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| <p>1. 2021 TAX RATIOS AND OTHER TAX POLICIES COEFFICIENTS FISCAUX ET AUTRES POLITIQUES D'IMPOSITION DE 2021</p> |
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COMMITTEE RECOMMENDATIONS

That Council:

- 1. Receive the optional Small Business property tax subclass framework outlined in this report and that staff consult under this framework and report back in Q3 with final recommendations.**
- 2. Adopt the following optional property classes in 2021:**
 - 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**
- 3. Adopt the following tax ratios for 2021:**

| Property Class | Ratio** |
|-------------------------------|----------------|
| Residential | 1.00000 |
| Multi-Residential | 1.38668 |
| New Multi-Residential | 1.00000 |
| Farm | 0.20000 |
| Managed Forest | 0.25000 |
| Pipeline | 1.72025 |
| Commercial Broad Class | 1.85204 |
| Commercial* | 1.82769 |
| Office Building* | 2.26801 |
| Parking Lots and Vacant Land* | 1.23364 |
| Shopping Centre* | 1.47088 |
| Professional Sports Facility | 1.82769 |

| | |
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| Industrial Broad Class | 2.41793 |
| Industrial* | 2.53090 |
| Large Industrial* | 2.17340 |
| Landfill | 2.76428 |

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

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

4. **Adopt 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; and**
 - **Small-scale on farm business subclass: 25% of the applicable commercial or industrial property class tax ratio for the first \$50,000 of assessment.**
5. **Approve that the tax rates for 2021 be established based on the ratios adopted herein.**
6. **Approve that the 2021 capping and clawback provisions be as follows:**
 - **That capping parameters be approved at the higher of 10% of the previous year's annualized tax or 5% of the 2020 Current**

Value Assessment (CVA) taxes;

- 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;
 - 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
 - That properties that cross over from the capped category to the clawed back category remain subject to clawback adjustments.
7. Approve that the property tax and water mitigation programs previously approved by Council be continued for 2021 as follows:
- the Charitable Rebate Program;
 - the Farm Grant Program;
 - the Low-Income Seniors and Persons with Disabilities Tax Deferral Program; and
 - the Low-Income Seniors and Persons with Disabilities Water Deferral Program.
8. Approve that staff implement the technical adjustments for the City of Ottawa prescribed in the property tax-related regulations made under the *Municipal Act, 2001*.
9. Approve that \$7.6 million in additional tax revenue from the application of the technical adjustment be allocated as follows:
- \$3.5 million be contributed to the assessment growth for 2021; and
 - \$4.1 million be contributed to the Transit Services operating

budget for 2021.

10. Approve that the 2022 property tax and due date provisions be as follows:
 - That the interim 2022 property tax billing be set at 50% of the 2021 adjusted/annualized taxes as permitted by legislation;
 - That the following tax due dates be approved for 2022:
 - i. Interim: March 17, 2022;
 - ii. Final: June 16, 2022;
 - That the penalty and interest percentage charged on overdue and unpaid tax arrears remain at the rate of 1.25% per month (15% per year) for 2022, unchanged from 2021; and
 - That Council enacts a by-law to establish the 2022 interim taxes, tax due dates, penalty and interest charges.
11. 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 place in correctional institutions, pursuant to Section 323 (2);
 - \$75 per rated bed in public hospitals, pursuant to Section 323 (3); and
 - \$75 per student place in provincial educational institutions, pursuant to Section 323 (5).
12. Approve the amendment to the Municipal Capital Facility By-law 2018-273 and associated Municipal Capital Facility Agreement to reflect the updated space leased through the Elections Office, as further described in this report.

13. Approve the changes to the service fee for payment card processing by-law, as outlined in this report.
14. Approve that the City index the eight stormwater assessment value ranges by the average non-residential reassessment increase at each reassessment cycle.

RECOMMANDATIONS DU COMITÉ

Que le Conseil municipal :

1. prenne connaissance de la structure-cadre de la sous-catégorie optionnelle de l'impôt foncier des petites entreprises et que le personnel tienne une consultation en vertu de cette structure-cadre et en rende compte au troisième trimestre en déposant des recommandations définitives;
2. adopte les catégories optionnelles de biens-fonds suivantes en 2021 :
 - les centres commerciaux;
 - les terrains de stationnement et les terrains vacants;
 - les immeubles de bureaux;
 - les grands ensembles industriels;
 - les nouveaux immeubles à logements multiples;
 - les installations sportives professionnelles;
3. adopte, pour 2021, les coefficients fiscaux suivants :

| Catégorie | Coefficient ** |
|--|-----------------------|
| Résidentiel | 1,00000 |
| Logements multiples | 1,38668 |
| Nouveaux immeubles à logements multiples | 1,00000 |
| Agricole | 0,20000 |
| Forêt aménagée | 0,25000 |

| | |
|--|---------|
| Pipeline | 1,72025 |
| Catégorie commerciale générale | 1,85204 |
| Commercial* | 1,82769 |
| Immeubles de bureaux * | 2,26801 |
| Terrains de stationnement et terrains vacants* | 1,23364 |
| Centres commerciaux* | 1,47088 |
| Installations sportives professionnelles | 1,82769 |
| Catégorie industrielle générale | 2,41793 |
| Industriel* | 2,53090 |
| Grands ensembles industriels* | 2,17340 |
| Décharge | 2,76428 |

* *Dont les nouvelles catégories de construction pour les besoins de la répartition des taxes scolaires applicables aux entreprises.*

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

4. adopte les coefficients fiscaux et les règlements municipaux suivants pour les sous-catégories obligatoires de biens-fonds et pour la réduction du taux d'imposition des fermes agricoles à aménager :

- **les biens-fonds commerciaux excédentaires (soit les catégories des biens commerciaux, des immeubles de bureaux et des centres commerciaux) : 70 % du coefficient fiscal applicable à la catégorie des biens commerciaux;**
- **les terrains industriels vacants, les terrains industriels et les grands terrains industriels excédentaires : 65 % du coefficient fiscal applicable à la catégorie des biens industriels;**
- **les terres agricoles à aménager, sous-catégorie I : 75 % du coefficient fiscal applicable à la catégorie des biens résidentiels et réduction correspondante du taux d'imposition pour les terrains à aménager des catégories des biens résidentiels, des immeubles à logements multiples, des biens commerciaux et des biens industriels;**
- **les terres agricoles à aménager, sous-catégorie II : aucune réduction du taux d'imposition;**

- **la sous-catégorie des petites entreprises agricoles : 25 % du coefficient fiscal applicable à la catégorie des biens industriels ou à la catégorie des biens commerciaux pour la première tranche de 50 000 \$ de l'évaluation;**
- 5. approuve l'établissement des taux d'imposition de 2021 d'après les coefficients fiscaux adoptés en vertu des présentes;**
- 6. approuve conformément aux modalités suivantes les dispositions relatives au plafonnement et à la récupération fiscale de 2021 :**
- **que les paramètres du plafonnement soient approuvés à 10 % des taxes annualisées de l'année précédente ou à 5 % de l'expertise de la valeur actuelle (EVA) de 2020, en retenant le pourcentage le plus élevé;**
 - **que les biens plafonnés ou auxquels s'applique un seuil de récupération fiscale et dont les taxes annualisées recalculées sont égales ou inférieures à 250 \$ de leur valeur foncière actuelle (VFA) soient taxés d'après la VFA pour l'année en cours et soient exclus de tout autre redressement relatif au plafonnement;**
 - **que les biens qui ont atteint leur VFA 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 la VFA et soient exclus de tout autre redressement relatif au plafonnement;**
 - **que les biens qui passent de la catégorie des biens plafonnés à celle de la récupération fiscale restent assujettis aux redressements relatifs à la récupération;**
- 7. approuve le maintien en 2021, conformément aux modalités suivantes, des programmes d'allégement de l'impôt foncier et de la taxe d'eau :**
- **le Programme de remboursements offerts aux organismes de**

bienfaisance;

- le Programme de subventions pour terres agricoles;
 - le Programme de report des taxes foncières pour aînés et personnes en situation de handicap à faible revenu;
 - le Programme de report du paiement de la facture d'eau pour aînés et personnes en situation de handicap à faible revenu;
8. approuve la mise en œuvre, par le personnel, des redressements techniques prescrits pour la Ville d'Ottawa dans les règlements liés à l'impôt foncier et pris en application de la Loi de 2001 sur les municipalités;
9. approuve la répartition suivante des recettes fiscales supplémentaires de 7,6 millions de dollars après l'application du redressement technique :
- 3,5 millions de dollars à consacrer à la croissance de l'évaluation foncière pour 2021;
 - 4,1 millions de dollars à consacrer au budget de fonctionnement du Service de transport en commun pour 2021;
10. approuve l'établissement des dispositions de l'imposition foncière et des dates d'exigibilité pour 2022 conformément aux modalités suivantes :
- que l'imposition foncière provisoire pour 2022 soit fixée à 50 % des impôts redressés ou annualisés, comme l'autorise la loi;
 - que les dates d'exigibilité des impôts suivantes soient approuvées pour 2022 :
 - i. relevé provisoire : le 17 mars 2022;
 - ii. relevé définitif : le 16 juin 2022;
 - que le taux de pénalité et d'intérêt compté sur les impôts

exigibles et impayés reste fixé à 1,25 % par mois (15 % par an) pour 2022, sans changement par rapport à 2021;

- **que le Conseil municipal adopte un règlement visant à établir l'impôt provisoire, les dates d'exigibilité, les pénalités et les intérêts pour 2022;**
- 11. adopte un prélèvement annuel sur les établissements admissibles en application de l'article 323 de la Loi de 2001 sur les municipalités et du Règlement de l'Ontario 384/98 conformément aux modalités suivantes :**
- **75 \$ pour chacun des étudiants à temps plein fréquentant les universités et les collèges, conformément à l'article 323 (1);**
 - **75 \$ pour chacun des résidents des établissements correctionnels, conformément à l'article 323 (2);**
 - **75 \$ par lit reconnu dans les hôpitaux publics, conformément à l'article 323 (3);**
 - **75 \$ par place d'étudiant dans les établissements provinciaux d'enseignement, conformément à l'article 323 (5);**
- 12. approuve la modification du Règlement sur les infrastructures municipales 2018-273 et la convention sur les infrastructures municipales correspondante afin de tenir compte de l'actualisation des baux des locaux loués par l'entremise du Bureau des élections selon les modalités précisées dans le rapport;**
- 13. approuve les modifications à apporter aux frais de gestion pour le Règlement sur le traitement des cartes de paiement selon les modalités exposées dans le rapport;**
- 14. approuve l'indexation par la Ville des huit niveaux d'évaluation foncière pour établir les redevances sur les eaux pluviales selon une hausse moyenne de la réévaluation non résidentielle dans chaque cycle de réévaluation.**

DOCUMENTATION/DOCUMENTATION

1. Deputy City Treasurer's Report, Revenue Services, Finance Services Department, dated April 16, 2021 (ACS2021-FSD-REV-0001)

Rapport de la Trésorière municipale adjointe, Services des recettes, Direction générale des services des finances, daté le 16 avril 2021, (ACS2021-FSD-REV-0001)
2. Extract of draft Minutes, Finance and Economic Development Committee, 23 April 2021.

