HALDIMAND COUNTY

Report FIN-09-2020 Annual Tax Policy Report

For Consideration by Council on June 16, 2020

OBJECTIVE:

To provide recommendations for property tax policy decisions that must be made by Council for the 2020 taxation year.

RECOMMENDATIONS:

1. THAT Report FIN-09-2020 Annual Tax Policy Report for the Year 2020 be received;
2. AND THAT The 2020 Tax Ratios be set at:

Property Class	Tax Ratio
Multi-Residential	2.0000
Multi-Residential (New Construction)	1.0000
Commercial	1.6929
Landfill	1.6929
Industrial	2.3274
Pipeline	1.4894
Farmland	0.2500
Managed Forest	0.2500

3. AND THAT tax rate reductions for vacant and excess land, within the commercial and industrial classes, be applied as follows for 2020:

Property Class	Tax Rate Reduction
Commercial/Landfill	7.50%
Industrial	8.75%

4. AND THAT Haldimand County adopt the optional subclasses for small-scale on-farm business for both the commercial and industrial subclasses and the prescribed tax reductions be applied as follows for 2020:

Property Class	Tax Rate Reduction
Commercial	75.00%
Industrial	75.00%

5. AND THAT tax rate reductions for farmland awaiting development be applied as follows:

Property Class Tax Reduction
Residential Farmland Awaiting Development – First Class 25.00%
Multi-Residential Farmland Awaiting Development – First Class 62.50%
Commercial Farmland Awaiting Development – First Class 55.70%
Industrial Farmland Awaiting Development – First Class 67.78%
All Classes Farmland Awaiting Development – Second Class 0%

6. AND THAT any amount required to fund the cap for commercial and industrial classes be funded from within the same property class, if sufficient funding is available within the class;

7. AND THAT if sufficient funds are not available within any property class to fund the cap, the shortfall be charged as an expense against the 2020 Tax Supported Operating Budget for capping adjustments;
8. AND THAT Haldimand County adopt the optional tax policy provision for 2020 to exclude properties in the business tax class, which are at their Current Value Assessment (CVA) tax levels, from the capping and clawback program;
9. AND THAT Haldimand County adopt the optional tax policy provision for 2020 to exclude reassessment related increases from the capping calculation in order to expedite phase-out of the capping program;
10. AND THAT Haldimand County adopt the maximum limit for an assessment related tax increase at 10% and a maximum threshold limit at $500;
11. AND THAT the commercial class begin the 4 year capping phase-out period;
12. AND THAT Haldimand County implement the technical adjustment for the notional tax rate calculation prescribed in the property tax related regulations made under the Municipal Act, 2001;
13. AND THAT the resulting 2020 tax rates, as identified in Attachment #1, be adopted;
14. AND THAT the appropriate By-laws be passed to give effect to the above.

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EXECUTIVE SUMMARY:

The overall property tax impact in a calendar year is affected by four main factors: assessment Impacts; Education tax rates, municipal levy requirement and tax policy decisions. During the review and approval of the 2020 Tax Supported Operating Budget, the impacts of re-assessment, final Provincial Education tax rates and the levy requirements for 2020 were factored into the estimated tax impacts on the average assessed properties in the major tax classes. The Education tax rates were final at that time, however, the impacts of tax policy decisions, as outlined in this report, were not established (although all tax policy decisions made in 2019 applicable for 2020, were utilized for the analysis of tax impacts). As well, additional changes to the year end assessment roll were not incorporated into the budgeted tax rate calculation.

Like both 2018 and 2019, where the Province enacted limited tax legislative changes, there are minor changes from the year over year impacts on the various property classes reflected within the 2020 Tax Supported Operating Budget document.

The major tax policy decisions/recommendations included in this report are as follows:

- *Adjustments to the returned assessment roll*: The County received and processed adjustments to the returned roll from January 1st until May 1st totaling a net reduction of taxable assessment of approximately $13.0 million or 0.18% of total taxable assessment. Due to a large shift from Residential assessment to the Farmland tax class (currently taxed at 25% of the Residential tax rate), the overall impact is approximately a reduction of $20.2 million in assessment. This shift will increase the overall tax impact for all tax classes. Impact: increased municipal tax rate

- *Amended "notional tax rate" calculation*: Based on the revised methodology for calculating the "notional tax rate", the apportionment of overall tax impacts between re-assessment impacts and levy increase impacts has shifted slightly to reflect more of a re-assessment impact. Impact: no municipal tax impact
- *Property tax capping options*: Although it does not have a direct tax impact on any specific class, for 2020, staff recommend that the County adopt all available capping options for the non-residential classes, as allowed by the Province, in order to exit the tax capping requirements as soon as possible. Currently, only the multi-residential tax class has been eliminated from the capping requirements, leaving 6 properties impacted by the capping provisions - 2 in the industrial class and 4 in the commercial class. The commercial class will begin the four year phase out of capping in 2020, and the industrial class will begin in 2021, resulting in all property classes being excluded from capping after 2024. Impact: no municipal tax impact
- *Small-scale on-farm business subclasses*: Starting in 2018, municipalities were able to establish optional small-scale on-farm business subclasses for qualifying assessment in the industrial and commercial tax classes. Council adopted both of these eligible subclasses to support local farmers and to help diversify their operations from an economic development standpoint in 2018. These optional subclasses will provide some moderate tax relief while spurring growth in the local economy. Impacts: at this time, there have not been any properties assessed in either of the optional subclasses. However, future budgets can be amended if necessary to address the impacts of the optional subclasses.

Relative to the estimated tax impacts presented during approval of the 2020 Tax Supported Operating Budget, the following table outlines the changes and estimated overall annual tax impacts based on the impact of the tax policy decisions/recommendations outlined in this report and highlighted above:

Property Class	2020 Average Assessed Value	Estimated 2020 Annual Tax Impact as reflected in the Approved Budget		Actual 2020 Annual Tax Impact Based on the Recommended Tax Policy	
		$	%	$	%
Industrial	$537,400	$(261.45)	(1.32)%	$(217.56)	(1.10)%
Multi-residential	$1,063,200	$(304.14)	(1.28)%	$(229.51)	(0.97)%
Commercial	$318,900	$68.82	0.75%	$87.77	0.96%
Residential	$277,200	$30.11	0.93%	$39.84	1.23%
Farm	$408,600	$77.16	6.84%	$80.74	7.16%

Based on the tax policy recommendations reflected in this report, the revised overall tax impact on an average residential property has increased to 1.23% from the 0.93% impact presented at the time of the budget approval. This change is due primarily the significant shift in Residential assessment to the Farmland tax class, which is taxed at a much lower rate. As well, recent appeals have resulted in assessment reductions within the commercial class, which also shifts more burden to the residential property class.

