Report to
Rapport au:

Finance and Economic Development Committee
Comité des finances et du développement économique
2 April 2019 / 2 avril 2019

and Council
et au Conseil
10 April 2019 / 10 avril 2019

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE

File Number: ACS2019-CSD-REV-0001

SUBJECT: **2019 Tax Ratios and Other Tax Policies**

OBJET: **Coefficients fiscaux et autres politiques d’imposition de 2019**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend Council approve:

1. The adoption of the following optional property classes in 2019:

- **Shopping Centre property class**

- **Parking lots and vacant land property class**
- **Office building property class**
- **Large industrial property class**
- **New multi-residential property class**
- **Professional sports facility property class**

2. The adoption of the following tax ratios for 2019:

Tax Ratios for 2019

Property Class	**Ratio****
Residential	1.00000
Multi-Residential	1.39898
New Multi-Residential	1.00000
Farm	0.20000
Managed Forest	0.25000
Pipe line	1.73809
Commercial Broad Class	1.85758
Commercial*	1.82419
Office Building*	2.26366
Parking Lots and Vacant Land*	1.23128
Shopping Centre*	1.46806
Professional Sports Facility	1.82419
Industrial Broad Class	2.43584
Industrial*	2.55110
Large Industrial*	2.19074
Landfill	2.25606

** including new construction classes for Business Education Tax rate purposes.*

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

3. The adoption of the following tax ratios and by-laws for the mandatory property subclasses and the tax rate percentage reduction for farm land awaiting development:

- **Commercial excess land (i.e. commercial, office building and shopping centre property classes): 70% of the applicable commercial property class tax ratio;**
- **Vacant industrial land, industrial and large industrial excess land: 65% of the applicable industrial property class tax ratio;**
- **Farm land awaiting development subclass I: 75% of the residential property class tax ratio and the corresponding tax rate percentage**

reduction for the awaiting residential, multi-residential, commercial and industrial property classes;

- **Farm land awaiting development subclass II: no tax rate reduction;**
- **Small-scale on farm business subclass: 25% of the applicable commercial or industrial property class tax ratio for the first $50,000 of assessment.**

4. **That the tax rates for 2019 be established based on the ratios adopted herein.**
5. **That the 2019 capping and clawback provisions be as follows:**
    a. **That capping parameters be approved at the higher of 10% of the previous year's annualized tax or 5% of the 2019 Current Value Assessment (CVA) taxes;**
    b. **That capped or clawed back properties whose recalculated annualized taxes fall within $250 of their CVA taxation be moved to their CVA tax for the year and be excluded from any future capping adjustments;**
    c. **That properties that have reached their CVA during the current year or crossed over from the clawed back category to the capped category remain at CVA taxes and be excluded from any future capping adjustments; and**
    d. **That properties that cross over from the capped category to the clawed back category remain subject to clawback adjustments.**
6. **That the tax level for new construction properties be set at a minimum level of 100% of their CVA taxes for 2019 and future taxation years.**
7. **That the property tax mitigation programs be continued for 2019, including the Charitable Rebate Program, the Farm Grant Program and the Low-Income Seniors and Persons with Disabilities Complete Tax Deferral Program as previously approved by Council.**
8. **That the annual renewal application deadline for the Low-Income Seniors and Persons with Disabilities Complete Tax Deferral Program be extended from February 28th of the relevant year, to July 1st of the relevant tax year.**
9. **That staff implement the technical adjustment for the City of Ottawa prescribed in the property tax related regulations made under the *Municipal Act* by way of by-law.**

10. **That the $1.5 million in additional tax revenue from additional growth identified through the application of the technical adjustment be added to the 2019 base budget for Roads Winter Maintenance.**

11. **That the interim 2020 property tax and due date provisions be as follows:**

    a. **That the interim 2020 property tax billing be set at 50% of the 2019 adjusted/annualized taxes as permitted by legislation;**

    b. **That the following tax due dates be approved for 2020:**

       i) **Interim: March 19, 2020;**
       ii) **Final: June 18, 2020;**

    c. **That the penalty and interest percentage charge on overdue and unpaid tax arrears remain at the rate of 1.25% per month (15% per year) for 2020 unchanged from 2019; and**

    d. **That Council enact a by-law to establish the 2020 interim taxes, tax due dates, penalty and interest charges.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil d’approuver :

1. **L’utilisation des catégories optionnelles de biens fonciers suivantes en 2019 :**

    - **Centres commerciaux,**
    - **Terrains de stationnement et terrains vacants,**
    - **Immeubles à bureaux,**
    - **Grands ensembles industriels,**
    - **Nouveaux immeubles à logements multiples,**
    - **Installations sportives professionnelles;**

2. **L’adoption des coefficients fiscaux suivants pour 2019 :**

Coefficients fiscaux de 2019

Catégorie	Coefficient**
Résidentiel	1,00000
Logements multiples	1,39898
Nouveaux immeubles à logements multiples	1,00000
Agricole	0,20000
Forêt aménagée	0,25000

Catégorie	Coefficient**
Pipeline	1,73809
Catégorie commerciale générale	1,85758
Commercial*	1,82419
Immeubles à bureaux*	2,26366
Terrains de stationnement et terrains vacants*	1,23128
Centres commerciaux*	1,46806
Installations sportives professionnelles	1,82419
Catégorie industrielle générale	2,43584
Industriel*	2,55110
Grands ensembles industriels*	2,19074
Décharge	2,25606

** Y compris les nouvelles catégories de construction aux fins de la répartition des taxes scolaires.*

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

3. L’adoption des coefficients fiscaux et des règlements municipaux suivants pour les sous-catégories obligatoires de biens et de la réduction du taux d’imposition pour les terres agricoles en attente d’aménagement :

- **Terrains commerciaux excédentaires (c’est-à-dire les catégories des biens commerciaux, des immeubles à bureaux et des centres commerciaux) : 70 % du coefficient fiscal applicable à la catégorie des biens commerciaux,**

- **Terrains industriels vacants, terrains industriels et grands terrains industriels excédentaires : 65 % du coefficient fiscal applicable à la catégorie des biens industriels,**

- **Terres agricoles en attente d’aménagement, sous-catégorie I : 75 % du coefficient fiscal applicable à la catégorie des biens résidentiels et la réduction correspondante du taux d’imposition pour les terrains en attente d’aménagement des catégories des biens résidentiels, des immeubles à logements multiples, des biens commerciaux et des biens industriels,**

- **Terres agricoles en attente d’aménagement, sous-catégorie II : pas de réduction du taux d’imposition,**

- **Sous-catégorie visant les petites entreprises exploitées à la ferme : 25 % du coefficient fiscal applicable à la catégorie des biens**

industriels ou à la catégorie des biens commerciaux pour les premiers 50 000 $ de l'évaluation;