Extrait de l'ébauche du procès-verbal, Comité des finances et du développement économique, le 23 avril 2021.

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
23 April 2021 / 23 avril 2021**

**and Council
et au Conseil
28 April 2021 / 28 avril 2021**

**Submitted on April 16, 2021
Soumis le 16 avril 2021**

**Submitted by
Soumis par:**

Joseph Muhuni, Deputy City Treasurer (A), Revenue Services, Finance Services Department / Trésorier municipal adjoint (T), Services des recettes, Direction

générale des services des finances

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2021-FSD-REV-0001

SUBJECT: 2021 TAX RATIOS AND OTHER TAX POLICIES

**OBJET: COEFFICIENTS FISCAUX ET AUTRES POLITIQUES D'IMPOSITION
DE 2021**

REPORT RECOMMENDATIONS

**That the Finance and Economic Development Committee recommend that
Council:**

- 1. Receive the optional Small Business property tax subclass framework outlined in this report and that staff consult under this framework and report back in Q3 with final recommendations.**
- 2. Adopt the following optional property classes in 2021:**
 - Shopping Centre property class**
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** Subject to final minor revisions upon Ontario Property Tax Analysis (OPTA) close-off.

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- **Small-scale on farm business subclass: 25% of the applicable commercial or industrial property class tax ratio for the first \$50,000 of assessment.**
- 5. Approve that the tax rates for 2021 be established based on the ratios adopted herein.**
- 6. Approve that the 2021 capping and clawback provisions be as follows:**
- **That capping parameters be approved at the higher of 10% of the previous year's annualized tax or 5% of the 2020 Current Value Assessment (CVA) taxes;**
 - **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;**
 - **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**
 - **That properties that cross over from the capped category to the clawed back category remain subject to clawback adjustments.**
- 7. Approve that the property tax and water mitigation programs previously approved by Council be continued for 2021 as follows:**
- **the Charitable Rebate Program;**
 - **the Farm Grant Program;**
 - **the Low-Income Seniors and Persons with Disabilities Tax Deferral Program; and**
 - **the Low-Income Seniors and Persons with Disabilities Water Deferral Program.**

8. Approve that staff implement the technical adjustments for the City of Ottawa prescribed in the property tax-related regulations made under the *Municipal Act, 2001*.
9. Approve that \$7.6 million in additional tax revenue from the application of the technical adjustment be allocated as follows:
 - \$3.5 million be contributed to the assessment growth for 2021; and
 - \$4.1 million be contributed to the Transit Services operating budget for 2021.
10. Approve that the 2022 property tax and due date provisions be as follows:
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- **\$75 per student place in provincial educational institutions, pursuant to Section 323 (5).**
- 12. Approve the amendment to the Municipal Capital Facility By-law 2018-273 and associated Municipal Capital Facility Agreement to reflect the updated space leased through the Elections Office, as further described in this report.**
 - 13. Approve the changes to the service fee for payment card processing by-law, as outlined in this report.**
 - 14. Approve that the City index the eight stormwater assessment value ranges by the average non-residential reassessment increase at each reassessment cycle.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil municipal :

- 1. de prendre connaissance de la structure-cadre de la sous-catégorie optionnelle de l'impôt foncier des petites entreprises et que le personnel tienne une consultation en vertu de cette structure-cadre et en rende compte au troisième trimestre en déposant des recommandations définitives;**
- 2. d'adopter les catégories optionnelles de biens-fonds suivantes en 2021 :**
 - **les centres commerciaux;**
 - **les terrains de stationnement et les terrains vacants;**
 - **les immeubles de bureaux;**
 - **les grands ensembles industriels;**

- les nouveaux immeubles à logements multiples;
- les installations sportives professionnelles;

3. d'adopter, pour 2021, les coefficients fiscaux suivants :

| Catégorie | Coefficient ** |
|--|-----------------------|
| Résidentiel | 1,00000 |
| Logements multiples | 1,38668 |
| Nouveaux immeubles à logements multiples | 1,00000 |
| Agricole | 0,20000 |
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* *Dont les nouvelles catégories de construction pour les besoins de la répartition des taxes scolaires applicables aux entreprises.*

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

4. d'adopter les coefficients fiscaux et les règlements municipaux suivants pour les sous-catégories obligatoires de biens-fonds et pour la réduction du taux d'imposition des fermes agricoles à aménager :

- les biens-fonds commerciaux excédentaires (soit les catégories des biens commerciaux, des immeubles de bureaux et des centres commerciaux) : 70 % du coefficient fiscal applicable à la catégorie des biens commerciaux;
- les terrains industriels vacants, les terrains industriels et les grands terrains industriels excédentaires : 65 % du coefficient fiscal applicable à la catégorie des biens industriels;

- les terres agricoles à aménager, sous-catégorie I : 75 % du coefficient fiscal applicable à la catégorie des biens résidentiels et réduction correspondante du taux d'imposition pour les terrains à aménager des catégories des biens résidentiels, des immeubles à logements multiples, des biens commerciaux et des biens industriels;
 - les terres agricoles à aménager, sous-catégorie II : aucune réduction du taux d'imposition;
 - la sous-catégorie des petites entreprises agricoles : 25 % du coefficient fiscal applicable à la catégorie des biens industriels ou à la catégorie des biens commerciaux pour la première tranche de 50 000 \$ de l'évaluation;
5. d'approuver l'établissement des taux d'imposition de 2021 d'après les coefficients fiscaux adoptés en vertu des présentes;
6. d'approuver conformément aux modalités suivantes les dispositions relatives au plafonnement et à la récupération fiscale de 2021 :
- que les paramètres du plafonnement soient approuvés à 10 % des taxes annualisées de l'année précédente ou à 5 % de l'expertise de la valeur actuelle (EVA) de 2020, en retenant le pourcentage le plus élevé;
 - que les biens plafonnés ou auxquels s'applique un seuil de récupération fiscale et dont les taxes annualisées recalculées sont égales ou inférieures à 250 \$ de leur valeur foncière actuelle (VFA) soient taxés d'après la VFA pour l'année en cours et soient exclus de tout autre redressement relatif au plafonnement;
 - que les biens qui ont atteint leur VFA 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 la VFA et soient exclus de tout autre redressement relatif au plafonnement;

- que les biens qui passent de la catégorie des biens plafonnés à celle de la récupération fiscale restent assujettis aux redressements relatifs à la récupération;
7. d'approuver le maintien en 2021, conformément aux modalités suivantes, des programmes d'allégement de l'impôt foncier et de la taxe d'eau :
- le Programme de remboursements offerts aux organismes de bienfaisance;
 - le Programme de subventions pour terres agricoles;
 - le Programme de report des taxes foncières pour aînés et personnes en situation de handicap à faible revenu;
 - le Programme de report du paiement de la facture d'eau pour aînés et personnes en situation de handicap à faible revenu;
8. d'approuver la mise en œuvre, par le personnel, des redressements techniques prescrits pour la Ville d'Ottawa dans les règlements liés à l'impôt foncier et pris en application de la Loi de 2001 sur les municipalités;
9. d'approuver la répartition suivante des recettes fiscales supplémentaires de 7,6 millions de dollars après l'application du redressement technique :
- 3,5 millions de dollars à consacrer à la croissance de l'évaluation foncière pour 2021;
 - 4,1 millions de dollars à consacrer au budget de fonctionnement du Service de transport en commun pour 2021;
10. d'approuver l'établissement des dispositions de l'imposition foncière et des dates d'exigibilité pour 2022 conformément aux modalités suivantes :
- que l'imposition foncière provisoire pour 2022 soit fixée à 50 % des impôts redressés ou annualisés, comme l'autorise la loi;
 - que les dates d'exigibilité des impôts suivantes soient approuvées pour 2022 :
 - i. relevé provisoire : le 17 mars 2022;

ii. relevé définitif : le 16 juin 2022;

- **que le taux de pénalité et d'intérêt compté sur les impôts exigibles et impayés reste fixé à 1,25 % par mois (15 % par an) pour 2022, sans changement par rapport à 2021;**
- **que le Conseil municipal adopte un règlement visant à établir l'impôt provisoire, les dates d'exigibilité, les pénalités et les intérêts pour 2022;**

11. d'adopter un prélèvement annuel sur les établissements admissibles en application de l'article 323 de la Loi de 2001 sur les municipalités et du Règlement de l'Ontario 384/98 conformément aux modalités suivantes :

- **75 \$ pour chacun des étudiants à temps plein fréquentant les universités et les collèges, conformément à l'article 323 (1);**
- **75 \$ pour chacun des résidents des établissements correctionnels, conformément à l'article 323 (2);**
- **75 \$ par lit reconnu dans les hôpitaux publics, conformément à l'article 323 (3);**
- **75 \$ par place d'étudiant dans les établissements provinciaux d'enseignement, conformément à l'article 323 (5);**

12. d'approuver la modification du Règlement sur les infrastructures municipales 2018-273 et la convention sur les infrastructures municipales correspondante afin de tenir compte de l'actualisation des baux des locaux loués par l'entremise du Bureau des élections selon les modalités précisées dans le rapport;

13. d'approuver les modifications à apporter aux frais de gestion pour le Règlement sur le traitement des cartes de paiement selon les modalités exposées dans le rapport;

14. d'approuver l'indexation par la Ville des huit niveaux d'évaluation foncière pour établir les redevances sur les eaux pluviales selon une hausse moyenne de la réévaluation non résidentielle dans chaque cycle de réévaluation.

