8. 2017 TAX RATIOS AND OTHER TAX POLICIES

COEFFICIENTS FISCAUX ET AUTRES POLITIQUES D'IMPOSITION DE 2017

REPORT RECOMMENDATIONS

That Council approve:

1. **The adoption of the following optional property classes in 2017:**
    - **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 2017:**

Property Class	Ratio**
Residential	1.000000
Multi-Residential	1.451649
New Multi-Residential	1.000000
Farm	0.200000
Managed Forest	0.250000
Pipe line	1.774830
Commercial Broad Class	1.979981

Commercial*	**1.926000**
Office Building*	**2.390000**
Parking Lots and Vacant Land*	**1.300000**
Shopping Centre*	**1.550000**
Professional Sports Facility	**1.926000**
Industrial Broad Class	**2.573996**
Industrial*	**2.696921**
Large Industrial*	**2.315965**
Landfill***	**2.074366**

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

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

***** Provincially mandated new class for 2017**

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; and

- **Farm land awaiting development subclass II - no tax rate reduction.**

4. **That the tax rates for 2017 be established based on the ratios adopted herein.**

5. **That the 2017 capping and clawback provisions be as follows:**

   a. **That capping parameters be approved at the higher of 10% of the previous year's annualized tax or 5% of the 2017 Current Value Assessment (CVA) taxes;**

   b. **That capped or clawed back properties whose recalculated annualized taxes fall within $250 of their CVA taxation be moved to their CVA tax for the year and be excluded from any future capping adjustments;**

   c. **That properties that have reached their CVA during the current year or crossed over from the clawed back category to the capped category remain at CVA taxes and be excluded from any future capping adjustments; and**

   d. **That properties that cross over from the capped category to the clawed back category remain subject to clawback adjustments.**

6. **That the tax level for "new construction" properties be set at a minimum level of 100% of their CVA taxes for 2017 and future taxation years.**

7. **That the property tax mitigation programs be continued for 2017, including the Charitable Rebate Program, the Farm Grant Program and the Low Income Seniors and Persons with Disabilities Complete Tax Deferral Program as previously approved by Council.**

8. That Revenue Services continue receiving and processing the Vacancy Rebate applications for the 2016 taxation year as well as continue the pilot vacancy inspection program in 2017 consistent with past approvals and existing Program administration.

9. That staff implement the technical adjustment for the City of Ottawa prescribed in the property tax related regulations made under the Municipal Act, 2001 by way of by-law.

10. That the $4.9 million in additional tax revenue from additional growth identified through the application of the technical adjustment be added to the remissions operating budget.

11. That the stormwater rates outlined in this report for unconnected properties be approved by Council.

RECOMMANDATIONS DU RAPPORT

Que le Conseil approuve :

1. L'utilisation des catégories de biens fonciers optionnelles suivantes en 2017 :

- **Centres commerciaux,**
- **Terrains de stationnement et biens-fonds vacants,**
- **Immeubles à bureaux,**
- **Grands ensembles industriels,**
- **Nouveaux immeubles à logements multiples,**
- **Établissements sportifs professionnels ;**

2. L'adoption des coefficients fiscaux suivants pour 2017 :

Catégorie	Coefficient**
Résidentiel	1,000000
Logements multiples	1,451649
Nouveaux logements multiples	1,000000
Agricole	0,200000
Forêt aménagée	0,250000
Pipeline	1,774830
Catégorie commerciale générale	1,979981
Commercial*	1,926000
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Catégorie industrielle générale	2,573996
Industriel*	2,696921
Grand industriel*	2,315965
Décharge***	2,074366

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

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

*** nouvelle catégorie pour 2017

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

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

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

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

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

4. Que les taux d'imposition pour 2017 soient basés sur les coefficients fiscaux adoptés par la présente ;

5. Que les paramètres de récupération fiscale et de plafonnement pour 2017 soient les suivants :

a. Que le plafonnement soit établi à 10 % des taxes annualisées de l'année précédente ou à 5 % des taxes d'après l'évaluation de la valeur actuelle de 2017, le plus élevé de ces deux montants étant retenu,

b. Que les biens plafonnés ou auxquels s'applique un seuil de récupération fiscale et dont l'écart entre les taxes annualisées recalculées et les taxes établies d'après l'évaluation de la valeur actuelle est égal ou inférieur à 250 $ soient taxés d'après l'évaluation de leur valeur actuelle pour l'année en cours et exclus de tout autre rajustement relatif au plafonnement,

c. Que les biens qui ont atteint l'évaluation de leur valeur actuelle pendant l'année en cours ou qui sont passés de la catégorie de la récupération fiscale à celle des biens plafonnés continuent d'être taxés d'après l'évaluation de leur valeur actuelle et soient exclus de tout autre rajustement relatif au plafonnement,

d. Que les biens qui passent de la catégorie des biens plafonnés à celles de la récupération fiscale restent assujettis au rajustement relatif à la récupération ;

6. Que le niveau de taxes sur les nouvelles constructions soit établi à un minimum de 100 % de l'évaluation de leur valeur actuelle en 2017 et pendant les années d'imposition subséquentes ;

7. Que soient maintenus en 2017, comme l'a approuvé le Conseil, les programmes d'allègement de l'impôt foncier, notamment le Programme de remboursements offerts aux organismes de bienfaisance, le Programme de subventions pour terres agricoles et le programme d'allègement de l'impôt foncier pour les aînés et les personnes handicapées à faible revenu ;

8. Que la Direction des recettes continue de recevoir et de traiter les demandes d'allègement fiscal pour immeuble inoccupé pour l'année d'imposition 2016 et poursuive le programme pilote d'inspection des propriétés vacantes en 2017 en fonction des approbations antérieures et de l'administration actuelle du Programme ;

9. Que le personnel apporte, par voie de règlement municipal, l'ajustement technique pour la Ville d'Ottawa prévu par les règlements connexes sur l'impôt foncier pris en application de la Loi de 2001 sur les municipalités ;

10. Que les recettes fiscales supplémentaires de 4,9 millions de dollars découlant de la croissance par suite du rajustement technique soient ajoutées au budget de fonctionnement des remises de taxes ;

11. Que les redevances d'eaux pluviales décrites dans le présent rapport pour les propriétaires de terrains non raccordés au réseau soient approuvées par le Conseil.