4. **Que les taux d'imposition pour 2019 soient basés sur les coefficients fiscaux adoptés par les présentes;**
5. **Que les paramètres de récupération fiscale et de plafonnement pour 2019 soient les suivants :**
    a. **Que le plafonnement soit établi à 10 % des taxes annualisées de l'année précédente ou à 5 % des taxes d'après l'évaluation de la valeur actuelle de 2019, le plus élevé de ces deux montants étant retenu,**
    b. **Que les biens plafonnés ou auxquels s'applique un seuil de récupération fiscale et dont l'écart entre les taxes annualisées recalculées et les taxes établies d'après l'évaluation de la valeur actuelle est égal ou inférieur à 250 $ soient taxés d'après l'évaluation de leur valeur actuelle pour l'année en cours et exclus de tout autre rajustement relatif au plafonnement,**
    c. **Que les biens qui ont atteint l'évaluation de leur valeur actuelle pendant l'année en cours ou qui sont passés de la catégorie de la récupération fiscale à celle des biens plafonnés continuent d'être taxés d'après l'évaluation de leur valeur actuelle et soient exclus de tout autre rajustement relatif au plafonnement,**
    d. **Que les biens qui passent de la catégorie des biens plafonnés à celles de la récupération fiscale restent assujettis au rajustement relatif à la récupération;**
6. **Que le niveau de taxes sur les nouvelles constructions soit établi à un minimum de 100 % de l'évaluation de leur valeur actuelle en 2019 et pour les années d'imposition subséquentes;**
7. **Que soient maintenus en 2019, comme l'a approuvé le Conseil, les programmes d'allégement de l'impôt foncier, soit le Programme de remboursements offerts aux organismes de bienfaisance, le Programme de subventions pour terres agricoles et le Programme de report des taxes foncières pour aînés et personnes handicapées à faible revenu;**
8. **Que la date limite de demande de renouvellement annuel du Programme de report des taxes foncières pour aînés et personnes handicapées à faible**

revenu soit reportée du 28 février au 1^er juillet de l'année d'imposition correspondante;

9. **Que le personnel apporte, par voie de règlement municipal, l'ajustement technique pour la Ville d'Ottawa prévu par les règlements connexes sur l'impôt foncier pris en application de la *Loi sur les municipalités*;**
10. **Que les recettes fiscales supplémentaires de 1,5 $ millions découlant de la croissance générée par l'application de l'ajustement technique soient ajoutées au budget de base de 2019 pour l'entretien hivernal des routes;**
11. **Que les paramètres du relevé d'imposition foncière provisoire et des dates d'exigibilité pour 2020 soient les suivants :**
    a. **Que le relevé d'imposition foncière provisoire pour 2020 soit établi à 50 % des impôts annualisés ou rajustés de 2019, comme l'autorise la loi;**
    b. **Que les dates d'exigibilité des impôts suivantes soient approuvées pour 2020 :**
        i. **Provisoire : 19 mars 2020,**
        ii. **Final : 18 juin 2020;**
    c. **Que le taux de pénalité et d'intérêt facturé sur les impôts impayés et les arriérés d'impôts demeure au taux de 1,25 % par mois (15 % par année) pour 2020, comme en 2019;**
    d. **Que le Conseil adopte un règlement visant à établir l'impôt provisoire, les dates d'exigibilité, les pénalités et les intérêts pour 2020.**

EXECUTIVE SUMMARY

This report presents recommendations regarding property taxes that the *Municipal Act* requires Council to address each year. These decisions determine the tax burden on the various tax classes for the 2019 taxation year.

1. **Optional Property Classes:** It is recommended that as Council has done in the past, approve use of all of the optional property classes permitted by the *Assessment Act* to allow different levels of taxation within the property classes and minimize shifting the tax burden among properties within the broad tax class.

2. **Tax Ratios:** Council must approve the determination of tax ratios for various tax classes each year. These ratios allow different tax burdens between the different property classes. As Council has done in the past, the adoption of the proposed

ratios is recommended to minimize inter-class tax shifts except for the Farm and New Multi-Residential classes that are linked to the Residential Tax Ratio.

3. **Ratios – Mandatory Subclasses:** Ratios are also recommended for mandatory property subclasses and the tax rate percentage reduction for farm land awaiting development subclasses that are consistent with previous years' ratios. In May 2018 the Province passed Ontario Regulation 361/18 establishing an optional small-scale on-farm businesses subclass for Commercial and Industrial tax classes. This new subclass provides a 75% reduction to the education rate from the commercial or industrial tax class on the first 50,000 of assessment for farm properties with assessment under 1 million.

4. **Tax Rates:** Tax rates will be established based on the ratios in this report and the overall tax increase approved by Council and will be submitted to Council for approval with the associated by-laws.

5. **Capping Regulations:** Commercial, Industrial and Multi-residential properties are covered by a mandatory capping program that limits the tax increases from reassessment. Changes to accelerate the movement of capped properties to their actual taxes were approved by Council from 2005 to 2018 and are being recommended again for 2019.

6. **Tax Treatment for New Construction Properties:** Since 2009, new construction properties have been assessed at 100% of their current value assessment. Implementing this recommendation will continue that practice and avoid having new construction properties under-assessed and capped at abnormally low tax values.

7. **Tax Mitigation Programs:** The report recommends Council continue the following tax mitigation programs for 2019:

   - Rebates to charitable organizations,
   - The deferral of taxes for low-income seniors and persons with disabilities, and
   - The Farm Grant Program that allows eligible farmers to defer payment of their final tax bill (normally due in June) to December.

8. **Low-Income Seniors and Persons with Disabilities Complete Tax Deferral Program:** That the annual renewal application deadline for this Program be

extended from February 28th of the relevant year, to July 1st of the relevant tax year.

9. **Technical Adjustment:** This report recommends that the city adopt the technical adjustment prescribed in the property tax related regulations made under the *Municipal Act.* These regulatory amendments were tabled through the 2016 Provincial Budget in response to municipal requests and are further detailed in this report.

10. **Allocation to the Public Works Operating Budget:** This report recommends that the $1.5 million of additional growth identified from the application of the technical adjustment be added to the 2019 base budget for Roads Winter Maintenance.

11. **2020 Property Taxes and Due Dates:** For the collection of property taxes, the *Municipal Act*, requires that Council approve by by-law an interim tax billing up to 50%, 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.

Following the adoption of this report, by-laws establishing the 2019 tax rates incorporating the overall budgetary increase will be prepared for Council approval. The overall increase will result in an average urban residential tax impact of approximately $113. The impact will vary in different areas of the city depending on which services they receive. In addition, although the City does not benefit from annual assessment changes, individual properties are impacted differently based on how their property value has changed relative to others. The tax increase change due to reassessment and the tax distribution by services are listed on the back of each tax bill.