The 2020 Tax Ratio By-law and related Tax Policy By-laws are attached to incorporate Council's decisions. Final 2020 tax bills for all Haldimand County property owners will be issued approximately mid-July, with installment payments due on August 31st and October 30th.

BACKGROUND:

The overall property tax impact in a calendar year is impacted by four main factors: annual assessment impacts, Education tax rates, municipal levy requirements and tax policy decisions.

The Municipal Property Assessment Corporation (MPAC) establishes property assessments for all properties in the Province of Ontario. MPAC establishes the property classes and assessment on an annual basis based on the market value at a set date. These assessments are set on a four year cycle with 2020 representing the fourth year of the four year cycle based on a valuation date of January 1, 2016. As a result of this re-assessment, as outlined in report FIN-02-2020 Analysis of Assessment update, there are assessment shifts between property tax classes (as well as in-class shifts) that will shift the 2020 tax burden amongst the County's property owners (for example, significant increases to farm assessed values). This shift has nothing to do with County decisions and the County has no control over these assessment shifts.

The Province has established the annual Education tax rates that are typically aligned with the re-assessment impacts. As a result, as reassessments increase, the corresponding Education tax rates are reduced accordingly. The Province has established the Education tax rates for 2020 that have resulted in decreased rates for all property tax classes ranging from a reduction of 4.97% in the residential classes to a 3.10% reduction in the industrial tax class.

In late April, Council reviewed and approved the 2020 Tax Supported Operating Budget which established the annual property tax levy requirement. During this review, the overall municipal tax levy was established at $69,823,910 representing an increase of $2,598,570 or 3.87%. The impacts on the average assessed property in each tax class was estimated, at that time, subject to the approval of the annual setting of tax policies.

Now, the final step is to establish the County's 2020 Tax Policy which will be reflected in the Tax Levying By-law. The Municipal Act includes a number of Tax Policy "tools" available to Council. Tax policy decisions will impact the tax classes differently, with a favourable impact on one tax class typically having a corresponding negative impact on other tax classes. The Province also concluded a comprehensive Municipal Act review in early 2017 that resulted in several "new" tax policy tools; many effective in 2017 and some in 2018. These "tools" provide municipalities with some flexibility in establishing tax policies, within the eligible provisions, to meet their own local circumstances. The major tools/policy decisions to be considered by Council for 2020 are as follows:

Mandatory Programs

- Limit on municipal budgetary increases for commercial, industrial and multi-residential classes if the Tax Ratio for the class is above the Provincial municipal levy restriction threshold
- Ability to adjust (lower) Tax Ratios closer to the Provincial range of fairness
- Capping of the "adjusted" taxes for commercial, industrial and multi-residential classes, funded either by internal revenues, the general levy or by withholding decreases from other properties in the same class
- Permanent program for relief for low income seniors and low income disabled persons
- Tax rebates to registered charities
- Phase-in of tax increases as a result of re-assessment (legislated four year phase-in of assessment increases)
- Restricting municipal ability to increase taxes on multi-residential properties if the tax ratio is greater than 2.0
- Creation of a new multi-residential property tax class to ensure all municipalities tax new multi-residential buildings at a similar rate as other residential properties
- Creation of a new landfill tax class with the upper tax ratio limit of the greater than: revenue neutral ratio plus 5% or 1.1

- Amendment to *Assessment Act* exempting land occupied by an Ontario Branch of the Royal Canadian Legion, where previously council had approved a 100% tax rebate for Legions under Policy 2001-26 Tax Rebates to Charitable or Similar Organizations effective January 1st, 2019

Optional Programs

- Flexibility on establishing tax rebates for vacant commercial and industrial properties (new in 2017; Council approved a phase-out plan for these programs which resulted no longer having a vacant unit tax rebate program in 2019)
- Establish reductions for vacant industrial and commercial tax classes other than the prescribed percentages (new in 2017 and Council established a phase-out plan for these programs over the next 4 years – starting in 2021 the County will no longer have a vacant land tax reduction program for these tax classes)
- Charitable tax rebates extended to similar organizations
- ability to establish optional property classes
- ability to establish graduated tax bands
- phase-in of tax increases as a result of re-assessment
- mitigation of tax shifts as a result of re-assessment
- education tax "room" to offset municipal tax increases
- greater flexibility for capping of the "adjusted" taxes for commercial, industrial and multi residential classes
- reduce tax ratios on property tax classes where the current ratio is above the Provincially established range of fairness
- establish farm tax ratio at lower than the Provincially established rate of 25%
- setting of tax ratios to offset the municipality's share of the cost of charitable rebates on properties in the commercial and industrial classes
- provisions for tax relief for people in hardship
- business tax capping option to remove properties from the capping and clawback system once a property obtains its CVA level of taxation
- opt out/phase out of the capping program
- property tax "notional rate" calculation adjustment
- small-scale on-farm business subclasses to allow for reduced tax rates on up to $50,000 of commercial/industrial assessment

Haldimand County has utilized many of the above tax tools in prior years.

Although there are no specified deadlines for passing by-laws required to enact tax rates, tax ratios, and capping provisions (with the exception that by-laws must be enacted within the calendar year they pertain to), final tax billing cannot commence until such by-laws have been passed. Based on the recommendations in this report, the tax policy related by-laws, as included with this report, require Council approval. This will allow the final 2020 tax billings to be prepared and issued to property owners shortly thereafter, with the installments due on August 31st and October 30th.

ANALYSIS:

The actual total property taxes on a specific property in Haldimand County are calculated based on two principal factors: 1) the assessed value; which is then multiplied by 2) the tax rate. The Municipal Property Assessment Corporation (MPAC) determines the assessed value and property class for each individual property based on Province-wide rules and regulations. The only factor Haldimand County has control over is the municipal tax rate and even that is subject to many legislative requirements. This report presents the tax policy issues that Council needs to consider which will have an ultimate impact on an individual property's tax bill. Next to the annual budget approvals, this is the most important financial policy decision that Council makes that directly impacts all taxpayers in a given year.

As noted above, annual impacts of property taxation on individual property owners are a factor of the following parameters: assessment changes/shifts; education tax rates; municipal tax levy requirements; and tax policy decisions. When Council approved the 2020 Tax Supported Operating Budget, the estimated tax impact on different property classes did not include any impacts related to tax policy changes. At the time the 2020 levy was established, the overall tax impact on the average residential home was projected to be 0.93%. Based on the tax policy recommendations reflected in this report, the revised overall tax impact on an average residential property has increased to 1.23%. This change is due primarily to assessment adjustments to the returned roll as described below, rather than changes to the tax policy.

