The Regional Municipality of Halton

| | |
|---|---|
| Report To: | Regional Chair and Members of Regional Council |
| From: | Mark Scinocca, Commissioner, Finance and Regional Treasurer |
| Date: | April 17, 2019 |
| Report No. - Re: | FN-18-19 - 2019 Tax Policy |

RECOMMENDATION

1. THAT the following tax ratios be adopted for the 2019 taxation year:

| | |
|---|---|
| Residential | 1.0000 |
| Multi-Residential | 2.0000 |
| New Multi-Residential | 1.0000 |
| Commercial | 1.4565 |
| Industrial | 2.3599 |
| Pipe Line | 1.0617 |
| Farm | 0.2000 |
| Managed Forests | 0.2500 |
| Landfill | 1.4565 |

2. THAT the 2019 taxation rates for Regional services as set out in Attachment #1 to Report No. FN-18-19 re: "2019 Tax Policy" be adopted.

3. THAT the 2019 mandatory capping program for commercial and industrial properties be funded from deferred revenue associated with this program and that the program be based on the criteria set out in Attachment #2 to Report No. FN-18-19.

4. THAT Regional staff be authorized to submit to the Ministry of Finance a request that the current Vacant and Excess Land subclass property tax discount in Halton be removed for the 2020 taxation year and the benefit be directed to reduce the industrial tax ratio in 2020.

5. THAT Halton Region continues to:

   a. Provide a tax rebate for Registered Charitable Organizations under Section 361 of the *Municipal Act*, *2001* at a rate of 40% of the current year's taxes applicable to the space occupied;

b. Cost-share in the property tax rebate program for older adults in the same proportion as the current year taxes subject to the rebate being established by by-law under Section 365 of the *Municipal Act, 2001*;

c. Provide a full property tax deferral to low income older adults under the Older Adults Property Tax Deferral Program, subject to the amendment as set out in Report No. FN-18-19;

d. Provide a property tax increase deferral to low income older adults and persons with disabilities under Section 319 of the *Municipal Act, 2001*;

e. Provide a reduction or refund of the Regional portion of property taxes for eligible Heritage Property in the same proportion as that provided for by local municipalities' by-laws established under Section 365.2 of the *Municipal Act, 2001*;

f. Provide a municipal tax exemption for the lands and buildings of the Navy League of Canada and Halton Naval Veterans Association within the City of Burlington from Regional taxes pursuant to a by-law passed under Sections 6 and 6.1 of the *Assessment Act* following approval of the City of Burlington's by-law.

6. THAT the Director of Legal Services & Corporate Counsel be authorized to prepare all necessary by-laws to establish the aforesaid 2019 taxation rates, taxation policies and property tax relief programs.

7. THAT the Regional Clerk forward a copy of Report No. FN-18-19 and the related by-laws to the City of Burlington, the Town of Halton Hills, the Town of Milton and the Town of Oakville.

<u>REPORT</u>

**Executive Summary**

- Under the *Municipal Act, 2001*, Regional Council must annually approve tax policies to set the upper-tier rating by-laws, tax ratios, capping program and tax relief programs.
- Policy options are outlined in this report and the "2019 Current Value Assessment (CVA) and Tax Policy Reference Manual" is provided under separate cover to this report.
- The combined total assessment change for the 2019 taxation year is 7.99% which is comprised of the net in-year assessment growth of 1.95% and the valuation phase-in increase of 5.93%.
- The Region's tax impact including Police is 1.9%.

- Since 2018, the capping program has been funded from deferred revenue. Properties within Halton are no longer being clawed back in order to fund the capping program.
- The Vacant Unit Rebate program in Halton has been completely phased out as of the 2019 taxation year.
- Regional staff recommend maintaining the vacant and excess land subclass property tax discounts for the 2019 taxation year and removing them for the 2020 taxation year, with the resulting benefit directed to the industrial property class.

**Background**

The purpose of this report is to provide Council with recommendations regarding property taxation for 2019 and to obtain approval for the 2019 Regional property tax rates.

In accordance with the *Municipal Act, 2001*, Regional Council must approve Tax Policies for:

- Upper-tier tax ratio setting
- Upper-tier rating by-law(s)
- Capping by-law for commercial, industrial and multi-residential classes
- Relief program for low income older adults and disabled homeowners
- Rebate program for charitable organizations

Further, under separate cover to this report is the "2019 Current Value Assessment (CVA) and Tax Policy Reference Manual" to assist members of Council and the public in understanding assessment and property tax in Ontario and specifically in Halton Region. This manual is also available to the public through Halton's web site.

