Subject: 2022 TAX RATIOS AND OTHER TAX POLICIES

File Number: ACS2022-FSD-REV-0002

Report to Finance and Economic Development Committee on 5 April 2022

and Council 13 April 2022

Submitted on March 25, 2022 by Joseph Muhuni, Deputy City Treasurer (A), Revenue Services

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Ward: Citywide

Objet : COEFFICIENTS FISCAUX ET AUTRES POLITIQUES D’IMPOSITION DE 2022

Dossier : ACS2022-FSD-REV-0002

Rapport au Comité des finances et du développement économique le 5 avril 2022

et au Conseil le 13 avril 2022

Soumis le 25 mars 2022 par Joseph Muhuni, Trésorier municipal adjoint (T), Recettes

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend that Council:

1. Adopt the following optional property tax classes in 2022:

- **Shopping Centre property class**

- **Parking Lot and Vacant Land property class**
- **Office Building property class**
- **Large Industrial property class**
- **New Multi-Residential property class**
- **Professional Sports Facility property class.**

2. Adopt the following tax ratios for 2022:

Property Class	**Ratio****
Residential	1.00000
Multi-Residential	1.39606
New Multi-Residential	1.00000
Farm	0.20000
Managed Forest	0.25000
Pipeline	1.71989
Commercial Broad Class	1.89905
Commercial*	1.86924
Office Building*	2.31963
Parking Lot and Vacant Land*	1.26173
Shopping Centre*	1.50437
Professional Sports Facility	1.86924
Industrial Broad Class	2.41570
Industrial*	2.54076
Large Industrial*	2.18186
Landfill	2.76371

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

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

3. Adopt the following tax ratios, discounts and by-laws for the mandatory and optional property subclasses and the tax rate percentage reduction for farm land awaiting development:

- **Small business subclass (commercial and industrial): 92.5 per cent of the applicable Commercial and Industrial property tax class ratio**

- **Commercial excess land (commercial, office building and shopping centre property classes): 85 per cent of the applicable commercial property class tax ratio**

- **Industrial and large industrial excess land: 82.5 per cent of the applicable industrial property class tax ratio**

- **Vacant industrial land: 65 per cent of the applicable Industrial property class tax ratio**

- **Industrial and large industrial excess land: 82.5 per cent of the applicable industrial property class tax ratio**

- **Farm land awaiting development subclass I: 75 per cent of the residential property class tax ratio and the corresponding tax rate percentage reduction for the residential, multi-residential, commercial and industrial property classes**

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

- **Small-scale business on farm subclass: 25 per cent of the applicable commercial or Industrial property class tax ratio for the first $50,000 of assessment.**

4. **Approve that the tax rates for 2022 be established based on the ratios adopted herein.**

5. **Approve that the 2022 capping and clawback provisions be as follows:**

   - **That capping parameters be approved at the higher of 10 per cent of the previous year's annualized tax or five per cent of the 2022 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.**

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

6. **Approve that the property tax and water mitigation programs previously approved by Council be continued for 2022 as follows:**

    - **Charitable Rebate Program**
    - **Farm Grant Program**
    - **Low-Income Seniors and Persons with Disabilities Tax Deferral Program**
    - **Low-Income Seniors and Persons with Disabilities Water Deferral Program.**

7. **Adopt the notional tax rate adjustment for the City of Ottawa as prescribed in the property tax-related regulations made under the *Municipal Act, 2001.***

8. **Approve that $5.1 million in additional tax revenue from the application of the notional tax rate adjustment be allocated as follows:**

    - **$2.3 million be contributed to the assessment growth for 2022**
    - **$2.8 million be contributed to the Tax Stabilization Reserve.**

9. **Approve that the 2023 property tax and due date provisions be as follows:**

    - **That the interim 2023 property tax billing be set at 50 per cent of the 2022 adjusted/annualized taxes as permitted by legislation.**
    - **That the following tax due dates be approved for 2023:**

        i. **Interim: March 16, 2023**

        ii. **Final: June 15, 2023.**

    - **That the penalty and interest percentage charged on overdue and unpaid tax arrears remain at 1.25 per cent per month (15 per cent per year) for 2023, unchanged from 2022.**
    - **That Council enact a by-law to establish the 2023 interim taxes, tax due dates, penalty and interest charges.**

10. **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)**
    - **$75 per student place in provincial educational institutions, pursuant to Section 323 (5).**

11. **Approve the amendment to the Municipal Capital Facility By-law 2015-28 and associated Municipal Capital Facility Agreement (MCFA) to extend the term to December 31, 2026, or until the property ceases to operate and provide the same services under the provisions of the MCFA at this location, whichever event occurs first.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil de prendre les mesures suivantes :

1. **Adopter les catégories d’impôts fonciers facultatives suivantes pour 2022 :**

    - **Centres commerciaux**
    - **Parcs de stationnement et terrains vacants**
    - **Immeubles de bureaux**
    - **Grands biens-fonds industriels**
    - **Nouveaux immeubles à logements multiples**
    - **Installations sportives professionnelles.**

2. Adopter les coefficients fiscaux suivants pour 2022 :

Catégorie	**Coefficient****
Résidentiel	1,00000
Immeubles à logements multiples	1,39606
Nouveaux immeubles à logements multiples	1,00000
Biens-fonds agricoles	0,20000
Forêts aménagées	0,25000
Pipelines	1,71989
Catégorie commerciale générale	1,89905
Secteur commercial*	1,86924
Immeubles de bureaux*	2,31963
Parcs de stationnement et terrains vacants*	1,26173
Centres commerciaux*	1,50437
Installations sportives professionnelles	1,86924
Catégorie industrielle générale	2,41570
Biens-fonds industriels*	2,54076
Grands biens-fonds industriels*	2,18186
Décharges	2,76371

** Y compris les nouvelles catégories de construction aux fins de la répartition de l'impôt scolaire applicable aux entreprises.*

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

3. Adopter les coefficients fiscaux, les remises et les règlements municipaux suivants pour les sous-catégories de biens obligatoires et facultatives et la réduction du taux d'imposition pour les terres agricoles en attente d'aménagement :

- **Sous-catégorie visant les petites entreprises (commerciales et industrielles) : 92,5 % du coefficient d'impôt applicable à la catégorie des biens-fonds commerciaux ou industriels**

- **Terrains commerciaux excédentaires (catégories des biens commerciaux, des immeubles de bureaux et des centres commerciaux) : 85 % du coefficient fiscal applicable à la catégorie des biens commerciaux**

- **Terrains industriels et grands terrains industriels excédentaires : 82,5 % du coefficient fiscal applicable à la catégorie des biens industriels**

- **Terrains industriels vacants : 65 % du coefficient fiscal applicable à la catégorie des biens industriels**