DOCUMENTATION/DOCUMENTATION

1. Manager's report, Billing and Assessment, Corporate Services Department, dated 27 March 2017 (ACS2017-CSD-REV-0002)

   Rapport du Gestionnaire, Facturation et évaluation foncière, Direction générale des services organisationnels, daté le 27 mars 2017 (ACS2017-CSD-REV-0002)

2. Extract of draft Minutes, Finance and Economic Development Committee, 4 April 2017.

   Extrait de l'ébauche du procès-verbal, Comité des finances et du développement économique, le 4 avril 2017.

Report to
Rapport au:

Finance and Economic Development Committee
Comité des finances et du développement économique
4 April 2017 / 4 avril 2017

and Council
et au Conseil
12 April 2017 / 12 avril 2017

Submitted on March 27, 2017
Soumis le 27 mars 2017

Submitted by
Soumis par:
Wendy Stephanson, Deputy City Treasurer, Revenue / Trésorière municipale adjointe, Recettes

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

File Number: ACS2017-CSD-REV-0002

SUBJECT: 2017 TAX RATIOS AND OTHER TAX POLICIES

OBJET: COEFFICIENTS FISCAUX ET AUTRES POLITIQUES D’IMPOSITION DE 2017

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend Council approve:

1. The adoption of the following optional property classes in 2017:

- **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 2017:

Property Class	**Ratio****
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   - **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; and**
   - **Farm land awaiting development subclass II - no tax rate reduction.**

4. **That the tax rates for 2017 be established based on the ratios adopted herein.**

5. **That the 2017 capping and clawback provisions be as follows:**

   a. **That capping parameters be approved at the higher of 10% of the previous year's annualized tax or 5% of the 2017 Current Value Assessment (CVA) taxes;**

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their CVA tax for the year and be excluded from any future capping adjustments;

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d. **That properties that cross over from the capped category to the clawed back category remain subject to clawback adjustments.**

6. **That the tax level for "new construction" properties be set at a minimum level of 100% of their CVA taxes for 2017 and future taxation years.**

7. **That the property tax mitigation programs be continued for 2017, including the Charitable Rebate Program, the Farm Grant Program and the Low Income Seniors and Persons with Disabilities Complete Tax Deferral Program as previously approved by Council.**

8. **That Revenue Services continue receiving and processing the Vacancy Rebate applications for the 2016 taxation year as well as continue the pilot vacancy inspection program in 2017 consistent with past approvals and existing Program administration.**

9. **That staff implement the technical adjustment for the City of Ottawa prescribed in the property tax related regulations made under the *Municipal Act, 2001* by way of by-law.**

10. **That the $4.9 million in additional tax revenue from additional growth identified through the application of the technical adjustment be added to the remissions operating budget.**

11. **That the stormwater rates outlined in this report for unconnected properties be approved by Council.**

RECOMMANDATIONS DU RAPPORT

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

1. **L'utilisation des catégories de biens fonciers optionnelles suivantes en 2017 :**

   - **Centres commerciaux,**
   - **Terrains de stationnement et biens-fonds vacants,**
   - **Immeubles à bureaux,**
   - **Grands ensembles industriels,**
   - **Nouveaux immeubles à logements multiples,**
   - **Établissements sportifs professionnels ;**

2. **L'adoption des coefficients fiscaux suivants pour 2017 :**

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

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- **Terrains industriels vacants, terrains industriels et grands terrains industriels excédentaires : 65 % du coefficient fiscal applicable à la catégorie des biens industriels,**
- **Terres agricoles en attente d'aménagement, sous-catégorie I : 75 % du coefficient fiscal applicable à la catégorie des biens résidentiels et la réduction procentuelle correspondante du taux d'imposition pour les terrains en attente d'aménagement des catégories des biens résidentiels, des immeubles à logements multiples, des biens commerciaux et des biens industriels,**
- **Terres agricoles en attente d'aménagement, sous-catégorie II : pas de réduction du taux d'imposition ;**

4. Que les taux d’imposition pour 2017 soient basés sur les coefficients fiscaux adoptés par la présente ;

5. Que les paramètres de récupération fiscale et de plafonnement pour 2017 soient les suivants :

a. Que le plafonnement soit établi à 10 % des taxes annualisées de l’année précédente ou à 5 % des taxes d’après l’évaluation de la valeur actuelle de 2017, le plus élevé de ces deux montants étant retenu,

b. Que les biens plafonnés ou auxquels s’applique un seuil de récupération fiscale et dont l’écart entre les taxes annualisées recalculées et les taxes établies d’après l’évaluation de la valeur actuelle est égal ou inférieur à 250 $ soient taxés d’après l’évaluation de leur valeur actuelle pour l’année en cours et exclus de tout autre rajustement relatif au plafonnement,

c. Que les biens qui ont atteint l’évaluation de leur valeur actuelle pendant l’année en cours ou qui sont passés de la catégorie de la récupération fiscale à celle des biens plafonnés continuent d’être taxés d’après l’évaluation de leur valeur actuelle et soient exclus de tout autre rajustement relatif au plafonnement,

d. Que les biens qui passent de la catégorie des biens plafonnés à celles de la récupération fiscale restent assujettis au rajustement relatif à la récupération ;

6. Que le niveau de taxes sur les nouvelles constructions soit établi à un minimum de 100 % de l’évaluation de leur valeur actuelle en 2017 et pendant les années d’imposition subséquentes ;

7. Que soient maintenus en 2017, comme l’a approuvé le Conseil, les programmes d’allègement de l’impôt foncier, notamment le Programme de remboursements offerts aux organismes de bienfaisance, le Programme de subventions pour terres agricoles et le programme d’allègement de l’impôt foncier pour les aînés et les personnes handicapées à faible revenu ;

8. **Que la Direction des recettes continue de recevoir et de traiter les demandes d'allègement fiscal pour immeuble inoccupé pour l'année d'imposition 2016 et poursuive le programme pilote d'inspection des propriétés vacantes en 2017 en fonction des approbations antérieures et de l'administration actuelle du Programme ;**

9. **Que le personnel apporte, par voie de règlement municipal, l'ajustement technique pour la Ville d'Ottawa prévu par les règlements connexes sur l'impôt foncier pris en application de la *Loi de 2001 sur les municipalités* ;**

10. **Que les recettes fiscales supplémentaires de 4,9 millions de dollars découlant de la croissance par suite du rajustement technique soient ajoutées au budget de fonctionnement des remises de taxes ;**

11. **Que les redevances d'eaux pluviales décrites dans le présent rapport pour les propriétaires de terrains non raccordés au réseau soient approuvées par le Conseil.**

EXECUTIVE SUMMARY

This report presents recommendations regarding property taxes that the *Municipal Act* requires Council to address each year. These decisions determine the tax burden on the various tax classes for the 2017 taxation year.