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 2021 taxation year.

- 1. Optional Small Business Property Tax Subclass:** The report recommends Council receive the optional Small Business property tax subclass framework included in this report, which describes a possible 10% discount for approximately 4,700 commercial properties and 7,800 small businesses, have staff consult under this framework and report back to the Finance and Economic Development Committee and Council with final recommendations at the end of Q3.
- 2. Optional Property Classes:** The report recommends that Council approve the use of all the optional property classes permitted by the *Assessment Act*, as it has done in the past. These ratios allow for different taxation levels within the property classes and minimize shifting the tax burden between the broad tax classes.
- 3. Tax Ratios:** Council must approve tax ratios for various tax classes each year. These ratios allow different tax burdens between the different property classes. The report recommends that Council adopt the ratios proposed to mitigate inter-class tax shifts.
- 4. Ratios – Mandatory Subclasses:** The report recommends ratios for the mandatory property subclasses and the corresponding tax rate discounts consistent with previous years' ratios.
- 5. Tax Rates:** The report recommends that tax rates be established based on the ratios in this report and the overall tax increase approved by Council and submitted to Council for approval with the associated by-laws.
- 6. 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 have been approved annually by Council since 2005 and are recommended again for 2021.

- 7. Tax Mitigation Programs:** The report recommends Council continue the following tax mitigation programs for 2021:
- Rebates to charitable organizations;
 - The Farm Grant Program allows eligible farmers to defer their final tax bill (ordinarily due in June) to December;
 - The deferral of taxes for low-income seniors and persons with disabilities; and
 - The deferral of water for low-income seniors and persons with disabilities
- 8. Technical Adjustment:** The report recommends that Council adopt the technical adjustment prescribed in the property tax-related regulations made under the *Municipal Act, 2001*. These regulatory amendments were tabled through the 2016 provincial budget in response to municipal requests and are further detailed in this report.
- 9. Allocation to the Operating Budget:** The report recommends that the \$7.6 million of additional growth identified from the application of the technical adjustment be allocated as follows:
- \$3.5 million be contributed to assessment growth for 2021; and
 - \$4.1 million be contributed to the Transit Services operating budget for 2021.
- 10. 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%, 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.
- 11. Annual Levy Payments from Eligible Institutions:** Under Section 323 (1), (2), (3) and (5) of the *Municipal Act, 2001* and Ontario Regulation 384/98 "Tax Matters - Universities and Other Institutions," municipalities are entitled to levy an amount of \$75 per full-time student in attendance at universities and colleges, \$75 per resident place in correctional institutions, \$75 per bed in public hospitals

and \$75 per place in provincial educational institutions. The levies are established based on the appropriate capacities.

- 12. Municipal Capital Facilities Amendment:** City Council is required to amend the Municipal Capital Facility By-law 2018-273 and associated Municipal Capital Facility Agreement to reflect the updated space leased through the Elections Office, as further described in this report.
- 13. Payment Card Processing By-Law:** The report recommends that Council approves the changes to the service fees for the Payment Card Processing By-law as outlined in this report.
- 14. Indexation of Non-Residential Stormwater Assessment Value Ranges:** The report recommends that the City index the eight stormwater assessment value ranges by the average non-residential reassessment increase at each reassessment cycle. This will ensure that the stormwater fees are applied equitably and transparently.

Following this report's adoption, by-laws establishing the 2021 tax rates incorporating the overall budgetary increase are prepared for Council approval. The overall budgetary tax increase on the average urban home assessed at \$415,000 results in an average urban residential tax impact of approximately \$115. The impact varies in different areas of the City, depending on which services they receive. 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.

SYNTHÈSE ADMINISTRATIVE

Le 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 à prendre déterminent la charge fiscale des différentes catégories de taxes pour l'année d'imposition 2021.

- 1. Sous-catégorie optionnelle de l'impôt foncier des petites entreprises :** Dans le rapport, on recommande au Conseil de prendre connaissance de la structure-cadre de la sous-catégorie optionnelle de l'impôt foncier des petites

entreprises dont fait état ce rapport, qui parle d'une remise éventuelle de 10 % pour environ 4 700 propriétés commerciales et 7 800 petites entreprises : le personnel de la Ville doit tenir une consultation selon cette structure-cadre et en rendre compte au Comité des finances et du développement économique et au Conseil municipal, en leur soumettant ses recommandations définitives à la fin du troisième trimestre.

2. **Catégories optionnelles de biens-fonds** : Dans le rapport, on recommande au Conseil municipal d'approuver, comme il l'a fait auparavant, l'utilisation de toutes les catégories optionnelles de biens-fonds prévues dans la Loi sur l'évaluation foncière. Les coefficients correspondent à différents niveaux d'imposition dans les catégories de biens-fonds et minorent la répartition de la charge fiscale parmi les grandes catégories de biens-fonds.
3. **Coefficients fiscaux** : Le Conseil doit chaque année approuver les coefficients fiscaux des différentes catégories d'imposition. Ces coefficients correspondent à des charges fiscales différentes parmi les diverses catégories de biens-fonds. Dans le rapport, on recommande au Conseil municipal d'adopter les coefficients proposés afin de minorer les transferts d'impôts entre les catégories.
4. **Coefficients – sous-catégories obligatoires** : Dans le rapport, on recommande d'adopter, pour les sous-catégories obligatoires de biens-fonds et les réductions correspondantes des taux d'imposition, des coefficients conformes à ceux des années précédentes.
5. **Taux d'imposition** : Dans le rapport, on recommande d'établir les taux d'imposition d'après les coefficients recommandés dans le rapport et la hausse d'impôt globale approuvée par le Conseil municipal et soumise à son approbation avec les règlements correspondants.
6. **Règlements sur le plafonnement** : Les biens-fonds commerciaux, industriels et à logements multiples font l'objet d'un programme de plafonnement obligatoire qui limite les hausses d'impôts découlant d'une réévaluation. Le Conseil municipal approuve chaque année, depuis 2005, les modifications visant à accélérer l'évolution du traitement des biens-fonds plafonnés selon les impôts fonciers réels correspondants et qui sont de nouveau recommandées pour 2021.

7. Programmes d'allégement de la charge fiscale : Dans le rapport, on recommande au Conseil municipal de reconduire les programmes d'allégement de la charge fiscale suivants en 2021 :

- les remises d'impôts fonciers aux organismes de bienfaisance;
- le Programme de subventions pour terres agricoles, qui permet aux agriculteurs admissibles de reporter à décembre le paiement de leur relevé final d'imposition foncière (normalement exigible en juin);
- le report des taxes foncières pour les aînés et les personnes en situation de handicap à faible revenu;
- le report de la taxe d'eau pour les aînés et les personnes en situation de handicap à faible revenu.

8. Redressement technique : Dans le rapport, on recommande au Conseil municipal d'adopter le redressement technique prescrit dans les règlements relatifs à l'impôt foncier et pris en application de la Loi de 2001 sur les municipalités. Le rapport donne des précisions sur les modifications réglementaires déposées dans le budget provincial de 2016 pour donner suite aux demandes des municipalités.

9. Affectation au budget de fonctionnement : Dans le rapport, on recommande de répartir comme suit les recettes de 7,6 millions de dollars au titre de la croissance supplémentaire définie dans la foulée de l'application du redressement technique :

- 3,5 millions de dollars à consacrer à la croissance de l'évaluation foncière pour 2021;
- 4,1 millions de dollars à consacrer au budget de fonctionnement du Service de transport en commun.

10. Relevé d'imposition foncière et dates d'exigibilité : S'agissant de la perception de l'impôt foncier, la Loi de 2001 sur les municipalités oblige le Conseil municipal à approuver, par règlement municipal, un relevé d'imposition provisoire à concurrence de 50 %, les dates d'exigibilité de l'impôt, les versements échelonnés et les dates d'exigibilité permettant aux contribuables

d'échelonner plus uniformément sur l'année le paiement de l'impôt, ainsi que les pénalités et les taux d'intérêt exprimés en pourcentage.

- 11. Prélèvements annuels des établissements admissibles :** En vertu des paragraphes (1), (2), (3) et (5) de l'article 323 de la Loi de 2001 sur les municipalités et du Règlement de l'Ontario 384/98 (« Questions fiscales – Universités et autres établissements »), les municipalités ont le droit de prélever une somme de 75 \$ pour chacun des étudiants à temps plein fréquentant les universités et les collèges, 75 \$ pour chacun des résidents des établissements correctionnels, 75 \$ par lit reconnu dans les hôpitaux publics et 75 \$ par place d'étudiant dans les établissements provinciaux d'enseignement. Les prélèvements sont établis d'après la capacité des établissements.
- 12. Modification au titre des infrastructures municipales :** Le Conseil municipal doit modifier le Règlement sur les infrastructures municipales 2018-273 et la convention correspondante sur les infrastructures municipales afin de tenir compte de l'actualisation des baux des locaux loués par l'entremise du Bureau des élections selon les modalités précisées dans le rapport.
- 13. Règlement sur le traitement des cartes de paiement :** Dans le rapport, on recommande au Conseil municipal d'approuver les modifications apportées aux frais de gestion du règlement municipal sur le traitement des cartes de paiement selon les modalités exposées dans le rapport.
- 14. Indexation des fourchettes des valeurs foncières des bâtiments non résidentiels pour établir les redevances sur les eaux pluviales :** Dans le rapport, on recommande à la Ville d'indexer les huit niveaux des valeurs foncières pour établir les redevances sur les eaux pluviales selon la hausse moyenne de la réévaluation non résidentielle dans chaque cycle de réévaluation. On s'assurera ainsi que les redevances sur les eaux pluviales sont appliquées uniformément et en toute transparence.