- **Terrains industriels et grands terrains industriels excédentaires : 82,5 % du coefficient fiscal applicable à la catégorie des biens industriels**

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

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

- **Sous-catégorie visant les petites entreprises exploitées à la ferme : 25 % du coefficient fiscal applicable à la catégorie des biens industriels ou des biens commerciaux pour les premiers 50 000 $ de l'évaluation.**

4. **Approuver que les taux d'imposition pour 2022 soient basés sur les coefficients fiscaux adoptés par les présentes.**

5. **Approuver que les paramètres de récupération fiscale et de plafonnement pour 2022 soient les suivants :**

    - **Que le plafonnement soit établi au montant le plus élevé entre 10 % des impôts annualisés de l'année précédente ou à 5 % de l'évaluation de la valeur actuelle des impôts de 2022.**

    - **Que les biens plafonnés ou auxquels s'applique un seuil de récupération fiscale et dont l'écart entre les impôts annualisés recalculés et les impôts établis d'après l'évaluation de la valeur actuelle est égal ou inférieur à 250 $ soient imposés d'après l'évaluation de leur valeur actuelle pour l'année en cours et exclus de tout autre rajustement relatif au plafonnement.**

- **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 imposés d'après l'évaluation de leur valeur actuelle et soient exclus de tout autre rajustement relatif au plafonnement.**

- **Que les biens qui passent de la catégorie des biens plafonnés à celle de la récupération fiscale restent assujettis au rajustement relatif à la récupération.**

6. **Approuver que soient maintenus les programmes suivants d'allégement de l'impôt foncier et de la taxe d'eau déjà approuvés par le Conseil :**

    - **Programme de remboursements offerts aux organismes de bienfaisance**

    - **Programme de subventions pour terres agricoles**

    - **Programme de report des taxes foncières pour aînés et personnes handicapées à faible revenu**

    - **Programme de report de paiement de la facture d'eau pour les personnes âgées et les personnes handicapées à faible revenu.**

7. **Adopter le rajustement du taux d'imposition théorique 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*.**

8. **Approuver que les 5,1 millions de dollars en recettes fiscales supplémentaires issus du rajustement du taux d'imposition théorique soient ainsi répartis :**

    - **2,3 millions de dollars affectés à la croissance de l'évaluation foncière pour 2022**

    - **2,8 millions de dollars affectés au fonds de réserve pour la stabilisation des taxes.**

9. **Approuver les paramètres du relevé d'imposition foncière et des dates d'exigibilité suivants pour 2023 :**

    - **Que le relevé d'imposition foncière provisoire pour 2023 soit établi à**

50 % des impôts annualisés ou rajustés de 2022, comme l'autorise la loi.

- **Que les dates d'exigibilité des impôts suivantes soient approuvées pour 2023 :**
    - i. **Provisoire : 16 mars 2023**
    - ii. **Définitive : 15 juin 2023.**
- **Que le taux de pénalité et d'intérêt facturé sur les impôts impayés et les arriérés d'impôts demeure au taux de 1,25 % par mois (15 % par année) pour 2023, comme en 2022.**
- **Que le Conseil adopte un règlement visant à établir l'impôt provisoire, les dates d'exigibilité, les pénalités et les intérêts pour 2023.**

10. **Adopter un prélèvement annuel auprès des établissements admissibles, conformément à l'article 323 de la *Loi de 2001 sur les municipalités* et au Règlement de l'Ontario 384/98 comme suit :**
    - **75 $ par étudiant à temps plein inscrit pour les collèges et universités, conformément au paragraphe 323 (1)**
    - **75 $ par résident pouvant être accueilli pour les établissements correctionnels, conformément au paragraphe 323 (2)**
    - **75 $ par lit reconnu pour les hôpitaux publics, conformément au paragraphe 323 (3)**
    - **75 $ pour chaque place accessible pour les établissements provinciaux d'enseignement, conformément au paragraphe 323 (5).**
11. **Approuver la modification du Règlement sur les immobilisations municipales (n^{o} 2015-28) et de l'accord relatif aux immobilisations municipales connexe en vue de prolonger ce dernier jusqu'au 31 décembre 2026, ou jusqu'à ce que cessent les activités relatives à l'établissement et que changent les services en vertu des dispositions de l'accord relatif aux immobilisations municipales, la première des deux éventualités prévalant.**

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 2022 taxation year.

1. **Optional Property Tax Classes**: The report recommends that Council approve the use of all the optional property classes permitted by the *Assessment Act*, as it has done in the past. These ratios allow for different taxation levels within the property classes and minimize the tax burden shifting between the broad tax classes.

2. **Tax Ratios**: Council must approve tax ratios for various tax classes each year. These ratios allow different tax burdens between the property classes. The report recommends that Council adopt the ratios proposed to mitigate inter-class tax shifts.

3. **Mandatory and Optional Subclass Discounts**: The report recommends ratios for the property subclasses and the corresponding tax rate discounts. The recommended discounts are consistent with the previous year and implement the small business tax subclass.

4. **Tax Rate**: The report recommends that tax rates be established based on the ratios in this report and the overall budgetary tax increase approved by Council 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 CVA taxes have been approved annually by Council since 2005 and are recommended again for 2022.

6. **Tax Mitigation Programs**: The report recommends Council continue the following tax mitigation programs for 2022:

    - Charitable Rebate Program
    - Farm Grant Program
    - Full Property Tax Deferral for Low-Income Seniors and Persons with Disabilities

- Full Water Utility Bill Deferral Program for Low-Income Seniors and Persons with Disabilities.

7. **Notional Tax Rate Adjustment**: The report recommends that Council adopt the notional tax rate 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**: The report recommends that the $5.1 million of additional growth identified from the application of the notional tax rate adjustment be allocated as follows:

   - $2.3 million be contributed to assessment growth for 2022

   - $2.8 million be contributed to the Tax Stabilization Reserve

9. **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 per cent, 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 $75 per full-time student in attendance at universities and colleges, $75 per resident place in correctional institutions, $75 per bed in public hospitals and $75 per place in provincial educational institutions. The levies are established based on the appropriate capacities.

11. **Municipal Capital Facilities Extension:** City Council is required to amend the Municipal Capital Facility By-law 2015-28 to extend the Municipal Capital Facilities Agreement to December 31, 2026, to ensure that the tax exemption remains while the Inuuqatigiit Centre for Inuit Children, Youth and Families continues to offer social and health services to the youth community.

Following this report's adoption, by-laws establishing the 2022 tax rates incorporating the overall budgetary increase are prepared for Council approval. The overall budgetary tax increase on the average urban home assessed at $415,000 results in an average urban residential tax impact of approximately $119. The impact varies in different areas of the City, depending on the services received. 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 service are listed on the back of each tax bill.