A. Adjustments to the Returned Assessment Roll

Pursuant to the Municipal Act, tax rates are to be applied equally to the assessment for real property made under the Assessment Act according to the last returned roll. Under Section 341 of the Municipal Act, the Treasurer shall adjust the tax roll for the year to reflect changes to the returned assessment roll and taxes shall be collected in accordance with the adjusted roll. These adjustments included amendments due to: assessment appeals through a Request for Reconsideration (RfR) or an Assessment Review Board (ARB) decision; and adjustments by MPAC to reflect assessment or tax class changes after the roll has been returned including: Special Amended Notices (SANs), Post Roll Amended Notices (PRANs) and Tax Incentive Adjustments (TIAs). As the majority of these changes reflect reductions to the roll, typically the returned roll is reduced by these amendments. Each municipality must notify the Province of their "cut-off" date, being the last day for changes to be reflected on the assessment roll for final property tax billing. All subsequent assessment amendments will be reflected as in-year adjustments.

Traditionally, the County has selected a later "cut-off" date to include as many adjustments as possible to limit the annual in-year adjustments that would require sufficient budget to accommodate any net reductions in annual property taxes. The cut-off date for 2020 amendments to the assessment roll was May 1, 2020. The following table summarizes the net adjustments, compared to prior years, reflected on the final tax roll for property tax billing:

Table 1: Summary of Assessment Adjustment Reflected on Final Assessment Roll

Year	2020	2019	2018	2017
Total Taxable Assessment – Original Returned Roll	$7,220,644,500	$6,760,888,280	$6,292,551,322	$5,864,435,477
Assessment Reductions (net)	$5,855,100	$1,722,649	$3,172,778	$2,724,125
Percentage of Taxable Assessment	0.08%	0.03%	0.05%	0.05%

As noted above, the net reduction between the returned and adjusted roll is similar to previous years Although the net change is relatively minor, there is a significant shift from the Residential tax class to the Farmland tax class of approximately $18.8 million in assessed value. These changes are a result of MPAC receiving the appropriate documentation to move these properties to the Farmland tax class (the majority of these properties were previously farm properties that had reverted to residential due to a change in circumstances and required approval by Ontario Ministry of Agriculture, Food and Rural Affairs to qualify as farm properties again). As the Farmland tax class is taxed at 25% of the Residential tax class, this represents a loss in County tax revenues that requires a tax rate increase in all other classes. Based on the revised assessment and proposed tax ratios in each property tax class, the effective assessment reduction is approximately $20.2 million or 0.26% of the original returned assessment. This assessment change alone, in the absence of any further tax policy changes, will increase the overall 2020 tax impact on all tax classes.

As the County has actively made as many changes to the assessment roll as possible each year prior to issuing final tax bills, the approved 2020 Tax Supported Budget for in-year assessment changes is reflective of our historical experience related to these tax adjustments. If these changes are not reflected on the final tax billing, they would have to be reflected as in-year tax reductions to the applicable properties. This would result in an additional $200,000 required against the budget for taxation adjustments and write offs. It is, therefore, recommended to include all assessment changes up to May 1, 2020 as has been the practice in past years.

B. Notional Tax Rate Calculation Adjustment

In response to municipal requests, starting in 2016, the Province has enacted legislation that allows municipalities the option to exclude certain assessment adjustments in the calculation of the "notional tax rates" for final billing purposes. The purpose of the calculation of "notional tax rates" is to segregate annual re-assessment impacts from municipal levy impacts. Although this will not change the overall tax impact on a property class, it will clearly delineate the re-assessment vs municipal levy impacts to ensure that real property assessment growth year over year can be retained by municipalities to offset required municipal levy impacts. This information is required to be reported annually on the final tax bills - the details of the year over year changes are on the back of the County's property tax bill (Schedule 2 for non-business classes and Schedule 3 for business tax classes).

Using the analysis tools in the on-line Ontario Property Tax Analysis (OPTA) software, the overall municipal levy impact (Council controlled), with removal of the re-assessment impact (MPAC controlled), is outlined in the following table, for each property tax class:

Table 2: Notional Tax Rate Calculation Methodology

Property Tax Class	***2020 Overall Municipal Levy Change %***	***2019 Overall Municipal Levy Change %***
Residential	1.39%	2.30%
Multi-Residential	1.49%	2.47%
Commercial	0.95%	1.57%
Landfill	0.93%	1.53%
Industrial	1.05%	1.73%
Pipelines	0.87%	1.45%
Farm	1.39%	2.30%
Managed Forests	1.39%	2.30%

The use of this restated nominal tax rate calculation better illustrates the components that make up the year over year overall tax change and also ensures that annual growth in assessment is maintained by the municipality to offset levy impacts. Accordingly, it is recommended that the revised method of calculating the "notional tax rates" for 2020 be adopted by Council.

C. Tax Ratios

The tax ratios represents the relations of the tax rate for each property class relative to the tax rate for the residential property class. Provincial legislation establishes the residential property tax ratio as 1.0. The only other prescribed ratio is the managed forest property tax class which must be 0.25 (i.e. one quarter of the residential tax rate).

The Province has also established two main concepts related to tax ratios – “Ranges of Fairness” and “Threshold Ranges”.

- “Ranges of Fairness” were established as a long-term strategy for moving all property tax rates closer to residential rates (refer to Table 3 found on page 12 below). Multi-residential, commercial and industrial class properties have been traditionally taxed at a higher rate than residential and farm properties. The long-term goal of the Provincial Government that initiated the property taxation reform in 1998, was for municipalities to move toward the Ranges of Fairness for all property classes.

- “Threshold Ranges” were established to be the upper limit for tax ratios (also refer to Table 3 below). If a municipality’s tax ratio for any class exceeds the “Threshold Range”, any budget levy increase for that year could not be passed on to properties in that particular tax class (this is referred to as a *municipal levy restriction threshold*). To permit annual levy increases to be applied to all property classes, municipalities would have to lower their tax ratios below the Threshold Range. Since 2002, when Council reduced the industrial class tax ratio to 2.3274, which was below the prescribed ratio of 2.63, all property tax classes were within the “Threshold Ranges”. However, starting with the 2017 taxation year, the Province changed the threshold range for the multi-residential from 2.63 to a maximum of 2.0. Council approved reducing the County’s ratio to 2.0 in 2017 to avoid this restriction.

The setting of tax ratios by the municipality each year has a major effect on the apportionment of property taxes across all property classes. Any change to a tax ratio for one class will impact the tax burden/share of all other classes to varying degrees. As the municipal levy requirements are fixed, each class’s piece of the “pie” is based on its proportional share of the overall assessment; which is impacted by the tax ratio of the property class.