Lorsque le rapport aura été adopté, on préparera, pour les faire approuver par le Conseil municipal, les règlements établissant les taux d'imposition de 2021 en tenant compte de la hausse budgétaire globale. La hausse budgétaire globale des taxes sur l'habitation moyenne en milieu urbain évaluée à 415 000 \$ donne lieu à une incidence de l'ordre de 115 \$ sur les taxes résidentielles moyennes en milieu urbain. Cette

incidence varie selon les différents secteurs de la Ville en fonction des services fournis. Bien que la Ville ne profite pas des changements apportés aux évaluations annuelles, l'incidence sur chaque bien-fonds est différente selon l'évolution de la valeur de la propriété par rapport à d'autres propriétés. La hausse de l'impôt foncier du fait de la réévaluation et la répartition de l'impôt foncier par service sont indiquées au verso de chaque relevé d'imposition.

BACKGROUND

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

Property taxes are calculated by multiplying assessment values, determined by the Municipal Property Assessment Corporation (MPAC) under provincial legislation, by the City and the Province's tax rates. MPAC conducted a reassessment in 2016 with changes phased in through the 2017 and 2020 taxation years. In response to the COVID-19 pandemic, the provincial government postponed the planned reassessment for the 2021-2024 taxation years. As a result, the opening assessment values for 2021 are the same as the closing assessment values for 2020. Reassessment changes or recovery of lost growth, mainly due to assessment appeals, can cause tax shifts between the tax classes unless they are mitigated. The mitigation measures recommended in this report are the same as or similar to those that Council has approved in previous years' Tax Ratios and Other Tax Policies reports.

This report also responds to Inquiry OCC 21-01, submitted by Mayor Watson at the City Council meeting of February 24, 2021.

DISCUSSION

1. Optional Small Business Property Tax Subclass

This report recommends a framework that defines small businesses based on property use and property size. Commercial and Industrial properties that meet the proposed definition will receive the Small Business subclass reduction in the form of a discount applied to the overall tax class ratio. To offset the discount, the residual commercial and industrial properties that do not receive the discount will see a slight increase in taxes to

maintain overall revenues. The proposed framework is discussed below and is dependant on the release and content of the enabling provincial regulations.

As part of the 2020 Ontario Budget, released in November 2020, the Province of Ontario announced the optional Small Business property tax subclass. The Province gave municipalities the ability to determine the eligibility criteria on which properties would qualify for this subclass. While the provincial regulation supporting this new optional property tax subclass is still pending, interested municipalities have begun exploring the criteria for defining small businesses, based on the information provided in the fall 2020 announcement.

Shortly after the announcement, staff began to analyze the data regarding a Small Business property tax subclass in Ottawa. On February 24, 2021, Mayor Watson put forward an inquiry (OCC 21-01) through Council asking staff to address the following items through the tax policy report. Specifically:

- How the City would define that Small Business tax subclass;
- What level of reductions in property taxes could eligible small businesses benefit from under this tax subclass; and
- How could these property tax reductions for small businesses be funded without shifting the burden to the residential class.

Guiding Principles

Staff commenced a review of the Small Business tax subclass adopting the following guiding principles:

- Fair and Equitable – the definition must be fair and equitable in ensuring that the reduction is provided to as many small businesses as possible;
- Revenue Neutral – Lowering the tax rate for a small business subclass shifts the property tax burden onto other properties;
- Easy to Administer – The new optional tax subclass should not add any additional administrative work or burden to the City.

Small Business Definition Options

Small business is not formally defined by the Province in the *Municipal Act* or the *Assessment Act* in relation to property taxation. In the Fall Economic Update, the Province gave municipalities the ability to determine the eligibility criteria on which properties would qualify for this subclass. Small business can be defined using many attributes and criteria. Staff reviewed a number of criteria; those warranting consideration and in alignment with the guiding principles are discussed further in the report.

Small businesses can be defined by the number of employees, the total annual revenue or the total square footage. The number of employees and revenue are not data points that the City has readily available. A small business definition, based on the number of employees and revenue, would require an application-based approach to qualify properties for the subclass. The application approach would be administratively burdensome for potential applicants, as well as difficult to operationalize and costly to the City.

Another option to define a small business is based on square footage. Property square footage is data that the City has access to via the data received annually from MPAC. However, this information is based on property ownership and not necessarily the individual business sizes within a property. This limitation provides a challenge in defining what would qualify as a small business, as property taxes and assessments are levied directly to the owner for the entire property. There are a few challenges with the property size approach because of how properties are assessed and taxed in Ontario. The City does not tax small business owners who are tenants. Only property owners receive a tax bill. To ensure benefits reach the intended beneficiary, the City would require landlords to pass on the benefit of the Small Business subclass tax rate to their tenants. A failure by the property owner to pass on the discount to qualifying small business tenants could lead the City to revoke the reduction, upon complaint to the City.

The City also has access to the primary property use information through property codes provided by MPAC. Using property codes, the City can determine which property use definitions lend themselves to a small business definition. The City can also select other property classes that primarily house small businesses and limit the qualification criteria by a square footage size. For example, a shopping centre with large box stores would not qualify based on size, but a smaller shopping centre with individual small businesses would. Property codes define a property's primary use, and there is no information available that captures tenants and their movements within each property.

This means that some small businesses within a property whose primary use description does not lend itself to a small business definition may not be captured in the definition.

It is important to note that properties taxed in the retail class already benefit from a significantly lower tax rate than those in the commercial class. Hence, a small business in a large mall currently already benefits from that lower rate.

Once the regulations are released and reviewed, staff propose to consult further on the designed framework to ensure the small business definition captures the intended beneficiaries.

Proposed Small Business Definition

The proposed small business definition includes properties whose primary use lends itself to a small business or houses small businesses such as: small office, small commercial with residential, small retail, various mixed-use properties, restaurants, fast food, small auto-repair/detailing shops, driving ranges, marinas and independent cinemas.

The largest group of properties that house many small businesses in Ottawa are commercial and industrial condominiums. These properties have tenants who most aptly fit all criteria for the Small Business tax subclass. While commercial and industrial mall properties are large, they are primarily occupied by various small businesses.

The proposed definition includes taverns, motels, and inns. These are the smallest hospitality properties and encompass approximately 25 properties in total in Ottawa. To address all facets of small businesses, daycares, recreational sports clubs, bowling alleys, small racetracks, assembly halls and clubs in the Commercial class are included in the definition.

The proposed definition also includes neighbourhood and community shopping centres. Since neighbourhood shopping centres vary in size and some have large big box stores as tenants, a 15,000 square foot cap applies to capture the smaller shopping centres that tend to have smaller tenants. Large shopping centres and malls over 25,000 square feet are taxed in the Shopping Centre tax class and have a significantly lower rate than the Commercial class rate. The definition also includes other properties that house small businesses but are capped at 15,000 square feet, such as standard industrial,

other industrial, assembly halls, community halls, private and fraternal clubs, mixed retail and mixed-use properties.

Qualifying Tax Classes

The Small Business tax class applies only to the Commercial, Office Building and Industrial tax classes for the properties that qualify under the proposed small business definition. The discount would not apply to the Shopping Centre tax class, since the class already enjoys a significantly lower rate. Therefore, a small business discount from the commercial rate would not benefit them. The Shopping Centre tax class is applied to large retail properties which have more than 25,000 square feet in gross leasable space.

Properties occupied by Crown Corporations that may have any of the property codes included in the small business definition are not eligible for the Small Business tax subclass reduction.

Revenue Neutral

To maintain the same revenue requirement, municipalities can offset the cost of the small business discount through increased taxes on other properties. The Province has yet to release the regulations that will define how this burden would be redistributed across tax classes. The Province may provide municipalities with the current flexibility to shift the tax burden between classes or keep the tax burden neutral within the class. Council's approach has been traditionally to keep the tax burden within each broad class.

Based on the proposed small business definition, approximately 4,700 out of the approximate 12,000 commercial and industrial properties in Ottawa meet the proposed framework/definition for the Small Business tax subclass. Based on staff's preliminary review, those 4,700 qualifying properties are home to approximately 7,800 small businesses. Staff propose a Small Business tax reduction in the form of a discount of 10% on the commercial and industrial rate for qualifying properties. The Province has also indicated that they would be willing to match the Small Business reduction on the education rate. This would provide a total tax reduction of \$5 million in municipal property tax and a potential additional \$2.5 million in education taxes for eligible small businesses. The average small business, assessed at \$600,000 and paying \$15,000 in

municipal and education taxes, could receive a \$1,000 discount on municipal taxes and an additional \$500 in education taxes.

The approximately 7,300 residual commercial and industrial class properties that do not receive the reduction would see a 0.88% increase in taxes to offset the cost of the Small Business reduction. The average residual commercial property, assessed at \$4 million and paying \$102,000 in municipal and education taxes would see a \$900 increase in taxes to offset the reduction.

In the 2017 Ontario Budget, the Province provided municipalities with the flexibility to eliminate the Commercial and Industrial Vacant and Excess Land subclass discounts. Previously the Commercial Excess Land subclass received a 30% discount off the commercial tax rate and the Industrial Vacant and Excess land subclasses received a 35% discount off the industrial tax rate. Through the 2020 Ontario Budget, the Province further streamlined the process. The Province also eliminated the Vacant and Excess Land discounts on the education rates in 2019. Staff have examined the 430 properties in Ottawa that benefit from the excess land discount and propose that the discount could be eliminated going forward. In tandem with the Small Business discount implementation, the elimination of the excess land discount would soften the impact to the 7,300 commercial and industrial properties by 0.2%. The average residual commercial property, assessed at \$4 million and paying \$102,000 in Municipal and Education Taxes, would instead see a 0.68% increase (or \$700) in taxes to offset the Small Business discount.

