Appendix A

Appendix A to the 2025 Tax Policy and Other Revenue Matters report provides additional data on the 2024 growth at the ward level and provides a history on the capping program.

Tax Levy Growth by Ward

The following chart details the amount of property tax levy growth, per ward, that was recorded during 2024. Ward 21, Rideau-Jock had the most growth in 2024 while wards 7, 12 and 24 recorded negative growth due to assessment appeal reductions being greater than the growth within the ward.

Ward	Ward Name	Final 2024 Levy ($ millions)	Base 2025 Levy before Budget Increase ($ millions)	Levy Growth ($ millions)	Growth %
1	Orléans East-Cumberland	79.54	80.18	0.64	0.81%
2	Orléans West-Innes	68.16	68.22	0.06	0.09%
3	Barrhaven West	96.48	100.19	3.71	3.84%
4	Kanata North	105.48	107.34	1.87	1.77%
5	West Carleton-March	43.79	44.29	0.50	1.15%
6	Stittsville	92.60	95.02	2.41	2.61%
7	Bay	94.09	93.73	-0.36	-0.38%
8	College	95.60	96.06	0.46	0.48%
9	Knoxdale-Merivale	86.69	86.97	0.28	0.32%
10	Gloucester-Southgate	84.85	84.89	0.04	0.05%
11	Beacon Hill-Cyrville	69.28	69.41	0.13	0.19%
12	Rideau-Vanier	118.68	118.49	-0.19	-0.16%
13	Rideau-Rockcliffe	84.89	85.31	0.42	0.50%
14	Somerset	202.56	206.33	3.77	1.86%
15	Kitchissippi	101.84	104.88	3.04	2.98%
16	River	81.59	83.07	1.48	1.81%
17	Capital	98.11	98.76	0.64	0.66%
18	Alta Vista	96.71	97.40	0.69	0.71%
19	Orléans South-Navan	88.80	92.77	3.97	4.47%
20	Osgoode	52.26	53.29	1.03	1.96%
21	Rideau-Jock	54.98	57.65	2.67	4.85%
22	Riverside South-Findlay Creek	69.96	72.47	2.51	3.59%
23	Kanata South	80.02	80.38	0.36	0.46%
24	Barrhaven East	70.86	70.73	-0.13	-0.19%
	Grand Total	**2,117.80**	**2,147.81**	**30.01**	**1.42%**

Tax Ratio History

In 1998, as part of the *Fair Municipal Finance Act* and the *Fairness for Property Taxpayers Act*, Ontario municipalities inherited transition ratios for tax distribution between property classes. These transition ratios were implemented as part of the property tax reform that emerged from the Province's review of the property tax and assessment system. Typically, Multi-Residential, Commercial, and Industrial (ICI) properties paid higher taxes than the residential properties. The transition ratios were based on the pre-existing relationship of the ICI properties taxes compared to the residential tax class. Tax ratios are the relationship between the tax rate of each property tax class compared to the tax rate of the residential class. The residential ratio is always set at 1.00, and if a property has a ratio set at 2.00, it will pay twice the amount of property taxes than a residential property with the same assessment would pay.

The goal of transition ratios was for tax ratios to reach the level of 1.0 for all classes except Farm and Managed Forest, aiming to align their tax rates with residential rates. Two key regulations impacted this: the Range of Fairness, which determines how they compare to the residential class, and the municipal levy restriction thresholds, which limit how much tax increase can be passed on to certain property classes.

The Range of Fairness, under section 308 of the *Municipal Act, 2001* and Ontario Regulation 91/17, speaks to the fact that municipalities cannot increase ratios that are above their respective range of fairness. Ratios can only increase naturally due to assessment changes. Changes in tax ratios affect the relative tax burden between property classes. Municipalities have the flexibility to reduce tax ratios to bring them within the Range of Fairness. If a ratio is shifted downwards towards the residential level, it would shift the burden of taxes onto other classes. Any forced reduction in taxes to one class is funded by increasing the taxes on the other classes.

The Province filed Ontario Regulation 73/03 that prescribes the municipal levy restriction thresholds for property tax ratios. If a tax ratio is above the municipal levy restriction threshold, then Council can only pass on 50 per cent of the budgetary increase to the property tax class group. Levy restrictions directly impact a municipality's ability to achieve the full budgetary tax increase. In 2017, Council directed staff to reduce the commercial class ratio below the 1.98 restriction and it has been below since then. This means, annually since 2017, Council has been passing on the full budget increase to all property tax classes.

In Table 1 below, the Provincial Ranges of Fairness and Levy Restricted ratios are shown in comparison to Ottawa's approved 2023 tax ratios.