As a result, with the exception of the residential and managed forest property tax classes, Council has the authority to amend the remaining property tax classes’ ratios, subject to applicable legislative restrictions. The main decisions to be reviewed/decided are as follows:

- **Reduce tax ratios in tax classes that currently exceed the Province’s “Range of Fairness”:** Municipalities have the ability to reduce the tax ratios in tax classes that exceed the “Range of Fairness” or exceed the “Threshold Ranges”

- **Farm class tax ratio**: Provincial legislation establishes the tax ratio for the farm property class at 0.25 or *such lower ratio as the municipality may establish*.
- **Multi-Residential class tax ratio (existing properties)**: As indicated above, the Province has established the municipal levy restriction threshold at 2.0 for this class. Council approved reducing the County’s ratio to 2.0 in 2017 to avoid this restriction, allowing any levy increase to be shared proportionately with this class.
- **“New” multi-Residential class tax ratio**: In 2017, the Province established a “new” multi-residential class that is required to have a mandatory tax ratio between 1.0 and 1.1. This will only affect new multi-residential properties. In 2017 Council approved a ratio of 1.0.
- **Landfill class tax ratio**: In 2017, the Province established a new tax class for landfills and established limitations on the tax ratio for this class. In 2017 Council approved a ratio of 1.6929 similar to other commercial classes.

- **"Revenue neutral" tax ratios**: The Province has established tax policy tools to allow municipalities to mitigate tax shifts as a result of re-assessment. These tools essentially allow municipalities to change tax ratios to mitigate the tax shifts to the residential property tax class due to re-assessment.

As stated previously, any reduction in a tax ratio for one property class will result in a shift of tax burden to other property classes. The following is a detailed analysis of each of the above tax classes including recommended tax ratios for each class.

C1. Reduce Tax Ratios in Property Tax Classes that Exceed the "Range of Fairness" (Commercial and Industrial classes)

Municipalities have the ability to reduce the tax ratios in tax classes that exceed the "Range of Fairness" or exceed the "Threshold Ranges". As noted above, the "Range of Fairness" were the targets established by the Province during property tax reform in 1998 with the long range goal of moving property tax classes closer to the residential tax rate. Although ranges were established for all tax classes, the focus was primarily on multi-residential, commercial and industrial properties that were traditionally taxed at a higher rate than the residential tax rate. The "Range of Fairness" for tax ratios for these properties ranges from 0.60 to 1.10. The County's current tax ratios exceed this range but are within the "Threshold Range". An analysis of the multi-residential class is provided below.

A review of the County's current tax ratios for commercial and industrial properties indicates the ratios are slightly above our municipal comparators (based on the most recent BMA Study). To reduce these ratios would shift tax burden to other tax classes – primarily the residential tax class. Although this shift would provide some tax relief for the commercial and industrial tax classes, the relative tax burden for these classes is currently very low and significantly below our municipal comparators, particularly in the commercial tax class. It is also unknown if a reduction in the tax ratio would have any positive impacts on growth in these particular sectors.

Any change in tax ratios requires a comprehensive and thorough review, as any reduction has a corresponding and opposite effect on another tax class. Typically a tax ratio review would be tied to the start of a re-assessment year to evaluate and smooth any impacts over the four year re-assessment phase-in.

Recommendation: Given the fact this is the fourth year of a re-assessment phase-in and many of the re-assessment impacts have been applied to the affected properties and the inevitable shift to the residential tax class of any reduction; it is recommended that the commercial and industrial tax ratios remain the same as previous years. If Council wants to contemplate any reduction in these or any other tax ratios, it is recommended that staff be directed to do a comprehensive review that aligns with a start of a re-assessment year.

C2. Farm Class Tax Ratio

Provincial legislation permits the municipality to move the ratio for the farm property tax class below the ratio of 0.25 set by the Province. Such action would shift tax burden to the other tax classes, primarily residential.

As outlined in report FIN-02-2020, although farm current value assessments (CVA's) have increased by approximately 9.96% year over year, the fact that this class pays only 25% of the residential tax rate has mitigated some of the actual dollar shift in the overall tax burden. Similar impacts have occurred during reassessment in 2012 (affecting tax years 2013 through 2016) and again during reassessment in 2016 (affecting tax years 2017 through 2020). As this is the fourth year of phased assessment from the January 1, 2016 valuation date, assessment shifts are not expected to occur in 2021, as MPAC has delayed the next reassessment by one year, to a January 1, 2021 valuation date.

When comparing Haldimand County's assessment base to other municipalities, there is a high reliance on the residential tax class to generate taxation revenue to meet the municipal levy requirements. The residential tax class absorbs approximately 78% of the overall tax burden and has historically experienced annual increases due to reassessment – from a low of 70.6% in 2001 to its current level of 78.0%. Comparatively, the Farmland class tax burden has varied from a low of 2.5% to its current high of 4.7% (over the same period from 2001 to 2020). In addition, certain properties in the residential tax class also increased more than the average year over year change due to inter-class shifts affecting their market value (e.g. water front properties and certain urban centres within the County).

Despite the tax shifts inevitably caused by reassessment, past Councils have never utilized available tax policies options to mitigate changes in tax burden to any of the major tax classes when such shifts have been caused by updated market values. Information was presented to Council in May of 2017 by staff, MPAC and the Ontario Federation of Agriculture representatives to explain the limited options available to the County to mitigate reassessment impacts. As the same levy "pie" needs to be divided amongst the County's property classes, any change in tax policy will result in further shifts among the classes (primarily negatively impacting the residential class) that will have nothing to do with what the property is worth, thus moving away from the fundamental basis of property taxation based on market value. During these presentations and a further review in 2018, it was also noted that very few municipalities have reduced the farm property tax ratio below 0.25.

It should also be noted that the Province has established specific legislation to offset tax shifts due to reassessment. These provisions primarily allow the municipality tax ratio "flexibility" to increase the commercial and industrial tax classes to offset the impact to other property classes – primarily the residential tax class. As such, decreasing the farm property tax ratio would have the opposite effect of the intent of the provision established by the Province to offset tax impacts of reassessment – namely reducing the farm ratio would increase the tax shift to the residential property class as opposed to reducing the tax shift.

Similar to previous years, staff do not recommend any changes to the farm property class current tax ratio of 0.25. However, as outlined later in this report, Council adopted two optional subclasses for farm properties with small-scale on-farm business activities in 2018. This could provide 2020 tax relief to some farm properties from the current taxation at the commercial and industrial tax rates. In 2018, MPAC completed a review of farm properties and did not identified any eligible small-scale on-farm business within Haldimand County at that time. Further, the returned roll for 2020 taxation does not identify any properties within these subclasses.

As noted above, similar to any proposed reductions in commercial or industrial tax ratios, any change in tax ratios requires a comprehensive and thorough review, as any reduction has a corresponding and opposite effect on another tax class.

Recommendation: Based on the above and for the reasons explained in previous presentations, staff are recommending that the farm tax class ratio remain at 0.25 for 2020 but that the optional subclasses for farm properties with small-scale on-farm business activities be utilized in order to provide some tax relief for economic development reasons.