The Province has yet to release the regulations that will define the Small Business tax subclass and the municipalities' flexibility in defining the class. Forthcoming provincial regulations are expected to set out how a reduced rate for small businesses may be funded, any limits on allowable reductions, and restrictions or limitations on eligibility criteria and right of appeal provisions. Once the regulation is available, municipalities may undertake the appropriate policy and financial impact analysis, including local consultation. The absence of regulations and the complexities of defining and implementing a Small Business tax class through the MPAC roll return have made it unattainable for interested municipalities to implement the Small Business tax class in 2021.

Many municipalities in Ontario, including the City of Toronto, are completing a fulsome review of the new optional Small Business subclass with implementation planned in

2022. Various municipal staff have presented a framework to Council and continue to consult before making final recommendations on the optional subclass. Supports for the business community through COVID-19 are being provided by the Province, including the recovery of costs for personal protective equipment, grants to assist with fixed costs such as property taxes and energy bills for businesses that were required to shut down or restrict services in accordance with provincial public health measures and the COVID-19 Energy Assistance Program for Small Business. A detailed summary of provincial and federal supports is outlined in Document 1.

Recommendation

Due to the complexity of property ownership and taxation regarding small businesses and the possible financial impacts, staff propose to consult further on the proposed framework to ensure the small business definition captures the intended beneficiaries once the provincial regulations are released and reviewed.

2. 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. By using different tax ratios, different tax burdens are imposed within the broad tax class. Any changes to these optional property tax classes and their ratios would affect the tax burden on other properties within the broad tax class. If Council chooses not to adopt the optional property class, the optional class properties would be collapsed in the appropriate broad class and subject to its overall ratio.

Revenue Services recommends the adoption of the following optional tax classes in 2021:

- 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

3. Tax Ratios

Within the limits of the *Municipal Act, 2001*, municipalities in Ontario have the authority to apply differential taxation rates to different property classes through tax class ratios. A tax ratio is the proportion by which a class or subclass tax rate compares to the residential class tax rate, which has a base ratio of 1.0. For example, a property with a tax ratio of 2 would pay twice the municipal tax amount as a similarly valued residential property. These ratios allow different tax burdens to be imposed on different property classes. This report recommends adopting a set of proposed tax ratios that maintain the property tax impact on each property class and prevent shifting the tax burden from residential properties to the Commercial and Multi-Residential property classes. This would be consistent with the City's practice in previous years.

In 1998, each municipality in Ontario inherited transition ratios equivalent to the previous 1997 tax level with a range of fairness targets set by the Province.

The goal was for all classes (except for Farmland and Managed Forest) to reach tax ratios of 1.0, or a tax rate equal to that of the residential class. However, most municipalities would have required a large tax increase on the Residential class to meet this goal. It is estimated that this ratio parity would result in an 18.8% tax increase or \$214 million in additional tax burden to the Residential class in Ottawa.

In 2020, the Province postponed the planned 2021 reassessment of properties in Ontario due to the COVID-19 pandemic. As a result, 2020 and 2021 assessment values remain the same and continue to be based on the January 1, 2016 market valuation date. While the City received changes to the roll during 2020, from additions or improvements, changes in use, assessment appeals, or other updates, the closing 2020 assessment value remains equal to the 2021 opening value because there is no reassessment. The current value assessment (CVA) changes for the major property classes between 2020 and 2021 are shown in Table 1.

Table 1 - CVA Changes by Class

| CLASS | CVA 2020 (\$ millions) | CVA 2021 (\$ millions) | Annual Change | 4-Year Change |
|-----------------------|-----------------------------------|-----------------------------------|--------------------------|--------------------------|
| Commercial | 30,315 | 30,315 | 0.00% | 7.9% |
| Farm & Managed Forest | 1,843 | 1,843 | 0.00% | 102.8% |
| Industrial | 1,765 | 1,765 | 0.00% | 19.4% |
| Multi-Residential | 8,293 | 8,293 | 0.00% | 12.3% |
| New Multi-Residential | 2,136 | 2,136 | 0.00% | 14.4% |
| Residential | 133,024 | 133,024 | 0.00% | 3.8% |
| Other | 335 | 335 | 0.00% | 9.6% |
| Total | \$ 177,712 | \$ 177,712 | 0.00% | 0% |

While the City does not benefit from any valuation changes, annual tax shifts between classes would occur if the proposed ratios were not adopted depending on how they differ from the residential class increase of approximately 3.8%. Individual properties would also experience tax shifts within the class depending on the differential from the class's overall change.

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

In the current 2017 – 2020 cycle, the valuation change in all tax classes is outpacing the residential class. The most significant change is the Farm Class, where values have doubled over this assessment cycle.

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

Neutral ratios mitigate tax shifts caused by reassessment or adjustments to the tax rate for lost growth due to assessment appeals (technical adjustment). While there are no reassessment changes in 2021, neutral ratios are still required to mitigate tax shifts resulting from the technical adjustment.

The estimated potential tax shifts between classes that would be mitigated by adopting the proposed ratios instead of using the previous years' ratios are shown in Table 2 below.

Table 2 - Tax Shifts Mitigated by Adopting Proposed Ratios

| Taxable Class | 2021 Revenue Neutral Tax Ratios (\$ millions) | Same Ratio as 2020 (\$ millions) | 2021 Tax Shift Avoided (\$ millions) | Tax Change |
|-----------------------|--|---|---|-------------------|
| Commercial | 432.9 | 429.1 | -3.8 | -0.89% |
| Farm & Managed Forest | 2.9 | 2.9 | 0.0 | 0.00% |
| Industrial | 32.1 | 32.0 | -0.1 | -0.31% |
| Multi- Residential | 109.3 | 109.6 | 0.3 | 0.27% |
| New-Multi-Residential | 20.4 | 20.5 | 0.1 | 0.49% |
| Residential | 1,237.2 | 1,240.7 | 3.5 | 0.28% |
| Other | 5.4 | 5.4 | 0.0 | 0.00% |
| Net Impact | \$ 1,840.2 | \$ 1,840.2 | 0.0 | 0.00% |

The ratios' history by class and the proposed ratios for 2021 are demonstrated in Table 3 below.

Table 3 - Tax Ratios 2018 to 2021

| CLASS | Actual 2018 | Actual 2019 | Actual 2020 | Proposed 2021* |
|--------------------------------|--------------------|--------------------|--------------------|-----------------------|
| Residential | 1.00000 | 1.00000 | 1.00000 | 1.00000 |
| Multi-Residential | 1.42607 | 1.40051 | 1.38668 | 1.38668 |
| New Multi-Residential | 1.00000 | 1.00000 | 1.00000 | 1.00000 |
| Farm | 0.20000 | 0.20000 | 0.20000 | 0.20000 |
| Managed Forest | 0.25000 | 0.25000 | 0.25000 | 0.25000 |
| Pipeline | 1.75590 | 1.73808 | 1.72075 | 1.72025 |
| Commercial Broad Class | 1.91955 | 1.85758 | 1.83042 | 1.85204 |
| - Commercial | 1.87262 | 1.82489 | 1.80635 | 1.82769 |
| - Office Building | 2.32376 | 2.26453 | 2.24153 | 2.26801 |
| - Parking Lots and Vacant Land | 1.26397 | 1.23175 | 1.21924 | 1.23364 |
| - Shopping Centre | 1.50704 | 1.46863 | 1.45371 | 1.47088 |
| Professional Sports Facility | 1.87262 | 1.82419 | 1.80635 | 1.82769 |
| Industrial Broad Class | 2.50736 | 2.43584 | 2.39059 | 2.41793 |

| | | | | |
|--------------------|---------|---------|---------|---------|
| - Industrial | 2.62333 | 2.55214 | 2.50228 | 2.53090 |
| - Large Industrial | 2.25277 | 2.19163 | 2.14882 | 2.17340 |
| Landfill | 2.16506 | 2.82064 | 2.76509 | 2.76428 |

**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 became the first municipality in the Province to drop its Farm class tax ratio of 0.20. In the past few years, many other Ontario municipalities have followed suit. The reduction from 0.25 to 0.20 equates to approximately \$500,000 in annual savings to this class or \$135 for Ottawa's average farm property. The Farm class experienced a reassessment change of 102.7% for the 2017 to 2020 tax cycle, which is significantly higher than the Residential class, which increased by 3.8%. There is no change to the average Farm property in 2021 as the 2020 assessment values will be used in 2021. There are fewer than 3,600 farm properties in the City of Ottawa. In 2021, the average Farm class property will have a municipal property tax burden of approximately \$630.

Multi-Residential Tax Ratio

As proposed in Table 3, the Multi-Residential (MR) ratio of 1.3867 in 2021 is 41% lower than the ratio of 2.3359 in 1998. In 1998, a provincial "range of fairness" threshold of 2.74 was established for the Multi-Residential class. Municipalities with ratios that exceed this threshold can only pass on 50% of the annual tax increase to this class. As part of the December 2016 Economic Outlook, the Province of Ontario expressed concerns about the higher property tax burden for the Multi-Residential class and its effect on housing affordability. In response to these concerns, the Province announced it would undertake a review of multi-residential property taxation. In March 2017, the Province released a regulation, pending a review of the Multi-Residential class, which reduced the maximum range of fairness ratio 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 cannot pass on any annual tax increases to the Multi-Residential class until the class ratio falls below 2.0. The City's ratio is significantly lower than this provincially mandated maximum ratio; therefore, this mandated change has no impact on the City of Ottawa.