1. **Optional Property Classes:** It is recommended that as Council has done in the past, it 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 are recommended to minimize inter-class tax shifts except for the Farm and New Multi-Residential classes that are linked to the Residential Tax Ratio.

3. **Ratios – Mandatory Subclasses:** Ratios are also recommended for mandatory property subclasses and the tax rate percentage reduction for farm land awaiting development subclasses that are consistent with previous years' ratios.

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. **Changes to the 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 2016 and are being recommended again for 2017.

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

7. **Tax Mitigation Programs:** The report recommends Council continue the following tax mitigation programs for 2017:

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

8. **Vacancy Rebate Program Review and Inspection Pilot:** This report recommends that the program continue without change in 2017. A separate report will be presented to the Finance and Economic Development Committee before the Ministry deadline to propose recommendations for the 2017 tax year and beyond regarding the flexibility introduced by the Minister of Finance with respect to the Vacancy Rebate Program. Stakeholder consultation has been undertaken and impacted groups have requested additional time to provide feedback to staff for consideration in preparation of recommendations. The deferral of the report for a Finance and Economic Development Committee prior to Ministry deadline allows time to accommodate this request from stakeholders and consider further input.

   This Report recommends that pursuant to the section 364 of *Municipal Act* Revenue Services staff receive and process applications for the 2016 tax year and continue the pilot vacancy inspection. Revenue Services have developed a pilot vacancy inspection program and have completed preliminary inspections and analysis. The findings show there are savings as a result of inspections where applications fail to meet the legislated criteria for rebates. Over the last year the program has inspected 171 applications resulting in 28 applications being denied which equates to approximately $102,000 in savings.

9. **Technical Adjustment:** This report recommends that the city adopt the technical adjustment prescribed in the property tax related regulations made under the *Municipal Act, 2001.* These regulatory amendments were tabled through the 2017 Provincial Budget in response to municipal requests and are further detailed in this Report.

10. **Allocation to the non-departmental operating budget:** This report recommends that the $4.9 million in additional tax revenue of additional growth identified from the application of the technical adjustment be added to the tax remissions operating budget.

11. **2017 Stormwater Fee for Unconnected Properties:** This report recommends the 2017 Stormwater fee for properties not connected to the City's sanitary sewer system. In 2016, Council approved a new stormwater fee as part of the overall water, wastewater, and stormwater rate structure. The stormwater fee recovers the cost of delivering stormwater management services to residents and businesses. Stormwater services manage the safe transportation of rain and meltwater runoff (i.e. culverts, collection pipes, ditches, storm ponds) throughout the city to protect roads, properties and local waterways from flooding and erosion and help with groundwater protection. Unconnected properties will be billed for stormwater on their final tax bill in May at a phased in rate.

Following the adoption of this report, by-laws establishing the 2017 tax rates incorporating the overall budgetary increase will be prepared for Council approval. The budgetary increase will result in an average residential tax impact of approximately $70. The impact will vary in different areas of the city depending on which services they receive. In addition, although the City does not benefit from annual assessment changes, individual properties are impacted differently based on how their property value has changed relative to others. The tax increase, change due to reassessment and the tax distribution by services are listed on the back of each tax bill.

SOMMAIRE

Le présent rapport comprend les recommandations sur l'impôt foncier que le Conseil doit examiner chaque année en vertu de la *Loi sur les municipalités.* Ces décisions détermineront le fardeau des différentes catégories fiscales pour l'année d'imposition 2017

1. **Catégories optionnelles de biens fonciers :** Il est recommandé que le Conseil, comme il l'a fait auparavant, approuve l'utilisation de toutes les catégories optionnelles de biens fonciers prévues par la *Loi sur l'évaluation foncière* afin d'établir différents niveaux d'imposition au sein des catégories de biens fonciers et d'éviter le plus possible de répartir le fardeau fiscal entre tous les biens fonciers de la catégorie générale.

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

3. **Coefficients – Sous-catégories obligatoires :** Les coefficients pour les sous-catégories de biens fonciers obligatoires et la réduction procentuelle du taux d'imposition pour les terres agricoles en attente d'aménagement qui sont recommandés sont conformes aux coefficients des années antérieures.

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

5. **Modifications aux règlements sur le plafonnement :** Les biens fonciers commerciaux, industriels et à logements multiples sont visés par un programme de plafonnement obligatoire qui limite les hausses d'impôt suivant une réévaluation. Des modifications visant à accélérer la transition des biens plafonnés vers leur

niveau d'imposition réel ont été approuvées par le Conseil entre 2005 et 2016 et sont de nouveau recommandées pour 2017.

6. **Traitement fiscal des nouvelles constructions :** Depuis 2009, les impôts à payer pour les biens fonciers nouvellement bâtis correspondent à 100 % de l'évaluation de leur valeur actuelle. Il est recommandé de maintenir cette pratique pour éviter de sous-évaluer les impôts pour les nouvelles constructions et de les plafonner à des taux d'imposition anormalement bas.
7. **Programmes d'allégement de la charge fiscale :** Le rapport recommande au Conseil de reconduire les programmes d'allégement de la charge fiscale suivants en 2017 :

   - Remises d'impôts fonciers aux œuvres de bienfaisance
   - Report d'impôts pour les personnes âgées à faible revenu et les personnes handicapées
   - Le Programme de subventions pour terres agricoles, qui permet aux agriculteurs admissibles de reporter le paiement de leur facture finale d'impôt foncier (normalement payable en juin) jusqu'en décembre

8. **Examen du Programme d'allègement fiscal pour immeubles inoccupés et programme pilote d'inspection des propriétés vacantes :** Le rapport recommande que le programme se poursuive sans changements en 2017. Un rapport distinct contenant les recommandations pour l'année d'imposition 2017 et les années suivantes relativement à la flexibilité accordée par le ministre des Finances à l'égard du Programme d'allègement fiscal pour immeubles inoccupés sera présenté à la rencontre du Comité des finances et du développement économique avant la date de tombée du ministère. La consultation des intervenants est commencée et les groupes touchés ont demandé plus de temps pour soumettre leurs commentaires au personnel afin qu'ils soient pris en compte dans l'élaboration des recommandations. Le report de la présentation du rapport au Comité des finances et du développement économique avant la date de tombée du ministère laisse suffisamment de temps pour satisfaire à cette demande des intervenants et tenir compte d'autres commentaires.

