

**Report to
Rapport au:**

**Council
Conseil**

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**Submitted by
Soumis par:**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2020-FSD-REV-0001

SUBJECT: 2020 Tax Ratios and Other Tax Policies

OBJET: Coefficients fiscaux et autres politiques d'imposition de 2020

REPORT RECOMMENDATIONS

That Council approve:

- 1. The adoption of the following optional property classes in 2020:**
 - Shopping Centre property class**
 - Parking lots and vacant land property class**
 - Office building property class**
 - Large industrial property class**

- **New multi-residential property class**
- **Professional sports facility property class**

2. The adoption of the following tax ratios for 2020:

Property Class	Ratio**
Residential	1.00000
Multi-Residential	1.38599
New Multi-Residential	1.00000
Farm	0.20000
Managed Forest	0.25000
Pipe line	1.72083
Commercial Broad Class	1.82593
Commercial*	1.80192
Office Building*	2.23603
Parking Lots and Vacant Land*	1.21625
Shopping Centre*	1.45014
Professional Sports Facility	1.80192
Industrial Broad Class	2.38627
Industrial*	2.49776
Large Industrial*	2.14494
Landfill	2.76521

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

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

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

- **Commercial excess land (i.e. commercial, office building and shopping centre property classes): 70% of the applicable commercial property class tax ratio;**
- **Vacant industrial land, industrial and large industrial excess land: 65% of the applicable industrial property class tax ratio;**
- **Farm land awaiting development subclass I: 75% of the residential property class tax ratio and the corresponding tax rate percentage reduction for the awaiting residential, multi-residential, commercial and industrial property classes;**
- **Farm land awaiting development subclass II: no tax rate reduction; 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.**
4. **That the tax rates for 2020 be established based on the ratios adopted herein.**
 5. **That the 2020 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.**
 6. **That the property tax and water mitigation programs previously approved by Council be continued for 2020 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.**
 7. **That staff implement the technical adjustments for the City of Ottawa prescribed in the property tax related regulations made under the *Municipal Act, 2001*.**

8. That the \$10.3 million in additional tax revenue from additional growth identified through the application of the technical adjustment be allocated as follows:
 - \$1.8 million be used to offset the decrease in Payment in Lieu of Taxes (PILT) revenues;
 - \$3.5 million be contributed to the Transit Services budget for 2020; and
 - \$5 million be contributed to the Tax Stabilization Reserve.
9. That the interim 2021 property tax and due date provisions be as follows:
 - That the interim 2021 property tax billing be set at 50% of the 2020 adjusted/annualized taxes as permitted by legislation;
 - That the following tax due dates be approved for 2021:
 - i) Interim: March 18, 2021;
 - ii) Final: June 17, 2021;
 - That the penalty and interest percentage charge on overdue and unpaid tax arrears remain at the rate of 1.25% per month (15% per year) for 2021 unchanged from 2020; and
 - That Council enact a by-law to establish the 2021 interim taxes, tax due dates, penalty and interest charges.
10. That Council 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).
11. That City Council Delegate authority to the Chief Financial Officer to execute a new agreement between the National Arts Centre Corporation and the City

of Ottawa for annual ex gratia payments made by the National Arts Centre, as further described in this report.

RECOMMANDATIONS DU RAPPORT

Que le Conseil approuve :

1. L'adoption des catégories optionnelles de biens fonciers suivantes en 2020 :

- centres commerciaux;
- terrains de stationnement et terrains vacants;
- immeubles de bureaux;
- grands ensembles industriels;
- nouveaux immeubles à logements multiples;
- installations sportives professionnelles.

2. L'adoption des coefficients fiscaux suivants pour 2020 :

Catégorie	Coefficient**
Résidentiel	1,00000
Logements multiples	1,38599
Nouveaux immeubles à logements multiples	1,00000
Agricole	0,20000
Forêt aménagée	0,25000
Pipeline	1,72083
Catégorie commerciale générale	1,82593
Commercial*	1,80192
Immeubles de bureaux*	2,23603
Terrains de stationnement et terrains vacants*	1,21625
Centres commerciaux*	1,45014
Installations sportives professionnelles	1,80192
Catégorie industrielle générale	2,38627
Industriel*	2,49776
Grands ensembles industriels*	2,14494
Décharge	2,76521

**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).*

3. **L'adoption des coefficients fiscaux et des règlements municipaux suivants pour les sous-catégories obligatoires de biens et de la réduction du taux d'imposition pour les terres agricoles en attente d'aménagement :**
 - **terrains commerciaux excédentaires (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;**
 - **terrains industriels vacants, terrains industriels et grands terrains industriels excédentaires : 65 % du coefficient fiscal applicable à la catégorie des biens industriels;**
 - **terres agricoles en attente d'aménagement, sous-catégorie I : 75 % du coefficient fiscal applicable à la catégorie des biens résidentiels et réduction correspondante du taux d'imposition pour les terrains en attente d'aménagement des catégories des biens résidentiels, des immeubles à logements multiples, des biens commerciaux et des biens industriels;**
 - **terres agricoles en attente d'aménagement, sous-catégorie II : aucune réduction du taux d'imposition;**
 - **sous-catégorie visant les 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.**
4. **L'établissement des taux d'imposition pour 2020 d'après les coefficients fiscaux adoptés par les présentes.**
5. **L'établissement des paramètres de récupération fiscale et de plafonnement pour 2020 selon les modalités suivantes :**
 - **que le plafonnement soit établi 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.
6. Le maintien en 2020, conformément à l'approbation déjà délivrée par le Conseil municipal, des programmes d'allègement de l'impôt foncier et de la taxe d'eau conformément aux modalités suivantes :
- 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 handicapées à faible revenu;
 - le Programme de report du paiement de la facture d'eau pour aînés et personnes handicapées à faible revenu.
7. La mise en œuvre, par le personnel, des redressements techniques prescrits pour la Ville d'Ottawa dans les règlements connexes sur l'impôt foncier pris en application de la *Loi de 2001 sur les municipalités*.
8. La répartition suivante des recettes fiscales supplémentaires de 10,3 millions de dollars découlant de la croissance supplémentaire comptabilisée grâce à l'application du redressement technique :
- 1,8 million de dollars à utiliser pour compenser la baisse des recettes au titre des paiements versés en remplacement d'impôts (PVRI);
 - 3,5 millions de dollars à consacrer au budget du Service de transport en commun pour 2020;
 - 5 millions de dollars à consacrer à la Réserve pour la stabilisation des taxes.
9. L'établissement des dispositions de l'imposition foncière provisoire et des dates d'exigibilité pour 2021 conformément aux modalités suivantes :