**Discussion**

The final Regional tax rates are calculated by taking the assessment information from the Municipal Property Assessment Corporation (MPAC), weighting the assessment based on the tax ratios and dividing the 2019 Regional levy requirement by the weighted assessment. The following provides the information on each of these components.

## Assessment Changes

As shown in the following table, the combined total assessment change for the 2019 taxation year is 7.99%, which is the change in the weighted taxable assessment from the tax roll used for the 2018 taxation year to the tax roll used for the 2019 taxation year.

| Taxable Weighted Assessment | | | | | | |
|---|---|---|---|---|---|---|
| **Class** | **2018 Tax Year** | **2018 Year End** | **% Change for In-Year Growth** | **2019 Tax Year** | **% Change related to Phase In Valuation** | **Total % Change** |
| Residential | $ 107,423,073,901 | $ 109,678,903,155 | 2.10% | $ 116,304,936,545 | 6.04% | 8.27% |
| Multi-Residential | 5,548,948,918 | 5,620,163,424 | 1.28% | 6,053,260,054 | 7.71% | 9.09% |
| New Multi-Residential | 39,580,550 | 38,257,199 | -3.34% | 40,684,150 | 6.34% | 2.79% |
| Commercial | 21,895,447,819 | 22,538,919,048 | 2.94% | 23,612,670,794 | 4.76% | 7.84% |
| Industrial | 6,926,987,773 | 6,740,602,163 | -2.69% | 7,189,326,198 | 6.66% | 3.79% |
| Pipe Line | 307,207,605 | 301,394,066 | -1.89% | 310,411,749 | 2.99% | 1.04% |
| Farm | 192,624,526 | 186,893,108 | -2.98% | 199,124,336 | 6.54% | 3.37% |
| Managed Forests | 12,856,231 | 12,805,462 | -0.39% | 14,069,580 | 9.87% | 9.44% |
| **Total** | **$ 142,346,727,322** | **$ 145,117,937,625** | **1.95%** | **$ 153,724,483,408** | **5.93%** | **7.99%** |

| Taxable Weighted Assessment | | | | | | |
|---|---|---|---|---|---|---|
| **Municipality** | **2018 Tax Year** | **2018 Year End** | **% Change for In-Year Growth** | **2019 Tax Year** | **% Change related to Phase In Valuation** | **Total % Change** |
| Burlington | $ 45,083,485,680 | $ 45,372,838,300 | 0.64% | $ 48,245,635,899 | 6.33% | 7.01% |
| Halton Hills | 13,011,142,470 | 13,408,127,540 | 3.05% | 14,126,563,741 | 5.36% | 8.57% |
| Milton | 23,567,966,507 | 24,244,877,475 | 2.87% | 25,638,645,003 | 5.75% | 8.79% |
| Oakville | 60,684,132,665 | 62,092,094,310 | 2.32% | 65,713,638,764 | 5.83% | 8.29% |
| **Total** | **$ 142,346,727,322** | **$ 145,117,937,625** | **1.95%** | **$ 153,724,483,408** | **5.93%** | **7.99%** |

***Note: The % change columns in both tables do not total 7.99% due to the use of different bases in each calculation.***

Of the 7.99% increase, 1.95% relates to the net in-year growth in assessment in 2018 and 5.93% relates to the valuation change resulting from the third year phase-in of MPAC's 2016 reassessment.

The net in-year assessment growth of 1.95% for 2018 incorporates all additional assessment generated from new development that has been valued by MPAC during the year. The increase in assessment is offset by reduced assessment values resulting from Assessment Review Board (ARB) appeal settlements and Requests for assessment Reconsideration settlements. The net in-year growth results in a reduction to the tax impact as per the 2019 Budget and Business Plan, which supports the costs of maintaining levels of service in a growing community.

Valuation changes based on MPAC's 2016 reassessment do not generate any additional tax revenue but rather result in a redistribution of the relative tax share among the property classes. The impacts for the third year of the four-year phase-in cycle results in an overall average valuation increase of 5.93%.

