* 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 2024 tax year were accepted until the end of February 2025 and have yet to be processed and finalized. For the 2023 taxation year, 180 charitable rebate applications totalling 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 allows eligible farmers to defer their final tax bill due in June to December. The grant, administration, printing and mailing costs are estimated to be $33,000 annually. While the program's uptake remains limited, 454 out of 3,551 farm properties in 2024, Revenue Services recommends continuing the program in 2025.

Deferral Programs

The City has two deferral programs that 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 five per cent instead of 15 per cent. The application deadline for new applicants is December 31 annually. 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 program launched 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, 2024, there were 100 taxpayers in the program. On average, the annual deferral is approximately $4,280. Taxes deferred through the program in 2024 amounted to $428,444.83. The total amount of deferred taxes in this program is $3,801,317.20.

Water Deferral Program

In 2019, the City of Ottawa launched the full Water Utility Bill Deferral program. As of December 31, 2024, 26 water utility ratepayers were on the program. On average, the annual deferral is about $840. The amount of water utility charges deferred for those water utility ratepayers in 2024 was approximately $21,858.

Deferral Program Income Threshold

Revenue Services recommends raising the income threshold for applicants to the City's deferral programs by adjusting the annual low-income indexing formula. Currently, the annual income threshold for 2024 applicants is $55,900. Using the Ottawa-specific Consumer Price Index (CPI) for shelter would increase the threshold for 2025 applicants from $55,900 to $56,556.

Cancellation, reduction or refund of taxes under Section 357

In Ontario, residents may apply for a cancellation, reduction or refund of all or part of their property taxes. As required by the *Municipal Act 2001*, the City of Ottawa provides the ability to apply for such a reduction under Section 357. Section 357(1) notes that upon application to the Treasurer, the City may cancel, reduce or refund all or part of the taxes levied on land in the year in respect of which the application is made, for the following reasons:

- Change in use
- Land has become vacant or excess
- Land has become exempt
- A building was razed by fire, demolition or otherwise
- A building was damaged, rendering it substantially unusable
- Removal of mobile unit
- Unable to pay due to sickness or extreme poverty
- Gross or manifest error that is factual in nature
- Repairs and renovation

Revenue Services administers the Section 357 Program under its Section 357 policy. Highlights of the policy include:

- Applications are submitted to the Municipal Property Assessment Corporation (MPAC)
- Tax adjustments are based on assessment recommendations provided to the City by MPAC
- Adjustments are prorated based on the date a change or event occurs
- Adjustment details are provided to the applicant
- Upon assessment changes, tax adjustments are recalculated

Tax adjustment applications under Section 357 are received until the last day of February of the year following the taxation year for which the application is made. During the 2024 taxation year, 657 applications totaling approximately $2 million for the municipal portion were processed.

Section 357 Program Revisions
MPAC has advised municipalities that it will no longer provide assessment recommendations for applications relating to buildings being damaged and rendered substantially unusable, and those relating to repairs and renovation.

By setting the adjustment percentages in a by-law, the City can lower the risk of appeals made to the Assessment Review Board. By removing MPAC from these types of adjustments, Revenue Services will be able to respond to applications more quickly. Set percentage reductions offer a solution that is transparent, fair, and equitable to all residents.

As a result of MPAC's changes and staff's review of internal policies, Revenue Services recommends the following changes and adoption of a new by-law for the City of Ottawa (Document 2):

Building on the land damaged by fire, demolition or otherwise under section 357(1)(d)(ii)
Revenue Services recommends using a percentage-based approach to applications where a building has been damaged, rendering it substantially unusable. Revenue Services will determine the affected square footage for the application and determine what percentage of the gross area it makes up. A 35 per cent reduction will be given to the property taxes attributed to the affected area. In accordance with Ontario Regulation 282/98, a property that contains a building that is substantially unusable shall be considered vacant land. A 35 per cent reduction is equivalent to the reduction given to vacant land in the industrial tax class.