RÉSUMÉ

Le fait état des recommandations sur l'impôt foncier que le Conseil municipal doit examiner chaque année en application de la *Loi de 2001 sur les municipalités*. Les décisions à prendre déterminent la charge fiscale des différentes catégories de taxes pour l'année d'imposition 2022.

1. **Catégories optionnelles de biens-fonds pour l'impôt foncier :** Dans le rapport, on recommande au Conseil municipal d'approuver, comme il l'a fait auparavant, l'utilisation de toutes les catégories optionnelles de biens-fonds prévues dans la *Loi sur l'évaluation foncière*. Les coefficients correspondent à différents niveaux d'imposition dans les catégories de biens-fonds et minorent la charge fiscale répartie entre les grandes catégories de biens-fonds.

2. **Coefficients fiscaux :** Le Conseil doit chaque année approuver les coefficients fiscaux des différentes catégories d'imposition. Ces coefficients correspondent à des charges fiscales différentes parmi les catégories de biens-fonds. Dans le rapport, on recommande au Conseil municipal d'adopter les coefficients proposés afin de minorer les transferts d'impôts entre les catégories.

3. **Réductions dans les sous-catégories obligatoires et optionnelles** : Dans le rapport, on recommande d'adopter des coefficients pour les sous-catégories de biens-fonds et les réductions correspondantes des taux d'imposition. Les réductions recommandées cadrent avec celles de l'année précédente et viennent mettre en œuvre la sous-catégorie de l'impôt foncier des petites entreprises.

4. **Taux d'imposition :** Dans le rapport, on recommande d'établir les taux d'imposition d'après les coefficients recommandés dans le rapport et la hausse d'impôt budgétaire globale approuvée par le Conseil municipal avec les règlements correspondants.

5. **Règlements sur le plafonnement :** Les biens-fonds commerciaux, industriels et à logements multiples font l'objet d'un programme de plafonnement obligatoire qui limite les hausses d'impôts découlant d'une réévaluation. Le Conseil municipal

approuve chaque année, depuis 2005, les modifications qui sont destinées à accélérer l'évolution du traitement des biens-fonds plafonnés selon les impôts fonciers réels correspondant à l'expertise de la valeur actuelle (EVA) et qui sont de nouveau recommandées pour 2022.

6. **Programmes d'allégement de la charge fiscale :** Dans le rapport, on recommande au Conseil municipal de reconduire en 2022 les programmes d'allégement de la charge fiscale suivants :

   - le Programme de remboursements offerts aux organismes de bienfaisance
   - le Programme de subventions pour terres agricoles
   - le Programme de report complet des taxes foncières pour les aînés et les personnes en situation de handicap à faibles revenus
   - le Programme de report de paiement de la facture d'eau complète pour les aînés et les personnes en situation de handicap à faible revenu.

7. **Redressement du taux d'imposition théorique :** Dans le rapport, on recommande au Conseil municipal d'adopter le redressement du taux d'imposition théorique prévu dans les règlements d'application liés à l'impôt foncier en vertu de la *Loi de 2001 sur les municipalités*. Les modifications apportées à ces règlements ont été déposées dans le budget provincial de 2016 en réaction aux demandes des municipalités et sont précisées dans ce rapport.

8. **Dotation du budget de fonctionnement** : Dans le rapport, on recommande de répartir comme suit les recettes de 5,1 millions de dollars au titre de la croissance supplémentaire définie dans la foulée de l'application du redressement du taux d'imposition théorique :

   - 2,3 millions de dollars à consacrer à la croissance de l'évaluation foncière pour 2022
   - 2,8 millions de dollars à consacrer au fonds de réserve pour la stabilisation des taxes.

9. **Relevé d'imposition foncière et dates d'exigibilité :** S'agissant de la perception de l'impôt foncier, la *Loi de 2001 sur les municipalités* oblige le Conseil municipal à approuver, par règlement municipal, un relevé d'imposition provisoire à

concurrence de 50 %, les dates d'exigibilité de l'impôt, les versements échelonnés et les dates d'exigibilité permettant aux contribuables d'échelonner plus uniformément sur l'année le paiement de l'impôt, ainsi que les pénalités et les taux d'intérêt exprimés en pourcentage.

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 75 $ pour chacun des étudiants à temps plein fréquentant les universités et les collèges, 75 $ pour chacun des résidents des établissements correctionnels, 75 $ par lit dans les hôpitaux publics et 75 $ par place d'étudiant dans les établissements provinciaux d'enseignement. Les prélèvements sont établis d'après la capacité des établissements.

11. **Prorogation de l'accord relatif aux immobilisations municipales :** Le Conseil municipal doit modifier le Règlement sur les immobilisations municipales 2015-28 afin de proroger jusqu'au 31 décembre 2026 l'Accord relatif aux immobilisations municipales pour s'assurer que l'exemption est toujours consentie tant que le Centre Inuuqatigiit pour les enfants, les adolescents et les familles inuits continue d'offrir, à la communauté des jeunes, des services sociaux et de santé.

Lorsque le rapport aura été adopté, on préparera, pour les faire approuver par le Conseil municipal, les règlements établissant les taux d'imposition de 2022 en tenant compte de l'augmentation globale du budget. L'augmentation globale du budget des taxes sur l'habitation moyenne en milieu urbain évaluée à 415 000 $ donne lieu à une incidence de l'ordre de 119 $ sur les taxes résidentielles moyennes en milieu urbain. Cette incidence varie selon les différents secteurs de la Ville en fonction des services fournis. Bien que la Ville ne profite pas des changements apportés aux évaluations annuelles, l'incidence sur chaque bien-fonds est différente selon l'évolution de la valeur de la propriété par rapport à d'autres propriétés. La hausse de l'impôt foncier du fait de la réévaluation et la répartition de l'impôt foncier par service sont indiquées au verso de chaque relevé d'imposition.

BACKGROUND

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

Property taxes are calculated by multiplying assessment values, determined by the Municipal Property Assessment Corporation (MPAC) under provincial legislation, by the City and the Province's tax rates. MPAC conducted a reassessment in 2016 with changes phased in through the 2017 and 2020 taxation years. In response to the COVID-19 pandemic, the provincial government postponed the planned reassessment for the 2021-2024 taxation years. As a result, the 2022 assessments continue to be based on the 2016 CVA. Reassessment changes or recovery of lost growth, mainly due to assessment appeals, can cause tax shifts between the tax classes unless they are mitigated. The mitigation measures recommended in this report are the same as or similar to those that Council has approved in previous years' Tax Ratios and Other Tax Policies reports.