## 2019 Regional Levy Requirement

Regional Council approved the net Regional levy requirement of $423,087,546 through Report No. FN-06-19 re: "2019 Budget and Business Plan and Disposition of the 2018 Surplus", including the transfer to the Tax Stabilization reserve to reflect the assessment increase from 1.5% to 1.95%, as shown in the following table.

| | 2019 Budget | 2019 Levy |
|---|---|---|
| Assessment Growth | 1.50% | 1.95% |
| Tax Increase | 1.90% | 1.90% |
| Net Levy Requirement | $421,268,435 | $423,087,546 |

## Tax Ratios

One of the limited tools provided by the Province to the municipalities in setting tax rates is adjusting tax ratios to address tax shifts created through reassessments. Regional staff are proposing no changes to the 2019 tax ratios, which are listed in the following table.

| Property Class | Ranges of Fairness (O. Reg. 386/98) | Halton Region Tax Ratios 2019 | Halton Region Tax Ratios 2018 | Threshold Ratios (O. Reg. 73/03) |
|---|---|---|---|---|
| Residential | 1.00* | 1.0000 | 1.0000 | |
| Multi-Residential | 1.00 - 1.10 | 2.0000 | 2.0000 | 2.0000 |
| New Multi-Residential | 1.00 - 1.10 | 1.0000 | 1.0000 | |
| Commercial | 0.60 - 1.10 | 1.4565 | 1.4565 | 1.9800 |
| Industrial | 0.60 - 1.10 | 2.3599 | 2.3599 | 2.6300 |
| Pipe Line | 0.60 - 0.70 | 1.0617 | 1.0617 | |
| Farm | 0.0 - 0.25*** | 0.2000 | 0.2000 | |
| Managed Forests | 0.25**** | 0.2500 | 0.2500 | |
| Landfill | 0.60 - 1.10 | 1.4565 | 1.4565 | 25.0000 |

*Section 308 of the *Municipal Act, 2001* sets the tax ratio for Residential as 1.0

***Section 308.1 of the *Municipal Act, 2001* restricts the tax ratio for Farm to be 0.25 or lower

****Section 308.1 of the *Municipal Act, 2001* sets the tax ratio for Managed Forests as 0.25

## 2019 Tax Rate

The table below shows the 2019 final tax rates calculated based on the assessment changes, 2019 levy requirements, and the tax ratios as discussed above. The blended Regional residential urban tax rate is 0.00275675, representing the 1.9% tax increase.

| 2019 Regional Residential Tax Rates | | |
|---|---|---|
| **Regional Services** | **2019 Levy** | **Residential Tax Rate *** |
| General | $ 240,775,787 | 0.00156628 |
| Police | 155,383,287 | 0.00101079 |
| Waste Management | | |
| Burlington | 9,435,118 | 0.00019616 |
| Halton Hills | 2,821,799 | 0.00026254 |
| Milton | 4,828,928 | 0.00018987 |
| Oakville | 9,842,627 | 0.00014978 |
| **Total ** ** | **$ 423,087,546** | **0.00275675** |

**Residential tax rate for urban properties*

*** Total Tax Rate based on combined Waste Mgmt rate*

There are three components to the Regional Levy: Regional General Services, Police Services and Waste Management Services. Police Services and Regional General Services, including recycling and organics, are funded by the entire assessment base. The balance of Waste Management Services is calculated on an area rating specific to each local municipal assessment base under Section 326 of the *Municipal Act, 2001* as service levels vary by local municipality. Regional staff continue to review waste management services for harmonization opportunities to move toward a region-wide waste management tax rate in future years. Attachment #1 to this report contains the recommended Regional tax rates for 2019 for all property classes.

As of the date of finalizing this report, the Region has not received the final Education tax rates for 2019 from the Ministry of Finance. Accordingly, the 2019 calculated notional education rates have been incorporated. It is anticipated that the tax increase shown in the table in the 2019 Tax Impact section below will be adjusted once the 2019 education tax rates are released by the Province.

**2019 Tax Impact**

The Region's tax increase for 2019 is 1.9%. The following table provides a summary of the combined Regional tax impact by municipality for an urban residential property per $100,000 of current value assessment (CVA).