Table 1 - Provincial Ratio Mandates vs 2024 approved and 2025 proposed ratios for Ottawa

Tax Class	Range of Fairness (1998) Tax Ratio	Municipal Levy Restriction Thresholds	2024 Final Ratios	2025 Proposed Ratios
Residential	1	N/A	1.0000	1.0000
New Multi-Residential	1.00-1.10	N/A	1.0000	1.0000
Multi-Residential	1.00-1.10	2.00	1.4091	1.3000
Commercial Broad Class	0.6-.1.1	1.98	19604	1.9707
Landfill	0.6-1.1	25.00	2.7626	2.7621
Industrial Broad Class	0.6-1.1	2.63	2.4676	2.2663
Pipeline	0.06-0.07	N/A	1.7192	1.7198
Aggregate Extraction	0.6-1.1	2.63	N/A	2.0956
Farmlands	0.01-0.25	N/A	0.2000	0.2000
Managed Forest	0.25	N/A	0.2500	0.2500

Property Assessment History

Under the *Assessment Act, 1990*, all property in Ontario is assessed for value, based on land and improvements. As of 1999, the Ontario Property Assessment Corporation (OPAC), an independent assessment authority took over the responsibility for property assessment functions. OPAC was changed to what we now all know as the Municipal Property Assessment Corporation, MPAC.

MPAC is responsible to assess all properties in Ontario, to assign the property tax class to each property, deliver the annual assessment roll and to determine which properties are exempt from taxation. The Province sets out the regulations for taxation and assessment that MPAC must adhere to. Properties are assessed based on their current value assessment (CVA). Current value as defined in the *Assessment Act*, "means, in relation to land, the amount of money the fee simple, if unencumbered, would realize if sold at arm's length by a willing seller to a willing buyer."

Generally, there are three approaches used to determine the CVA of a property. There is the income approach, the cost approach, and the direct comparison approach. MPAC uses these approaches to assess each property in Ontario.

MPAC has completed a general province-wide reassessment in the following years, as listed in Table 2 below. Up to, and including 2008, when a reassessment occurred the new value, whether it was an increase or decrease, was updated, and used on the tax roll immediately. Effective in 2009, to mitigate property tax shifts and increases, properties with an assessment increase had the increase phased-in equally over four years while those with decreases will see the reduced assessment immediately.

Table 2 - Property Reassessment Dates

Tax Year	Valuation Date	Phase-In
1998 to 2000	June 30 1996	No
2001, 2002	June 30 1999	No
2003	June 30 2001	No
2004, 2005	June 30 2003	No
2006, 2007, 2008	January 1 2005	No
2009 to 2012	January 1 2008	Yes - increase phased in over 4 years
2013 to 2016	January 1 2012	Yes - increase phased in over 4 years
2017 to 2020	January 1 2016	Yes - increase phased in over 4 years
2021 to 2025*	January 1 2019*	Postponed due to Covid-19

**Still based on January 1, 2016 CVA*

Property assessment changes have a direct impact on the tax ratios. Council has typically adopted revenue neutral ratios to help mitigate tax shifts between classes. The tables below show the history of the broad class tax ratios that correspond to a reassessment year.

Table 3 - Ratios from previous reassessment years

CLASS	Actual 2002	Actual 2003	Actual 2004	Actual 2006	Actual 2009	Actual 2013
Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Multi-Residential	2.1780	2.1780	2.1520	1.8000	1.7000	1.6068
New Multi-Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Farm	0.2500	0.2500	0.2500	0.2000	0.2000	0.2000
Managed Forest	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500
Pipeline	1.1326	1.1326	1.3960	1.5438	1.5413	1.6130
Commercial Broad Class	2.0055	1.9800	2.2831	2.2900	2.1640	1.9724
Commercial	1.9288	1.8846	2.1695	2.1754	2.0567	1.8903
Office Building	2.3309	2.2775	2.6210	2.6281	2.4848	2.2837
Parking Lots and Vacant Land	1.2639	1.2349	1.4215	1.4235	1.3476	1.2385

CLASS	Actual 2002	Actual 2003	Actual 2004	Actual 2006	Actual 2009	Actual 2013
Shopping Centre	1.6044	1.5676	1.8046	1.8095	1.7108	1.5723
Professional Sports Facility	N/A	N/A	N/A	N/A	N/A	1.8903
Industrial Broad Class	2.0925	2.0775	2.4032	2.5719	2.5410	2.4944
Industrial	2.2439	2.2439	2.5705	2.7468	2.7000	2.6199
Large Industrial	1.9269	1.9269	2.2074	2.3588	2.3186	2.2499
Landfill	N/A	N/A	N/A	N/A	N/A	N/A

Table 4 - Ratios from current cycle (based on 2016 CVA)