SOMMAIRE

Le présent rapport comprend les recommandations sur l’impôt foncier que le Conseil doit examiner chaque année en application de la *Loi sur les municipalités.* Ces décisions détermineront la charge fiscale des différentes catégories fiscales pour l’année d’imposition 2019.

1. **Catégories optionnelles de biens fonciers :** Il est recommandé que le Conseil, comme il l’a fait auparavant, approuve l’utilisation de toutes les catégories optionnelles de biens fonciers prévues par la *Loi sur l’évaluation foncière* afin d’établir différents niveaux d’imposition au sein des catégories de biens fonciers et

d'éviter le plus possible de répartir la charge fiscale entre tous les biens fonciers de la catégorie générale.

2. **Coefficients fiscaux :** Chaque année, le Conseil doit approuver les coefficients fiscaux déterminés pour les différentes catégories fiscales. Grâce à ces coefficients, la charge fiscale imposée varie selon la catégorie de biens fonciers. Il est recommandé que le Conseil, comme il l'a fait auparavant, adopte les coefficients proposés pour éviter le plus possible de transférer la charge fiscale d'une catégorie à l'autre, sauf pour la catégorie des biens agricoles et celle des nouveaux immeubles à logements multiples, qui sont liées au coefficient fiscal résidentiel.

3. **Coefficients – Sous-catégories obligatoires :** Les coefficients pour les sous-catégories obligatoires de biens fonciers et la réduction du taux d'imposition pour les terres agricoles en attente d'aménagement qui sont recommandés sont conformes aux coefficients des années antérieures. En mai 2018, le gouvernement provincial a adopté le Règlement de l'Ontario 361/18, qui établit une sous-catégorie visant les petites entreprises exploitées à la ferme pour la catégorie des biens industriels et la catégorie des biens commerciaux. Cette nouvelle sous-catégorie permet aux biens agricoles dont l'évaluation est inférieure à 1 million de dollars de bénéficier d'une réduction de 75 % sur les taxes scolaires appliquées aux catégories de biens fonciers commerciaux et de biens fonciers industriels sur les premiers 50 000 $ de l'évaluation.

4. **Taux d'imposition :** Les taux d'imposition seront établis en fonction des coefficients indiqués dans le présent rapport et de la hausse d'impôt globale approuvée par le Conseil, et ils seront soumis à l'approbation du Conseil avec les règlements connexes

5. **Modification des règlements sur le plafonnement :** Les biens fonciers commerciaux, industriels et à logements multiples sont visés par un programme de plafonnement obligatoire qui limite les hausses d'impôt suivant une réévaluation. Des modifications visant à accélérer la transition des biens plafonnés vers leur niveau d'imposition réel ont été approuvées par le Conseil entre 2005 et 2018 et sont de nouveau recommandées pour 2019

6. **Traitement fiscal des nouvelles constructions :** Depuis 2009, les impôts à payer pour les biens fonciers nouvellement bâtis correspondent à 100 % de l'évaluation de leur valeur actuelle. Il est recommandé de maintenir cette pratique

pour éviter de sous-évaluer les impôts pour les nouvelles constructions et de les plafonner à des taux d'imposition anormalement bas

7. **Programmes d'allégement de la charge fiscale :** Le présent rapport recommande au Conseil de reconduire les programmes d'allégement de la charge fiscale suivants en 2019 :

   - Remises d'impôts fonciers aux œuvres de bienfaisance;
   - Report des taxes foncières pour aînés et personnes handicapées à faible revenu;
   - Le Programme de subventions pour terres agricoles, qui permet aux agriculteurs admissibles de reporter le paiement de leur relevé final d'imposition foncière (normalement payable en juin) jusqu'en décembre.

8. **Programme de report des taxes foncières pour aînés et personnes handicapées à faible revenu :** Il est recommandé que la date limite de demande de renouvellement annuel de ce programme soit reportée du 28 février au 1er juillet de l'année d'imposition correspondante.

9. **Ajustement technique :** Le présent rapport recommande que la Ville adopte l'ajustement technique prévu par les règlements connexes sur l'impôt foncier pris en application de la *Loi sur les municipalités.* Ces modifications de la réglementation ont été présentées dans le budget provincial de 2016, en réponse aux demandes des municipalités, et sont expliquées en détail dans le présent rapport.

10. **Attribution au budget opérationnel des Travaux publics :** Le présent rapport recommande que les 1,5 $ millions découlant de la croissance générée par l'application de l'ajustement technique soient ajoutés au budget de base de 2019 pour l'entretien hivernal des routes.

11. **Relevé d'imposition foncière provisoire et dates d'exigibilité (2020) :** Concernant le recouvrement de l'impôt foncier, la *Loi sur les municipalités* prévoit que le Conseil approuve au moyen d'un règlement municipal un relevé d'imposition provisoire (jusqu'à concurrence de 50 %), des dates d'exigibilité, des versements échelonnés et des dates d'exigibilité permettant aux contribuables d'échelonner le paiement des impôts plus uniformément sur l'année, ainsi que des pénalités et des intérêts exprimés sous forme de pourcentage.

Suivant l’adoption du présent rapport, des règlements qui fixeront les taux d’imposition pour 2019 en fonction de l’augmentation budgétaire globale seront préparés aux fins d’approbation par le Conseil. L’augmentation budgétaire aura une incidence fiscale moyenne de 113 $ par bien résidentiel. L’incidence variera d’un secteur à l’autre de la ville en fonction des services reçus. De plus, bien que la Ville ne profite pas des changements aux évaluations annuelles, l’incidence sur chaque bien foncier diffère selon l’ampleur du changement de valeur de la propriété par rapport à la valeur des autres propriétés. La hausse d’impôts, le changement apporté suivant une réévaluation et la répartition de l’impôt par service sont indiqués au dos de chaque relevé d’imposition.

BACKGROUND

This report covers tax policy and decisions that Council is required to address each year by the Municipal Act to make minor amendments to by-laws that affect property tax and/or other revenues.

Property taxes are calculated by multiplying assessment values determined by the Municipal Property Assessment Corporation (MPAC) under provincial legislation and tax rates set by the City and the province. MPAC conducted a reassessment in 2016 with changes phased in through the 2017 and 2020 taxation years. This reassessment would cause tax shifts between the tax classes unless they are mitigated. The mitigation measures recommended in this report are the same as or closely parallel to those that Council have approved in previous years’ Tax Ratios and Other Tax Policies reports.