- que l'imposition foncière provisoire pour 2021 soit fixée à 50 % des impôts redressés ou annualisés de 2020, comme l'autorise la loi;
- que les dates d'exigibilité des impôts suivantes soient approuvées pour 2021 :
 - i) relevé provisoire : le 18 mars 2021
 - ii) relevé définitif : le 17 juin 2021
- 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 2021, sans changement par rapport à 2020;
- que le Conseil municipal adopte un règlement visant à établir l'impôt provisoire, les dates d'exigibilité, les pénalités et les intérêts pour 2021.

10. L'adoption, par le Conseil municipal, d'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 pouvant être accueillis dans les 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).

11. La délégation par le Conseil municipal, à la cheffe des finances, du pouvoir de signer une nouvelle convention entre la Société du Centre national des Arts et la Ville d'Ottawa pour les paiements annuels à titre gracieux versés par le Centre national des Arts, selon les modalités précisées dans le présent rapport.

EXECUTIVE SUMMARY

This report presents recommendations regarding property taxes that the *Municipal Act, 2001*, requires Council to address each year. These decisions determine the tax burden on the various tax classes for the 2020 taxation year.

1. **Optional Property Classes:** It is recommended that as Council has done in the past, approve use of all of the optional property classes permitted by the *Assessment Act* to allow different levels of taxation within the property classes and minimize shifting the tax burden among properties within the broad tax class.
2. **Tax Ratios:** Council must approve the determination of tax ratios for various tax classes each year. These ratios allow different tax burdens between the different property classes. As Council has done in the past, the adoption of the proposed ratios is recommended to minimize inter-class tax shifts with the exception of the Farm and New Multi-Residential classes that are linked to the Residential Tax Ratio.
3. **Ratios – Mandatory Subclasses:** Ratios are also recommended for mandatory property subclasses and the tax rate percentage reduction for farm land awaiting development subclasses that are consistent with previous years' ratios.
4. **Tax Rates:** Tax rates will be established based on the ratios in this report and the overall tax increase approved by Council and will be submitted to Council for approval with the associated by-laws.
5. **Capping Regulations:** Commercial, Industrial and Multi-residential properties are covered by a mandatory capping program that limits the tax increases from reassessment. Changes to accelerate the movement of capped properties to their actual taxes were approved by Council from 2005 to 2019 and are being recommended again for 2020.
6. **Tax Mitigation Programs:** The report recommends Council continue the following tax mitigation programs for 2020:
 - Rebates to charitable organizations
 - The deferral of taxes for low-income seniors and persons with disabilities
 - The deferral of water for low-income seniors and persons with disabilities
 - The Farm Grant Program that allows eligible farmers to defer payment of their final tax bill (normally due in June) to December.
7. **Technical Adjustment:** This report recommends that the city 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.

- 8. Allocation to the Operating Budget and Reserves:** This report recommends that the \$10.3 million of additional growth identified from the application of the technical adjustment be allocated as follows:
- \$1.8 million be used to offset the decrease in Payment in Lieu of Taxes (PILT) revenues;
 - \$3.5 million be contributed to the Transit Services budget for 2020; and
 - \$5 million be contributed to the Tax Stabilization Reserve.
- 9. 2021 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.
- 10. Annual Levy Payments from Eligible Institutions :** Under Section 323 (1), (2), (3) and (5) of the *Municipal Act, 2001*, and Ontario Regulation 384/98 “Tax Matters - Universities and Other Institutions”, municipalities are entitled to levy 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 will be established based on the appropriate capacities.
- 11. National Arts Centre annual ex gratia payments:** In 2000 the National Arts Centre (NAC) and the City entered into a ten-year agreement, with an optional ten-year extension, to make annual ex gratia payments to the City as Payments in Lieu of taxes. The initial term of the agreement expired in 2009, and both parties exercised their right to continue the agreement for the ten-year extension provided for in the agreement. The City is in discussions with the NAC, to enter into another agreement. The report recommends that Council delegate authority to the Chief Financial Officer to enter into a ten-year agreement with the National Arts Centre, with an optional ten-year extension to continue the annual ex gratia payments.

Following the adoption of this report, by-laws establishing the 2020 tax rates incorporating the overall budgetary increase will be prepared for Council approval. The

overall budgetary tax increase will result in an average urban residential tax impact of approximately \$109. The impact will vary in different areas of the city depending on which services they receive. In addition, although the City does not benefit from annual assessment changes, individual properties are impacted differently based on how their property value has changed relative to others. The tax increase change due to reassessment and the tax distribution by services are listed on the back of each tax bill.

SOMMAIRE

Le présent rapport comprend les recommandations sur l'impôt foncier que le Conseil municipal doit examiner chaque année en application de la *Loi de 2001 sur les municipalités*. Ces décisions déterminent la charge fiscale des différentes catégories fiscales pour l'année d'imposition 2020.