DISCUSSION

1. Optional Property Tax Classes

To provide maximum flexibility to Council for tax policy decisions, the City of Ottawa has continually adopted all the optional tax property classes allowed by the *Assessment Act*. These optional tax classes represent subclasses within the broad commercial and industrial property classes. By using tax ratios, different tax burdens are imposed within the broad tax class. Any changes to these optional property tax classes and their ratios would affect the tax burden on other properties within the broad tax class. If Council chose not to adopt the optional property class, those properties would become part of the corresponding broad class and assume the overall ratio.

Revenue Services recommends the adoption of the following optional tax classes in 2022:

- Shopping Centre property class
- Parking Lot 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

Within the limits of the *Municipal Act, 2001*, municipalities in Ontario have the authority to apply different tax rates to the property classes through tax class ratios. A tax ratio is the proportion by which a class or subclass tax rate compares to the residential class tax rate, which has a base ratio of 1.0. For example, a property with a tax ratio of 2.0 would pay twice the municipal tax amount as a similarly valued residential property. These ratios allow different tax burdens to be imposed on different property classes. This report recommends adopting a set of proposed tax ratios that maintain the proportion of property taxes paid in each property class and prevent shifting the tax burden from residential properties to the Commercial and Multi-Residential property classes. This would be consistent with the City's practice in previous years.

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

For all classes, except for Farmland and Managed Forest, the goal was to reach tax ratios of 1.0, or a tax rate equal to that of the residential class. However, most municipalities would have required a large tax increase on the Residential class to meet that goal. It is estimated that implementing ratio parity would result in an overall $625 (15.3 per cent) tax increase for the average property or $198 million in additional tax burden to the Residential class in Ottawa.

The Province has postponed the planned reassessment of properties for a second time due to the COVID-19 pandemic. As a result, 2021, 2022, and 2023 assessment values remain the same as the 2020 assessment value and continue to be based on the January 1, 2016, market valuation date. While the total assessment, in theory, should remain the same as the prior year, the City receives changes to the roll during the course of the year for new properties, renovations, improvements, demolitions, changes in use, assessment appeals, or other updates. Those changes are represented as the annual changes shown in Table 1.

Table 1 - CVA Changes by Class

CLASS	CVA 2021 ($ millions)	CVA 2022 ($ millions)	In Year Change	Reassessment Change	4-Year Change
Commercial	30,315	30,186	(0.43%)	0.0%	7.0%
Farm & Managed Forest	1,843	1,852	0.48%	0.0%	102.7%
Industrial	1,765	1,786	1.18%	0.0%	18.9%
Multi-Residential	8,293	8,216	(0.93%)	0.0%	11.8%
New Multi-Residential	2,136	2,523	18.11%	0.0%	12.9%
Residential	133,024	135,733	2.04%	0.0%	3.8%
Other	335	339	1.12%	0.0%	9.8%
Total	$ 177,712	$ 180,636	1.64%	0.0%	5.4%

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

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

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

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

Neutral ratios mitigate tax shifts caused by reassessment or adjustments to the notional tax rate for lost growth due to assessment appeals. While there are no reassessment changes in 2022, neutral ratios are still required to mitigate tax shifts resulting from the notional tax rate adjustment.

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

Table 2 - Tax Shifts Mitigated by Adopting Proposed Ratios

Taxable class	2022 Revenue neutral tax ratios ($ millions)	Same ratio as 2021 ($ millions)	2022 Tax shift avoided ($ millions)	Tax change
Commercial	449.3	443.2	(6.1)	(1.38%)
Farm & Managed Forest	3.0	3.0	(0.1)	0.45%
Industrial	33.6	33.5	(0.1)	(0.33%)
Multi- Residential	112.6	112.4	(0.2)	(0.19%)
New-Multi-Residential	25.1	25.2	0.1	0.48%
Residential	1,304.4	1,310.7	6.3	0.48%
Other	5.0	5.1	0.0	0.47%
Net impact	$1,933.1	$1,933.1	$0.0	0.00%

The ratios' history by class and the proposed neutral ratios for 2022 are demonstrated in Table 3 below.

Table 3 - Tax Ratios from 2019 to 2022

CLASS	Actual 2019	Actual 2020	Actual 2021	Proposed 2022*
Residential	1.00000	1.00000	1.00000	1.00000
Multi-Residential	1.40051	1.38668	1.38668	1.39606
New Multi-Residential	1.00000	1.00000	1.00000	1.00000
Farm	0.20000	0.20000	0.20000	0.20000
Managed Forest	0.25000	0.25000	0.25000	0.25000
Pipeline	1.73808	1.72075	1.72025	1.71989
Commercial Broad Class	1.85758	1.83042	1.86026	1.89905
Commercial	1.82489	1.80635	1.83528	1.86924
Office Building	2.26453	2.24153	2.27743	2.31963
Parking Lot and Vacant Land	1.23175	1.21924	1.23877	1.26173
Shopping Centre	1.46863	1.45371	1.47700	1.50437
Professional Sports Facility	1.82419	1.80635	1.83528	1.86924
Industrial Broad Class	2.43584	2.39059	2.40573	2.41570
Industrial	2.55214	2.50228	2.52031	2.54076
Large Industrial	2.19163	2.14882	2.16430	2.18186
Landfill	2.82064	2.76509	2.76411	2.76371

**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 Adjustment.*

Commercial Tax Ratio

In 1998, provincial range of fairness thresholds were established for the broad Commercial class at 1.98. Before 2004, all municipalities with classes that exceeded these levels could not pass on any annual tax increases to these classes. Starting in 2004, this was partially addressed by allowing 50 per cent of the annual tax increase for those classes above these thresholds. In Ottawa, the broad Commercial class tax ratio was over the provincial threshold from 2004 to 2010 and from 2014 to 2016, which restricted the annual tax increase to 50 per cent and the shortfall was borne by the other classes. From 2011 to 2013, the ratio was below the 1.98 threshold and therefore subject to the full 100 per cent budgetary tax increase passed by Council. In 2017, the broad Commercial class ratio moved to below 1.98 and the full budgetary increase was passed on.

The broad Commercial class aggregates all the Commercial optional classes such as shopping centre, office, parking and vacant land, and residual commercial. The broad class phased in an increase of 7.9 per cent in assessment value from 2017 to 2020. Appeals within the broad class have caused the assessments to decrease slightly with a corresponding annual increase in the neutral ratio to avoid tax shifting. As shown in Table 3, the broad Commercial class ratio for 2022 is 1.89905, which remains lower than the 1.98 ratio threshold.

The provincial range of fairness threshold for the broad Industrial class is 2.63. The industrial class ratio in Ottawa has consistently been below the threshold since 2004. Consequently, 100 per cent of the budgetary increase approved by Council has been applied to the Industrial broad class.

The broad Industrial class includes the optional sub classes of large industrial and the small business class. The broad class phased in 18.9 per cent during the 2017 to 2020 cycle.