DISCUSSION

Optional Property Tax Classes

To provide maximum flexibility to Council for tax policy decisions, the City of Ottawa has, in previous years, adopted all the optional tax property classes allowed by the *Assessment Act*. These optional tax classes represent subclasses within the broad commercial and industrial property classes and through the use of different tax ratios impose different tax burdens within the broad tax class. Any changes to these optional property tax classes and their ratios would affect the tax burden on other properties within the broad tax class. If Council chooses to not adopt an optional property class, the properties in that class will be classified under the relevant broad class and subject to its overall ratio.

Revenue Services staff recommends adoption of the following optional tax classes in 2019:

- Shopping Centre property class
- Parking lots and vacant land property class
- Office building property class
- Large industrial property class
- New multi-residential property class
- Professional sports facility property class

Tax Ratios

This report recommends the adoption of a set of proposed tax ratios that maintain the property tax impact on each property class and primarily prevent shifting the tax burdens from the commercial and industrial property classes to the residential and farm classes. This would be consistent with the City’s practice in previous years.

The proportion by which a class or sub-class tax rate differs from the residential class and its ratio of 1.0 is known as the tax ratio for the corresponding class. In 1998, each municipality in Ontario inherited transition ratios equivalent to the previous 1997 tax level with a range of fairness target set by the Province.

The goal was for all classes (with the exception of farm land and managed forest) to reach tax ratios of 1.0, or a tax rate equal to that of the residential class. However, to meet this goal, most municipalities would have required a large tax increase on the Residential class. In Ottawa, it is estimated that this ratio parity would result in a 18.2% tax increase or $184 million in additional tax burden to the residential class.

The current value assessment (CVA) changes for the major property classes between 2018 and 2019 are shown in Table 1 along with a total change for the four-year period from 2017 to 2020. While the City does not benefit from any changes in valuation, annual tax shifts between classes would occur if the proposed ratios were not adopted depending on how they differ from the weighted average increase of approximately 5.9%. Individual properties would also experience tax shifts within the class depending on the differential from the overall change for that class.

Table 1 - CVA Changes by Class

CLASS	CVA 2018 ($ millions)	CVA 2019 ($ millions)	ANNUAL CHANGE	4-YEAR CHANGE
Commercial	28,000	29,117	3.99%	9.6%
Farm & Managed Forest	1,372	1,606	17.05%	103.1%
Industrial	1,617	1,711	5.77%	21.9%
Multi-Residential	7,852	8,106	3.24%	9.2%
New Multi-Residential	1,218	1,266	3.96%	14.3%
Residential	125,228	126,838	1.29%	3.9%
Other	359	367	2.28%	7.4%
Total	165,645	169,011	2.03%	5.9%

During the previous assessment cycle from 2013 to 2016, the Multi-Residential class had almost twice the percentage change in valuation when compared to the percentage change in Residential class while the Industrial, Farm and other classes were on par or with the change of the Residential class. The Commercial class change was significantly lower than that of residential.

In the current cycle 2017 – 2020, the change in valuation in all tax classes is out pacing that of the residential class. The most significant change is the Farm Class where values will double over this assessment cycle.

Municipalities have the option to continue with prior year ratios, adopt revenue neutral ratios or adopt alternate ratios. Alternate ratios are specific ratio reductions to certain classes as guided by the City’s overall objectives. Neutral ratios ensure that each class pays the same portion of the tax burden year over year. The estimated potential tax shifts between classes should the proposed ratios not be adopted are shown in Table 2 below.

Table 2 - Potential Tax Shift by Class

Taxable Class	2018 Tax Ratios ($ millions)	2019 Neutral Ratios ($ millions)	2019 Potential Tax Shift ($ millions)	Tax Change
Commercial	403.2	359.9	7.3	1.81%
Farm and Man Forests	2.4	2.4	(0.0)	-0.84%
Industrial	30.7	30.1	0.6	1.95%
Multi-Residential	103.5	102.4	1.1	1.06%
New Multi-Residential	11.3	11.4	(0.1)	-0.88%
Residential	1,113.9	1,122.7	(8.8)	-0.79%
Other	4.5	4.4	0.1	2.22%
Net Impact	$1,669	$1,669	**0.00**	

Prior year ratios, 2019 proposed ratios and forecasted ratios for 2020 by class are demonstrated in Table 3 below.

Table 3 - Tax Ratios 2017 to 2020*

CLASS	Actual 2017	Actual 2018	Proposed 2019*	Forecasted 2020**
Residential	1.00000	1.00000	1.00000	1.00000
Multi-Residential	1.45296	1.42607	1.39898	1.37330
New Multi-Residential	1.00000	1.00000	1.00000	1.00000
Farm	0.20000	0.20000	0.20000	0.20000
Managed Forest	0.25000	0.25000	0.25000	0.25000
Pipe line	1.77465	1.75590	1.73809	1.72099
Commercial Broad Class	1.97998	1.91955	1.85758	1.82703
Commercial	1.92600	1.87262	1.82419	1.77863
Office Building	2.39000	2.32376	2.26366	2.20713
Parking Lots and Vacant Land	1.30000	1.26397	1.23128	1.24504
Shopping Centre	1.55000	1.50704	1.46806	1.43140
Professional Sports Facility	1.92600	1.87262	1.82419	1.77863
Industrial Broad Class	2.58219	2.50736	2.43584	2.37220
Industrial	2.70537	2.62333	2.55110	2.48273
Large Industrial	2.32322	2.25277	2.19074	2.13203
Landfill	2.07124	2.16506	2.25606	2.13276

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

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

Farm and Managed Forest Tax Ratios

Provincial Legislation prohibits the tax ratios for the Farm and Managed Forest classes from exceeding 0.25. In 2004, the City of Ottawa was the first in the Province to drop their farm class tax ratio by 20% to a ratio of 0.20. In the past few years, many other Ontario municipalities have followed suit. In Ottawa, this reduction of the ratio from 0.25 to 0.20 equates to approximately $500,000 in annual savings to this class or $135 for the average farm property. The farm class has experienced a reassessment change of 103% for the 2017 – 2020 tax cycle which is significantly higher than the Residential class which has experienced an increase of 3.9%. As a result, the average farm property owner in the rural areas will experience an average tax increase of 15% or $83 in 2019 related to the change in reassessment over the current cycle, before any budgetary increases. There are fewer than 3,600 farm properties in the City of Ottawa. In 2019, the average farm class property has municipal property tax burden of approximately $660.