| Residential Tax Impacts per $100,000 CVA | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Combined | | | | | | | | Regional | |
| **2019 Taxes** | | **Burlington** | | **Halton Hills** | | **Milton** | | **Oakville** | **Tax Only** | |
| **Regional Services:** | | | | | | | | | | |
| General & Waste Management | $ | 176.24 | $ | 182.88 | $ | 175.62 | $ | 171.61 | $ | 174.60 |
| Police | | 101.08 | | 101.08 | | 101.08 | | 101.08 | | 101.08 |
| Sub-total | $ | 277.32 | $ | 283.97 | $ | 276.69 | $ | 272.69 | $ | 275.68 |
| **Local Municipal Services:** | | | | | | | | | | |
| General | | 339.02 | | 356.45 | | 248.08 | | 300.76 | | |
| Hospital | | 6.43 | | 2.37 | | - | | - | | |
| **Education*** | | 160.25 | | 160.25 | | 160.25 | | 160.25 | | |
| **Total** | **$** | **783.02** | **$** | **803.04** | **$** | **685.03** | **$** | **733.69** | **$** | **275.68** |
| | | | | | | | | | Regional | |
| **2018 Taxes** | | **Burlington** | | **Halton Hills** | | **Milton** | | **Oakville** | **Tax Only** | |
| **Regional Services:** | | | | | | | | | | |
| General & Waste Management | $ | 172.75 | $ | 179.43 | $ | 171.48 | $ | 167.91 | $ | 170.91 |
| Police | | 99.52 | | 99.52 | | 99.52 | | 99.52 | | 99.52 |
| Sub-total | $ | 272.28 | $ | 278.95 | $ | 271.00 | $ | 267.43 | $ | 270.44 |
| **Local Municipal Services:** | | | | | | | | | | |
| General | | 325.41 | | 342.76 | | 229.06 | | 295.36 | | |
| Hospital | | 10.01 | | 2.44 | | - | | - | | |
| **Education*** | | 160.25 | | 160.25 | | 160.25 | | 160.25 | | |
| **Total** | **$** | **767.94** | **$** | **784.41** | **$** | **660.31** | **$** | **723.04** | **$** | **270.43** |
| Dollar Impact of Total Taxes | $ | 15.08 | $ | 18.64 | $ | 24.72 | $ | 10.65 | $ | 5.25 |
| Percentage Impact of Total Taxes | | 2.0% | | 2.4% | | 3.7% | | 1.5% | | 1.9% |

Schedule may not add due to rounding

*Note: The Province has not provided the education rates. Education impacts shown reflect 2019 calculated notional rates.

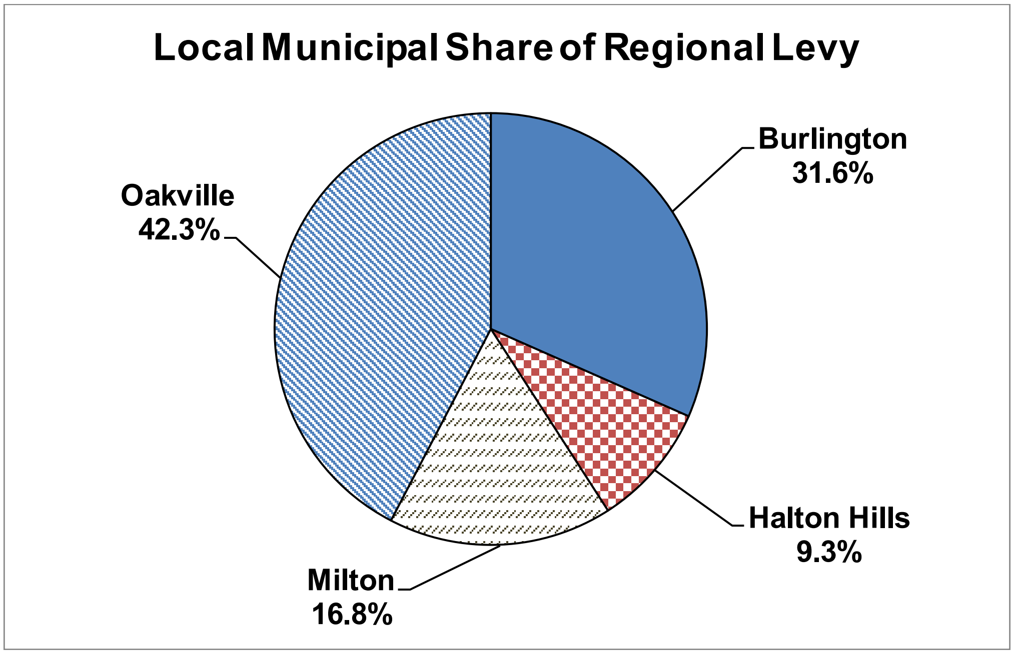
## 2019 Tax Allocation

The following table sets out the percentage breakdown of the final 2019 taxes for Regional, Local and Education taxes for an urban residential property in each local municipality.

| Percentage Share of Residential Taxes by Municipality | | | | |
|---|---|---|---|---|
| | **Burlington** | **Halton Hills** | **Milton** | **Oakville** |
| **Region** | 35.4% | 35.4% | 40.4% | 37.2% |
| **Local** | 44.1% | 44.6% | 36.2% | 41.0% |
| **Education*** | 20.5% | 20.0% | 23.4% | 21.8% |
| | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

*Note: The Province has not provided the education rates. Education impacts shown reflect 2019 calculated notional rates.