C3. Multi-Residential class tax ratio (existing properties)

The Province has heard concerns about the significantly higher property tax burden for multi-residential apartment buildings and its potential implications on housing affordability in the rental market. In response to these concerns, the Province reviewed property taxation of multi-residential apartment buildings. This review involved extensive consultations with municipalities, as well as other affected stakeholders, including renters and apartment building owners and was completed in early 2017.

The Province has taken steps to ensure that high municipal tax burdens on multi-residential properties do not increase. Starting with the 2017 tax year, municipalities with a multi-residential tax rate that is double the residential rate or higher will be restricted from increasing this burden. This means, where the multi-residential tax ratio is greater than 2.0, a full levy restriction will be implemented and reassessment related shifts onto the multi-residential class will be prevented. The County's multi-residential tax ratio for 2016 was set at 2.33 times the residential rate, meaning that unless it was reduced to the prescribed maximum of 2.0, a full levy restriction would have been in effect for 2017. Given the restrictions and minimal impact in 2017, Council approved a tax ratio of 2.0 for the multi-residential class effective 2018.

The reduction of the ratio to 2.0 also brought the ratio for multi-residential buildings closer to the range of fairness noted in table 3 below. Although staff have some concerns whether the associated property tax savings are actually being passed on to the renters, the reduction does meet the Province's intent.

For 2020, Council can reduce the ratio further, but cannot increase the ratio established in 2017. As the County currently has a ratio at the required 2.0 to avoid any tax levy restrictions, there is no pressing need to change it further at this time. It should be noted that all new multi-residential properties have a lower tax ratio which is beneficial in encouraging new affordable housing.

Recommendation: based on the above, staff are recommending that the multi-residential tax class ratio remain at 2.00 for 2020.

C4. "New" multi-Residential class tax ratio

Further to the restrictions for existing multi-residential properties, new multi-residential buildings with a building permit date of April 20, 2017 or after will have a mandatory tax ratio of between 1.0 and 1.1. Currently, the County does not have any new multi-residential buildings that fall within the new tax class. In the event that a new multi-residential building permit is issued after April 20, 2017, the multi-residential (new construction) tax rate is included in the County's 2020 Levy By-law.

Given the rationale for the ratio being at or close to the residential tax ratio is to help stimulate new affordable housing, having a ratio slightly higher would serve limited purposes and derive very little additional taxes. In addition, most Federal or Provincial grant opportunities for affordable housing contain requirements to tax these developments at the same rate as residential properties. This would require these developments to have a tax ratio of 1.0 in any event.

Recommendation: For the above reasons, staff are recommending that the "new" multi-residential tax class ratio remain at 1.00 for 2020.

C5. Landfill class tax ratio

The Landfill property tax class was also new starting in 2017. Under previous legislation, landfills were included within the commercial category. Currently, the County only has one (1) taxable landfill property that qualifies for the new class. The Province has established the "Starting Ratio" as the 2017 ratio for the Commercial tax class. Municipalities have the flexibility to establish the tax ratio within the "Range of Fairness" with the upper limit established at the greater of: (a) Revenue Neutral Ratio for the class, increased by 5%, or (b) 1.1. Given the limited number of properties/assessment in this tax class (this new class generates less than $9,000 annually at the current commercial tax ratio), having a slightly higher tax ratio would have limited impacts.

However, as the "Range of Fairness" has a maximum of 1.8572 to a low of 1.1, increasing this class above the current regular commercial class tax ratio would create additional disparities within the commercial class and leave this class further away from the lower limit of the "Range of Fairness".

Recommendation: Based on the above analysis, staff are recommending that the landfills tax class ratio remain at 1.6929, the same as other occupied commercial properties, for 2020.

C6. “Revenue neutral” tax ratios

The Province has established provisions primarily to allow municipalities the “flexibility” to increase the commercial and industrial tax class ratios to offset the impact of shifts to other property classes – primarily the residential tax class. In addition, the legislation also allows increasing the tax ratio for these classes even if a municipal levy restriction is in place due to the current tax ratios being above the “Threshold Range”. This provision allows the ratios to be adjusted to offset up to 50% of any increase applied to the residential property class. These two provisions are often referred to as establishing “Revenue Neutral” tax ratios.

These provisions have been in place since regular re-assessments have been established (starting in 2009) yet County staff have never recommended these provisions. Although, increasing the commercial and industrial class tax ratios would help offset the tax burden shift to the other classes, it would move the tax ratios further away from the “Range of Fairness” (currently 0.6 to 1.1). Additionally, the current ratios for these classes, 1.6929 for the commercial class and 2.3274 for the industrial class are very close to the thresholds for municipal levy restrictions. Increasing these ratios would add additional tax burden to these properties and may impact their competiveness with surrounding municipalities that are moving closer to the “Range of Fairness”.

Similar to the farm class tax ratio discussion, the use of these provisions would artificially adjust the tax burden and not reflect the intended tax burden allocation resulting from market value assessment.

<u>Recommendation</u>: For the above reasons, staff are recommending that the provisions to implement “revenue neutral” commercial or industrial class tax ratios not be utilized in 2020.

Based on the above noted recommendations, Table 3 compares Haldimand County’s proposed 2020 to the 2019 ratios and the provincially legislated ranges.

Table 3 – 2020 Recommended Tax Class Ratios

Property Class	Range of Fairness	Threshold Ranges	2020 Recommended Tax Ratios	2019 Final Tax Ratios
Multi-residential	1.0 to 1.1	2.00	**2.0000**	2.0000
Multi-residential (New)	1.0 to 1.1	1.10	**1.0000**	1.0000
Commercial	0.6 to 1.1	1.98	**1.6929**	1.6929
Industrial	0.6 to 1.1	2.63	**2.3274**	2.3274
Landfill	0.6 to 1.1	1.86	**1.6929**	1.6929
Pipeline	0.6 to 0.7	n/a	**1.4894**	1.4894
Farm	n/a	n/a	**0.2500**	0.2500

It is important to note that moving the current tax ratios closer to the Ranges of Fairness will shift tax burden among property classes, primarily onto the residential class. Section 308 of the Municipal Act provides that municipalities can move current tax ratios closer to the Ranges of Fairness, but may not move them further away.

As reported in FIN-02-2020 Analysis of Assessment Update for 2020, Table 4 provides a revised comparison of the municipal tax burden by property class for 2020, with the comparative burden for 2019 (based on the above noted recommended tax ratios). It should be noted that this reflects property tax burden only and excludes the taxation revenue generated through payments-in-lieu of taxes (i.e. from OPG as well as other government properties).