Multi-Residential Tax Ratio

As proposed in Table 3, the Multi-Residential (MR) ratio of 1.39898 in 2019 is 40% lower than the ratio of 2.3359 in 1998. As part of the December 2016 Economic Outlook, the Province of Ontario expressed concerns about the higher property tax burden for multi-residential class and its effect on housing affordability. In response to these concerns, the Province announced it would undertake a review of the property taxation of multi-residential and in the meantime, issue a regulation to freeze the tax burden on this class for 2017. In 1998, a provincial “range of fairness” threshold was established for the Multi Residential class of 2.74. Municipalities with ratios that exceed this threshold can only pass on 50% of the annual tax increase to this class. In March 2017, the province released a regulation, pending a review of the Multi-Residential class, which reduced the maximum range of fairness ratio to from 2.74 to 2.0 and limits the tax increase passed on to this class where the ratio exceeds 2.0 to zero. This means that Municipalities with ratios higher than 2.0 will not be able to pass on any annual tax increases to the Multi residential class until the class ratio falls below 2.0. The City’s ratio falls below this provincially mandated maximum ratio, therefore, there is no impact of this mandated change.

Comparisons have been drawn between the Residential class and the Multi-Residential class, however due to the different assessment methodology used in the Multi-Residential class and the limitations of comparative properties with the Residential class, establishing the MR ratio is challenging. This issue is compounded by the fact that widely different property types are grouped in a handful of broad classes leaving

Council with little flexibility to correct real or perceived inequities by the use of a single ratio applied to the MR class or other classes.

The MR class will phase in an increase of 9.2% in assessment value from 2017 to 2020 with a corresponding annual decrease in the neutral ratio anticipated until 2020. The New Multi-Residential class has the same ratio of 1.00000 as the Residential tax class and an overall increase in assessed value of 14.3%.

Commercial Tax Ratio

In 1998, provincial “range of fairness” thresholds were established for the commercial class of 1.98 and industrial class of 2.63. Prior to 2004, all municipalities with classes that exceeded these levels were unable to pass on any annual tax increases to these classes. Starting in 2004, this was partially addressed by allowing 50% of the annual tax increase for those classes that were above these thresholds. In Ottawa, the broad commercial class tax ratio was over the provincial threshold from 2004 to 2010 and from 2014 to 2016, which restricted the annual tax increase to 50% and the shortfall was borne by the other classes. In 2011 to 2013, the ratio was below the threshold of 1.98 and therefore subject to the full 100% of those annual tax increases.

The commercial class will phase in an increase of 9.6% in assessment value from 2017 to 2020 with a corresponding annual decrease in the neutral ratio anticipated until 2020.

In 2017, a commercial ratio of 1.979 was adopted to allow the commercial class to share equally in the annual class increase. As shown on Table 3, the Commercial ratio for 2019 is 1.85758 and is projected to continue to decrease and remain below the threshold of 1.98 for the remainder of the 2017 – 2020 tax cycle.

Review of the Parking Lot and Vacant Land Optional Tax Class

In response to a recent inquiry, an analysis was completed to review the unintended impacts of using this tax class with its low ratio. In 1998 the Region of Ottawa Carleton elected to adopt all of the optional tax classes in the Commercial class. This resulted in the use of the Parking Lot and Vacant Land (PLVL) sub class, which had the lowest tax ratio of all the properties in the commercial broad class. This low ratio was expected given that these properties generally do not generate income and therefore would have not been paying business taxes prior to the elimination of that tax in 1998.

There are 1,330 individually assessed properties in the Parking Lot and Vacant Land tax class with a total assessment value of $869 Million in 2018. The parking lot and vacant land class assessment makes up 0.55 of one percent of the City’s overall taxable assessment base and 4% of the assessment in the commercial class. The entire class generated $7.2M in taxation in 2018.

The Municipal Property Assessment Corporation (MPAC) assigns the parking tax class based on how properties are registered. For properties to be included in the parking, subclass they must be assessed as:

- a separate parcel,
- used exclusively for the parking of vehicles,
- would otherwise be in the commercial class.

Whether the lot provides paid or free parking or is a standalone parking garage or surface lot, has no bearing on the tax class assigned. Parking lots/garages attached to buildings and assessed on the same roll number are in the full commercial class, not the PLVL class. For example, free parking provided at shopping centers are in the commercial tax class not in the PLVL tax class.

There are 745 properties, which are individually assessed under the Parking Tax class with a total assessment of $258 Million in 2018. The parking class assessment makes up 0.16% of the City's overall taxable assessment base.

Properties in the parking class that are assessed at less than $1M make up 90% of the total properties. These small properties are typically individual parking spaces used by the clients of small businesses. The parking for clients is free and the tax treatment is similar to individual residential condominium parking spots. Each is assessed on its own roll and assigned a value for the individual spot because it can be sold separately. Generally, these properties are not available for development as they are required to support the business.

Properties are assessed by MPAC as being Vacant Land when the following criteria are met:

- a separate parcel,
- land that has no buildings or structures on it,
- where structures are being built or where the structures have been built but no parts have been used yet.

The commercial vacant land class assessment makes up 0.39 of one percent of the City's overall taxable assessment base. The Commercial Vacant Land Class has 585 properties, 52% of which are located in the urban area and 69% which have an assessed value of less than $1M. Whether these properties have development potential or not would require a property by property evaluation.

As vacant land does not require municipal services at the same level as a developed property, Municipalities were required by legislation to apply a minimum discount of 30% to the commercial vacant land tax rate. However, if a Municipality elected to have the Parking and Vacant Land Optional Subclass, then commercial vacant land is taxed at the PLVL rate and not at the discounted commercial vacant land rate.

The commercial vacant land tax class is taxed at the Parking rate which equates to 67.5% of the commercial class rate or a discount of 32.5%. Any changes in these rates would largely impact small business across the city.

Based on the analysis it is recommended the City continue to use the optional parking lot and vacant land subclass. This means properties that are assessed in the PLVL subclass would continue to pay at the lower tax rate. Given the majority of owners are small business, the lower tax rate helps keep costs of operating lower.

Landfill Ratio

In 2017, the Minister of Finance confirmed the creation of a property class for landfills to recognize 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 creation of a separate property class for landfills also provide 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 Landfill class will phase in an increase of 6.2% in assessment value from 2017 to 2020. Over the 2017 – 2020 tax cycle, the Province of Ontario has provided Municipalities with the flexibility to increase the Landfill tax ratio annually to a maximum of 105% of the Neutral Tax Ratio. For 2019, Revenue Services proposes that Council adopt a ratio that includes this increase.

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

Ratios – Mandatory Subclasses

Provincial legislation allows the City to set the tax ratios for excess commercial and excess or vacant industrial land as a percentage of the tax ratio for the applicable class. This report recommends that the ratios for these subclasses be set at:

- 70% of the applicable commercial property class tax ratio for commercial excess land (i.e. commercial, office building and shopping centre property classes), and
- 65% of the applicable industrial property class tax ratio for vacant or excess industrial land, industrial and large industrial excess land.