The following chart illustrates the percentage share of Regional levy by local municipality.




**Capping and Clawback**

The objective of the provincially mandated capping program is to limit assessment related tax increases on properties in the commercial, industrial and multi-residential classes to a maximum percentage each year. The program was originally implemented in 1998 when CVA began as a transitional mechanism to mitigate significant tax impacts. The ability to exclude properties that have reached CVA level taxes eliminated capped properties in the multi-residential class in 2009 and significantly reduced the number of capped properties in the commercial and industrial classes.

Under s. 329.1 of the *Municipal Act, 2001*, municipalities have the ability to establish the capping criteria up to certain thresholds. Accordingly, Regional Council approved through Report No. FN-11-17 re: “2017 Tax Policy” to further reduce the cost of capping by increasing the annual cap and the capping thresholds as enabled through O. Reg. 102/16. Similarly, further amendments to O. Reg. 73/03 (through O. Reg. 131/17) provide municipalities increased flexibility to accelerate progress to CVA level taxes and to exit or phase-out from the program under certain conditions. The list of capping parameters that are being recommended for the 2019 taxation year, including the recent amendments to O. Reg. 73/03, are set out in Attachment #2 to this report. The following is a summary of the capping program by property class.

| Property Class | Capping: # of Properties | Capping: Cost of Program | Clawback: # of Properties | Clawback: % of Tax Reduction Retained |
|---|---|---|---|---|
| Commercial | 7 | $ 16,683 | 0 | 0.0% |
| Industrial | 5 | 26,005 | 0 | 0.0% |
| Total | 12 | $ 42,688 | 0 | |

The number of properties capped in 2019 compared to 2018 has declined from 11 to 7 in the commercial class and from 6 to 5 in the industrial class. Note that the cost of the capping program is based on calculated notional education rates and as such is preliminary and will change upon receipt of the 2019 education rates from the Province.

Through Report No. FN-12-18 re: “2018 Tax Policy”, Regional Council approved the use of deferred revenue to fund the capping program in 2018. Since the introduction of the program in 1998, the Region was funding capping through clawbacks; that is the retaining or clawing back of a portion of the tax savings to properties whose taxes should be reduced. As a result of a historical adjustment to the capping and clawback program, a favourable balance of $1,009,680 between the capping and clawback values was realized as of 2003. This favourable balance was retained by the Region as deferred revenue, until funding was required to phase-out the capping and clawback program. Given the continued decline in the cost of the capping program in recent years, it is recommended that the capping program continue to be funded from this deferred revenue.

**Changes under Provincial Bill 70 - *Building Ontario Up for Everyone Act***

In November 2016, the Minister of Finance released a Fall Economic Update and introduced Bill 70 (*Building Ontario Up for Everyone Act (Budget Measures), 2016*), which proposed amendments to the *Municipal Act, 2001* that directly impacted the property tax provisions and 2017 taxation as outlined in Report No. FN-11-17 re: “2017 Tax Policy”.

This included adjustments to the 2017 Multi-residential tax ratio from 2.2619 to 2.0000, implementation of mandatory property classes for New Multi-residential (tax ratio of 1.0000) and Landfill (tax ratio of 1.4565) and provided the following optional changes:

- Vacancy Rebate and Reduction
- Small-Scale Value-Added and Commercial Activities on Farms

Since the Provincial announcement, the related implementation plan and the resulting impact have been reviewed through extensive consultation with the local municipalities.

***Business Vacancy Rebate and Reduction Programs***

The Province continues to provide flexibility for municipalities to modify their business vacancy rebate and reduction programs, including the Vacant Unit Rebate and Vacant and Excess Land subclass discount. Since the Provincial announcement in 2017, Regional staff have undertaken an extensive consultation and review process with the local municipalities' tax teams, Halton Area Municipal Treasurers, business community, MPAC and taxation experts, in order to assess the opportunities and challenges resulting from the flexibility the Province has provided regarding these programs. Changes to the vacancy rebate and reduction programs require stakeholder consultations, council resolution and approval by the Ministry.

*Vacant Unit Rebate*

In 2017, the Region undertook a consultation and review of the Vacant Unit Rebate program and determined that the program did not align with Regional objectives. As a result, through Report No. FN-11-17 re: "2017 Tax Policy" and subsequent approval by the Minister of Finance (including the amended O. Reg. 325/01), the Vacant Unit Rebate program has been completely phased out as of the 2019 taxation year.