Le rapport recommande que conformément à l'article 364 de la *Loi sur les municipalités,* le personnel des Services des recettes reçoive et traite les demandes pour l'année d'imposition 2016 et poursuive le programme pilote d'inspection des propriétés vacantes. Les Services des recettes ont établi un programme d'inspection et terminé les inspections et analyses préliminaires. Les conclusions préliminaires indiquent qu'il est possible de réaliser des économies lorsque les demandes ne satisfont pas aux critères prévus par la loi en matière de remises. Au cours de la dernière année, 171 demandes ont fait l'objet d'une inspection dans le cadre du programme ; de ce nombre, 28 ont été refusées, ce qui équivaut à des économies d'environ 102 000 $.

9. **Ajustement technique :** Le rapport recommande que la Ville adopte l'ajustement technique prévu par les règlements connexes sur l'impôt foncier pris en application de la *Loi de 2001 sur les municipalités.* Ces modifications à la réglementation ont été présentées dans le budget provincial de 2017, en réponse aux demandes des municipalités, et sont expliquées en détail dans le présent rapport.

10. **Attribution au budget de fonctionnement non lié aux services :** Le rapport recommande que les recettes fiscales supplémentaires de 4,9 millions de dollars associées à la croissance découlant de l'application de l'ajustement technique soient ajoutées au budget de fonctionnement des remises de taxes.

11. **Redevances d'eaux pluviales pour les propriétaires de terrains non raccordés au réseau en 2017 :** Le rapport recommande l'application des taux de redevances d'eaux pluviales de 2017 aux propriétaires de terrains non raccordés au réseau d'égouts sanitaires de la Ville. En 2016, le Conseil a approuvé l'ajout de nouvelles redevances d'eaux pluviales dans le barème global de redevances pour l'eau, les eaux usées et les eaux pluviales. Les redevances d'eaux pluviales couvrent les coûts liés à la prestation de services de gestion des eaux pluviales aux résidents et aux entreprises. Les services de gestion des eaux pluviales gèrent les ouvrages permettant l'évacuation sécuritaire du ruissellement de l'eau de pluie et de fonte (c'est-à-dire les ponceaux, les conduites de collecte, les fossés et les bassins de rétention des eaux pluviales) sur tout le territoire de la ville afin de protéger les voies publiques, les propriétés et les cours d'eau de la région contre les inondations et l'érosion et d'aider à protéger les eaux souterraines. Les propriétaires de terrains non raccordés au réseau se verront facturer des redevances d'eaux pluviales à un taux progressif sur leur relevé d'imposition foncière final en mai.

Suivant l'adoption du présent rapport, des règlements qui fixeront les taux d'imposition pour 2017 en fonction de l'augmentation budgétaire globale seront préparés aux fins d'approbation par le Conseil. L'augmentation budgétaire aura une incidence fiscale moyenne de 70 $ par bien résidentiel. L'incidence variera d'un secteur à l'autre de la ville en fonction des services reçus. De plus, bien que la Ville ne profite pas des changements aux évaluations annuelles, l'incidence sur chaque bien foncier diffère selon l'ampleur du changement de valeur de la propriété par rapport à la valeur des autres propriétés. La hausse d'impôts, le changement apporté suivant une réévaluation et la répartition de l'impôt par service sont indiqués au dos de chaque facture d'impôt.

BACKGROUND

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

Property taxes are calculated by multiplying assessment values determined by the Municipal Property Assessment Corporation (MPAC) under provincial legislation and tax rates set by the City and the province. MPAC conducted a re-assessment in 2016 with changes phased in through the 2017 and 2020 taxation years. This re-assessment 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 those that Council have approved in previous years' Tax Ratios and Other Tax Policies reports.

2016 Provincial Budget Update

In the 2016 Provincial Budget, *Chapter V: A Fair and Sustainable Tax System*, the Province recognized that a fair and effective property tax and assessment system is critical to support municipal services and adequately fund Ontario's school system. The Province is working with municipalities, MPAC, and other stakeholders to strengthen Ontario's property tax and assessment system.

There were a number of measures tabled in the provincial budget document that affect property taxation including:

- Providing municipalities with increased flexibility to manage the Business Property Tax Capping Program
- Continuing the review of the vacant unit rebate and vacant/excess subclasses
- Introducing a technical adjustment to the provincially prescribed property tax rate calculation

The technical adjustment in the Property Tax Rate Calculation Adjustment was tabled in response to municipal requests. The Ministry of Finance released this technical adjustment to the provincially prescribed property tax rate calculation through regulation. The adjustment is designed to ensure that when calculating tax rates, municipalities and the Province are able to address any unintended effects due to in-year property assessment changes, such as assessment appeal losses. As part of implementing the adjustment, the Province will also ensure the ongoing integrity of education property tax revenues. The impacts of this change are highlighted in this report.

In the fall of 2016, the Minister tabled the Ontario Economic Outlook and Fiscal Review highlighting the provincial review of the business Vacant Unit Rebate and Vacant/Excess Land Subclasses in consultation with municipal and business stakeholders. The review was initiated in response to stakeholders' concerns regarding the appropriateness of the lower tax level provided through these programs and any unintended implications this may have for local economies. The *2016 Budget* announced a legislative framework to facilitate increased municipal flexibility for these programs. In response to municipal requests, the Province is now moving forward with changes that will enable municipalities to better tailor the programs to reflect community needs and circumstances, while considering the interests of local businesses. As a result, the staff has initiated a fulsome review of the Vacant Rebate Program in consultation with the local business community.

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 2017:

- 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 prevent shifting the tax burdens from the commercial and industrial property classes to the residential and farm classes. This would be consistent with the City's practice in previous years.