These percentages are the maximum percentages allowed by provincial legislation and are the percentages that have been used by the City in prior years. Reducing these percentages would cause a tax shift that would require owners of other property classes to pay higher taxes.

Provincial legislation requires the City to set a percentage reduction on the tax rate applied to farm land awaiting development subclass. There are two subclasses of farm land awaiting development. The first, farm land awaiting development subclass I, is defined as 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. Ontario Regulation 383/98, Tax Matters - Farm Land Awaiting Development Subclasses, Tax Reduction Percentages, provides upper and lower limits resulting in a tax rate between 25% and 75% of the residential tax rate. In practice, farm land awaiting development is often held on speculation and not developed for extended periods.

The second category of farm land awaiting development, subclass II, is defined as land that would be in subclass I except that there is a building permit for non-farm use construction on the land. Subclass II currently receives no tax rate reduction as is permitted by *Regulation 383/98*. That practice is recommended to continue to avoid having to move any tax burden to other property classes.

The Province enacted a new regulation to reduce the tax rate on qualifying value-added activities that occur on farms as part of the farming business. The new regulation enables municipalities and the Province to reduce the tax rate, for the first 50,000 of assessment, to 25% of the commercial or industrial rate where properties are assessed under 1 million. *Ontario Regulation 363/18* was enacted May 3, 2018. The Municipal Property Assessment Corporation is reviewing properties to confirm qualification and will issue Special Assessment Notices this year to reflect the new tax class for the 2018 tax year going forward.

Revenue Services staff recommends the adoption of the following tax ratios and corresponding by-laws for the mandatory property subclasses and the tax rate percentage reduction for farm land awaiting development:

- Commercial excess land (i.e. commercial, office and shopping centre tax classes): 70% of the applicable commercial property class tax ratio;
- Vacant industrial land, industrial and large industrial excess land: 65% of the applicable industrial property class tax ratio;
- Farm land awaiting development subclass I: 75% of the residential property class tax ratio and the corresponding tax rate percentage reduction for the awaiting residential, multi-residential, commercial and industrial property classes; and
- Farm land awaiting development subclass II: no tax rate reduction.
- Small Scale on Farm Business subclass: 25% of the applicable commercial or industrial property tax ratio for the first $50,000 of assessment.

Tax Rates

Tax rates are determined through calculations, which involve the budgetary tax levy requirement approved in the 2019 budget setting exercise, the total current value assessment by class and the effects of the setting of tax ratios within this report. The resultant tax rates as calculated by staff will be submitted to Council for approval with applicable by-laws.

By-laws establishing the 2019 tax rates will incorporate a budgetary increase of 3.0% for Citywide, Police and Fire services and 3.5% for Transit. The result is an overall municipal property tax increase of approximately $111, plus $2 garbage fee, for the average urban residential property. It should be noted that this increase may vary depending on location as certain taxes are delineated by service level and that service level may have changed. In addition, although the City does not benefit from any annual reassessment changes, individual properties are impacted differently based on the change in their property value relative to the overall change in the class. The budgetary tax increase, any change due to reassessment and the tax distribution by service are listed on the back of each final tax bill.

Education Rates

The annual education tax rates for all properties in Ontario are set by the Province and reflect the overall Provincial reassessment changes by class. Over the 2017 – 2020 tax cycle the Provincial assessment base will phase in an overall reassessment change of

23.5% compared City wide average reassessment change of 5.9%. As a result of the comparatively lower reassessment change, City of Ottawa residents will see a decrease in the education taxes on their tax bills and that burden will shift to other parts of Ontario experiencing higher reassessment increases. In 2018 City of Ottawa education taxes collected decreased by 1.85% or $9.2M and in 2019 the burden is also expected to decrease by a similar amount. This trend is expected to continue for the remainder of this tax cycle until 2020. This reverses the education tax increase experienced during the previous phase-in cycle 2013 to 2016.

While Ottawa residents will benefit from this decrease, the Payments in Lieu of Taxes calculated based on the education rates will also decrease, resulting in lower PILT revenues over this tax cycle.

Revenue Services staff recommends that the municipal tax rates for 2019 be established based on the ratios adopted herein.

Capping Regulations

Subsequent to the change to the current value assessment 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 which 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 5% of the previous year's annualized taxes. For 2005 and subsequent years, Council was authorized to increase this limit to 10%.

This limit is generally referred to as the "tax cap" and is calculated each year based on the previous year's taxes. The tax cap will remain in place until properties reach a property tax levy based on their current value assessment (known as CVA tax). Municipal levy changes (essentially changes to the tax rate as a result of budget decisions) are then applied in addition to the limit.

The limit applies to all property in the commercial, industrial and multi-residential classes except for:

- farm land awaiting development;
- provincial and municipal property subject to payments in lieu of taxes (PILTs), (except that commercial tenants in provincial or municipally owned properties would be protected by the limits); and

- certain power generation and transformer facilities.

The limit does not apply to properties in the residential, farm, managed forest, new multi-residential and pipeline property classes.

The individual properties that are protected by the tax cap generate a “foregone revenue or taxation shortfall”. This taxation shortfall is the difference between the amount of taxes that the current value assessment would generate and the cap over the previous year’s taxes. This uncollected amount has to be recovered from other taxpayers. A mechanism that is available, which has been chosen by Council each year since 1998, is to “clawback” some of the decreases from those individual properties within the property class that are experiencing a decrease in taxes. In other words, taxpayers who would be entitled to a reduction in their taxes pay the tax not being paid by another taxpayer because of the capping limit.

In order to address some of the limitations associated with the capping regime and to reduce the number of properties not paying full CVA taxes and taking into account the prolonged period required for some properties to reach full CVA taxes, the Minister introduced new capping options in Bill 83, the *Budget Measures Act, 2004*. Although these options do not address all inequities inherent in a program that limits some properties from paying their full share of taxes, they nonetheless accelerate the move towards more properties attaining full CVA taxes more quickly.

The capping options for 2019 are summarized as follows:

Capping Parameter to be 10% of Annualized Tax: The major disadvantage of the original capping program and a continuous cycle of re-assessments is that many of the capped properties within the City and the Province of Ontario would never reach their full CVA taxes. In order to rectify this situation, the Ministry provided flexibility to Council to increase the 5% parameter up to 10%. Council provided notification in the 2005 tax policy submission that this change would be implemented for 2006 and subsequent years. Council has approved this change for each year since 2006 as part of the tax policy submission process. Revenue Services staff recommends this change for 2019 as well. A decision not to implement this option each year would mean the capping parameter would revert to 5%.