Table 4 – Tax Burden by Property Class

Property Tax Class	2020 Proposed Final Based on Tax Policy	2020 Based on Returned Roll	2019 Final
Residential	**78.22%**	78.25%	78.04%
Farm/Managed Forest	**4.77%**	4.69%	4.62%
Multi-residential (*)	**1.36%**	1.35%	1.35%
Commercial/Landfill (*)	**8.10%**	8.19%	8.11%
Industrial	**5.93%**	5.91%	6.21%
Pipelines	**1.62%**	1.61%	1.67%

** Multi-residential (New Construction) & Landfill property classes were new starting 2017 as a result of new Provincial legislation – there is currently one property in the landfill class and no properties in the multi-residential (new construction) class*

D. Tax Reductions

The Municipal Act provides specific legislation with respect to tax reductions for different sub-classes of property. There are different provisions for: (i) vacant and excess land in the commercial/industrial property tax classes; (ii) all sub-classes related to farmland awaiting development and (ii) optional subclasses for both industrial and commercial small-scale on-farm business activities.

D1. Vacant and Excess Land Subclasses

Prior to 2017, tax rate reductions for vacant and excess land within the commercial and industrial classes were set by legislation at 30% and 35% respectively. Starting in 2017, the Province provided municipalities with the ability to amend the reduction program to align with local circumstances and needs. Municipalities were given the flexibility to reduce the reduction percentages or eliminate the program entirely. Through reports CS-FI-08-2017 and CS-FI-15-2017, these options were evaluated in conjunction with public consultation and, ultimately, Council approved a phase out of the program starting in 2017. The phase-out continued over the next three years by reducing the current reduction evenly until it is completely eliminated in 2021.

D2. Farmland Awaiting Development

Tax rate reductions related to farmland awaiting development (FAD) are divided into two sub-classes and can be established within a range established under Provincial regulation (O. Reg. 298/03 of the Municipal Act). The reductions are set relative to the residential tax class for all non-residential tax classes.

The maximum reduction allowed for “first class” farmland awaiting development is 75%, which is consistent with the regular farmland tax class; the minimum is 25% (i.e. the property would pay 75% of the full tax rate in the applicable class). The County started with the maximum allowable reduction and has been phasing it down to the minimum reduction of 25%. As there are a limited number of properties in the FAD class (i.e. 5 properties in total across the County), changing the reduction percentage will not have a major tax impact but it will provide additional taxation revenue while these properties are awaiting development (which can be several years). As a result, it was previously recommended that the reduction percentage be gradually moved towards the minimum reduction percentage allowable under the regulation (i.e. 25%).

Under the current regulation, the maximum this percentage can be adjusted in any given year is 10%. No change is required for 2020 as, in 2016, the discount was at the minimum of 25%. It is, therefore, recommended that the reduction for residential farmland awaiting development remain at 25% for 2020, representing the legislative minimum reduction. The corresponding reduction for the non-residential tax classes is a prescribed calculation to provide for the same level of taxation as the residential farmland awaiting development tax class. This calculation provides for a 67.78% reduction for industrial, 62.5% reduction for multi-residential and a 55.70% reduction for the commercial tax classes, respectively.

As there is no minimum for “second class” farmland awaiting development, it is recommended that the reduction be maintained at 0% similar to previous years.

D3. Small-scale On-farm Business

In May 2018, the Minister of Finance announced new optional small-scale on-farm business subclasses for qualifying assessment in the industrial and commercial tax classes. To be eligible, the commercial and/or industrial facility must be used to sell, process or manufacture something from a farm product produced on the farmland or on land used to operate the farming business. These optional subclasses will provide some moderate tax relief (the eligible assessment will be taxed at 25% of the commercial or industrial tax rate) while providing additional economic development opportunities across the County.

It should be noted that the Province did enact a reduced Education rate for these small scale on-farm businesses regardless of whether a municipality has opted to have the subclasses apply or not. MPAC had indicated that the assessment related to these subclasses would likely not be identified until late 2018, however at this time there are not any properties in Haldimand County that have been assessed in these subclasses. As such, the overall financial impact is not known at this time. However, as the maximum assessment eligible for each property is limited to $50,000 combined for both subclasses, staff do not feel it will have a material impact on approved budgets (maximum reduction for each qualifying property is less than $1,000 annually). Once the assessments have been identified, any shortfalls in current budgets will form part of the overall surplus/deficit for 2020 and future budgets can be amended if necessary to address the impacts of the optional subclasses. Council has adopted both of the eligible subclasses since 2018 to support local farmers and to help diversify their operations and grow our local economy.

E. Tax Capping Options and Parameters

The intention of the property taxation system is to establish taxes based on a property’s market value or current value assessment (CVA). In order to mitigate large tax increases or decreases for commercial, industrial and multi-residential properties, the Province introduced the capping program many years ago to limit the tax increases on non-residential properties. To provide funding for these tax reductions without putting the burden on the residential taxpayers, the Province enacted legislation in 1998 that limited the tax reductions on non-residential properties – referred to as being “clawed back”. The cost of the cap may be funded by: reducing (clawing back) other tax decreases to properties within the same tax class; non-tax revenues such as draws from reserves; a general tax rate increase for all classes; or a municipal tax reduction program.

Although the Province has made several amendments to the “capping” legislation to accelerate the elimination of this program, despite these revisions the Province estimates that approximately 13% of all properties remained in the capping program at the end of 2014. Accordingly, in 2015, the Ministry of Finance initiated a review of the business capping legislation and, as part of that review, established public consultations on potential revisions to the current regime. The Ministry selected individuals to participate in a municipal reference group (Haldimand County was selected as part of the municipal reference group) as well as a separate business reference group. Through this review and consultation, it was evident that an end to be business tax capping was in the best interest of all parties. As business tax capping was introduced in 1998 as a temporary measure, it was agreed that it was likely beyond its useful or intended purposes. With the ultimate goal of eliminating business tax capping, the following changes were enacted starting with the 2016 taxation year:

- “Enhanced provisions” based on previous limits:
    - Increased annual assessment related (i.e. CVA) increase from 5% to 10%;

  - Increased threshold from $250 to $500;
- Option to exit out of the capping provisions under certain provisions;
- Option to phase a tax class out of capping over a 4 year period.

Additional changes were also enacted for 2017 as follows:

- Eliminating the vacant and excess lands from the calculation to determine if the municipality can "opt" out or phase out the capping for the respective class;
- Option to limit capping to levy increases only and exclude impacts of re-assessment from the capping provisions.

As the County's objectives have been and continue to be the elimination of business tax capping, with the main goal being to move all properties to full CVA taxation as soon as possible, staff are recommending using all available options to achieve this as soon as possible. The capping program is very difficult to administer and very confusing for the taxpayer to understand. Non-residential property owners that should be receiving reduced taxes, as the result of their decreased CVA, have seen those reductions clawed back to provide tax relief for other non-residential properties that experienced large tax increases caused by CVA.