- 1. Catégories optionnelles de biens fonciers** : Il est recommandé que le Conseil municipal approuve, comme il l'a fait auparavant, l'utilisation de toutes les catégories optionnelles de biens fonciers prévues dans la *Loi sur l'évaluation foncière* afin d'établir différents niveaux d'imposition au sein des catégories de bien fonciers et d'éviter le plus possible de répartir la charge fiscale parmi tous les biens fonciers de la catégorie générale.
- 2. Coefficients fiscaux** : Le Conseil municipal doit approuver chaque année les coefficients fiscaux calculés pour les différentes catégories fiscales. Grâce à ces coefficients, la charge fiscale imposée varie selon la catégorie de biens fonciers. Il est recommandé que le Conseil municipal adopte, comme il l'a fait auparavant, les coefficients proposés pour éviter le plus possible de transférer la charge fiscale d'une catégorie à une autre catégorie, sauf dans la catégorie des biens agricoles et dans celle des nouveaux immeubles à logements multiples, qui sont liées au coefficient fiscal résidentiel.
- 3. Coefficients – sous catégories obligatoires** : Il est aussi recommandé d'adopter, pour les sous catégories obligatoires de biens fonciers et pour la réduction du taux d'imposition des terres agricoles en attente d'aménagement, des coefficients qui s'harmonisent avec les coefficients des années antérieures.
- 4. Taux d'imposition** : Les taux d'imposition seront établis d'après les coefficients indiqués dans le présent rapport et selon la hausse d'impôt globale approuvée par le Conseil municipal et seront soumis à l'approbation du Conseil municipal avec les règlements connexes.

- 5. Règlements sur le plafonnement** : Les biens fonciers commerciaux, industriels et à logements multiples sont visés par un programme de plafonnement obligatoire qui limite les hausses d'impôt suivant une réévaluation. Les modifications visant à accélérer la transition des biens plafonnés avec leur niveau d'imposition réel ont été approuvées par le Conseil municipal de 2005 à 2019 et sont de nouveau recommandées pour 2020.
- 6. Programmes d'allègement de la charge fiscale** : Dans le présent rapport, on recommande au Conseil municipal de reconduire les programmes d'allègement de la charge fiscale suivants en 2020 :
- remises d'impôts fonciers aux organismes de bienfaisance;
 - report des taxes foncières pour les aînés et les personnes handicapées à faible revenu;
 - report de la taxe d'eau pour les aînés et les personnes handicapées à faible revenu;
 - programme de subventions pour terres agricoles, permettant aux agriculteurs admissibles de reporter à décembre le paiement de leur relevé final d'imposition foncière (dont le paiement est normalement exigible en juin).
- 7. Redressement technique** : Dans le présent rapport, il est recommandé que la Ville adopte le redressement technique prévu dans les règlements relatifs à l'impôt foncier pris en application de la *Loi de 2001 sur les municipalités*. Le présent rapport donne des précisions sur les modifications réglementaires déposées dans le budget provincial de 2016 pour donner suite aux demandes des municipalités.
- 8. Affectation au budget de fonctionnement et aux réserves** : Dans le présent rapport, il est recommandé que la provision de 10,3 millions de dollars au titre de la croissance supplémentaire dégagée grâce à l'application du redressement technique soit affectée comme suit :
- 1,8 million de dollars à utiliser pour compenser la baisse des recettes au titre des paiements versés en remplacement d'impôts (PVRI);
 - 3,5 millions de dollars à consacrer au budget du Service de transport en commun pour 2020;
 - 5 millions de dollars à consacrer à la Réserve pour la stabilisation des taxes.

- 9. Relevé d'imposition foncière et dates d'exigibilité pour 2021 :** 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.
- 10. 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 pouvant être accueillis dans les établissements correctionnels, 75 \$ par lit reconnu dans les hôpitaux publics et 75 \$ par place d'étudiant dans les établissements provinciaux d'enseignement. Ces prélèvements seront établis d'après la capacité des établissements.
- 11. Paiements à titre gracieux annuels du Centre national des Arts :** En 2000, le Centre national des Arts (CNA) et la Ville ont conclu un accord de 10 ans, assorti d'une option permettant de le proroger pour 10 autres années, afin de verser à la Ville des paiements à titre gracieux au titre des paiements versés en remplacement d'impôts. L'accord initial est arrivé à expiration en 2009, et les deux parties se sont prévaluées de leur droit de le proroger pour 10 autres années conformément aux dispositions dudit accord. La Ville tient actuellement, avec le CNA, des discussions pour conclure un autre accord. Dans ce rapport, il est recommandé que le Conseil municipal délègue, à la cheffe des finances, le pouvoir de conclure avec le Centre national des Arts, un accord de 10 ans assorti d'une option permettant de le proroger pour 10 autres années afin de continuer de verser les paiements à titre gracieux annuels.

Suivant l'adoption du présent rapport, des règlements fixant les taux d'imposition pour 2020 en fonction de l'augmentation globale du budget seront préparés pour être approuvés par le Conseil municipal. L'augmentation globale des taxes pour le budget donnera lieu à une incidence fiscale de l'ordre de 109 \$ par bien résidentiel en zone urbaine. Cette incidence variera selon les différents secteurs de la Ville et d'après les services reçus. En outre, bien que la Ville ne profite pas des changements apportés aux évaluations annuelles, l'incidence sur chaque bien foncier est différente selon l'évolution

de valeur de la propriété par rapport à la valeur d'autres propriétés. La hausse de l'impôt, le changement attribuable à la réévaluation et la répartition de l'impôt par service sont indiqués au verso de chaque relevé d'imposition.