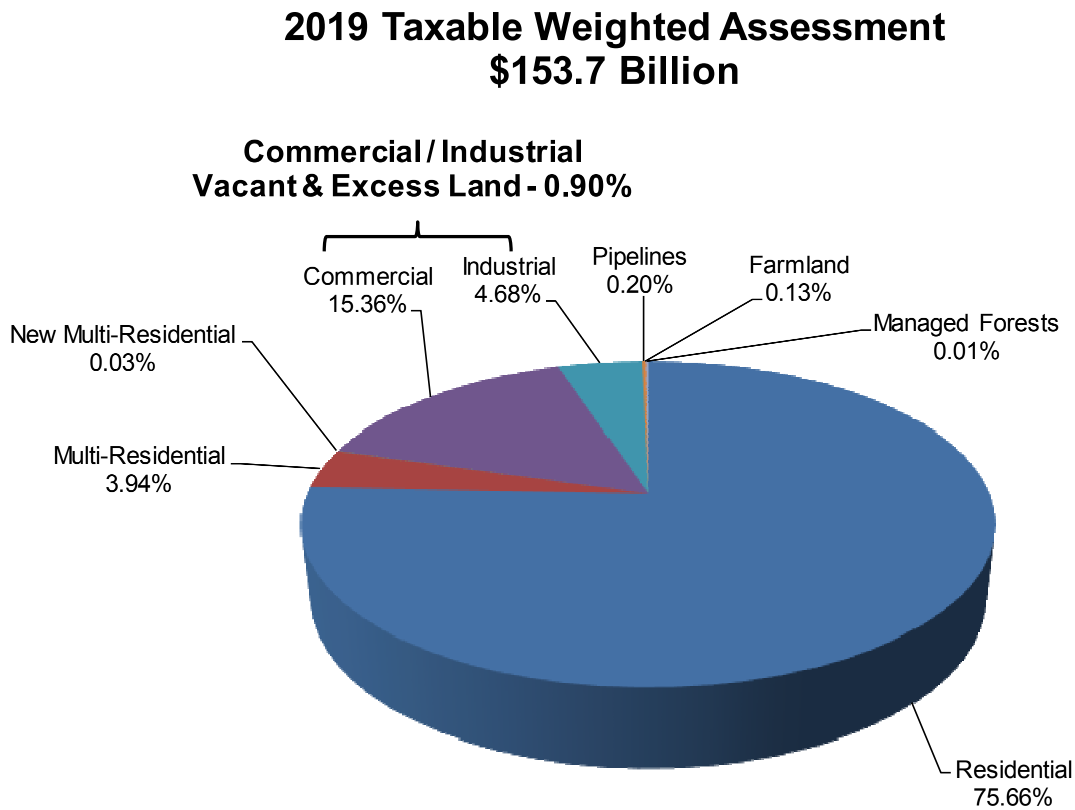
*Vacant and Excess Land Subclass Property Tax Discount*

As outlined in Report No. FN-11-17 re: "2017 Tax Policy" in 2017, staff undertook a review of the vacant and excess land subclass property tax discount, which currently provides a tax reduction of 30% to commercial and 35% to industrial properties with vacant or excess land. Regional staff consulted with the local municipalities' tax teams, Halton Area Municipal Treasurers and Halton Area Municipal Planners to review options for the vacant and excess land policy change. Regional staff also met with the Halton Economic Development Partnership group, Business Improvement Area (BIA) representatives and property owners to communicate the options being considered.

Through this consultation process, some property owners identified property assessment concerns with respect to vacant and excess land. As outlined in Report No. FN-12-18 re: "2018 Tax Policy", further consultations with MPAC and property owners were recommended and any tax policy adjustment recommendations related to the vacant and excess land subclass property tax discount would be provided for Council consideration through the 2019 tax policy report.

In 2018, Regional staff consulted with MPAC to gain an understanding of not only what constitutes vacant and excess land, but also how it is valued. To be classified in the 'vacant' subclass, the land of the property would have to be unused, which could include land with no buildings or structures, land in the process of being developed, or land that has been developed but not yet occupied. To be classified in the 'excess' subclass, the land of the property would have to be attached to a developed parcel. It would have to be fully developable, severable, not needed to serve or support the existing improvement and in excess of that required to accommodate the site's highest and best use.

As shown in the following chart, the vacant and excess land subclass within the commercial and industrial property classes amounts to $1.4 billion (0.9%) of the total $153.7 billion of the 2019 taxable weighted assessment. This represents 759 properties within these subclasses, with a total tax impact of $10.3 million (based on 2019 CVA and 2018 final tax rates).