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

The goal was for all classes (with the exception of farm land and managed forest) to reach tax ratios of 1.0, or a tax rate equal to that of the residential class. However, to meet this goal, most municipalities would have required a large tax increase on the

Residential class. In Ottawa, it is estimated that this ratio parity would result in a 17% tax increase or $177 million in additional tax burden to the residential class.

The current value assessment (CVA) changes for the major property classes between 2016 and 2017 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 6.11%. Individual properties would also experience tax shifts within the class depending on the differential away from the overall change for that class.

Table 1 - CVA Changes by class

	($ millions)		**Change**	
CLASS	**CVA 2016**	**CVA 2017**	**ANNUAL CHANGE**	**4-YEAR CHANGE**
Commercial	27,553	26,743	-2.94%	10.04%
Farm & Managed Forest	910	1,143	25.51%	102.86%
Industrial	1,437	1,486	3.47%	24.05%
Multi-Residential	7,698	7,595	-1.34%	8.39%
New Multi-Residential	740	758	2.46%	18.55%
Residential	119,348	119,321	-0.02%	4.02%
Other	295	302	2.37%	9.73%
Total	**157,980**	**157,348**	**-0.40%**	**6.11%**

During the previous assessment cycle from 2012 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, 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.

The potential tax shifts between classes are estimated for 2017 in Table 2 below before any budgetary increases should the proposed ratios not be adopted.

Table 2 - Potential tax shift by class

	($ millions)			
Taxable Class	**Tax ratio same as 2016**	**2017 Levy proposed ratio**	**2017 Potential tax shift**	**Tax change**
Commercial	363.9	361.5	-2.4	-0.66%
Farm and Man Forests	1.3	1.3	0.0	0.00%
Industrial	25.6	26.0	0.4	1.56%
Multi-Residential	93.4	95.2	1.8	1.93%
New Multi-Residential	5.1	5.1	0.0	0.00%
Residential	982.1	982.4	0.3	0.03%
Other	3.7	3.6	-0.1	-2.70%
Net Impact	**1,475.1**	**1,475.1**		

The ratios history by class is demonstrated in Table 3 below, along with the proposed ratios for 2017.

Table 3 - Tax Ratios 2015 to 2017*

	Actual	**Actual**	**Proposed**
CLASS	**2015**	**2016**	**2017**
Residential	1.000000	1.000000	1.000000
Multi-Residential	1.472410	1.424544	1.451649
New Multi-Residential	1.000000	1.000000	1.000000
Farm	0.200000	0.200000	0.200000
Managed Forest	0.250000	0.250000	0.250000
Pipe line	1.752677	1.819004	1.774830
Commercial Broad Class			
Starting Ratio Unadjusted	2.031451	2.029236	1.979981
Ending Ratio with Restriction	2.002300	2.007700	
- Commercial	1.954697	1.957020	1.926000
- Office Building	2.361496	2.364302	2.390000
- Parking Lots and Vacant Land	1.280757	1.282281	1.300000
- Shopping Centre	1.625924	1.627857	1.550000
Industrial Broad Class	2.515486	2.538339	2.574000
- Industrial	2.638686	2.662454	2.696921
- Large Industrial	2.265956	2.286367	2.315965
Landfill*			2.074366

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

Table 4 – Projected Revenue Neutral Tax Ratios 2018 to 2020*

CLASS	2018**	2019**	2020**
Residential	1.000000	1.000000	1.000000
Multi-Residential	1.424271	1.398647	1.374538
New Multi-Residential	1.000000	1.000000	1.000000
Farm	0.200000	0.200000	0.200000
Managed Forest	0.250000	0.250000	0.250000
Pipe line	1.756146	1.738414	1.721469
Commercial Broad Class	1.913188	1.852266	1.796479
- Commercial	1.868186	1.815086	1.766146
- Office Building	2.263325	2.198301	2.138408
- Parking Lots and Vacant Land	1.227515	1.192249	1.159766
- Shopping Centre	1.503472	1.460738	1.421352
Industrial Broad Class	2.498867	2.429722	2.365856
- Industrial	2.615836	2.541515	2.473016
- Large Industrial	2.246334	2.182512	2.123688
Landfill	TBD	TBD	TBD

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

FARM AND MANAGED FOREST TAX RATIOS

Provincial Legislation prohibits the tax ratios for the Farm and Managed Forest classes from exceeding 0.25. In 2004, the City of Ottawa was the first in the Province to drop their farm class tax ratio by 20% to a ratio of 0.20. In the past few years many other Ontario municipalities have followed suit. In Ottawa, this reduction of the ratio from 0.25 to 0.20 equates to approximately $400,000 in annual savings to this class. The farm class has experienced a reassessment change of 102.9% for the 2017-2020 tax cycle which is significantly higher than the Residential class which has experienced an increase of 4.02%. As a result, the average farm property owner in the rural areas will experience an average tax increase of 26% or $100 annually related to the change in reassessment over the current cycle, before any budgetary increases. There are fewer than 3,700 farm properties in the City of Ottawa. In 2017, the average farm class has municipal property tax burden of approximately $500.

MULTI-RESIDENTIAL TAX RATIO

As proposed in Table 3, the Multi-Residential (MR) ratio of 1.4516 in 2017 is 38% lower than the ratio of 2.3359 in 1998. As part of the December 2016 Economic Outlook, the Province of Ontario expressed concerns about the higher property tax burden for multi-residential class and its effect on housing affordability. In response to these concerns, the Province announced it would undertake a review of the property taxation of multi-residential and in the meantime, issue a regulation to freeze the tax burden on this class for 2017. In March, 2017 the province released the regulation which reduced the maximum ratio to from 2.74 to 2.0, pending a review of the Multi Residential class. The City’s ratio falls below this provincially mandated maximum ratio, therefore, there is no impact of this mandated change.

Comparisons have been drawn between the Residential class and the Multi residential class, however due to the different assessment methodology used in the Multi Residential class and the limitations of comparative properties with the Residential class, establishing the MR ratio is challenging. This issue is compounded by the fact that widely different property types are grouped in a handful of broad classes leaving Council with little flexibility to correct real or perceived inequities by the use of a single ratio applied to the MR class or other classes.

Another challenge in establishing the ratio relates to the unpredictability of the economy. The MR class will phase in an increase of 8.39% in assessment value from 2017 to 2020 with a forecasted corresponding drop in the ratio starting in 2018. 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 18.6%.