BACKGROUND

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

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

DISCUSSION

1. Optional Property Tax Classes

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

Revenue Services staff recommends adoption of the following optional tax classes in 2020:

- Shopping Centre property class
- Parking lots and vacant land property class
- Office building property class
- Large industrial property class

- New multi-residential property class
- Professional sports facility property class

2. Tax Ratios

This report recommends the adoption of a set of proposed tax ratios that maintain the property tax impact on each property class and primarily prevents 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.

A tax ratio is the proportion by which a class or sub-class tax rate compares to the residential class tax rate which has a base ratio of 1.0. In 1998, each municipality in Ontario inherited transition ratios equivalent to the previous 1997 tax level with a range of fairness target set by the Province.

The goal was for all classes (with the exception of farm land and managed forest) to reach tax ratios of 1.0, or a tax rate equal to that of the residential class. However, to meet this goal, most municipalities would have required a large tax increase on the Residential class. In Ottawa, it is estimated that this ratio parity would result in a 18.5% tax increase or \$183 million in additional tax burden to the residential class.

The current value assessment (CVA) changes for the major property classes between 2019 and 2020 are shown in Table 1 along with a total change for the four-year period from 2017 to 2020. While the City does not benefit from any changes in valuation, annual tax shifts between classes would occur if the proposed ratios were not adopted depending on how they differ from the weighted average increase of approximately 5.8%. Individual properties would also experience tax shifts within the class depending on the differential from the overall change for that class.

Table 1 - CVA Changes by Class

CLASS	CVA 2019 (\$ millions)	CVA 2020 (\$ millions)	ANNUAL CHANGE	4-YEAR CHANGE
Commercial	29,404	30,497	3.72%	8.8%
Farm & Managed Forest	1,584	1,814	14.54%	102.7%
Industrial	1,698	1,788	5.31%	21.0%
Multi-Residential	8,066	8,337	3.37%	11.7%
New Multi-Residential	1,666	1,730	3.86%	15.5%
Residential	129,107	130,738	1.26%	3.8%
Other	323	331	2.29%	9.6%
Total	171,849	175,237	1.97%	5.8%

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

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

Municipalities have the option to continue with prior year ratios, adopt revenue neutral ratios or adopt alternate ratios. Alternate ratios are specific ratio reductions to certain classes as guided by the City's overall objectives. Neutral ratios ensure that each class pays the same portion of the tax burden year over year. The estimated potential tax shifts between classes 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	2019 Neutral Ratios (\$ millions)	2018 Tax Ratios (\$ millions)	2019 Tax Shift Avoided (\$ millions)	Tax Change
Commercial	359.9	403.2	7.3	1.81%
Farm and Man Forests	2.4	2.4	(0.0)	-0.84%
Industrial	30.1	30.7	0.6	1.95%
Multi-Residential	102.4	103.5	1.1	1.06%
New Multi-Residential	11.4	11.3	(0.1)	-0.88%
Residential	1,122.7	1,113.9	(8.8)	-0.79%
Other	4.4	4.5	0.1	2.22%
Net Impact	\$1,669	\$1,669	0.00	

The ratios history by class is demonstrated in Table 3 below, along with the proposed ratios for 2020.

Table 3 - Tax Ratios 2017 to 2020

CLASS	Actual 2017	Actual 2018	Actual 2019	Proposed 2020*
Residential	1.00000	1.00000	1.00000	1.00000
Multi-Residential	1.45296	1.42607	1.40051	1.38599
New Multi-Residential	1.00000	1.00000	1.00000	1.00000
Farm	0.20000	0.20000	0.20000	0.20000
Managed Forest	0.25000	0.25000	0.25000	0.25000
Pipe line	1.77465	1.75590	1.73808	1.72083
Commercial Broad Class	1.97998	1.91955	1.85758	1.82593
- Commercial	1.92600	1.87262	1.82489	1.80192
- Office Building	2.39000	2.32376	2.26453	2.23603
- Parking Lots and Vacant Land	1.30000	1.26397	1.23175	1.21625
- Shopping Centre	1.55000	1.50704	1.46863	1.45014
Professional Sports Facility	1.92600	1.87262	1.82419	1.80192
Industrial Broad Class	2.58219	2.50736	2.43584	2.38627
- Industrial	2.70537	2.62333	2.55214	2.49776
- Large Industrial	2.32322	2.25277	2.19163	2.14494
Landfill	2.07124	2.16506	2.82064	2.76521

**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 by 20% to a ratio of 0.20. In the past few years, many other Ontario municipalities have followed suit. In Ottawa, this reduction of the ratio from 0.25 to 0.20 equates to approximately \$500,000 in annual savings to this class or \$135 for the average farm property. The farm class has experienced a reassessment change of 102.7% for the 2017 to 2020 tax cycle which is significantly higher than the Residential class which has experienced an increase of 3.8%. As a result, the average farm property owner in the rural areas will experience an average tax increase of 13% or \$87 in 2020 related to the change in reassessment over the current cycle, before any budgetary increases. There are fewer than 3,650 farm properties in the City of Ottawa. In 2020, the average farm class property has municipal property tax burden of approximately \$570.