In early 2019, Regional staff consulted with property owners who own vacant and/or excess land about the proposed removal of the discounts. The consultations did identify some assessment-related concerns, however Regional staff advised that there are mechanisms in place to review them with MPAC or appeal them through the ARB. The property owners were advised of the presentation being made to Regional Council on March 20, 2019, as well as the report scheduled to go to Regional Council for approval on April 17, 2019.

After extensive consultation and review, Regional staff recommend the removal of the vacant and excess land subclass property tax discount for both the commercial and industrial property classes in order to ensure equity amongst the property classes. The vacant and excess land subclass property tax discount is only available to the commercial and industrial property classes with the rest of the tax base subsidizing the discounts for these properties. To provide stakeholders with notice of the removal, Regional staff recommend that the discounts be maintained for the 2019 taxation year and completely removed for the 2020 taxation year, prior to the implementation of the next reassessment in 2021. Upon approval from the Ministry of Finance, staff will establish a communication plan to facilitate awareness of the recommended discount removal within the business community.

The removal of these discounts would not generate additional revenue for the municipalities however it would redistribute the tax burden, depending on how the benefit is directed. As noted above, approximately $10.3 million in benefit would be redistributed. Regional staff considered the following options, including directing the benefit to both the industrial and multi-residential property classes as requested by Regional Council at its meeting on March 20, 2019.

| Scenario # | Benefitting Property Class(es) | Tax Ratio | |
|---|---|---|---|
| | | From | To (approx.) |
| 1 | Industrial | 2.3599 | 2.0761 |
| 2 | Industrial | 2.3599 | 2.1605 |
| | Commercial | 1.4565 | 1.4395 |
| 3 | Multi-residential | 2.0000 | 1.6896 |
| 4 | All | No change | |
| 5 | Industrial | 2.3599 | 2.1605 |
| | Multi-residential | 2.0000 | 1.9077 |

The Province encourages municipalities to move tax ratios towards the range of fairness prescribed for each property class. Comparing the Region's tax ratios with other Greater Toronto and Hamilton Area (GTHA) municipalities, Halton's industrial and multi-residential tax ratios are above the average.

| | 2018 Tax Ratios | | |
|---|---|---|---|
| **Municipality** | **Multi-Res** | **Commercial** | **Industrial** |
| Durham | 1.8665 | 1.4500 | 2.1850 |
| York | 1.0000 | 1.2323 | 1.4973 |
| Toronto | 2.5231 | 2.8476 | 2.8359 |
| Brampton | 1.7050 | 1.2971 | 1.4700 |
| Mississauga | 1.4510 | 1.4772 | 1.6108 |
| Caledon | 1.7223 | 1.3385 | 1.5900 |
| Halton | 2.0000 | 1.4565 | 2.3599 |
| Hamilton | 2.6342 | 1.9800 | 3.4115 |
| **GTHA Average** | **1.8628** | **1.6349** | **2.1200** |

In 2014, Council approved the Multi-Year Tax Policy Strategy (Report No. FN-05-14 re: "Multi-Year Tax Policy Strategy Update") which reviewed the multi-residential and industrial tax ratios given that they were above the GTHA average. In this report, Regional staff reviewed the fairness of taxes between the multi-residential and condominium properties, which are classified as residential. Given that both property types are assessed differently by MPAC and pay a different tax rate, it was determined that an average tax ratio of 2.02 would be required for the multi-residential property class in order for a multi-residential unit to pay the same level of taxes as a condominium unit.

As noted above, as required under Bill 70, the multi-residential tax ratio was reduced from 2.2619 to 2.0000 in 2017. Although there is a risk in the future that the Province could legislate a lower multi-residential tax ratio, the current tax ratio of 2.0000 in Halton is aligned with the 2014 Multi-Year Tax Policy.

The 2014 Multi-Year Tax Policy Strategy also discussed Halton having a competitive industrial tax ratio to maintain the investment attraction and retention strategy within the GTHA. Within the Greater Golden Horseshoe, there are a number of comparable municipalities with which Halton Region municipalities compete for “export-based” business attraction and retention. A major factor influencing business decisions on where to locate or build is the economic competitiveness of the development in relation to market demand and potential return on investment. Property tax rates are one consideration in business location decisions as taxes impact profit. If the entire benefit is directed towards the industrial property class, the estimated industrial tax ratio would be lowered to about 2.0761, which is below the GTHA average of 2.1200. For these reasons, it is recommended that the benefit be directed towards the industrial property class. The final tax ratio would be based on the final 2019 tax roll return in the 2020 tax policy.