CLASS	Actual 2017	Actual 2020	Actual 2021	Actual 2022	Actual 2023	Actual 2024
Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Multi-Residential	1.4530	1.3867	1.3867	1.3960	1.4032	1.4091
New Multi-Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Farm	0.2000	0.2000	0.2000	0.2000	0.2000	0.2000
Managed Forest	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500
Pipeline	1.7747	1.7207	1.7202	1.7200	1.7200	1.7192
Commercial Broad Class	1.9800	1.8304	1.8603	1.9065	1.9487	1.9604
Commercial	1.9260	1.8064	1.8353	1.8766	1.9231	1.9384
Office Building	2.3900	2.2415	2.2774	2.3287	2.3867	2.4053
Parking Lots and Vacant Land	1.3000	1.2192	1.2388	1.2667	1.2980	1.3083
Shopping Centre	1.5500	1.4537	1.4770	1.5103	1.5476	1.5599
Professional Sports Facility	1.9260	1.8064	1.8353	1.8766	1.9231	1.9384
Industrial Broad Class	2.5822	2.3906	2.4057	2.4174	2.4429	2.4676
Industrial	2.7054	2.5023	2.5203	2.5426	2.5586	2.5759
Large Industrial	2.3232	2.1488	2.1643	2.1834	2.1972	2.2120
Landfill	2.0712	2.7651	2.7641	2.7637	2.7634	2.7626

Professional Sports Facility Optional Tax Class

On December 8, 1999, the former Ottawa-Carleton Regional Council approved the 2000 Budget Directions report which recommended the use of the Professional Sports Facility class along with the “tax rate approach” to reduce the total municipal and education property tax burden on the Corel Centre. This property class was taxed a reduced amount based on agreements between Council and the owners of the hockey stadium and team. In 2012, the agreement ended and the tax ratio for the professional sports facility became the same as the ratio for the commercial residual class and the discounts were no longer provided.

New Multi-Residential Tax Class

In July 2000, the former Ottawa-Carleton Regional Council approved the adoption of the New Multi-Residential optional property tax class for the 2001 tax year. This new tax class was approved to fill the need for rental housing. It applied to new construction of rental housing with more than seven units and enabled council to adopt a lower tax ratio, thus providing an incentive for developers to build more rental units. Properties remain in this tax class for 35 years at which time, they will move to the existing multi-residential class and potentially be taxed a higher rate. In 2017, the New Multi-Residential tax class went from being optional to being a mandatory tax class in all of Ontario.

Landfill Tax Class

In December 2016, the Minister of Finance released a regulation, Ontario Regulation 449/16, to overhaul the way landfill properties are assessed and taxed in the province. The creation of a property class for landfills recognized the complex nature of the ownership of landfills and the importance of providing municipalities with flexibility to manage the local level of taxation. The creation of a separate property class for landfills provides municipalities with the tools necessary to tailor the impacts locally and to deal with specific circumstances. The separate property class for landfills also provides municipalities with flexibility to ensure they receive an adequate level of revenue and that other taxpayers don’t see a disproportionate impact as a result of assessment changes for landfills.

The provincially mandated temporary target tax ratio range was implemented for the 2017 tax year. The Ministry of Finance set the target tax ratio range based on detailed impact analysis and a short, focused round of consultations with municipalities and property owners. The range ensures that municipalities have the flexibility to generate a fair level of taxation from landfills.

Commercial and Industrial Optional Classes

Within the overall commercial and some industrial classes, properties may fall within what are referred to as optional classes. After the change to the CVA process in 1998, the Minister of Finance announced provisions for the protection for small business including allowing the use of new commercial optional property classes that would consist of office buildings, shopping centres, parking lots and vacant land, and new industrial optional property classes for large industrial properties and vacant properties. The selection of optional classes in 1998 was to ensure that the total tax burden of various property types was retained within their class and not transferred to small commercial properties. These optional property tax classes have been adopted within the City of Ottawa since amalgamation.

Capping History

After the change to the CVA process in 1998, the Province imposed mandatory limits on assessment-related property tax increases over 1997 taxation levels for commercial, industrial and multi-residential properties. In December 2000, the Continued Protection for *Property Taxpayers Act, 2000* was enacted. It legislated that for 2001 and subsequent years, all municipalities are required to limit the assessment-related property tax increases on commercial, industrial and multi-residential properties to five per cent of the previous year's annualized taxes. For 2005 and subsequent years, municipalities were able to increase this limit to 10 per cent.

Annualized taxes are a property's taxes for the full year, including any capping or clawback, while CVA taxes are a property's taxes for the full year without any capping or clawback.