Multi-Residential Tax Ratio

As proposed in Table 3, the Multi-Residential (MR) ratio of 1.38599 in 2020 is 41% lower than the ratio of 2.3359 in 1998. In 1998, a provincial “range of fairness” threshold was established for the Multi Residential class of 2.74. Municipalities with ratios that exceed this threshold can only pass on 50% of the annual tax increase to this class. As part of the December 2016 Economic Outlook, the Province of Ontario expressed concerns about the higher property tax burden for multi-residential class and its effect on housing affordability. In response to these concerns, the Province announced it would undertake a review of the property taxation of multi-residential and in the meantime, issue a regulation to freeze the tax burden on this class for 2017. In March 2017, the province released a regulation, pending a review of the Multi-Residential class, which reduced the maximum range of fairness ratio to from 2.74 to 2.0 and limits the tax increase passed on to this class where the ratio exceeds 2.0 to zero. This means that Municipalities with ratios higher than 2.0 will not be able to pass on any annual tax increases to the Multi residential class until the class ratio falls below 2.0. The City’s ratio is significantly lower than this provincially mandated maximum ratio, therefore, there is no impact of this mandated change.

Comparisons have been drawn between the Residential class and the Multi-Residential class, however due to the different assessment methodology used in the Multi-Residential class and the limitations of comparative properties with the Residential class, establishing the MR ratio is challenging. This issue is compounded by the fact

that widely different property types are grouped in a handful of broad classes leaving Council with little flexibility to correct real or perceived inequities by the use of a single ratio applied to the MR class or other classes.

The MR class has phased in an increase of 11.7% in assessment value from 2017 to 2020 with a corresponding annual decrease in the neutral ratio. The New Multi-Residential class has the same ratio of 1.00000 as the Residential tax class and an overall increase in assessed value of 15.5%.

Commercial Tax Ratio

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

The commercial class phased in an increase of 8.8% in assessment value from 2017 to 2020 with a corresponding annual decrease in the neutral ratio. As shown on Table 3, the Commercial ratio for 2020 is 1.82593.

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

3. Ratios – Mandatory Subclasses

Provincial legislation allows the City to set the tax ratios for excess commercial and excess or vacant industrial land as a percentage of the tax ratio for the applicable class. The maximum percentages previously allowed by provincial legislation were as follows:

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

These are the percentages that have been used by the City in prior years.

In the Fall of 2016, the Province provided Municipalities with the flexibility to increase these percentages to further reduce or eliminate discounts provided for excess commercial and excess or vacant industrial land. Increasing or decreasing these percentages would cause a tax shift that would require owners of other property classes to pay higher taxes.

Provincial legislation requires the City to set a percentage reduction on the tax rate applied to farm land awaiting development subclass. There are two subclasses of farm land awaiting development. The first, farm land awaiting development subclass I, is defined as farm land used solely for farming where there is no registered subdivision plan on the lands and no building permit for non-farm use construction. Ontario Regulation 383/98, Tax Matters - Farm Land Awaiting Development Subclasses, Tax Reduction Percentages, provides upper and lower limits resulting in a tax rate between 25% and 75% of the residential tax rate. In practice, farm land awaiting development is often held on speculation and not developed for extended periods.

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

In 2018 the Province also enacted a new regulation to reduce the tax rate on qualifying value-added activities that occur on farms as part of the farming business. The 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 staff recommends the adoption of the following tax ratios and corresponding by-laws for the mandatory property subclasses and the tax rate percentage reduction for farm land awaiting development:

- Commercial excess land (i.e. commercial, office and shopping centre tax classes): 70% of the applicable commercial property class tax ratio;
- Vacant industrial land, industrial and large industrial excess land: 65% of the applicable industrial property class tax ratio;

- Farm land awaiting development subclass I: 75% of the residential property class tax ratio and the corresponding tax rate percentage reduction for the awaiting residential, multi-residential, commercial and industrial property classes; and
- Farm land awaiting development subclass II: no tax rate reduction.
- Small Scale on Farm Business subclass: 25% of the applicable commercial or industrial property tax ratio for the first \$50,000 of assessment.

4. Tax Rates

Tax rates are determined through calculations, which involve the budgetary tax levy requirement approved in the 2020 budget setting exercise, the total current value assessment by class and the effects of the setting of tax ratios within this report. The resultant tax rates as calculated by staff will be submitted to Council for approval with applicable by-laws.

By-laws establishing the 2020 tax rates will incorporate a budgetary increase of 3.0%. The result is an overall municipal property tax increase of approximately \$109, plus \$8 garbage fee, for the average urban residential property. It should be noted that this increase may vary depending on location as certain taxes are delineated by service level and that service level may have changed. In addition, although the City does not benefit from any annual reassessment changes, individual properties are impacted differently based on the change in their property value relative to the overall change in the class. The budgetary tax increase, any change due to reassessment and the tax distribution by service are listed on the back of each final tax bill.

Through the 2019 Tax Ratios and Other Policies report (ACS2019-CSD-REV-0001), Council approved that the tax level for new construction properties be set at 100% of their CVA taxes for 2019 and future taxation years.

Education Rates

The annual education tax rates for all properties in Ontario are set by the Province and reflect the overall Provincial reassessment changes by class. Over the 2017 – 2020 tax cycle the Provincial assessment base will phase in an overall reassessment change of 23.5% compared City wide average reassessment change of 5.9%. As a result of the comparatively lower reassessment change, City of Ottawa residents have seen a decrease in the education taxes on their tax bills and that burden has shifted to other parts of Ontario experiencing higher reassessment increases. In 2020 the share of

education taxes collected from the City of Ottawa is expected to decrease by 0.45% or \$2.1 million for taxable properties. The shifting of education taxes away from Ottawa has been the trend for this tax cycle which ends this year and it reverses the education tax increase experienced during the previous phase-in cycle 2013 to 2016, where education taxes were shifting to Ottawa.

While Ottawa residents have benefited from this decrease, the Payments in Lieu of Taxes calculated based on the education rates have continued to decrease, resulting in lower PILT revenues over this tax cycle. The 2020 Payment in Lieu impact due to education rates is estimated to be \$2.2 million.

Revenue Services staff recommends that the municipal tax rates for 2020 be established based on the ratios adopted herein.