COMMERCIAL TAX RATIO

In 1998, provincial “range of fairness” thresholds were established for the commercial class of 1.98 and industrial class of 2.63. Prior to 2004, all municipalities with classes that exceeded these levels were unable to pass on any annual tax increases to these classes. Starting in 2004, this was partially addressed by allowing 50% of the annual tax increase for those classes that were above these thresholds. In Ottawa, the broad commercial class tax ratio was over the provincial threshold from 2004 to 2010 but below the threshold of 1.98 for 2011, 2012 and 2013 and therefore subject to the full 100% of those annual tax increases.

The commercial ratio exceeded this level from 2014 to 2016 and was subject to the commercial levy restriction for the last three years of the previous cycle. The shortfall is borne by all other classes especially the residential class, which is the largest class. This has resulted in a permanent tax shift between $3 and $4 million per year and an annual increase of 0.3% for the other classes. The commercial class will phase in an increase of 10% in assessment value from 2017 to 2020 with a corresponding drop in the ratio over the next four years.

In 2017, it is proposed that the ratio be reduced from the revenue neutral ratio of 2.029 to 1.979 which is below the range of fairness and therefore the commercial class shares equally in the annual tax increase. The reduction of the commercial ratio will result in a permanent net tax shift of $4.8M away from the commercial broad class to other classes. The impact to all other classes resulting from this shift will be an additional increase 0.7% in taxation for 2017. The average commercial property will effectively see a 2.14% decrease in taxes from 2016 to 2017. The lifting of the commercial class restriction will result in an additional $3.1M in 2017. With the corresponding drop in the commercial ratio from 2017 to 2020, the commercial class will share equally in the annual tax increases over the next four years.

With the proposed commercial class ratio for 2017, the city has gone slightly below the range of fairness ratio of 1.98. Reducing the tax ratio for commercial properties also helps businesses in a time of low economic growth and will minimize the impact on the city of remissions and payments for vacancy rebates.

LANDFILL RATIO

In early 2017, the Minister of Finance confirmed the creation of a property class for landfills to recognize the complex nature of the ownership of landfills and the importance of providing municipalities with flexibility to manage the local level of taxation. The creation of a separate property class for landfills provides municipalities with the tools necessary to tailor the impacts locally and to deal with specific circumstances. The creation of a separate property class for landfills also provide municipalities with flexibility to ensure they receive an adequate level of revenue and that other taxpayers don’t see a disproportionate impact as a result of assessment changes for landfills.

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

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. This report recommends that the ratios for these subclasses be set at:

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

- 65% of the applicable industrial property class tax ratio for vacant or excess industrial land, industrial and large industrial excess land.

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

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

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.

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 - 75.0% 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.

4. Tax Rates

Tax rates are determined through calculations which involve the budgetary tax levy requirement approved in the 2017 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.

The current assessment cycle saw a drop in residential condominium values. The *Municipal Act* requires that the tax benefit of any drop in assessment be fully realised in the first year, while any increases in assessment will be phased in over the assessment cycle. This being the first year of the 2017-2020 assessment cycle, residential condominiums which are decreasing in assessment will generally see a drop in taxation while other residential properties that are increasing will see a higher reassessment increase this year as a result of the tax shifting within the residential class.

By-laws establishing the 2017 tax rates will incorporate the 2% budget increase. Properties will also experience a reassessment impact as a result of tax shifting within the class or between classes as is common in the first year of a reassessment cycle. The result is an average property tax budgetary increase of approximately $70, or 2% for an urban residential taxpayer. 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.

Revenue Services staff recommends that the tax rates for 2017 be established based on the ratios adopted herein.

5. Changes to the 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 2017 are summarized as follows:

Capping parameter to be 10% of Annualized tax – The major disadvantage of the original capping program and a continuous cycle of re-assessments is that many of the capped properties within the City and the Province of Ontario would never reach their full CVA taxes. In order to rectify this situation, the Ministry provided flexibility to Council to increase the 5% parameter up to 10%. Council provided notification in the 2005 tax policy submission that this change would be implemented for 2006 and subsequent years. Council has approved this change for each year since 2006 as part of the tax policy submission process. Revenue Services staff recommends this change for 2017 as well. A decision not to implement this option each year would mean the capping parameter would revert to 5%.

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

Revenue Services staff recommends that capping parameters be approved at the higher of 10% of the previous year's annualized tax or 5% of the 2017 Current Value Assessment (CVA) taxes.

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

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

Clawback Recovery - In order to determine how much taxation has to be “clawed back” from those taxpayers in the class whose taxes were decreasing, a percentage is calculated which when added to their taxes, finances the taxation shortfall. Council must approve this percentage, known as the clawback percentage. In 2017, the clawback requirement will decrease (see discussion of new capping option for properties at CVA tax level below). A recovery by-law to approve the final clawback percentages will be submitted for Council approval at a later date.

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

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

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

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

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

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

Table 5 - Historical Capping Summary

Property Class	Year	Number of Properties Protected	Value of Protection	Number of Properties Clawed Back
Multi-Residential	2012	8	$27,823	110
	2013	6	$17,296	58
	2014	2	$8,571	20
	2015	1	$4,383	9
	2016	1	$2,202	6
Commercial	2012	133	$3,051,360	1,234
	2013	101	$2,309,289	971
	2014	83	$1,767,150	444
	2015	68	$1,059,197	351
	2016	58	$841,289	341
Industrial	2012	173	$843,474	79
	2013	126	$599,238	78
	2014	99	$488,793	42
	2015	59	$371,235	26
	2016	55	$366,929	25

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 % 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 (OPTA) 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. Tax Treatment for New Construction Properties

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

Revenue Services staff recommends that the tax level for “new construction” properties be set at a minimum level of 100% of their CVA taxes for 2017 and future taxation years.

7. Tax Mitigation Programs

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

- The provision of a 40% tax rebate to charitable organizations as defined and required in the legislation.
- Tax rebate of:
  - 100% to any church leasing space to houses of refuge and similar purpose registered charities.
  - 100% for non-profit, non-home-based licensed child care centres for space occupied for child care purposes.
  - 100% of education portion for properties used and occupied by the Royal Canadian Legion and The Polish Combatant's Association of Canada identified in Schedule "A" of By-law no. 2007-476.
- The provision of partial tax relief (increase deferral) program for low-income seniors and persons with disabilities.
- The provision of a complete tax deferral program for low-income seniors and persons with disabilities.
- The Farm Grant Program.
- Tax relief under Municipal Capital Facility Agreements.