The resulting impacts of adopting the above-noted parameters for the capping program are as follows:

- Annualized assessment related tax increases for non-residential properties will be limited to a maximum of 10%. As a result, for non-residential properties that would have been subject to more than a 10% increase based on their CVA taxation, these properties will be capped and have a corresponding reduction to limit their increase to 10%.
- For any property for which the 2020 CVA tax increase is within a maximum of $500 of the 2019 amount of taxes, the true CVA taxation will be charged and there will be no reduction or clawback.
- Properties previously at full CVA tax and/or properties that go from a capped position to a clawback position and/or properties that go from a clawback position to a capped position will be excluded.
- Based on the criteria, there will be an exit from the business tax capping program for all eligible tax classes.
- For tax classes not eligible to exit from the business tax capping, staff will implement the phase-out where the eligibility conditions are met.

Table 5 illustrates the impact of the proposed capping options outlined above:

Table 5 – Impact of Proposed Capping Options

Description	Proposed 2020 Capping Options		
	Multi-residential	**Commercial**	**Industrial**
Capping and Threshold Parameters			
• Annualized Tax Limit	10.00%	10.00 %	10.00 %
• Prior Year CVA Tax Limit	10.00%	10.00 %	10.00 %
• CVA Threshold - Increasers	$500	$500	$500
• CVA Threshold - Decreasers	$500	$500	$500
• Exclude properties at CVA	Yes	Yes	Yes
Property Count by Category (#)			
• Protected by Annualized Capping	0	2	1
• Clawed Back/Above CVA Taxes	0	2	1
• At CVA Tax	41	941	345
• **TOTAL PROPERTIES**	**41**	**945**	**347**
Tax Adjustments			
• Reductions	$0	$(4,154)	$(7,804)
• Clawbacks	$0	$4,154	$7,804
• **NET CLASS IMPACT**	**$0**	**$0**	**$0**
Eligible to Exit Capping Immediately	**Yes**	**No**	**No**
Eligible to Phase-out of Capping	**n/a**	**Yes**	**No**

As shown in the above table, approximately 99.6% (1,327 out of 1,333) non-residential properties will be taxed at their full CVA using the recommended capping parameters. The use of these optional tax provisions have moved a significant number of properties to full CVA taxes from the capped/clawed back position over the past five years.

All properties in the Multi-residential tax class are at their CVA taxes, this class exited from the capping program starting in 2016. To be eligible for capping phase-out, all properties in the class must be within 50% of CVA tax at the time of the previous year's final billing, or if the only properties not within the 50% of CVA tax are vacant land properties. In the commercial tax class, all properties are within 50% of their CVA taxes, so the County can initiate the 4 year phase-out. Unfortunately, we have 1 property in the industrial tax class that, while currently at 59% of its CVA taxes, needed to be within the 50% at the time of 2019 final tax billing to be eligible to begin phase-out in 2020.. Based on this, it is anticipated that the Industrial tax class will be eligible to begin the 4 year phase-out of tax capping beginning in 2021.

The Province estimates that all properties, assuming these new provisions are utilized, will be at their CVA taxes within nine years at the latest.

If Council adopts staff's recommendation to implement the proposed options, the preliminary information in the Ontario Property Tax Analysis (OPTA) system calculates that there are sufficient tax decreases for properties within the industrial and commercial classes to fund the caps on those properties that are experiencing tax increases. If the proposed options are not utilized, there is a risk that there would not be sufficient tax decreases to fund the caps on the properties that are experiencing tax increases. Legislation requires that any shortfall in tax caps must be funded by non-tax revenues such as draws from reserves or by a general tax rate increase for all classes.

It must be reiterated that certain commercial and industrial properties, which should have experienced decreased taxes due to assessment changes, are having some of their 2020 CVA related tax decrease "clawed back" so that other similarly classed properties will not realize significant tax increases. In the industrial class, one property has been clawed back to fund one property's capping protection. In the commercial class, two properties have been clawed back to fund two properties capping protection. Again, these tax increases and decreases are all related to changes in the property's value (assessment) and not the result of any Council approval of municipal levy changes.

F. Tax Capping for "New Construction/New to Class"

Provisions under Section 329.1 of the Municipal Act provide municipalities with the ability to phase out the tax capping provisions for eligible properties as defined under Section 331(20). These eligible properties are defined as multi-residential, commercial or industrial properties that meet one of the following conditions:

- As a result of additional assessment, the assessment of the property is increased by an amount equal to or greater than 50%; or
- The property was new to the multi-residential, commercial or industrial property class during the year.

These properties are typically referred to as "new construction" or "new to the class" properties. Section 331 of the Municipal Act provides for tax capping based on comparable properties in the vicinity. As a result, these properties are removed from the normal capping calculations for properties in these classes and capping protection is provided at the same level as six comparable properties. In future years, these properties are then capped with other properties currently in the same property class. This process is very cumbersome to administer and results in additional properties not being taxed at their respective CVA taxation level.

To improve the process, the Province introduced provisions under Section 329.1 of the Act whereby municipalities had the option to phase out the capping parameters for these properties resulting in all "new construction/new to class" properties taxed at their CVA taxation level. Most municipalities across the Province utilized these provisions to eliminate the current ineffective capping program for these properties. In 2008, the County passed a by-law to adopt these provisions, thereby eliminating the capping of these properties. Once this by-law has been established, there is no requirement to pass similar by-laws in future years and, as a result, these provisions continue to be in place for 2020.

G. Existing Policies

The following additional Tax Policies are presently in place and do not require amendment at this time. (They are available for public review on the County website.)

1. Tax Rebates to Charitable or Similar Organizations.
2. Municipal Tax Deferral for Low Income Seniors or Low Income Disabled Property Owners.

The above noted policies are mandatory under current legislation and procedures are reviewed on an "as required" basis (i.e. changes in the underlying legislation, recent court decisions/interpretations, etc.) to ensure the desired intent of these provisions is still being met. At this time, the remaining policies are currently meeting legislative and administrative needs and will be subject to change in the future as required.

H. 2020 Tax Rate Impact on Property Classes

As indicated above, the four main factors that impact the annual taxes on an individual property are: annual assessment impacts, Education tax rates, municipal levy requirement and tax policy decisions. During the review and approval of the 2020 Tax Supported Operating Budget, the impacts of re-assessment, changes in approved Education rates and the levy requirements for 2020 were factored into the estimated tax impacts on the average assessed properties in the major tax classes which were presented to Council at that time.

Assessment roll changes subsequent to the 2020 Budget review, and tax policy decisions outlined in this report have subsequently impacted the overall tax impact on various property classes. In comparing 2020's total average property tax increase to 2019's, the associated impacts for specific tax classes are as outlined in the table below.