5. Capping Regulations

Subsequent to the change to the current value assessment process in 1998, the Province imposed mandatory limits on assessment-related property tax increases over 1997 taxation levels for commercial, industrial and multi-residential properties. In December 2000, the *Continued Protection for Property Taxpayers Act, 2000*, was enacted which legislated that for 2001 and subsequent years, all municipalities are required to limit the assessment-related property tax increases on commercial, industrial and multi-residential properties to 5% of the previous year's annualized taxes. For 2005 and subsequent years, Council was authorized to increase this limit to 10%.

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

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

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

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

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

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

The capping options for 2020 are summarized as follows:

10% of Annualized Tax

The major disadvantage of the original capping program and a continuous cycle of re-assessments is that many of the capped properties within the City and the Province of Ontario would never reach their full CVA taxes. In order to rectify this situation, the Ministry provided flexibility to Council to increase the 5% parameter up to 10%. Council provided notification in the 2005 tax policy submission that this change would be implemented for 2006 and subsequent years. Council has approved this change for each year since 2006 as part of the tax policy submission process. 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. In order to alleviate this situation, a new capping option was provided for these properties to have

their taxes increased by up to 5% of their previous year's CVA tax (prior to levy change). 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 staff 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 of the small businesses and multi-residential properties were being capped or clawed back by very small amounts due to the fact there was no minimum threshold established. An option was provided allowing municipalities to pass a by-law to move capped properties whose recalculated annualized taxes fall within \$250 of the current year's CVA tax to their CVA tax for the year. Council has approved this \$250 threshold for 2006 and subsequent years. This means that if the differential between the CVA taxes and the tax limit is between \$0 and \$250 (higher or lower) the taxpayer is automatically moved to their CVA tax.

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

Clawback Recovery

In order to determine how much taxation has to be "clawed back" from those taxpayers in the class whose taxes were decreasing, a percentage is calculated which when added to their taxes, finances the taxation shortfall. Council must approve this percentage, known as the clawback percentage. In 2020, the clawback requirement will decrease (see discussion of new capping option for properties at CVA tax level below). A recovery by-law to approve the final clawback percentages will be submitted for Council approval at a later date.

Properties at CVA Tax Level

Since 1998, the capping program has offered protection for any assessment related tax increases to certain classes. While there was significant tax impact on certain properties at the time, the Province anticipated that after a few years, the new values would be fully integrated and taxes would be at their full CVA tax level. Significant progress was made in the earlier years but reached a plateau in the last few years.

Most municipalities in Ontario have not met the goal of having all properties pay their share of taxes based on a simple formula of valuation applied to a ratio driven tax rate.

In order to finance the protection provided to properties with large increases, other properties are denied their full tax decrease by a clawback mechanism (see Clawback Recovery discussion above). Historically, the number of clawed back properties can be several times the number of properties being protected. This would imply that a smaller number of large properties benefit from the protection relative to a larger number of smaller properties being denied their lower taxes. Experience has demonstrated that whatever gains are made during a non-reassessment year can be lost during a reassessment year with new properties being brought into the protected category. If a property is significantly undervalued in any given year and subsequently corrected, it will not only have benefited from lower taxation for all of the previous years but will also be protected for many years to follow.

In 2002, after 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 trend on 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	2017	44	\$651,044	170
	2018	39	\$454,779	173
	2019	31	\$368,258	168
	2020	24	\$279,132	168
Industrial	2017	36	\$156,828	25
	2018	31	\$149,202	19
	2019	15	\$63,547	13
	2020	13	\$55,726	12

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

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

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

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

6. Mitigation Programs

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

- The provision of a 40% tax rebate to charitable organizations as defined and required in the legislation.
- The provision of partial tax deferral (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.
- 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 the lower residential tax rates.

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

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

- Rebates to eligible charities of at least 40% of their property taxes for space they occupy.
- Calculation of the amounts paid on account of taxes on a property occupied by an eligible charity is based either on the charity's portion of the total square footage of the property, or, if available, on the current value assessment of the property occupied as determined by the Municipal Property Assessment Corporation.
- Calculation details are provided to the charity.
- The payment of rebates is within the timeframes set by the *Municipal Act, 2001*, (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.
- 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 centers for space occupied for childcare purposes.
- A 100% rebate of education portion for properties used and occupied by the Polish Combatant's Association of Canada identified in By-law 2017-318.

Rebate applications can be received up to the last day of February of the year following the taxation year in respect of which the application is made. Applications for 2019 have yet to be finalized. For the 2018 taxation year, 218 charitable rebate applications totaling approximately \$1.8 million (municipal portion) were processed. Specific details relating to charitable rebates are on file with Revenue Services.

Tax Deferral Program

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

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

As of December 31, 2019, there were 139 taxpayers on the program. On average, the annual deferral is about \$3,551. The amount of tax deferred for those taxpayers in 2019 was approximately \$493,532 for a total taxes deferred amounting to \$3,542,896. The income threshold for 2020 will be \$43,561 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 is July 1st of the relevant year.

Water Deferral Program

The City offers a deferral program for water utility bills to eligible low-income seniors and low-income persons with disabilities. This is an optional program for homeowners that the City enacted in By-law 2019-21 that defers the full amount of water utility amounts due in a year. This program allows qualified applicants to stay in their homes longer, increase their cash flow thus enjoy a better quality of life.

The number of applicants on this program has been gradual throughout the first year. As of December 31, 2019, there were 24 water utility payers on the program. On average, the annual deferral is about \$451. The amount of water utility charges deferred for those water utility payers in 2019 was approximately \$10,830 for a total water utility charges deferred amounting to \$10,830. The income threshold for 2020 will be \$43,561 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 July 1st 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 payment of their final tax bill (normally due in June) to December. The grant, administration, printing and mailing costs are estimated to be up to \$35,000 annually. While the take-up on this program remains limited (532 of approximately 3,650 farm properties) for 2019, in response to rural concerns, the program is being recommended to be continued for 2020.