CHARITABLE REBATE PROGRAM

In Ontario, charitable organizations are not exempt from property taxation. However, as required by the *Municipal Act, 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.

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 MPAC.
- Calculation details are provided to the charity.
- The payment of rebates is within the timeframes set by the *Municipal Act* (at least 50% within 60 days of receipt of the application; the balance within 120 days).
- Interest as required by the *Municipal Act* is paid if the City fails to rebate within the mandated timelines.
- Upon assessment changes, charity rebates are recalculated and funds owed by and to charities are recovered or remitted depending on whether the charity has had an actual change in the taxes it paid based upon the assessment change.

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

Revenue Services administers the Charitable Rebate Program under the Charitable Rebate Policy. Rebate applications can be received up to the last day of February of the year following the taxation year in respect of which the application is made. For the 2015 taxation year, 252 charitable rebate applications totalling approximately $2.2M (municipal portion) were processed. Specific details relating to charitable rebates are on file with the Revenue Services.

TAX DEFERRAL PROGRAM

The City has two property tax deferral programs for low-income seniors and low-income persons with disabilities. The first is a program required by the *Municipal Act, 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 at December 31, 2016, there were 110 taxpayers on the program. On average, the annual deferral is about $3,434. The amount of taxes deferred for those taxpayers in 2016 was $377,701 for a total taxes deferred amounting to $2,293,087. The income threshold for 2017 is $41,130 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 February 28 of the relevant tax year.

FARM GRANT PROGRAM

In 2006, Council approved a tax mitigation program for farmers because of economic challenges facing farmers. The Farm Grant Program (FGP) allowed eligible farmers to defer payment of their final tax bill (normally due in June) to December. The administration, printing and mailing costs are estimated to be up to $30,000 annually. Staff reviewed the program offering in 2016/2017 and received support to continue with the program offering this tax year. While the take-up on this program remains limited (477of 3,676 farm properties) for 2016, in response to rural concerns, the program is being recommended to be continued for 2017.

Revenue Services staff recommends that the property tax mitigation programs be continued for 2017, including the Charitable Rebate program, the Farm Grant Program and the Low Income Seniors and Persons with Disabilities Complete Tax Deferral Program as previously approved by Council.

8. Vacancy Rebate Program and Inspection Pilot

Prior to 2001, vacant units were identified on the Assessment Roll and identified as having been vacant in the previous year for a specified period of time (ex. July to September). The Government of Ontario decided to adopt a real-time approach for 2001 and subsequent years. To facilitate, the *Municipal Act, 2001* included the new section 364 (Vacant unit rebate) along with the accompanying *Ontario Regulation 325/01.*

The *Municipal Act* requires the City of Ottawa to provide a property tax rebate for eligible vacant units. The main criteria for eligibility are: the unit (or portion) was vacant for more than 90 consecutive days during the taxation year and the property is in any of the commercial or industrial classes. In order to claim the vacancy rebate, property owners must submit an application before the last day of February of the year following the taxation year in respect of which the application is made. This mandatory program provides a 30% rebate of taxes for eligible property in the commercial classes and a 35% rebate for eligible property in the industrial classes.

In the fall of 2016, the Province of Ontario announced its intent to provide municipalities with increased flexibility to manage the Vacant Rebate Tax program. Municipalities were given an aggressive timeline in which to submit a proposal to the Ministry of Finance. The City of Ottawa must submit a proposal to the Ministry of Finance by the final deadline of July 1, 2017 in order for the Ministry to review and implement changes in 2017 to Ottawa’s Vacancy Rebate Tax program. A review of the Vacancy Rebate Tax program is underway and a separate report will be presented to the Finance and Economic Development Committee prior to the Ministry deadline. The report will make recommendations regarding the Vacancy Rebate Tax Program for the 2017 tax year and beyond. Stakeholder consultation has been undertaken and impacted groups have requested additional time to provide feedback to staff for consideration in preparation of recommendations. The preparation of the report at a future Finance and Economic

Development Committee for the Vacancy Rebate Program allows time to accommodate this request from stakeholders and consider further input.

Last year's applications have yet to be finalized. For the 2015 taxation year, 920 vacancy rebate applications totalling approximately $13.7M (municipal portion) were processed. Specific details relating to vacancy rebates are on file with Revenue Services.

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

- Calculation of the vacancy rebate on eligible property based on the apportioned assessment provided by MPAC;
- Payment of interest as required by the *Municipal Act* if the City fails to issue the rebate within stipulated deadlines; and
- Recalculation of vacancy rebates upon assessment changes (for example, following an Assessment Review Board decision) and the associated recovery of any overpayment resulting from an assessment decrease or associated additional payment resulting from an assessment increase.

For the 2016 tax year applications, staff recommends the program continue with the prescribed parameters in the *Municipal Act*.

VACANCY INSPECTION PROGRAM PILOT:

Following Council approval of a recommendation that the Revenue Services establish a pilot vacancy program in 2015, Revenue Services staffed a vacancy inspection position in November 2015. Since then, staff have developed an inspection program and completed preliminary inspections and analysis. The findings show that there are savings where applications fail to meet the legislated criteria for rebates; over the last year the program has inspected 171 applications resulting in 28 applications being denied which equates to approximately $102,000 in savings.

Staff recommends that Revenue Services continue the pilot vacancy inspection program in 2017.

9. Technical Adjustments

The Province introduced regulatory amendments that allowed municipalities to include an adjustment for assessment appeal losses from the prior years in the determination of assessments that is used as a starting point to establish that annual maximum property tax levy amount for the following taxation year. The Minister of Finance requires municipalities to confirm by by-law the implementation of the technical adjustment. This report recommends that staff confirm by by-law the implementation of the technical adjustment for the City of Ottawa prescribed in the property tax related regulations made under the *Municipal Act, 2001*.