Repairs and renovation under section 357(1)(g)
Revenue Services recommends using a percentage-based approach to applications where a property has had its normal use affected for a minimum of three months. Revenue Services will determine the affected square footage for the application and determine what percentage of the gross area it makes up. A 25 per cent reduction will be given to the property taxes attributed to the affected area. This reduction amount is in line with what is deemed an unfinished allowance reduction that MPAC gives unfinished or vacant commercial units.

Following an application to reduce property taxes under Section 357, taxpayers will be instructed to file a request for reconsideration (RFR) with MPAC to ensure their assessment for the year after the event is properly adjusted.

Revenue Services recommends continuing the property tax mitigation programs for 2025, including the Charitable Rebate Program, the Farm Grant Program and the Low-

Income Seniors and Persons with Disabilities Deferral Program for Tax and Water and Cancellation, Reduction or Refund of taxes as outlined in this report.

9. Introduction of New Service Fee for Pre-Authorized Debit Plans

The City of Ottawa offers property taxpayers six monthly Pre-Authorized Debit (PAD) plans and one installment plan, among the many payment options. The installment PAD plan makes an automatic withdrawal from the property owner’s bank account on the interim and final property tax due dates, while the monthly PAD plans withdraw around one-tenth of the annual taxes on a set date each month from January to October. A PAD plan is also available for water utility accounts where the payment is automatically withdrawn on the bill’s due date. The *Municipal Act, 2001* provides authority for municipalities to set pre-authorized debit programs.

In 2024, the City had 108,894 tax accounts and 86,734 water utility accounts registered on a PAD plan. Every month, Revenue staff process an average of 1,500 additional PAD transactions, such as new enrollments, returned payments, updates and deletions and bank file transmissions. There were approximately 17,000 written notices issued in 2024. With an average cost to the City of $0.92 per item, the total cost to issue these non-invoice notices was approximately $15,640. The administration of the PAD plans currently requires full-time support from 7 FTEs.

With the advancements in payment technology, the PAD plans no longer offer any significant financial benefit to the City and are costly to maintain. Despite being one of eight payment options provided to taxpayers, the plan administration uses almost 40 per cent of the FTEs responsible for applying and recording all property tax and water utility payments. There is no requirement in the *Municipal Act, 2001* to offer a pre-authorized debit plan to taxpayers, but the City provides it for the convenience of residents. There is no additional cost to taxpayers registered for a PAD plan despite the administrative and carrying costs to the City to administer the plans.

The PAD plan benefits residents by providing them with the peace of mind that their payments will be made automatically on their behalf without the risk of forgetting. The monthly tax PAD plan offers an additional benefit to those registered by allowing them to distribute their payments over 10 months without incurring overdue fees, penalties or interest. No other payment option allows this exception. The plan reduces the cashflows that would otherwise be available sooner to the City annually, which may have been considered in planning to repay long-term debt or missed investment opportunities.

Annually, Council approves user fees through the adoption of the annual budget and applicable by-laws as authorized by section 391 of the *Municipal Act*. In line with the City's Fiscal Framework, users of services that do not benefit the community as a whole (where an individual chooses to use the service or not) should be responsible for the costs of those services, thereby reducing the property tax requirement. The Fiscal Framework sets a 100 per cent cost recovery target for services.

Based on 2024 data, the average cost of processing electronic payments per transaction is $0.19, whereas the average cost of processing PAD per transaction is $0.74. Therefore, staff recommend the implementation of an ongoing carrying cost fee of $0.55 per transaction for all PAD plans. The fee would raise approximately $820,000 annually based on 2024 data. The fee would not fully cover the cost of the administration of the PAD plan; however, this would recover the difference between the cost of administering PAD versus all other electronic payment types. Staff recommend implementing this new fee structure starting in January 2026 to allow time for communication with residents.