Improvements and additions have caused the assessments to grow in-year in 2021. As shown in Table 3, the broad industrial class ratio for 2022 is 2.41570, which remains lower than the 2.63 ratio threshold.

Multi-Residential Tax Ratio

As proposed in Table 3, the Multi-Residential neutral ratio of 1.39606 in 2022 is 40 per cent lower than the ratio of 2.3359 in 1998. While this ratio is slightly higher than the 1.38668 ratio in 2021, this does not equate to paying more taxes in 2022. The City is using revenue neutral ratios to ensure that property tax classes pay the same taxes as the previous year before the budgetary increase is added to the rates. Table 1 shows that there was a slight decrease in the Multi-Residential assessments in 2022 from 2021, which correlates to the slight increase in ratio. This revenue neutral ratio avoids tax shifts to the residential and other classes.

In 2017, the Province updated the range of fairness established in 1998 for Multi-Residential properties and released Ontario Regulation 385/98, which reduced the maximum range of fairness ratio to 2.0, which limits the tax increase where the ratio exceeded 2.0 to zero. As a result, municipalities with ratios higher than 2.0 cannot pass on any annual tax increases to the Multi-Residential class until the class ratio falls below 2.0. The City's Multi-Residential ratio is significantly lower than the provincially mandated maximum ratio; therefore, this mandated change has no impact.

Comparisons have been drawn between the Residential class and the Multi-Residential class. However, setting the Multi-Residential ratio is challenging due to the different assessment methodologies used in the Multi-Residential class and the limitations of comparable properties with the Residential class. The issue is further compounded with vastly different property types being grouped in a handful of broad classes. Consequently, Council has limited flexibility to correct, real or perceived, inequities by using a single ratio applied to the Multi-Residential class.

Industrial Tax Ratio

The provincial range of fairness threshold for the broad Industrial class is 2.63. The industrial class ratio in Ottawa has consistently been below the threshold since 2004. Consequently, 100 per cent of the budgetary increase approved by Council has been applied to the Industrial broad class.

The broad Industrial class includes the following the optional sub classes such large industrial, the small business class. The broad class phased in 18.9 per cent during the 2017 to 2020 cycle.

Improvements and additions have caused the assessments to grow in-year in 2021. As shown in Table 3, the broad industrial class ratio for 2022 is 2.41570, which remains lower than the 2.63 ratio threshold.

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 to 0.20. In the past few years, many other Ontario municipalities have followed suit. The reduction from 0.25 to 0.20 equates to approximately $732,000 in annual savings to the Farm class or $162 for Ottawa's average farm property. The Farm class experienced a reassessment change of 102.7 per cent for the 2017 to 2020 tax cycle, which is significantly higher than the Residential class, which increased by 3.8 per cent. There is no change to the average farm property in 2022 as the 2021 assessment values will be used in 2022. There are slightly more than 3,600 farm properties in the City of Ottawa. In 2022, the average Farm class property will have a municipal property tax burden of approximately $654.

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

3. Mandatory and Optional Subclass Discounts

Small Business

On October 13, 2021, Council approved the adoption of a new optional small business subclass. The adopted tax subclass provides eligible small businesses with a discount from the existing Commercial and Industrial class ratio. City Council has approved a phased-in approached for the discount, with the total discount being 15 per cent over 2022 and 2023.

This means that in 2022, the discount for the small business subclass is 7.5 per cent from the Commercial and Industrial ratios noted in Table 3. The adoption of the Small Business Subclass and the corresponding 7.5 per cent discount will provide the small business community with over $4.8 million in municipal tax savings in 2022. The Province has also confirmed that they will match the 7.5 per cent discount for the small business subclass education taxes, resulting in a $2.3 million in savings for small businesses. The average small business property will see a $900 discount in municipal taxes and an additional $500 discount in education taxes for a total of $1,400 in savings.

Vacant Land and Excess Land

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

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

To offset part of the cost of providing a discounted rate to the Small Business Subclass, Council also approved eliminating the discounts for the excess land tax classes while maintaining the discount for Vacant Land. The discount for the Excess Land subclass will be phased out over two years. The discount for Commercial Excess Land will change from 70 per cent in 2021, to 85 per cent in 2022 with no discount in 2023. The discount for Industrial Excess Land will change from 65 per cent in 2021, to 82.5 per cent in 2022 with no discount in 2023. The Province has already removed the education rate discounts for the Excess and Vacant Land subclasses in 2019.

Farmland Awaiting Development I and II

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

The second category of Farmland Awaiting Development II subclass is defined as land in subclass I except that there is a building permit for non-farm use construction on the land. Farmland Awaiting Development II subclass currently receives no tax rate reduction as permitted by Regulation 383/98. Staff recommend that the practice continue to avoid shifting the tax burden to other property classes.

Small-scale Business on Farm Subclass

In 2018, the Province also enacted a new regulation, O. Reg 363/18, to reduce the tax rate on qualifying value-added activities on farms as part of the farming business. The regulation enables municipalities and the Province to reduce the tax rate, for the first $50,000 of assessment, to 25 per cent of the commercial or industrial rate, where properties are assessed under $1 million. Qualifying properties received this new tax class in 2019 and the City adopted the proposed reduction. MPAC reviewed properties to confirm qualification and issued Special Assessment Notices in 2019 to reflect the new tax class for the 2018 tax year going forward.

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

- Small business subclass (commercial and industrial): 92.5 per cent of the applicable commercial and industrial property tax class ratio
- Commercial excess land (commercial, office building and shopping centre property classes): 85 per cent of the applicable commercial property class tax ratio
- Industrial and large industrial excess land: 82.5 per cent of the applicable industrial property class tax ratio
- Vacant industrial land: 65 per cent of the applicable industrial property class tax ratio
- Industrial and Large Industrial Excess land: 82.5 per cent of the applicable Industrial property class tax ratio
- Farm Land awaiting development subclass I: 75 per cent of the residential property class tax ratio and the corresponding tax rate percentage reduction for the Residential, Multi-residential, Commercial and Industrial property classes
- Farm Land awaiting development subclass II: no tax rate reduction
- Small-scale Business on Farm subclass: 25 per cent of the applicable commercial or industrial property class tax ratio for the first $50,000 of assessment.

4. Tax Rates

Tax rates are calculated using the 2022 budgetary tax levy requirement, the total property assessment value by class and the effects of setting of tax ratios within this report. The resultant tax rates, as calculated by staff, are submitted to Council for approval with the applicable by-laws.

By-laws establishing the 2022 tax rates incorporate a budgetary increase of 3.0 per cent. The result is an overall municipal property tax increase of approximately $119 for the average urban residential property, plus a $10 increase in the garbage collection fee.