Comparisons have been drawn between the Residential class and the Multi-Residential class. However, the MR ratio establishment is challenging due to the different assessment methodologies used in the Multi-Residential class and the limitations of comparative properties with the Residential class. This issue is further compounded because widely different property types are grouped in a handful of broad classes, leaving Council with little flexibility to correct real or perceived inequities by using a single ratio applied to the MR class or other classes.

The MR class has phased in an increase of 12.3% in assessment value from 2017 to 2020, with the assessment maintained for 2021. This corresponds with maintaining the same ratio in 2021 as 2020. The New Multi-Residential class has a ratio of 1.0 and experienced an overall assessment increase of 14.4% since 2017.

Commercial Tax Ratio

In 1998, provincial "range of fairness" thresholds were established for the broad Commercial class at 1.98 and the broad Industrial class at 2.63. Before 2004, all municipalities with classes that exceeded these levels could not 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 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. From 2011 to 2013, the ratio was below the 1.98 threshold and not subject to the full 100% budgetary tax increase passed by Council.

The Commercial class phased in an increase of 7.9% in assessment value from 2017 to 2020 and will have the same assessments in 2021 as it did in 2020. Appeals within the broad class have caused the assessments to decrease slightly with a corresponding annual increase in the neutral ratio to avoid tax shifting. As shown in Table 3, the broad Commercial class ratio for 2021 is 1.8520.

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

4. 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 applicable class tax ratio. The maximum percentages previously allowed by provincial legislation were as follows:

- 70% of the applicable Commercial class tax ratio for commercial excess land (i.e. Commercial, Office Building and Shopping Centre classes), and
- 65% of the applicable Industrial class tax ratio for vacant or excess industrial land, industrial and large industrial excess land.

These are the percentages that the City has used in previous years. These reductions were mandatory until 2017, when the Province provided municipalities with the flexibility to reduce or eliminate these discounts. In 2019, the Province eliminated the Commercial and Industrial, Excess and Vacant Land subclass discounts from the education rates. In the Fall of 2020, the Province further streamlined the process to reduce or eliminate these discounts. Municipalities may choose to reduce or eliminate these discounts for some or all of the above subclasses. The elimination of the discounts does not provide any additional revenue; instead, they slightly reduce the broad class's overall tax rates. Staff provided a comprehensive update through the 2019 Tax Policy Report recommending that the City maintain the vacant land discounts. Since then, staff have

been studying the excess land discount and will provide final recommendations along with the Small Business subclass discount in Q3 of 2021.

Provincial legislation requires the City to set a percentage reduction on the tax rate applied to the farmland awaiting development subclass. There are two subclasses on farmland awaiting development. The first, farmland 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, farmland awaiting development is often held on speculation and not developed for extended periods.

The second category of farmland awaiting development, subclass II, is defined as land 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. Staff recommend that the practice continues to avoid having to move any tax burden to other property classes.

In 2018, the Province also enacted a new regulation to reduce the tax rate on qualifying value-added activities on farms as part of the farming business. The regulation enables municipalities and the Province to reduce the tax rate, for the first \$50,000 of assessment, to 25% 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 reviewed properties to confirm qualification and issued Special Assessment Notices in 2019 to reflect the new tax class for the 2018 tax year going forward.

Revenue Services recommends the adoption of the following tax ratios and corresponding by-laws for the mandatory property subclasses and the tax rate percentage reduction for farmland 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;

- Farmland 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;
- Farmland awaiting development subclass II: no tax rate reduction; and
- Small Scale on Farm Business subclass: 25% of the applicable commercial or industrial property tax ratio for the first \$50,000 of assessment.

5. Tax Rates

Tax rates are determined through calculations, which involve the budgetary tax levy requirement approved in the 2021 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 are submitted to Council for approval with applicable by-laws.

By-laws establishing the 2021 tax rates incorporate a budgetary increase of 3.0%. The result is an overall municipal property tax increase of approximately \$115 for the average urban residential property, plus a \$10 increase in the garbage collection fee.

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 class's overall change. 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.

Through the 2020 Tax Ratios and Other Policies report (ACS2020-FSD-REV-0001), Council approved that the tax level for new construction properties be set at 100% of their CVA taxes for 2020 and future taxation years.

Education Rates

In response to the ongoing pandemic and as part of the *2020 Ontario Budget*, the Province announced that they would be lowering all Business Education Tax (BET) rates to 0.88% starting in 2021. For the City of Ottawa, this means that all Commercial, Office, Industrial and Landfill classes will have their education rates lowered on the final 2021 tax bill. All other classes already have rates below 0.88%, and therefore those rates remain unchanged for 2021. The reduction in BET rates results in over \$35 million in property tax savings for Ottawa's commercial and industrial properties. Residential, Farm and Multi-Residential properties should see no change to their education taxes due to the Province keeping them at the same rates as 2020.

The average small commercial property assessed at \$600,000 which paid \$15,000 in municipal and education taxes in 2020 will receive a \$600 reduction in education taxes in 2021 due to this change.

The average commercial property assessed at \$4,000,000 which paid \$104,000 in municipal and education taxes in 2020 will receive a \$4,000 reduction in education taxes in 2021 due to this change.

The Payments in Lieu of Taxes (PILT) calculated based on the education rates remain the same as the prior year as the Province, through regulation, maintained the 2020 Business Education Rates in 2021 for PILT properties. No changes are expected to PILT revenues as the rates remain the same.

Revenue Services recommends that the municipal tax rates for 2021 be established based on the ratios adopted herein.

6. Capping Regulations

After 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 remains 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 resulting from 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 the limits would protect commercial tenants in provincial or municipally owned properties); and
- particular power generation and transformer facilities.

The limit 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 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. 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, reduce the number of properties not paying full CVA taxes and taking into account the prolonged period for 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 2021 are summarized as below.

10% 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 and the Province of Ontario would never reach their full CVA taxes. 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. A decision not to implement this option each year would mean the capping parameter would revert to 5%.

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. 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 (before levy change). Council has approved this 5% increase to capped properties for 2006 and subsequent years. Only a small number of properties that pay a fraction of their CVA taxes (less than 50% of their CVA taxes) would be affected.

Revenue Services recommends that capping parameters be approved at the higher of 10% of the previous year's annualized tax or 5% of the 2020 Current Value Assessment (CVA) taxes.

\$250 Threshold Option

Administratively, several small businesses and multi-residential properties were being capped or clawed back by tiny amounts because 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. Council has approved this \$250 threshold for 2006 and subsequent years. That means 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 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

To determine how much taxation to "claw back" 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. In 2021, the clawback requirement will decrease (see discussion of new capping option for properties at CVA tax level below). The by-law to approve the final clawback percentages will be submitted for Council approval at a later date.

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. 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 valuation formula 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 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.

In 2002, after amalgamation, the City had the following number of properties protected by the capping program.

- Multi-Residential: 460 properties
- Commercial: 2,900 properties
- Industrial: 708 properties

The Multi-Residential class exited the capping program in 2019, after having all its protected properties reaching CVA. Table 4 shows the number of protected Commercial and Industrial properties for the last four years.

Table 4 - Historical Capping Summary

| Property Class | Year | Number of Properties Protected | Value of Protection | Number of Properties Clawed Back |
|-------------------|------|--------------------------------|---------------------|----------------------------------|
| Commercial | 2018 | 39 | \$454,779 | 173 |
| | 2019 | 31 | \$368,258 | 168 |
| | 2020 | 24 | \$269,730 | 168 |
| | 2021 | 20 | \$190,790 | 162 |
| Industrial | 2018 | 31 | \$149,202 | 19 |
| | 2019 | 15 | \$63,547 | 13 |
| | 2020 | 12 | \$56,508 | 14 |
| | 2021 | 8 | \$34,973 | 12 |

In summary, the option to exclude properties that have reached CVA 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. This reduced capping requirement relieves 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.

Therefore, the option to exclude properties at or crossing over from clawed back to capped categories is recommended. 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 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.

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

7. Mitigation Programs

Several tax mitigation programs to reduce or defer the impact of property taxes or water fees as allowed under the *Municipal Act, 2001* have been established in previous years. It is recommended that these mitigation programs be continued. These programs include:

- The provision of a 40% tax rebate to charitable organizations is defined and required in the legislation;
- The provision of partial tax deferral (related to the increase in assessment) and a full tax deferral program for low-income seniors and persons with disabilities;
- The provision of a complete water deferral program for low-income seniors and persons with disabilities; and
- The Farm Grant Program, to defer the due date for annual taxes.

Charitable Rebate Program

In Ontario, charitable organizations are not exempt from property taxation. However, as required by the *Municipal Act, 2001*, Section 361 (Rebates for Charities), the City of Ottawa 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 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 rebate payment is within the *Municipal Act's* timeframes (at least 50% within 60 days of receipt of the application; the balance within 120 days);
- Interest as required by the *Municipal Act, 2001* is paid if the City fails to rebate within the mandated timelines; and
- 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, 2001* and directed by Council in October 2010.

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

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

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 2020 have yet to be finalized. 180 have been received to date. For the 2019 taxation year, 221 charitable rebate applications totalling approximately \$2 million (municipal portion) were processed. Specific details relating to charitable rebates are on file with Revenue Services.

Tax Deferral Program

Since the launch of the Full Property Tax Deferral for Low-Income Seniors and Low-Income Person with Disabilities in 2007, the amount of property taxes deferred slightly increases year over year. The increase in the number of applications on this program

has been gradual. Since implementation, some properties have been removed from this program due to the sale of participants' property or death.

As of December 31, 2020, there were 139 taxpayers on the program. On average, the annual deferral is approximately \$3,600. The amount of tax deferred for those taxpayers in 2020 was \$500,507. The total taxes deferred since the implementation of the program is \$3,747,904. The income threshold for 2021 is \$43,866, as required by the by-law. There is no application deadline for first-time applicants, and for those already on the program, the renewal deadline remains at July 1 of the relevant year.