No other municipalities in Ontario charge a user fee for administering PAD plans. Pre-authorized debit payment fees are applied in the private sector, for example where an installment plan is provided to an annual charge such as an insurance premium.

Upon approval, PAD Plan subscribers will receive a bilingual letter outlining the new fee, its reason, and when it will come into effect. This will give them time to adjust their budget and finances or make alternative payment arrangements. More communications will follow the letter leading up to the implementation date. All taxpayers on the monthly plan will receive their new monthly withdrawal schedule at least 10 days before the first adjusted withdrawal. The City's website and My ServiceOttawa will be updated to reflect the fees.

10. Notional Tax Rate Adjustment

The Ontario government 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 2025 for the City of Ottawa through a by-law, as prescribed in the property tax-related regulations made under the *Municipal Act, 2001*.

11. Allocation to the Operating Budget

As part of the annual budget exercise, the City estimates assessment growth and its associated revenue because the final roll return data is not available to staff around the budget tabling and approval timelines. Staff have now completed an analysis of the 2024 year-end assessment data from MPAC and confirmed an additional $4.3 million in revenue for 2025 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.

2025 Budgeted Growth Shortfall

During the budget, staff estimate the anticipated assessment growth and its associated revenue as part of the annual budget process. For the 2025 Budget, staff forecasted annual assessment growth of 1.5 per cent. Staff have analyzed the 2024 year-end assessment data from MPAC and confirmed that assessment growth was 1.42 per cent versus the 1.5 per cent assumption in the budget. With the technical adjustment application, the remaining 0.08 per cent or $1.7 million offsets the difference in the actual assessment growth versus the budgeted assessment growth and achieves the City's target of 1.5 per cent. Revenue Services recommends that $1.7 million be allocated towards the budgeted assessment growth to align with the Council-approved budget.

Gradually Aligning Members' Constituency Services Budgets To The Median Budget Of Comparable Municipalities

On January 29, 2025, Council considered the 2022-2026 Mid-term Governance Review report (ACS2025-OCC-GEN-0001) and approved Motion No. 2025–50-14, which addressed matters related to an independent third-party review of Members' Constituency Services Budgets by MNP Business Consulting and Advisory Services LLP (MNP). In its report on the review, MNP recommended that the City consider a funding increase that would bring Constituency Services Budgets closer to the median budget of comparable municipalities. Motion No. 2025–50-14 directed staff to align Constituency Services Budgets to the median budget of comparator municipalities identified in the MNP report, with the Mayor's Office budget to receive corresponding funding of an equivalent percentage. The motion further directed that staff implement these changes in a graduated manner to be fully aligned with the MNP report recommendation no later than January 1, 2027. To begin this alignment process, staff recommend Council approve allocating $2.6 million from the notional tax rate adjustment to Members’ Constituency Services Budgets and the Mayor’s Office budget. Staff will bring forward an additional increment for consideration as part of the 2026 Budget process.

12. Interim Property Taxes and Due Dates (2026)

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 2026 interim tax billing at 50 per cent of the 2025 adjusted/annualized taxation. Fifty per cent is consistent with previous years.

Revenue Services recommends setting the 2026 tax due dates as March 19, 2026, for the interim and June 18, 2026, 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 pre-authorized 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 funds required to deliver services. The penalty and interest charges are recommended to be remain at 1.25 per cent per month, which is consistent with previous years.

By-laws for due dates, penalties, and interest will be presented to Council in December 2025 for approval 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*.

13. 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
- resident place in correctional institutions
- bed in public hospitals
- 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 9 below.

Revenue Services recommends that Council enact a by-law to establish the 2025 tax levy amounts once the Ministry of Municipal Affairs and Housing sends the City the capacities.