Although the City does not benefit from any annual reassessment changes, individual properties are impacted differently based on the change in their property value relative to the class's overall change. Listed at the back of each final tax bill is the budgetary tax increase, any change due to a reassessment and the tax distribution by service.

Revenue Services recommends that the municipal tax rates for 2022 be established based on the ratios adopted herein.

Education Rates

In response to the ongoing pandemic and as part of the *2020 Ontario Budget,* the Province reduced the 2021 Business Education Tax (BET) rates so that maximum rates for all business classes would be 0.88 per cent and maintained the Residential, Farm and Multi-Residential rates. The Province has maintained the same education rates in 2022 for all properties, and therefore properties should see no increase in their education taxes.

To ensure that Municipalities did not suffer unintended financial hardship as part of the Province's plan to help businesses, the Province maintained the 2020 BET rates for Payments In Lieu of Taxes (PILT) properties for the 2021 taxation year. The municipality retains the education taxes paid by PILT properties, and they form part of the annual budgeted revenue. However, some of the Federal corporations chose not to pay at the legislated PILT BET rates and paid their PILTs using the reduced rates that were approved to help businesses struggling due to the COVID-19 pandemic. This resulted in a PILT revenue loss of $10.9 million in 2021.

The Province held the PILT BET rates for 2022, and if the federal government and Crown Corporations continue to pay using the lower BET rate for businesses and not the legislated PILT BET rate, staff estimate an additional loss of $12.1 million for 2022. Conversations are ongoing with the Federal government to ensure that they understand the importance of paying at the Provincially legislated education rates, but there is no resolution to date. The revenue shortfall caused by the federal government and Crown Corporations paying at the lower business rate would result in a permanent 1 per cent municipal tax increase to Ottawa's residential taxpayers.

The Province has also confirmed that they will match the 7.5 per cent discount for the small business subclass education taxes, resulting in a $2.3 million in savings for small businesses. The average small business subclass property will receive a $500 discount in education taxes in addition to a $900 municipal tax reduction. In total, the average small business will see savings of approximately $1,400 in taxes on the final 2022 tax bill.

5. Capping Regulations

After the change to the CVA process in 1998, the Province imposed mandatory limits on assessment-related property tax increases over 1997 taxation levels for commercial, industrial and Multi-Residential properties. In December 2000, the *Continued Protection for Property Taxpayers Act, 2000* was enacted, 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 five per cent of the previous year's annualized taxes. For 2005 and subsequent years, Council was authorized to increase this limit to 10 per cent.

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

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

The tax cap applies to all properties in the Commercial, Industrial and Multi-Residential classes except for:

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

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

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

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

The capping options for 2022 are summarized below.

Ten Per cent of Annualized Tax

The major disadvantage of the original capping program and a continuous cycle of reassessments is that many of the capped properties within the City would never reach their full CVA taxes. To rectify this situation, the Ministry provided flexibility to Council to increase the five per cent tax cap up to 10 per cent. Council has approved this change 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 tax cap would revert to five per cent of the previous year's annualized tax.

Increase to Five Per cent of CVA Tax

With the annual restriction applying the tax cap to the previous year's annualized taxes only, any property that has a significant disparity between its annualized and CVA taxes would be capped for an extensive period. To this problem, the Ministry introduced a new capping option to increase taxes by up to five per cent of the previous year's CVA tax (before levy change). Council has approved this five per cent increase to capped properties for 2006 and subsequent years. Only a small number of properties that pay less than 50 per cent of their CVA taxes would be affected.

Revenue Services recommends that capping parameters be approved at the higher of 10 per cent of the previous year's annualized tax or five per cent of the 2021 CVA taxes.

$250 Threshold Option

Administratively, several small businesses and Multi-Residential properties were being capped or clawed back by nominal amounts because there was no minimum threshold established. An option was provided allowing municipalities to pass a by-law to move capped properties whose recalculated annualized taxes fell within $250 of the current year's annualized tax to their CVA tax for the year. Council has approved this $250 threshold for 2006 and subsequent years. That means if the differential between the CVA taxes and the tax capping limit is less than $250, the taxpayer is automatically moved to their CVA tax.

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

Clawback Recovery

To determine how much taxation to clawback from taxpayers in the class whose taxes were decreasing, a percentage is calculated, which, when added to their taxes, funds the taxation shortfall. Council must approve this percentage, known as the clawback percentage. In 2022, the clawback requirement will continue to decrease (see discussion of new capping option for properties at CVA tax level below). The by-law to approve the final clawback percentages will be submitted for Council approval at a later date.

New Construction Properties

Through the 2019 Tax Ratios and Other Policies report Council approved that the tax level for new construction properties be set at 100 per cent of their CVA taxes for 2019 and future taxation years.

Properties at CVA Tax Level

Since 1998, the capping program has offered protection for any assessment-related tax increases to specific classes. While there was a significant tax impact on specific properties, the Province anticipated that the new values would be fully integrated and taxes would be at their full CVA tax level after a few years. This process has taken much longer than intended; however, only 146 taxable properties remain in the program. Most municipalities in Ontario have not met the goal of having all properties pay their share of taxes based on a simple valuation formula applied to a ratio-driven tax rate set by the Province.

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

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

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

The Multi-Residential class exited the capping program in 2019, as all its protected properties reached the CVA tax level. Table 4 shows the number of protected commercial and industrial properties for the last four years.

Table 4 - Historical Capping Summary

Property Class	Year	Number of Properties Protected	Value of Protection	Number of Properties Clawed Back
Commercial	2018	39	$454,779	170
	2019	31	$368,258	168
	2020	24	$269,730	168
	2021	20	$190,790	162
	2022	12	$107,050	116
Industrial	2018	31	$149,202	19
	2019	15	$63,547	13
	2020	12	$56,508	14
	2021	8	$34,973	12
	2022	8	$30,050	10

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

Therefore, the option to exclude properties at or crossing over from clawed back to capped categories is recommended. This accelerates the progress towards attaining the goal of more properties reaching their CVA tax level and decreasing the number of properties burdened by the clawback mechanism.

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

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

6. Mitigation Programs

Several tax mitigation programs allowed under the *Municipal Act, 2001* have been established in previous years. It is recommended that these mitigation programs be continued. These programs include:

- The Charitable Rebate Program: provision of a 40 per cent tax rebate to charitable organizations is defined and required in the legislation.
- The Tax Deferral Program: provision of partial tax deferral relating to the increase in assessment and a full tax deferral program for low-income seniors and persons with disabilities.
- The Water Deferral Program: 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 must have a program to provide property tax rebates of 40 per cent or more to eligible charities. To be eligible, an organization must occupy space in the commercial or industrial tax class and be a registered charity under the federal *Income Tax Act*.