Revenue Services staff recommends that the property tax mitigation programs be continued for 2020, 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.

7. Technical Adjustment

The Province introduced regulatory amendments that allowed municipalities to include an adjustment for assessment appeal losses from the prior years in the determination of the base tax rate for the current year. This allows the Municipalities to recover the portion of the levy that would have otherwise been permanently eroded from the tax base in perpetuity due to prior year appeal losses. The Minister of Finance requires municipalities to confirm by by-law the implementation of the technical adjustment. This report recommends that staff confirm by by-law the implementation of the technical adjustment for the City of Ottawa prescribed in the property tax related regulations made under the *Municipal Act, 2001*.

Revenue Services staff recommends the technical adjustment be implemented in accordance with the prescribed property tax related regulations made under the *Municipal Act, 2001*.

8. Allocation to the Operating Budget and Reserves

As part of the annual budget exercise, the city provides an estimate of assessment growth and its associated revenue. Typically, the detailed data is not available to staff around the budget tabling and approval timelines. Staff have completed an analysis of the 2019 year-end assessment data from MPAC and confirmed an additional \$10.3 million in revenue for 2020 as a result of additional growth in the tax assessment base and the application of the additional growth identified through the technical adjustment. The technical adjustment restores appeal losses related to the prior taxation year that would otherwise have been permanently eroded from the tax base.

The *Payments in Lieu of Taxes Act* and the *Municipal Act, 2001*, requires municipalities to calculate Payments in Lieu of Taxes collected from qualifying properties using both

the Municipal and Education tax rates. From 2017 to 2020 the Province has continued to reduce the Education tax rates in response to the overall higher reassessment in Ontario in order to remain revenue neutral. Reassessment increases in Ottawa for the 2017 to 2020 tax cycle are significantly lower compared to the provincial average causing education tax shifts away from Ottawa towards municipalities with higher reassessment increases. The Office class has seen the highest percentage decrease in education taxes. The reduced education tax rates and flat reassessment increase seen in the PILT Office and Commercial properties in this tax cycle has had a downward impact on PILT revenues. The 2020 education rate impact on PILT revenues is estimated to be \$2.2 million. In addition to this, the Federal Government disposed of a few significant properties to private entities, resulting in a decrease in PILT revenues and growth in tax revenues.

Revenue Services recommends that \$1.8 million of additional growth identified from the application of the technical adjustment be used to offset the reduction in PILT Revenue.

As communicated during the annual budget process, the 2020 Operating and Capital budget included an additional investment of \$7.5 million to expand the bus network to improve service reliability, increase capacity, reduce waiting times and provide new connections to growth areas. As outlined in the 2020 Operating and Capital details, included in the \$7.5 million funding was \$3.5 million of funding from the Transit Capital reserve fund. The \$3.5 million base budget contribution will replace the Transit Capital Reserve funding, which will be in turn returned to the Transit Capital Reserve Fund. This adjustment provides Transit Services with the base budget to support the expanded transit network and improved reliability 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.

Revenue Services recommends that \$3.5 million of the additional growth identified from the application of the technical adjustment be added to the 2020 base budget for Transit Services.

A new Tax Stabilization Reserve was established as part of the reserves review in 2018, by combining the winter maintenance, childcare, self-insurance and elections reserves with the existing tax stabilization reserve. A minimum target balance of \$34.8 million for the tax stabilization reserve was also approved as part of that report. The current forecasted balance in the reserve at the end of 2020 is \$22 million, with this contribution the revised forecasted ending 2020 balance will be \$27 million, closing the gap to the council approved minimum target balance.

Revenue Services recommends that the remaining \$5 million of additional growth identified from the application of the technical adjustment be contributed to the tax stabilization reserve.

9. Interim Property Taxes and Due Dates (2021)

Sections 342, 343 and 345 of the *Municipal Act, 2001*, require that tax due dates, penalty and interest percentage charges be approved by Council. The interim and final due dates do not apply to those taxpayers who are registered in the City's Pre-Authorized Debit Plan or those registered under the full tax deferral program for low-income seniors and low-income persons with disabilities.

Section 317 of the *Municipal Act, 2001*, requires Council to establish a by-law which sets interim tax billing for uncapped classes (residential and pipe line) 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 2021 interim tax billing at 50% of the 2020 adjusted/annualized taxation. This rate is consistent with prior years.

Revenue Services recommends setting the 2021 tax due dates as March 18, 2021 (interim) and June 17, 2021 (final). These dates fall on the third Thursday of the month. Having the tax due dates fall on the third Thursday has been the City's practice for many years. The predictability of these dates benefits many taxpayers and eases the City's administrative planning. These fixed due dates do not apply to registered preauthorized debit tax accounts or those registered under the full tax deferral program for low-income seniors and low-income persons with disabilities.

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

The *Municipal Act, 2001*, requires that Council set interest and penalty rates. These rates are consistent with prior years and are set to encourage prompt payment to compensate the City for the cost of money and the administrative costs of dealing with late payments. The rate of 1.25% per month is the maximum permitted by the *Municipal Act, 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 2021 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*.