10. Allocation to the remissions operating budget:

As part of the annual budget exercise, the city provides an estimate of assessment growth and its associated revenue. Typically, the detailed data is not available to staff around the budget tabling timelines. Staff have completed an analysis of the 2016 year end assessment data from MPAC and confirmed an additional $4.9M in growth for 2017 as a result of the application of the technical adjustment. The report recommends this additional tax revenue of additional growth identified from the application of the technical adjustment be added to the remissions operating budget to deal with any deficit areas in 2017.

11. 2017 Stormwater Fee for Unconnected Properties

On October 26, 2016, Council approved a new stormwater fee, as explained in the report to Council: “Recommended Water, Wastewater, and Stormwater Rate Structure (ACS2016-CSD-FIN-0008).” As recommended in the “2017 Draft Operating and Capital Budgets (ACS2016-FIN-0012)” report, the final 2017 Stormwater Fee schedule will be brought forward to the Finance and Economic Development Committee as part of the 2017 Tax Rate and Ratio report.

The stormwater fee recovers the cost of delivering stormwater management services to residents and businesses. Stormwater services manage the safe transportation of rain and meltwater runoff (i.e. culverts, collection pipes, ditches, storm ponds) throughout the city to protect roads, properties and local waterways from flooding and erosion and help with groundwater protection.

Currently, the stormwater fee is included in the sewer surcharge on the water bill and is charged based on water consumption. The new stormwater fee is a fixed fee that will be charged separately on the water bill and for those that do not receive a water bill it will appear on their tax bill.

In 2017, the stormwater fee will be charged to non-connected properties as part of their final 2017 property tax bill. Not connected properties that receive a water bill will see this charge on their water bill starting 2018. A non-connected property is defined by a property not connected to the City's wastewater service and typically has a private septic system. It includes residential, commercial, industrial and institutional properties, including parking lots and vacant properties with impervious structures. The Municipal Property Assessment Corporation (MPAC) assigns a property code to all properties in Ontario based on its physical characteristics and predominant use. Properties exempt from this fee are those classified by MPAC as agricultural and forested land without buildings; and any undeveloped vacant land. Since this is a new charge for non-connected property owners, the stormwater fee will be phased in over four years (25% per year) for non-connected properties only.

Connected properties will begin to pay a designated stormwater fee on their water bill in January 2018, as part of a new water billing system being implemented. Connected properties with multiple water bills may be billed on the Tax bill.

The new stormwater rate is intended to reflect a property's respective contribution to runoff and the benefit received from stormwater management services. A single or semi-detached home will be charged a base rate. A townhouse or apartment will receive a 50% discount from the base rate. As well, an urban non-connected property will receive a 30% discount, while a rural non-connected property will receive a 50% discount. For industrial, commercial, and institutional (ICI) properties, the stormwater rate is a flat fee based on property assessment ranges. Rural non-connected ICI properties will receive a 30% discount on their stormwater charge.

Table 6 and 7 lists the 2017 stormwater rates that will be charged to non-connected properties on their final property tax bills in May:

Table 6 - Residential and Multi-Residential

Land Use Type		2017 Annual Fee	2017 25% Phase-in Annual Fee
Single/ Semi	Urban Non-connected	$77.90	$19.48
	Rural Non-connected	$55.64	$13.92
Apt/ Town	Urban Non-connected	$39.85	$9.74
	Rural Non-connected	$27.82	$6.96

Table 7 - Industrial, Commercial, and Institutional (ICI)

Assessment Ranges	Area	2017 Annual Fee	2017 25% Phase-in Annual Fee
0-300K	Urban Non-connected	$52.14	$13.04
0-300K	Rural Non-connected	$36.50	$9.13
300K-1M	Urban Non-connected	$246.76	$61.70
300K-1M	Rural Non-connected	$172.73	$43.19
1M-5M	Urban Non-connected	$920.42	$230.11
1M-5M	Rural Non-connected	$644.30	$161.08
5M-20M	Urban Non-connected	$4,035.08	$1,008.78
5M-20M	Rural Non-connected	$2,824.56	$706.14
20M-50M	Urban Non-connected	$12,213.57	$3,053.40
20M-50M	Rural Non-connected	$8,549.50	$2,137.38

Assessment Ranges	Area	2017 Annual Fee	2017 25% Phase-in Annual Fee
50M-100M	Urban Non-connected	$29,477.33	$7,369.34
50M-100M	Rural Non-connected	$20,634.13	$5,158.54
100M-150M	Urban Non-connected	$49,445.72	$12,361.44
100M-150M	Rural Non-connected	$34,612.01	$8,653.01
Over 150M	Urban Non-connected	$104,708.97	$26,177.25
Over 150M	Rural Non-connected	$73,296.28	$18,324.07

As mentioned in the “Recommended Water, Wastewater, and Stormwater Rate Structure” report further validation was required to establish stormwater rates that are more representative of the benefit each property receives. Therefore, adjustments have been made to the ICI Assessment Ranges to better reflect the distribution of properties within each tier compared to what was shown in the October 2016 Report to Council. The second tier of $300K - $2M was changed to $300K - $1M, the third tier of $2M - $8M was changed to $1M - $5M and the fourth tier of $$8M - $20M was changed to $5M - $20M; the seventh tier of $100M - $200M was changed to $100M - $150M and the final tier was changed from Over $200M to Over $150M.

12. Other Taxation Issues

Property Reassessment Cycle, 2016 to 2020

New assessment notices were sent to all property owners over the latter part of 2016, to any new owners or subject to any assessment changes. The current value increases between January 1, 2012 and January 1, 2016 are phased in equally over the four taxation years 2017 to 2020. Any assessment decreases are realized immediately. The Request for Reconsideration (RFR) is the first part of the appeal process (large commercial properties are not required to first file a Request for Reconsideration) with the final stage being the formal appeal to the Assessment Review Board. The filing deadline for RFRs has now been amended to be 120 days from the Property Assessment Notice Issuance date. The property owner has ninety days after MPAC has notified them of the RFR decision to file an Appeal with the Assessment Review Board.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

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

COMMENTS BY THE WARD COUNCILLOR(S)

There were no comments provided by Ward Councillors.

ADVISORY COMMITTEE(S) COMMENTS

This section contains any comments or recommendations made by one or more Advisory Committees relating to this 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 implementing the recommendation in this report.

FINANCIAL IMPLICATIONS

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

ACCESSIBILITY IMPACTS

There are no accessibility impacts of 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 2017 final tax bills.

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