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

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

- Rebates to eligible charities of at least 40 per cent of their property taxes for the space they occupy.
- The property tax rebate is calculated based on the square footage occupied by an eligible charity or, if available, on the CVA of the space occupied as determined by MPAC.
- Calculation details are provided to the charity.
- The rebate payment is within *Municipal Act* timeframes (at least 50 per cent 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. Funds owing or due to charities are recovered or remitted depending on the actual change in the taxes paid.

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

Rebate applications are received until the last day of February of the year following the taxation year for which the application is made. Applications for 2021 have yet to be finalized. To date, 150 have been received. For the 2020 taxation year, 204 charitable rebate applications totalling approximately $2 million for the municipal portion were processed.

Tax Deferral Program

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

As of December 31, 2021, there were 123 taxpayers on the program. On average, the annual deferral is approximately $3,695. Taxes deferred through the program in 2021 amounted to $454,472. The total amount of deferred taxes in this program is $3,707,023. The income threshold for 2022 is $45,357, as required by the by-law. There is no application deadline for first-time applicants. The renewal deadline remains at July 1 of the relevant year for those already on the program.

Water Deferral Program

In 2019, the City of Ottawa launched the Full Water Utility Bill Deferral Program for Low-Income Seniors and Low-Income Person(s) with Disabilities. As of December 31, 2021, there were 16 water utility ratepayers on the program. On average, the annual deferral is about $937. The amount of water utility charges deferred for those water utility ratepayers in 2021 was approximately $14,990, for a total water utility charges deferred amounting to $39,566. The income threshold for 2022 is $45,357, as required by the by-law. There is no application deadline for first-time applicants. The renewal deadline remains at July 1 of the relevant year for those already on the program.

Farm Grant Program

In 2006, Council approved a tax mitigation program for farmers because of economic challenges. The Farm Grant Program allowed eligible farmers to defer their final tax bill due in June to December. The grant, administration, printing and mailing costs are estimated to be $37,000 annually. While the program's up-take remains limited, 425 out of 3,580 farm properties in 2021, staff recommend continuing the program in 2022 in response to rural concerns.

Revenue Services recommends that the property tax mitigation programs be continued for 2022, 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. Notional Tax Rate Adjustment

The Province introduced regulatory amendments that allowed municipalities to include an adjustment for assessment appeal losses from previous years to determine the current year's base tax rate. The amendments allow municipalities to recover the levy portion that would have otherwise been permanently lost from the tax base in perpetuity due to prior year appeal losses. The Minister of Finance requires municipalities to annually confirm the adoption of the notional tax rate adjustment through a by-law. The report recommends the adoption of the notional tax rate adjustment in 2022 for the City of Ottawa through a by-law, as prescribed in the property tax-related regulations made under the *Municipal Act, 2001*.

Revenue Services recommends the notional tax rate adjustment be adopted for 2022 per the prescribed property tax-related regulations made under the *Municipal Act, 2001*.

8. Allocation to the Operating Budget

As part of the annual budget exercise, the City estimates assessment growth and its associated revenue. The detailed data is not available to staff around the budget tabling and approval timelines. Staff have completed an analysis of the 2021 year-end assessment data from MPAC and confirmed an additional $5.1 million in revenue for 2022 due to the application of the notional tax rate adjustment. The notional tax rate adjustment restores appeal losses related to the prior taxation year that would otherwise have been permanently eroded from the tax base.

For the 2022 budget, staff forecasted annual assessment growth of 1.7 per cent. Staff have completed an analysis of the 2021 year-end assessment data from MPAC and confirmed assessment growth was 1.6 per cent versus the 1.7 per cent assumed in the budget. With the notional tax rate adjustment application, the remaining 0.1 per cent or $2.3 million offsets the difference in the actual assessment growth versus the budgeted assessment growth and achieves the City's target of 1.7 per cent. Revenue Services recommends that $2.3 million be allocated towards the budgeted assessment growth to align with the Council approved budget.

For the remaining additional growth identified from the application of the notional tax rate, Revenue Services recommends $2.8 million be contributed to the tax stabilization reserve. A new Tax Stabilization reserve was established as part of the reserves review in 2018, by combining the winter maintenance, childcare, self-insurance and election reserves with the existing tax stabilization reserve. The purpose of the Reserve is to maintain stable tax rates and protect the City against unforeseen operating costs. As part of the overall COVID-19 financial mitigation strategies, staff have implemented a number of financial mitigations to stabilize the City's finances. This will assist the City in dealing with the lingering impacts of COVID-19 in the 2023 budget.

9. Interim Property Taxes and Due Dates (2023)

Sections 342, 343 and 345 of the *Municipal Act, 2001,* require Council to approve tax due dates, penalty and interest charges. The interim and final due dates do not apply to those taxpayers registered in the City's Pre-Authorized Debit Plan or those registered under the Full Tax Deferral Program for Low-Income Seniors and Low-Income Persons with Disabilities.

Section 317 of the *Municipal Act, 2001,* requires Council to establish a by-law that sets interim tax billing for uncapped classes such as residential and pipeline and capped classes that include Commercial, Industrial and Multi-Residential. The amount raised by the interim bill cannot exceed 50 per cent of the previous year's adjusted annualized taxation.

Revenue Services recommends setting the 2023 interim tax billing at 50 per cent of the 2022 adjusted/annualized taxation. Fifty per cent is consistent with previous years.

Revenue Services recommends setting the 2023 tax due dates as March 16, 2023, for the interim and June 15, 2023, for the final. These dates fall on the third Thursday of the month, as has been the City's practice for many years. The predictability of these dates benefits many taxpayers and eases the City's administrative planning. These fixed due dates do not apply to registered preauthorized debit tax accounts or those registered under the Full Tax Deferral Program for Low-Income Seniors and Low-Income Persons with Disabilities.

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

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

Revenue Services recommends that Council enact a by-law as required by the *Municipal Act, 2001,* to establish the 2023 interim taxes, tax due dates, penalty and interest charges. 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 as other properties; however, they still have annual levy payments determined by the number of students, resident places and beds.

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

Revenue Services recommends that Council enact a by-law to establish the 2022 tax levy amounts once the Ministry of Municipal Affairs and Housing sends the City the capacities.