10. Annual Levy Payments from Eligible Public Institutions

Under Section 323 (1), (2), (3) and (5) of the *Municipal Act, 2001*, and Ontario Regulation 384/98, "Tax Matters - Universities and Other Institutions", municipalities are entitled to levy an amount of \$75 per full-time student in attendance at universities and colleges, \$75 per resident place in correctional institutions, \$75 per bed in public hospitals and \$75 per place in provincial educational institutions. These public institutions are not subject to regular taxation 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 in June which details the capacities of each institution that is designated as eligible for payment under Section 323 of the *Municipal Act, 2001*. The annual amount eligible institution revenue collected over the last two years is shown in the Table 5 below.

Revenue Services recommend that Council enact a by-law to establish the 2020 amounts once correspondence detailing the capacities is received from the Ministry of Municipal Affairs and Housing.

Table 5 - Levy from Eligible Public Institutions

Category	2018	2019
Universities and colleges	\$6,246,150	\$6,483,825
Correctional institutions	\$38,400	\$40,200
Public hospitals or Provincial mental health facilities	\$269,100	\$269,100
Provincial education institutions	\$3,750	\$3,975
Total	\$6,557,400	\$6,797,100

11. National Arts Centre Annual Ex Gratia Payments

In 1999, the National Arts Centre Corporation acquired, from the Federal Government, legal title to the National Arts Centre (53 Elgin Street). Prior to the acquisition the Federal Government was making payments-in-lieu of taxes, under the *Payments in Lieu of Taxes Act*, on the assessed value of the property. Upon the acquisition of the property, the NAC was no longer subject to property taxes under the Section 3 (27) of

the *Assessment Act*. However, in recognition of the “related incidental rental, restaurant and parking activities carried out on the Lands by the NAC and in order to contribute to the services provided by the Payee and local taxpayers to the Payor” the parties entered into an agreement for ex gratia payments. The City of Ottawa and the National Arts Centre (NAC) entered into a ten-year agreement in December 1999 confirming a schedule of payments for the tax years 2000 to 2009. In 2000 to 2002 the NAC paid a total of \$5 million in ex gratia payments, and an annual amount of \$2 million for the remainder of the agreement term. In 2009, both parties agreed to exercise their right to extend the contract for an additional 10 years with an annual payment of \$2 million due from the NAC annually.

In 2017 the NAC completed an extensive renovation that included significantly increasing the catering, meeting and event space, as well as but not limited to expanding the Panorama Room, updating the lobby space and front entrance. Revenue Services has engaged the NAC with the objective of entering into another ten-year agreement for ex gratia payments. The proposed agreement takes into account the significant renovations completed by the NAC in 2017 and will incorporate an annual increase of 3% per annum, which is in line with the Council approved tax increase. The increase is also reflective of the “incidental rental, restaurant and parking activities at the National Arts Centre”. The following table represents the proposed payment schedule for the taxation years 2020 to 2029. The agreement will have an option to renew the payments for another ten years based on agreed to terms and increases to be discussed at that time.

Table 6 - Proposed NAC Ex Gratia Payment Schedule

<u>Calendar Year</u>	<u>Annual Increase</u>	<u>Amount</u>
2020	-	\$2,000,000
2021	3.00%	\$2,060,000
2022	3.00%	\$2,121,800
2023	3.00%	\$2,185,454
2024	3.00%	\$2,251,018
2025	3.00%	\$2,318,548
2026	3.00%	\$2,388,105
2027	3.00%	\$2,459,748
2028	3.00%	\$2,533,540
2029	3.00%	\$2,609,546

Revenue Services recommends that Council delegate the authority to the Chief Financial Officer to execute a new agreement between the National Arts Centre Corporation and the City of Ottawa for annual ex gratia payments made by the National Arts Centre.

Other Taxation Issues

Property Assessment Cycle 2021 to 2024

Through the the 2018 Ontario Budget, the province moved the next property assessment valuation date from January 1, 2020 to January 1, 2019. This change was implemented to help support the Municipal Property Assessment Corporation (MPAC) in developing a more robust and effective property valuation process. The last evaluation date was on January 1, 2016 and was used to phase in assessments for the current property assessment cycle which started in 2017 and ends this year. The January 1, 2019 is the valuation date will be used to phase in assessments that will be used for the next property assessment cycle which will run from 2021 to 2024. The reassessment will reflect the three-year change in property market value between January 1, 2016 and January 1, 2019. The last two reassessments have represented a four-year market change.

Reassessment increases will be phased in equally between 2021 to 2024 and reassessment decreases will be realized immediately in the first phase-in year. The 2021 assessment values request for reconsideration (RFR) deadline for residential properties is January 26, 2021. The property owner has ninety days after MPAC has notified them of the RFR decision to file an Appeal with the Assessment Review Board.

The MPAC has redesigned the property assessment notices and their user-portal based on user feedback to provide greater understanding of the assessment changes for the property owner.

Property assessment notices for residential properties are scheduled to be mailed out by MPAC late September 2020, while notices for non-residential properties will be mailed out in late October 2020. Staff will provide an update to the Mayor and Council on the residential class reassessment changes in September including a communication plan for those property owners affected the most.

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

Revenue Services staff have consulted with the National Arts Centre on the proposed ten-year schedule for ex gratia payments.

COMMENTS BY THE WARD COUNCILLOR(S)

There were no comments provided by Ward Councillors.

ADVISORY COMMITTEE(S) COMMENTS

There are no comments from the Advisory Committees.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

There are no risk management impediments to 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 meets Council's priority with respect to Financial Responsibility.

SUPPORTING DOCUMENTATION

There is no supporting documentation.

DISPOSITION

Revenue Services will use the tax ratios and rates to calculate and issue the 2020 final tax bills.

Revenue Services will invoice designated institutions to levy the 2020 annual amounts payable to the City of Ottawa on or after July 1, 2020.

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

The City Solicitors Office will draft a new agreement with the National Arts Centre and arrange for the execution of the agreement and any other necessary legal documents by the Chief Financial Officer.