Water Deferral Program

In 2019, the City of Ottawa launched the Full Water Utility Bill Deferral Program for Low-Income Seniors and Low-Income Person(s) with Disabilities. Since implementation, some properties have been removed from this program due to the sale of participants' property or death.

As of December 31, 2020, there were 31 water utility ratepayers on the program. On average, the annual deferral is about \$443. The amount of water utility charges deferred for those water utility ratepayers in 2020 was approximately \$13,736. This brings the total water utility charges deferred to \$24,566. The income threshold for 2021 is \$43,866, as required by the by-law. There is no application deadline for first-time applicants, and for those already on the program, the renewal deadline remains at July 1 of the relevant 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 their final tax bill (ordinarily due in June) to December. The grant, administration, printing and mailing costs are estimated to be up to \$37,000 annually. While this program's up-take remains limited (520 out of 3,650 farm properties in 2020), staff recommend continuing the program in 2021 in response to rural concerns.

Revenue Services recommends that the property tax mitigation programs be continued for 2021, including the Charitable Rebate Program, the Farm Grant Program and the Low-Income Seniors and Persons with Disabilities Deferral Program for Tax and Water as previously approved by Council.

8. Technical Adjustment

The Province introduced regulatory amendments that allowed municipalities to include an adjustment for assessment appeal losses from the previous years to determine the current year's base tax rate. This allows 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 confirm through by-law the implementation of the technical adjustment. The report recommends that staff confirm through a by-law the implementation of the technical adjustment for the City of Ottawa, as prescribed in the property tax-related regulations made under the *Municipal Act, 2001*.

Revenue Services recommends the technical adjustment be implemented per the prescribed property tax-related regulations made under the *Municipal Act, 2001*.

9. Allocation to the Operating Budget

As part of the annual budget exercise, the City estimates assessment growth and its associated revenue. The detailed data is not available to staff around the budget tabling and approval timelines. Staff have completed an analysis of the 2020 year-end assessment data from MPAC and confirmed an additional \$7.6 million in revenue for 2021 due to the application of 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.

During the budget, staff estimate the anticipated assessment growth and its associated revenue as part of the annual budget process. For the 2021 budget, staff forecasted annual assessment growth of 1.5%. Staff have completed an analysis of the 2020 year-end assessment data from MPAC and confirmed assessment growth was 1.29% versus the 1.5% assumption in the budget. With the technical adjustment application, the remaining 0.21% or \$3.5 million offsets the difference in the actual assessment growth versus the budgeted assessment growth and achieves the City's target of 1.5%.

As communicated during the 2021 budget process, the 2021 Transit Operating Budget included a contribution from the Transit Capital reserve fund to increase the operating base as there was no transit fare increase in 2020. The remaining \$4.1 million of revenue from the application of the technical adjustment is recommended as a base budget contribution replacing the Transit Capital reserve funding. Therefore, \$4.1 million

will be returned to the Transit Capital reserve fund. This adjustment provides Transit Services with the base budget to support the transit network and operating requirements and returns the funding to the Transit Capital reserve to be allocated towards the transit capital plans as outlined in the Transit Affordability model and the Transit Long Range Financial Plan.

10. Interim Property Taxes and Due Dates (2022)

Sections 342, 343 and 345 of the *Municipal Act, 2001* require Council to approve tax due dates, penalty and interest percentage 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 (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 2022 interim tax billing at 50% of the 2021 adjusted/annualized taxation. This rate is consistent with previous years.

Revenue Services recommends setting the 2022 tax due dates as March 17, 2022 (interim) and June 16, 2022 (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, the impact would be approximately \$1 million per month beyond the recommended dates.

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

are recommended to be maintained at 1.25% per month. This recommendation is consistent with previous years.

Revenue Services recommend that Council enact a by-law to establish the 2022 interim taxes, tax due dates, penalty and interest charges because the *Municipal Act, 2001* 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 Section 342 of the *Municipal Act, 2001*.

11. Annual Levy Payments from Eligible Public Institutions

Under Section 323 (1), (2), (3) and (5) of the *Municipal Act, 2001*, and Ontario Regulation 384/98, "Tax Matters - Universities and Other Institutions," municipalities are entitled to levy an amount of \$75 per full-time student in attendance at universities and colleges, \$75 per resident place in correctional institutions, \$75 per bed in public hospitals and \$75 per place in provincial educational institutions. These public institutions are not subject to regular taxation, and this is the approach designated by the Province to levy them.

Annually, in June, the Ministry of Municipal Affairs and Housing provides municipalities with a letter that details each institution's capacity designated as eligible for payment under Section 323 of the *Municipal Act, 2001*. The annual amount of eligible institution revenue collected over the last two years is shown in Table 5 below.

Revenue Services recommend that Council enact a by-law to establish the 2021 amounts once correspondence detailing the capacities is received from the Ministry of Municipal Affairs and Housing.

Table 5 - Levy from Eligible Public Institutions

| Category | 2019 | 2020 |
|---|-------------|-------------|
| Universities and colleges | \$6,483,825 | \$6,500,175 |
| Correctional institutions | \$40,200 | \$31,950 |
| Public hospitals or provincial mental health facilities | \$269,100 | \$269,100 |
| Provincial education institutions | \$3,975 | \$4,275 |

| | | |
|-------|-------------|-------------|
| Total | \$6,797,100 | \$6,805,500 |
|-------|-------------|-------------|

12. Municipal Capital Facilities Amendment

On July 11, 2018, Council designated the space occupied by the City's Elections Office consisting of approximately 23,795 square feet at 1221 Cyrville Road, as a Municipal Capital Facility, exempt from taxes for municipal and school purposes for only the City's leased portion of the property. This report recommends that the adjacent space required by the City for continued operations, consisting of approximately 11,581 square feet, be included in the Municipal Capital Facility designation. This extends the tax exemption on all of the space occupied by the City for the general administration of the municipality as permitted under Subsection 110(6) of the *Municipal Act*, as defined in Ontario Regulation 603/06 as amended, for the term of the City's lease including any extensions.

The City will amend the Municipal Capital Facility By-law and associated Municipal Capital Facility Agreement to reflect the lease. The lease between the City of Ottawa and Sedco Limited has been amended to include the adjacent space occupied by the City, effective April 1, 2021, extended to September 30, 2027, with one five (5) year renewal option. Upon approval of this report, the Director, Corporate Real Estate Office, will finalize and execute the amended Municipal Capital Facilities Agreement. The City Solicitor will place the amending Municipal Capital Facility By-law on the agenda of Council for enactment.

13. Payment Card Service Fee By-law amendments

In 2013, the City passed by-law 2013-191 to implement a payment card service fee for payments made to the City for goods and services. The service fee was approved, in part, to address the growing costs of Merchant and Interchange fees charged to the City by card brands (Visa, Mastercard, American Express and Interac) for each transaction processed. It allowed the City to provide payment card options that clients were requesting while protecting the City's tax and revenue base from the cost of merchant transaction fees applied to those payments.

Since the implementation of the service fee for payment card processing by-law, the City has avoided almost \$2.5 million in merchant fees. Without the existing by-law, taxpayers would have borne these fees.

By-law 2013-191 was written to meet requirements that allowed the City to focus the service fee on select services based on minimum payment amount and current and future payment methods and channels. Initially, adhering to these requirements was achievable using the City's preferred payment processor. However, as new services have been introduced to the market and new enterprise applications implemented, the by-law needs to be revisited to address the industry changes and new enterprise applications implemented.

Since the payment options available to the City have evolved, the by-law requires amendments to reflect the spirit of the services provided as a result of industry changes and new enterprise applications.

Revenue Services recommend that where the City is the merchant of record, the City continues to pass on the fixed transaction costs to the user for debit and credit card transactions and continues to pass on the variable transaction costs to the user for credit card transactions.

Revenue Services recommend that where the City has contracted with other payment providers to deliver payment services, that the City continues to pass on the contracted merchant and transaction fee to the users. This includes payments made through the City's preferred payment provider, payment of parking tickets online, and Provincial Offence fines paid online.

Revenue Services recommend that those business lines that accept payment cards and currently do not pass on their merchant fees to their clients (as of April 14, 2021) may transition to the standard approach and pass on payment card costs to users of services in future to recover any service costs.

14. Indexation of Non-Residential Stormwater Assessment Value Ranges

In October 2016, Council approved the Recommended Water, Wastewater, and Stormwater Rate structure (ACS2016-CSD-FIN-0008) to address challenges with the previous 100% volumetric rate structure. The legacy rate structure's two key challenges were revenue instability and aligning user fees with the benefit received. Both challenges were addressed with the new rate structure, which was fully implemented in April 2019 after replacing the water billing system. By creating a new stormwater charge, which applies to all property owners, the benefit from stormwater management infrastructure and services is being recovered equitably and transparently.

The residential stormwater fee establishes a basic rate and provides discounts based on two classes of residential properties: single and semi-detached homes and townhouses/apartments. Eight assessment ranges based on property assessment value were established for industrial, commercial and institutional properties (ICI) to determine the stormwater rate charged. A flat stormwater fee applies to each assessment range, and properties whose assessments fall within each range pay the corresponding stormwater fee.

With the upcoming MPAC reassessment, Ottawa's property values are expected to continue to increase to reflect the market value change since the previous reassessment based on a market valuation date of January 1, 2016. The stormwater assessment bands were set to capture properties in each band based on the current assessment values. Should the bands remain the same, several properties will move into a higher stormwater band following reassessment, which would be an unintended consequence of reassessment on stormwater fees charged to a property.

As a result, it is recommended that the City index the eight stormwater assessment value ranges by the average non-residential reassessment increase at each reassessment cycle. This will ensure that the stormwater fees are applied equitably and transparently.