Table 5 - Levy from eligible public institutions

Category	2019	2020	2021
Universities and colleges	$6,483,825	$6,500,175	$6,441,300
Correctional institutions	$40,200	$31,950	$38,700
Public hospitals or provincial mental health facilities	$269,100	$269,100	$269,100
Provincial education institutions	$3,975	$4,275	$3,150
Total	**$6,797,100**	**$6,805,500**	**$6,752,250**

11. Municipal Capital Facilities Extension

On February 11, 2015, Council designated the space occupied by the Inuuqatigiit Centre for Inuit Children, Youth and Families consisting of approximately 4,250 square feet at 76 Queen Mary Street, as a Municipal Capital Facility, making it exempt from taxes for municipal and school purposes. This report recommends that the Municipal

Capital Facility designation for the Inuuqatigiit Centre for Inuit Children, Youth and Families (ICICYF) at 76 Queen Mary be extended. This extends the tax exemption on all of the space occupied by ICICYF for the provision of social and health services, as permitted under Subsection 110(6) of the *Municipal Act 2001*, as defined in clause 2 (1) 10 of Ontario Regulation 603/06 as amended.

The property at 76 Queen Mary Street is owned by the ICICYF and is entirely occupied and used for a service or function that may be provided by the municipality. As the ICICYF owns and solely occupies the building located at 76 Queen Mary Street and the purpose of this facility is to provide health and social support services to the City of Ottawa, it is eligible to be designated as a Municipal Capital Facility. To satisfy requirements of the *Municipal Act, 2001*, and in recognition that the ICICYF provides these essential social and health support services, the report recommends extending the term until December 31, 2026, or until it ceases to operate and provide the same services under the provisions of the MCFA at that location, whichever occurs first.

The City will amend the Municipal Capital Facility By-law and associated Municipal Capital Facility Agreement to reflect an extension to December 31, 2026. Upon approval of this report, the Chief Financial Officer/City Treasurer will finalize and execute the amended Municipal Capital Facilities Agreement in consultation with the City Solicitor. The City Solicitor will place the amending Municipal Capital Facility By-law on the agenda of Council for enactment.

Revenue Services recommends that Council approve the amendment to the Municipal Capital Facility By-law 2015-28 and associated Municipal Capital Facility Agreement to extend the term to December 31, 2026, or until the property ceases to operate and provide the same services to the Inuit community.

Other Taxation Issues

Property Assessment Cycle 2021 to 2024

As part of the Provincial Fall Economic Statement published on November 4, 2021, the Province of Ontario announced the planned reassessment for 2021 would continue to be delayed in 2022 and 2023 with no future date provided. The next property assessment valuation date was intended to update the market valuation date from January 1, 2016, to January 1, 2019. With the reassessment postponement, all 2022 and 2023 assessment values will continue to be based on the January 1, 2016, valuation date and remain stagnant until the reassessment occurs.

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

Red Light Camera and Automated Speed Enforcement Cheque Payments

The City of Ottawa receives payments for *Provincial Offences Act* (POA) fines online through Paytickets.ca, in person at any City Client Service Centre or through cheque via mail.

Historically, cheque payments for all POA fines were sent to a post office box in Ottawa and processed by Revenue Services staff. The introduction of Red-Light Camera (RLC), Automated Speed Enforcement (ASE) tickets and increased cameras across the City has significantly increased cheque payment volume. While electronic payment is promoted, over the year cheque volumes have increased by 400 per cent, requiring more staff resources to process these payments. The City's financial institution, the Royal Bank, provides a payment processing service to their clients. The cost of this service is much lower than the cost of hiring the required number full-time employees to do the same work. The City transitioned to this payment processing service for the property tax and water utility cheque payments in 2012, significantly reducing costs.

Starting in February 2022, Revenue Services has transitioned all POA fines cheque payments related to RLC and ASE tickets to the Royal Bank for payment processing. This change will reduce the cost of payment processing for the City and keep costs down as more RLC and ASE cameras are deployed. All cheque payments for RLC and ASE will now be sent to a new post office box in Toronto for processing. The pre-addressed payment return envelopes reflect this new address. This process is consistent with mail payments for tax and water utility bills.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

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

COMMENTS BY THE WARD COUNCILLOR(S)

This is a citywide report.

CONSULTATION

In preparing this report, Revenue Services staff have consulted with internal and external stakeholders over the last year, including Legal Services, Economic Development, the City Clerks Office, the Municipal Property Assessment Corporation, Eastern Ontario Landlords Organization, among others. In addition, staff have received feedback from the budget consultations related to tax rates.

ACCESSIBILITY IMPACTS

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

ECONOMIC IMPLICATIONS

According to an Ontario benchmarking 2020 Municipal Study completed by BMA consulting, the property tax burden as a percentage of income for Municipalities in Ontario ranges from two per cent to 5.8 per cent, with an Ontario average of 3.8 per cent. Ottawa's property tax burden as a percentage of income is 3.8 per cent and is in line with the provincial average making Ottawa a competitive market for new residents and businesses.

The elimination of the Excess Land subclass and the small increase to residual properties' tax bills is not expected to have a negative impact on local job creation or retention. While the annual tax savings that will accrue to small businesses through the Small Business Tax Subclass is unlikely to be a significant factor in job creation, the savings demonstrate the City's recognition of the contribution of small businesses to employment, neighbourhood vibrancy and quality of life. Deliberate City action to support Ottawa's business-friendly brand increases the business community's confidence and support toward further growth and investment.

ENVIRONMENTAL IMPLICATIONS

The City of Ottawa currently has over 240 properties that are classified as Managed Forest. These are properties of environmental significance as they contain forested land with an approved forest plan from the Provincial Ministry of Natural Resources and Forestry. In order to protect these lands and keep maintenance costs affordable, the Province offers a 75 per cent discount from the residential rate. Property owners must apply under the Managed Forest Tax Incentive Program to be eligible for the classification and corresponding discount. In addition, they need to submit a five-year progress report and update their management plan every 10 years to remain in the program.

INDIGENOUS GENDER AND EQUITY IMPLICATIONS

The City sets tax rates and ratios in accordance with the *Municipal Act, 2001,* and related prescribed regulations. It is generally understood that the tax rate and ratios have a neutral impact on equity deserving groups in the City since the municipal taxation process is the same across the City for each ward and neighbourhood. Tax ratios differ with each tax class and subclass regardless of ownership. A property with a higher assessment value than another in the same class would pay a proportionally higher amount of taxes and vice versa. The City will continue to monitor the differentiated impacts of tax policy using an equity and inclusion lens.

The proposed tax mitigation strategies provide tax relief to seniors and persons with disabilities who are eligible under the Full Tax Deferral Program for Low-Income Seniors and Persons with Disabilities as allowed by the Province through the *Municipal Act, 2001.*

RISK MANAGEMENT IMPLICATIONS

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

RURAL IMPLICATIONS

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

TERM OF COUNCIL PRIORITIES

This report supports the City's ongoing commitment to financial sustainability and transparency.

DISPOSITION

Revenue Services will use the tax ratios and rates to calculate and issue the 2022 final tax bills.

Revenue Services will invoice designated institutions to levy the 2022 annual amounts payable to the City of Ottawa on or after July 1, 2022.

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