Capping Parameter Increase to 5% of CVA Tax: With the annual restriction applying the capping parameter to the previous year’s annualized taxes only, any property that has a significant disparity between its annualized and CVA taxes would be capped for an extensive period. In order to alleviate this situation, a new capping option was provided for these properties to have their taxes increased by up to 5% of their previous year's CVA tax (prior to levy change). Only a small number of properties that pay a fraction of their CVA taxes (less than 50% of their CVA taxes) would be affected. This would reduce by half the length of time required to reach their full CVA taxes.

Revenue Services staff recommends that capping parameters be approved at the higher of 10% of the previous year's annualized tax or 5% of the 2019 Current Value Assessment (CVA) taxes.

$250 Threshold Option: Administratively, several of the small businesses and multi-residential properties were being capped or clawed back by very small amounts due to the fact there was no minimum threshold established. An option was provided allowing municipalities to pass a by-law to move capped properties whose recalculated annualized taxes fall within $250 of the current year's CVA tax to their CVA tax for the year. This means that if the differential between the CVA taxes and the tax limit is between $0 and $250 (higher or lower) the taxpayer is automatically moved to their CVA tax.

Revenue Services staff recommends that capped or clawed back properties whose recalculated annualized taxes fall within $250 of their CVA taxation be moved to their CVA tax for the year.

Clawback Recovery: In order to determine how much taxation has to be "clawed back" from those taxpayers in the class whose taxes were decreasing, a percentage is calculated which when added to their taxes, finances the taxation shortfall. Council must approve this percentage, known as the clawback percentage. In 2019, the clawback requirement will decrease (see discussion of new capping option for properties at CVA tax level below). A recovery by-law to approve the final clawback percentages will be submitted for Council approval at a later date.

New Capping Option for Properties at CVA Tax Level: Since 1998, the capping program has offered protection for any assessment related tax increases to certain classes. While there was significant tax impact on certain properties at the time, the Province anticipated that after a few years, the new values would be fully integrated and taxes would be at their full CVA tax level. Significant progress was made in the earlier years but reached a plateau in the last few years. Most municipalities in Ontario have not met the goal of having all properties pay their share of taxes based on a simple formula of valuation applied to a ratio driven tax rate.

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 discussion above). 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 their 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. If a property is significantly undervalued in any given year and subsequently corrected, it will not only have benefited from lower taxation for all of the previous years but will also be protected for many years to follow.

The Province has acknowledged these concerns and while it will not support a full exit of the program in the foreseeable future, it enacted several options in 2005. The options previously discussed included:

- doubling the increase parameter from 5% to 10% of the previous taxes
- 5% of the current CVA taxes
- a $250 minimum threshold

In 2008, the Province went further and introduced an option for 2009 more in line with the intent of the original program that was to bring properties paying their full CVA tax level over a short time period. Municipalities were given the option to exclude from capping any properties that reach CVA taxes in the previous year or cross over during the current year between the clawed back and capped categories. In addition, the combination of the previous four-year phase-in of the change in value from January 1, 2005 to January 1, 2008 with the 10% annual increase parameter significantly reduced the pressure on existing properties requiring additional capping protection.

The impact on the protected commercial and industrial classes is significant. The multi-residential class is less affected due to the fact that its base has been more stable and closer to full CVA in previous years than any other class. Not only do the new options prevent new properties with valuation issues to enter the capping/clawback program, they also significantly curtail the capping requirement, increase the properties at CVA and allow more tax reductions to the properties in the clawed back category. The following results by class are detailed in Table 4 for the past three years.

Table 4 - Historical Capping Summary

Property Class	Year	Number of Properties Protected	Value of Protection	Number of Properties Clawed Back
Multi Residential	2016	1	$2,311	6
	2017	1	$286	0
	2018	0	$0	0
Commercial	2016	54	$839,718	330
	2017	44	$651,044	170
	2018	31	$454,779	173
Industrial	2016	55	$326,486	25
	2017	36	$156,828	25
	2018	31	$149,202	19

In summary, the option to exclude properties that have reached CVA or crossed over from the clawed back to the capped category will continue to significantly reduce the capping requirement for all classes for the coming years. This reduced capping requirement will relieve some of the pressures on the clawed back properties by allowing more properties to pay only their CVA tax level. The clawback percentage has yet to be finalized and varies by year based on the annual requirement and the number of properties left in the program. As such, all numbers are preliminary and will be finalized over the next few weeks as part of the Ontario Property Tax Analysis cut-off procedures.

The option of excluding properties at or crossing over from the clawed back to the capped category is therefore recommended to be continued. This accelerates the progress towards attaining the goal of more properties reaching their CVA tax level and decreasing the number of properties burdened by the clawback mechanism.

Revenue Services staff recommends that properties that have reached their CVA during the previous year from the clawed back category to the capped category remain at CVA taxes and be excluded from future capping adjustments.

The Multi Residential Class no longer has any properties subject to capping in 2018 and in 2019 therefore the class will exit capping in 2019.

Revenue Services staff also recommends that properties that cross over from the capped category to the clawed back category remain subject to clawback adjustments.

Tax Treatment for New Construction Properties

Previously, the tax burden for eligible "new construction" properties was established by comparing the average tax level of comparable properties (up to six) to the CVA taxes of the eligible property. Under this regime, the maximum tax level for the new property can only be at the CVA tax level (i.e., current value assessment times the applicable tax rate). However, no minimum tax level had been set, occasionally resulting in abnormally low taxes for a new property. This only served to continue the distortion caused by the capping program. In 2005, legislation was introduced to establish a minimum tax level (percentage) of the CVA tax liability for eligible new construction properties. The minimum tax level was increased gradually towards the maximum through a phase-in. This phase-in has now been completed with new construction properties paying their full CVA tax level since 2009.

Revenue Services staff recommends that the tax level for "new construction" properties be set at a minimum level of 100% of their CVA taxes for 2019 and future taxation years.

Tax Mitigation Programs

A number of other mitigation programs have been established in prior years. It is recommended that these mitigation programs be continued. These programs include:

- The provision of a 40% tax rebate to charitable organizations as defined and required in the legislation.
- Tax rebate of:
    - 100% to any church leasing space to houses of refuge and similar purpose registered charities.
    - 100% for non-profit, non-home-based licensed childcare centres for space occupied for childcare purposes.
    - 100% of education portion for properties used and occupied by the Royal Canadian Legion and The Polish Combatant's Association of Canada identified in By-law no. 2017-318.
- The provision of partial tax deferral (increase in assessment) program for low-income seniors and persons with disabilities.
- The provision of a complete tax deferral program for low-income seniors and persons with disabilities.
- The Farm Grant Program.

- Tax relief under Municipal Capital Facility Agreements.