Table 6 - Current Stormwater Assessment Ranges

| Assessment Range | Number of Properties |
|---|-----------------------------|
| 0-300K | 3,483 |
| 300K-1M | 3,140 |
| 1M-5M | 3,138 |
| 5M-20M | 1,001 |
| 20M-50M | 213 |
| 50M-100M | 52 |
| 100M-150M | 20 |
| Over 150M | 22 |
| Total Industrial, Commercial, Institutional Properties | 11,069 |

Other Taxation Issues

Property Assessment Cycle 2021 to 2024

As part of the March 2020 Economic and Fiscal Update, the Province of Ontario announced that the planned reassessment for 2021 would be delayed by at least one year. The next property assessment valuation date was planned to update the assessment market valuation date from January 1, 2016, to January 1, 2019. With the reassessment's postponement, all 2021 assessment values are still based on the January 1, 2016 valuation date and remain stagnant until the Province announces plans for a reassessment. Through the 2021 Ontario spring budget, the Province announced that the reassessment would be further delayed with no future reassessment date provided. Through the Property Assessment and Taxation Review, the Province will be seeking input from municipalities, taxpayers and interested stakeholders regarding the timing and valuation date for the next reassessment. The outcomes from this consultation will be communicated in fall 2021.

With the reassessment's postponement, the 2021 and 2022 assessment values will remain the same until the reassessment occurs.

Currently, reassessment increases are phased-in equally over the four-year cycle, and decreases are realized immediately in the first year. It is unknown how any changes to the reassessment cycle may impact the phase-in component of the reassessment.

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 the Legal Services, City Clerks Office and the Municipal Property Assessment Corporation in preparing this report.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a citywide report.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

There are no risk management impediments to approving the recommendations 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 report supports the City's ongoing commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1 – Provincial and Federal COVID-19 Relief for Ottawa Businesses.

DISPOSITION

Revenue Services will use the tax ratios and rates to calculate and issue the 2021 final tax bills.

Revenue Services will invoice designated institutions to levy the 2021 annual amounts payable to the City of Ottawa on or after July 1, 2021.

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

The City Solicitor's Office will draft an amendment to the 1221 Cyrville Road MCF Agreement and arrange for the agreement's execution and any other necessary legal documents by the Chief Financial Officer.

Document 1

Provincial and Federal COVID-19 Relief for Ottawa Businesses

Ontario Property Tax and Energy Bill Rebates Program: Businesses that were required to shut down or significantly restrict services due to provincial public health measures (in areas with modified Stage 2 restrictions or categorized as control or lockdown) can apply for rebates, provided in the form of grants, to help with their fixed costs.

Ontario Small Business Support Grant: Small businesses required to close or restrict services under the Province-wide Shutdown will be able to apply for this one-time grant. Each small business will be able to use the support in whatever way makes the most sense for their individual business. Starting at \$10,000 for all eligible businesses, the grant will provide businesses with dollar for dollar funding to a maximum of \$20,000 to help cover decreased revenue expected as a result of the Province-wide Shutdown. The business must demonstrate they experienced a revenue decline of at least 20 per cent when comparing monthly revenue in April 2019 and April 2020. Closes March 31, 2021.

Main Street Relief Grant for Personal Protective Equipment (PPE): Provides up to \$1,000 for PPE costs to eligible small businesses across Ontario with 2 to 19 employees.

Business Education Tax (BET) Reduction: All high BET rates will be lowered to a rate of 0.88 per cent for both commercial, office and industrial properties beginning in 2021. This is ten basis points below the existing target rate and represents a tax cut reduction of 30 per cent for industrial properties and office tax class properties and 10 per cent for commercial tax class properties located in Ottawa. This equates to a total of \$37M in tax relief for Ottawa Commercial, Office and Industrial tax classes.

Employer Health Tax Changes: The Employer Health Tax (EHT) exemption has increased from \$490,000 to \$1 million permanently. Along with doubling the exemption, the instalment threshold has also been doubled from \$600,000 to \$1.2 million starting with the 2021 tax year.

Freezing Beer and Wine Tax Rate: The government is freezing beer tax and mark-up rates until March 1, 2022.

Ontario's Art Institutions: The government is providing one-time emergency funding of \$25 million for Ontario's arts institutions to help cover operating losses incurred as a result of COVID-19. This funding will help these organizations remain solvent and prepare for a time when they can fully re-open their facilities, resume full programming and welcome back their visitors and audiences.

Indigenous-Owned Business Relief: The government of Ontario is providing up to \$10 million to Indigenous-owned small and medium sized businesses to help them with much needed capital as the province begins to safely and gradually reopen the economy. Loans of up to \$50,000 will be available to businesses that are either ineligible for, or unable to access, existing federal and provincial COVID-19 response initiatives for small businesses. Loans will be available through Aboriginal Financial Institutions. Up to 50% of each loan will be in the form of a non-repayable grant, with no interest due on the loan portion until December 31, 2022.

Francophone Non-Profits Relief Fund: Francophone non-profit organizations can apply for financial assistance from the \$1 million COVID-19 Relief Fund. The fund, which is being administered by the *Assemblée de la francophonie de l'Ontario*, will provide operational funding to eligible organizations to support them during the pandemic.

Canada Emergency Rent Subsidy: This program has replaced the Canada Emergency Commercial Rent Assistance (CECRA) program and will support businesses that have suffered a revenue drop, by subsidizing a percentage of their expenses, on a sliding scale, up to a maximum of 65 per cent of eligible expenses retroactive to September 27, 2020 until June 5, 2021. The rent subsidy would be provided directly to tenants, while also providing support to property owners. Qualifying organizations that have been significantly restricted by a mandatory public health order issued by a qualifying public health authority can receive an additional 25% of rent support through the Lockdown Support. The combined effect of the rent subsidy and the Lockdown Support is that hard-hit businesses, non-profits and charities subject to a lockdown can receive rent support of up to 90%.

Canada Emergency Wage Subsidy– The government has extended the program until June 2021. The subsidy would remain at the current subsidy rate of up to a maximum of 65 per cent of eligible wages until December 19, 2020. The maximum wage subsidy rate will increase to 75 per cent for the period beginning Sunday, December 20, 2020,

until June 5, 2021. The wage subsidy is now more flexible and targeted, allowing employers to access the maximum subsidy rate based on a single month's revenue decline instead of having to demonstrate three months' decline.

Canada Emergency Business Account: As of October 26, 2020, eligibility for CEBA has expanded by removing the previous condition for having an active business chequing/operating account. With this removal, eligible businesses can now apply after opening a business chequing/operating account with their primary financial institution. Additionally, the application deadline for CEBA is being extended to March 31, 2021. Effective December 4, 2020 eligible businesses facing financial hardship as a result of the COVID-19 pandemic are able to access a second CEBA loan of up to \$20,000 – on top of the initial \$40,000 that was available to small businesses. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 33 percent (up to \$20,000). Closes March 31, 2021.

Loan and Guarantee Program: Export Development Canada (EDC) is working with financial institutions to guarantee 80% of new operating credit and cash flow term loans of up to \$6.25 million to small and medium-sized enterprises (SMEs). This program is now available at various [banks](#) and [credit unions](#).

Co-Lending Program: Business Development Canada (BDC) is working with financial institutions provides eligible small and medium-sized businesses with incremental credit amounts up to \$6.25 million, 80 per cent of which would be provided by BDC, with the remaining 20 per cent by a financial institution.

Mid-Market Financing Program: Business Development Canada's (BDC) Mid-Market Financing Program will provide commercial loans ranging between \$12.5 million and \$60 million to medium-sized businesses whose credit needs exceed what is already available through the Business Credit Availability Program and other measures. This support is available until June 2021.

Highly Affected Sectors Credit Availability Program (HASCAP): The Business Development Bank of Canada (BDC) will work with participating Canadian financial institutions to offer government-guaranteed, low-interest loans of up to \$1 million. HASCAP will be available to businesses across the country, in all sectors, that have been hit hard by the pandemic. Hard-hit businesses, like a chain of hotels or restaurants with multiple locations under one related entity, could be eligible for up to \$6.25 million.

Businesses need to show a year-over-year revenue decline of at least 50% in three months, within the eight months prior to their application. They must also be able to show their financial institutions that they have previously applied for either the Canada Emergency Wage Subsidy or the Canada Emergency Rent Subsidy. Eligible businesses can start applying as early as February 1 at principal financial institutions and more widely by February 15. Interested businesses should contact their primary lender to get more information and to apply.

Small and Medium-Sized Indigenous Business Relief: The government is providing \$306.8 million in funding to help small and medium-sized Indigenous businesses, and to support Aboriginal Financial Institutions that offer financing to these businesses. The funding will allow for short-term, interest-free loans and non-repayable contributions through Aboriginal Financial Institutions, which offer financing and business support services to First Nations, Inuit, and Métis businesses.

Indigenous Community Business Fund: This fund will provide \$117 million in non-repayable financial contributions to help support operating costs for First Nation, Inuit and Métis community or collectively owned businesses and microbusinesses whose revenues have been affected by the COVID-19 pandemic. The fund seeks to provide support for businesses that do not qualify for other Government of Canada COVID-19 relief measures. Applications for funding are accepted on an ongoing basis until all funding has been allocated.

Black Entrepreneurship Loan Fund: The fund will provide loans of between \$25,000 and \$250,000. The program will be opening in May 2021, with further details to be available soon.

Young Entrepreneurs: Futurpreneur Canada, in partnership with the Business Development Bank of Canada, offers young entrepreneurs age 18 to 39 up to \$60,000 in financing to launch or grow a business.

Tourism Relief and Investment Program (TRIP): The program provides a one-time, non-repayable funding support of up to \$20,000 to eligible francophone, Indigenous, rural and semi-urban tourism businesses in the Ottawa region. This program has been developed in response to the ongoing COVID-19 pandemic to ensure our industry can effectively meet the evolving health, safety and experience needs of residents and visitors.

[Destination Development Fund](#): The fund can assist not-for-profit organizations, national and/or provincial industry sector associations, municipalities, and for-profit businesses. The goals are to develop quality tourism products, encourage the competitiveness of our tourism sector organizations, stimulate increased tourist attendance and expenditures, and encourage private sector tourism investment in Ottawa.