Table 9 - Levy from eligible public institutions

Category	2022	2023	2024
Universities and colleges	$6,455,925	$6,518,775	$6,811,950
Correctional institutions	$38,700	$38,700	$35,925
Public hospitals or provincial mental health facilities	$269,250	$272,250	$272,250
Provincial education institutions	$4,650	$5,250	$5,325
Total	**$6,768,525**	**$6,834,975**	**$7,125,450**

14. Changes to the service fee for payment card processing

In 2021, Council approved a revised By-law 2021-171 regarding a payment card service fee for payments made to the City for goods and services. The by-law sets the framework to pass on merchant and interchange fees charged by card brands (Visa, Mastercard, American Express and Interac) for each transaction processed to the payor. It allowed the City to provide payment card options that clients were requesting while protecting the City's tax and revenue base from the increasing cost of merchant transaction fees applied to those payments. This report recommends that the following updates be reflected in Schedule "A" of By-law 2021-171:

- Update the interest rates for credit and debit cards. Currently, there is one interest rate for both credit and debit cards. With the new pricing negotiated with the City's payment services provider, the rate will go from 1.99 per cent for all card types to 1.95 per cent for credit cards and 1.65 per cent for debit cards. Upon reaching $150 million in payments, the debit card rate will drop to 1.5 per cent. This change will come into effect as soon as the contract is signed in spring 2025.

- Retire the $1.50 fee charged for each parking ticket paid. Online parking ticket payments are transitioning to the Administrative Penalty System (APS) and will be made through the City's preferred payment provider once the transition is complete later this year. The fee will no longer be required. This change will come into effect once the existing system is fully phased out.

- Retire the $1.50 fee charged for each Interac online transaction. As of November 1, 2024, due to the limited number of online payments processed with Interac cards, the City's Card processor no longer supports the use of such cards as a payment method for online payments. This change will come into effect immediately.

FINANCIAL IMPLICATIONS

The financial implications of the report are summarized as follows. The notional tax rate adjustment will give the City an additional $4.3 in tax revenue: $1.7 million will be contributed to the shortfall in assessment growth for 2025 and $2.6 million to Councillor budgets.

There are no financial impacts related to the changes to the municipal tax relief applications program to the remission budget, as the recommended relief thresholds align with previous adjustments.

The pre-authorized debit plan service fee is expected to generate an estimated $800,000 in cost recovery starting in 2026. The reduction in payment card processing fees will save the City an estimated $5,000 total across various programs or services where the City covers the client's merchant fees.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report. The proposed draft by-law attached to this report as Document 2 has been drafted such that it will be effective January 1, 2025. This has been done to capture applications to the Treasurer under section 357 of the *Municipal Act* for the 2024 taxation year.

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 Office of the City Clerk, the Municipal Property Assessment Corporation, and the 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 8 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.

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 2024, Revenue Services issued 10 accessible bills at the interim tax bill and again at the final tax bill, in addition to four accessible statements for clients on the pre-authorized monthly payment plan. Additionally, there was one request for bills in Braille, three requests for e-text bills and 10 requests for large font bills at each billing.

DELEGATION OF AUTHORITY IMPLICATIONS

In accordance with the Delegation of Authority By-law 2025-69, 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 the Finance and Corporate Services Committee annually.

ECONOMIC IMPLICATIONS

According to an Ontario benchmarking 2024 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 5.1 per cent, with an Ontario average of 3.7 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 negatively impact 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 demonstrates the City's recognition of the contribution of small businesses to employment, neighbourhood vibrancy and quality of life. Deliberate City 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 3,600 properties that have a Farm Property tax classification. For a farm to be considered in the Farm Property 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 2024, while 2,380 properties qualified for the Farm Grant Program, about 454 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

Document 1 – Appendix A

Document 2 – Draft By-law to establish tax relief parameters under section 357 of the *Municipal Act, 2001*

DISPOSITION

Revenue Services will use the tax ratios and rates to calculate and issue the 2025 final tax bills.

Revenue Services will invoice designated institutions to levy the 2025 annual amounts payable to the City of Ottawa on or after July 1, 2025.

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