The tax capping limit is referred to as the tax cap and is calculated each year based on the previous year's taxes. The tax cap remains in place until properties reach a property tax levy based on their CVA tax. Municipal levy changes and changes to the tax rate resulting from budgetary decisions are applied to the tax cap.

The tax cap applies to all properties in the commercial, industrial and multi-residential classes except for:

- Farm Land awaiting development
- Provincial and municipal property subject to PILTs (except that the limits would protect commercial tenants in provincial or municipally owned properties)
- Particular power generation and transformer facilities

The tax cap does not apply to Residential, Farm, Managed Forest, New Multi-Residential and Pipeline property classes.

The individual properties protected by the tax cap generate a foregone revenue or taxation shortfall. This taxation shortfall is the difference between the amount of taxes the CVA generates and the cap over the previous year's taxes. This uncollected amount must be recovered from other taxpayers. An available mechanism, chosen by Council each year since 1998, is to "clawback" some of the decreases from properties within the property class experiencing a decrease in taxes. In other words, taxpayers who would be entitled to a reduction in their taxes pay the tax not paid by another taxpayer because of the capping limit.

To address some of the limitations associated with the capping regime, such as properties not paying full CVA taxes and the prolonged period for properties to transition to paying full CVA taxes, the Ministry introduced new capping options in Bill 83 of the *Budget Measures Act, 2004*. Although these options do not address all inequities that keep properties from paying their full share of taxes, they accelerate the transition for those properties toward paying full CVA taxes.

The capping options for 2025 are the same options that were considered for 2024 and were adjusted to support the phase-out exiting strategy for capping, these are summarized below.

Ten per cent of Annualized Tax

The major disadvantage of the original capping program and a continuous cycle of reassessments is that many of the capped properties within the City would never reach their full CVA taxes. To rectify this situation, the Ministry provided flexibility to Council to increase the five per cent tax cap up to 10 per cent. Council has approved this change each year since 2006 as part of the tax policy submission process. A decision not to implement this option each year would mean the tax cap would revert to five per cent of the previous year's annualized tax.

Increase to 10 per cent of CVA Tax

With the annual restriction applying the tax cap to the previous year's annualized taxes, any property with a significant disparity between its annualized and CVA taxes would be capped for an extensive period. To this problem, the Ministry introduced a new capping option to increase taxes by up to five per cent of the previous year's CVA tax (before levy change). Council has approved this five per cent increase to capped properties for 2006 and subsequent years. In 2023, council approved increasing this to 10 per cent to support exiting the program sooner. The recommendation remains the same in 2024.

Increase to $500 Threshold Option

Administratively, several small businesses and multi-residential properties were being capped or clawed back by nominal amounts because the Province had not established a minimum threshold. A change was enacted allowing municipalities to pass a by-law to move capped properties, whose recalculated annualized taxes fell within $250 of the current year's annualized tax, to their CVA tax for the year. Previously, Council approved this $250 threshold; however, for 2023, the report recommended increasing the threshold to $500. That means if the differential between the CVA taxes and the tax capping limit is less than $500, the taxpayer is automatically moved to their CVA tax. The recommendation remains the same in 2024.

Properties at CVA Tax Level

Since 1998, the capping program has offered protection for any assessment-related tax increases to specific classes. While there was a significant tax impact on specific properties, the Province anticipated that the new values would be fully integrated and taxes would be at their full CVA tax level after a few years. This process has taken much longer than intended. Most municipalities in Ontario have not met the goal of having all properties pay their share of taxes based on a simple valuation formula applied to a ratio-driven tax rate set by the Province.

In order to finance the protection provided to properties with large increases, other properties are denied their full tax decrease by a clawback mechanism (see Clawback Recovery section below). Historically, the number of clawed back properties can be several times the number of properties being protected. This would imply that a smaller number of large properties benefit from the protection relative to a larger number of smaller properties being denied lower taxes. Experience has demonstrated that whatever gains are made during a non-reassessment year can be lost during a reassessment year with new properties being brought into the protected category. Suppose a property is significantly undervalued in any given year and subsequently corrected. In that case, it will have benefited from lower taxation for all previous years and be protected for many years to follow.

Clawback Recovery

To determine how much taxation to clawback from taxpayers in the class whose taxes were decreasing, a percentage is calculated, which, when added to their taxes, funds the taxation shortfall. Council must approve this percentage, known as the clawback percentage. As noted in the report, the final percentages will be approved by way of by-law when the final tax rates are approved.

In summary, the option to exclude properties that have reached their CVA tax level or crossed over from the clawed back to the capped category continues to significantly reduce the capping requirement for all classes for the coming years. In 2024, staff recommended the Council also approve the option to exclude properties once they cross over from the capped category to clawed back. This will ensure that more properties move to CVA tax level faster. In 2025, staff recommend that this option remains the same.