Charitable Rebate Program

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

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

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

- Rebates to eligible charities of at least 40% of their property taxes for space they occupy.
- Calculation of the amounts paid on account of taxes on a property occupied by an eligible charity is based either on the charity's portion of the total square footage of the property, or, if available, on the current value assessment of the property occupied as determined by the Municipal Property Assessment Corporation.
- Calculation details are provided to the charity.
- The payment of rebates is within the timeframes set by the *Municipal Act* (at least 50% within 60 days of receipt of the application; the balance within 120 days).
- Interest as required by the *Municipal Act* is paid if the City fails to rebate within the mandated timelines.
- Upon assessment changes, charity rebates are recalculated and funds owed by and to charities are recovered or remitted depending on whether the charity has had an actual change in the taxes it paid based upon the assessment change.

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

Revenue Services administers the Charitable Rebate Program under the Charitable Rebate Policy. Rebate applications can be received up to the last day of February of the year following the taxation year in respect of which the application is made. Applications for 2018 have yet to be finalized. For the 2017 taxation year, 212 charitable rebate applications totaling approximately $1.6 million (municipal portion) were processed. Specific details relating to charitable rebates are on file with the Revenue Services.

Tax Deferral Program

The City has two property tax deferral programs for low-income seniors and low-income persons with disabilities. The first is a program required by the *Municipal Act* and enacted in By-law 2001-345 that defers a tax increase. The second is an optional program that the City enacted in By-law 2007-452 that defers the full amount of taxes due in a year. These programs allow qualified applicants to stay in their homes longer and enjoy a better quality of life.

Since the launch of the Full Property Tax Deferral for Low-Income Seniors and Low-income Persons with Disabilities in 2007, the amount of property taxes deferred has increased significantly. The increase in the number of applicants on this program has been gradual. Since implementation, some properties have been removed from this program due to sale of the properties or death of participants.

As at December 31, 2018, there were 134 taxpayers on the program. On average, the annual deferral is about $3,564. The amount of taxes deferred for those taxpayers in 2018 was $477,605 for a cumulative total taxes deferred amounting to $3,189,904. The income threshold for 2019 is set at $42,749 as required by By-law 2007-452. There is no application deadline for first-time applicants and the current renewal application deadline is February 28th of the relevant tax year. To ensure consistency with the renewal application date of the newly implemented Water Utility Deferral Program, and to be in line with the income tax deadlines set out by Canada Revenue Agency staff are recommending extending the annual renewal deadline to July 1st of the relevant tax year.

Farm Grant Program

In 2006, Council approved a tax mitigation program for farmers because of economic challenges facing farmers. The Farm Grant Program (FGP) allowed eligible farmers to defer payment of their final tax bill (normally due in June) to December. The grant, administration, printing and mailing costs are estimated to be up to $35,000 annually.

Staff reviewed the program offering in 2018 and received support to continue with the program offering this tax year. While the take-up on this program remains limited (482 of approximately 3600 farm properties) for 2018, in response to rural concerns, the program is being recommended to be continued for 2019.

Revenue Services staff recommends that the property tax mitigation programs be continued for 2019, including the Charitable Rebate program, the Farm Grant Program and the Low-Income Seniors and Persons with Disabilities Complete Tax Deferral Program as previously approved by Council.

Technical Adjustment

The Province introduced regulatory amendments that allowed municipalities to include an adjustment for assessment appeal losses from the prior years in the determination of assessments that is used as a starting point to establish that annual maximum property tax levy amount for the following taxation year. The Minister of Finance requires municipalities to confirm by by-law the implementation of the technical adjustment. This report recommends that staff confirm by by-law the implementation of the technical adjustment for the City of Ottawa prescribed in the property tax related regulations made under the *Municipal Act*.

Allocation to the Public Works Operating Budget

As part of the annual budget exercise, the city provides an estimate of assessment growth and its associated revenue. Typically, the detailed data is not available to staff around the budget tabling and approval timelines. Staff have completed an analysis of the 2018 year end assessment data from MPAC and confirmed an additional $1.5 million in revenue for 2019 as a result of the application of the additional growth identified through the technical adjustment. The technical adjustment restores appeal losses related to the prior taxation year that would otherwise have been permanently eroded from the tax base.

Revenue Services recommends that $1.5 million of this additional growth identified from the application of the technical adjustment be added to the 2019 base budget for Roads Winter Maintenance.

Interim Property Taxes and Due Dates (2020)

Sections 342, 343 and 345 of the *Municipal Act* require that tax due dates, penalty and interest percentage charges be approved by Council. The interim and final due dates do not apply to those taxpayers who are 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* requires Council to establish a by-law which sets interim tax billing for uncapped classes (residential and pipeline) and capped classes (commercial, industrial and multi-residential). The amount raised by the interim bill cannot exceed 50% of the previous year's adjusted annualized taxation.

Revenue Services recommends setting the 2020 interim tax billing at 50% of the 2019 adjusted/annualized taxation. This rate is consistent with prior years.

Revenue Services recommends setting the 2020 tax due dates as March 19, 2020 (interim) and June 18, 2020 (final). These dates fall on the third Thursday of the month. Having the tax due dates fall on the third Thursday has been the City’s practice for many years. The predictability of these dates benefits many taxpayers and eases the City’s administrative planning. These fixed due dates do not apply to registered preauthorized debit tax accounts or those registered under the full tax deferral program for low-income seniors and low-income persons with disabilities.

If Council were to delay the tax due dates, beyond the recommended dates the impact would be approximately $1,000,000 per month.

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

Revenue Services recommend that Council enact a by-law to establish the 2020 interim taxes, tax due dates, penalty and interest charges because the *Municipal Act* requires that these aspects of property tax collection be set by by-law. The by-law also includes direction on the City’s pre-authorized debit plan for property taxes as authorized by s. 342 of the *Municipal Act*.

RURAL IMPLICATIONS

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

CONSULTATION

Revenue Services staff have consulted over the last year with Legal Services, Ministry of Finance, Ministry of Municipal Affairs and the Municipal Property Assessment Corporation in preparing this report.

COMMENTS BY THE WARD COUNCILLOR(S)

There were no comments provided by Ward Councillors.

ADVISORY COMMITTEE(S) COMMENTS

There are no comments from the advisory committees.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

There are no risk management impediments to implementing the recommendation in this report.

FINANCIAL IMPLICATIONS

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

ACCESSIBILITY IMPACTS

There are no accessibility impacts to approving the recommendations in this report.

TERM OF COUNCIL PRIORITIES

This meets Council’s priority with respect to Financial Responsibility.

SUPPORTING DOCUMENTATION

There is no supporting documentation.

DISPOSITION

Revenue Services will use the tax ratios and rates to calculate and issue the 2019 final tax bills.

Legal Services and the Corporate Services Department will work together to prepare all applicable by-laws to be placed on the agenda of Council for enactment and assist Revenue Services staff as required.