Table 6 – Average Tax Impacts on Selected Property Tax Classes

Assessment Class	2019 Final per FIN-11-2019				2020 Proposed Final				Increase		Monthly
	Ave CVA	Municipal	Education	Total	Ave CVA	Municipal	Education	Total	$	%	$
Industrial	529,805	12,989.76	6,834.48	19,824.24	537,400	12,889.19	6,717.50	19,606.69	(217.56)	-1.10%	(18.13)
Multi-Res.	1,048,071	22,081.81	1,687.39	23,769.20	1,063,200	21,913.00	1,626.70	23,539.69	(229.51)	-0.97%	(19.13)
Commercial	307,271	5,479.83	3,706.27	9,186.09	318,900	5,563.43	3,710.43	9,273.86	87.77	0.96%	7.31
Residential	266,860	2,811.24	429.64	3,240.88	277,200	2,856.60	424.12	3,280.72	39.84	1.23%	3.32
Farmland	371,600	978.66	149.57	1,128.22	408,600	1,052.68	156.29	1,208.97	80.74	7.16%	6.73

As previously noted, the major reason for differences in the overall tax impact presented at budget time versus now is due to the individual property's whose assessments have changed between when the tax roll was returned in late 2019 till the changes were cut off in May 2020. Due to these changes, all property classes saw an increase ranging from 0.21% for the commercial class to 0.32 % for the farmland tax class. It is important to note some key points from the above table:

- The overall tax impact on each individual tax class varies considerably, due primarily to the assessment shifts of 2020 (as noted in report FIN-02-20209 Analysis of Assessment Update);
- The education portion of the overall tax class varies considerably, depending on the property class, from approximately 40.0% of the commercial tax bill to only 6.9% for a multi-residential property.

Based on the Tax Policy recommendations outlined in this report, together with the 2020 approved municipal levy, education taxes and assessment shifts, the average residential property will see an overall increase of 1.23% or $3.32 per month on their 2020 total tax bill.

The following chart compares the proposed tax rates for 2020, based on the recommended tax policies outlined in this report, to the approved 2019 tax rates. Due to re-assessment, the actual tax rate in all classes will be less than the prior year, in order to account for the higher assessed values.

Table 7 – 2020 Proposed Tax Rate vs Approved 2019 Tax Rates by Selected Property Tax Classes

Property Class	2020 Total Tax Rate %	2019 Total Tax Rate %	Year over Year Change Increase/(Decrease)	% Change Increase/(Decrease)
Residential	1.183521%	1.214450%	(0.030929%)	(2.55%)
Farmland	0.295880%	0.303613%	(0.007733%)	(2.55%)
Commercial	2.908078%	2.989574%	(0.081496%)	(2.73%)
Industrial	3.648434%	3.741800%	(0.093366%)	(2.50%)
Multi-residential	2.214042%	2.267900%	(0.053858%)	(2.37%)

Attachment #1 to this report represents the Draft Tax Levy Summary that will be included with the Levy By-law to be presented in conjunction with this report at the June 16th Council Meeting. Final tax bills for Haldimand County property owners will be issued in July, with installment payments due on August 31st and October 30th.

I. Railway Right-of-Way Property Taxation Rates for 2020

The 2016 Ontario Economic Outlook and Fiscal Review announced that the Province had initiated a review of the property taxation of railway rights-of-way in response to municipal requests. As part of the review, the Province has held consultations with municipalities and representatives of the railway industry. Based on these consultations, in the 2017 Ontario Budget, the Province announced that it was taking action to address three key issues related to: indexation of rates, variation in rates, and implications for short-line railways. Municipalities have expressed concerns that property tax rates on railway rights-of-way have not been updated since the late 1990s.

Beginning in 2017, property tax rates on railway rights-of-way were updated to reflect the average annual percentage change in taxes on commercial properties. This means that municipal property tax rates for mainlines increased by approximately $18 per acre for 2018. There was expectation that the rates for mainlines would again increase for 2019, however the Province held the 2018 rates. The Province has again provided confirmation that property tax rates for 2020 will be the same as 2018 and 2019.The Province froze the shortline railway property tax rates at 2016 levels again for 2020 in recognition of the challenges faced by this sector of the railway industry. It is hoped that, in future years, the Province will continue to adjust rates to address the key issues identified by municipalities. The below table summarizes the 2019 and 2020 rates.

Table 8 – 2020 Railway Right-of-Way Property Taxation Rates per Acre

	Municipal Mainline	**Municipal Short-line**	**Education**
2020 Rate/acre	$110.00	$85.58	$114.98
2019 Rate/acre	$110.00	$85.58	$114.98
Change/acre	$0.00	$0.00	$0.00

There are approximately 126 acres of mainline railway right-of-way located within the County. Since there is no change in the rates over the prior year, no additional revenues will be realized. Any changes in the railway per acre taxation rates do not require any action from Council.

J. Other Legislative Changes

The Province enacted a significant number of legislative changes for implementation in 2017, with some becoming effective in 2018. Many of these legislative changes were enacted to promote a stronger Ontario and provide incentives to develop additional affordable housing. Although many of these changes were available for use in 2018, there were two that still required proclamation by the Lieutenant Governor or additional regulations from the Minister before considering utilization at the time of the 2018 Annual Tax Policy Report. These pending changes, which are now effective, include:

- Vacant Home Tax: New provisions under the Municipal Act will allow municipalities to impose a tax on vacant residential homes. The intent of these measures is to discourage speculative ownership of homes.

- Transient Accommodation Tax: New provisions under the Municipal Act will allow municipalities to impose a tax in respect of the purchase of transient accommodation within the municipality. The intent of these measures is to promote occupation of available units in hotels and other short-term accommodation.

Very few municipalities have implemented these provisions at this point. Staff will continue to monitor the implementation and effectiveness of these provisions and make recommendation to Council on the applicability to the County in the future.

FINANCIAL/LEGAL IMPLICATIONS:

In order to meet the reporting requirements as per Provincial legislation, Council must establish the 2020 property tax policies. The final tax rates are determined based on the recommended tax ratios and last revised assessment roll (as at May 2020). Although these tax policy decisions impact the relative burden by individual property classes, the municipal tax levy to be collected in 2020 was approved earlier this year by Council at $69,823,910 and remains unchanged.

It is expected that there are sufficient tax decreases for properties within the commercial and industrial classes to fund the cost of the tax cap within these property classes. There are no tax decreases to fund for multi-residential properties as there are no longer any properties in this class that are capped. Legislation requires that shortfalls (if any) must be funded by non-tax revenues such as draws from reserves or by a general tax rate increase for all classes. Any shortfall will be charged as an expense against the 2020 Operating Budget.

STAKEHOLDER IMPACTS:

The 2020 Tax Policy is in conformity with the concept of balanced growth and economic development in our community.

REPORT IMPACTS:

Agreement: No

By-law: Yes

Budget Amendment: No

Policy: No

ATTACHMENTS:

1. Draft 2020 Tax Levy By-Law
2. Draft 2020 Tax Ratios and Tax Reductions By-law
3. Draft 2020 Tax Capping By-law