***Small-Scale Value-Added and Commercial Activities on Farms***

The 2016 Economic Outlook and Fiscal Review announced that, starting in 2018, municipalities would have the option to reduce the municipal tax rate on qualifying value-added activities that occur on farms as part of the farming business. Optional new subclasses of the industrial and commercial classes could be created at Regional Council’s discretion to allow the municipal tax rate to be reduced by 75% for the first $50,000 of assessment related to qualifying activities.

The Province filed O. Reg. 361/18 to amend O. Reg. 282/98 under the *Assessment Act* officially adding the optional subclasses in May of 2018, after Regional Council approval of 2018 Tax Policy. Municipalities were informed that MPAC would provide the listing of properties eligible for these new subclasses in the months following the regulation. MPAC did not have their review of these new subclasses complete in time for their delivery of the 2018 roll in December. In March 2019, the Region received notice of 13 properties that qualify for this subclassification. Regional staff will review the impact during 2019 and provide a recommendation for 2020 tax policy.

**<u>Tax Relief Programs</u>**

***Rebates for Charitable Organizations***

A rebate program for registered charitable organizations occupying (owned or rented) commercial or industrial properties has been provincially mandated under s. 361 of the *Municipal Act, 2001* since 1998 with the introduction of CVA. The mandatory program includes the following discretionary options:

- May provide rebates to organizations that are similar to eligible charities

- May include eligible organizations occupying property in other property classes
- May provide rebates between 40% and 100% and
- May have different rebates for different organizations or charities.

The current program offered in Halton Region provides a rebate of 40% of the current year's taxes for eligible organizations. This level has remained constant since the introduction of the program. This program is administered by the local municipalities through an annual application process. The deadline to apply for charity rebates is the end of February in the following year.

Staff recommends that Regional Council continue the existing program of providing rebates for charitable organizations, as defined under s. 248(1) of the *Income Tax Act*, at a rate equal to 40% of current year's taxes. The Regional cost of the charity rebate program in 2018 was $162,200.

***Older Adults Property Tax Deferral Programs***

*Deferral of Property Tax Increase*

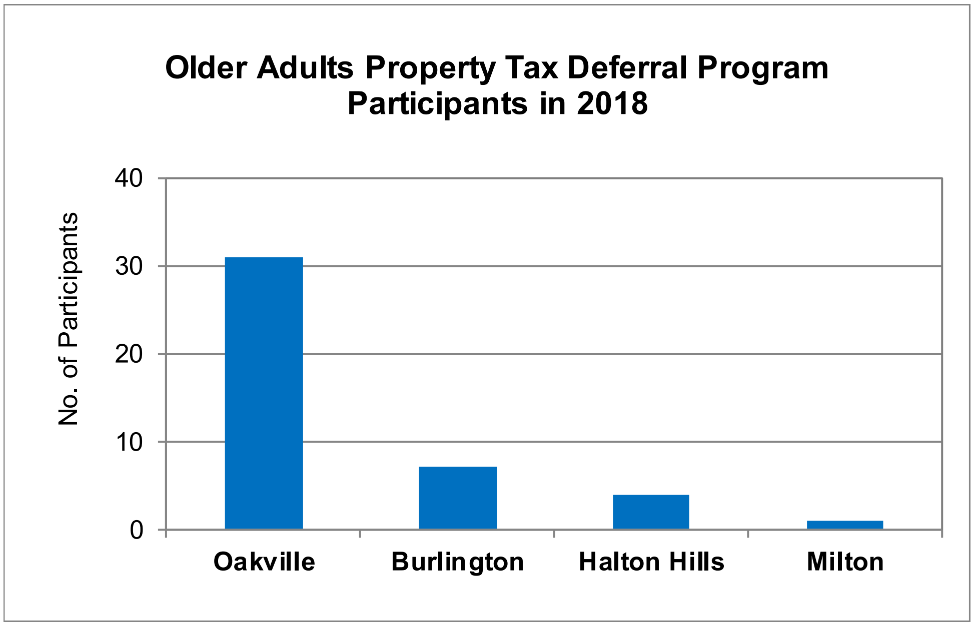
A mandatory tax relief program for low income older adults and disabled homeowners was introduced as part of the 1998 property tax reform under s. 319 of the *Municipal Act, 2001*. The eligibility criteria for this program are established by upper-tier municipalities and are administered by the local municipalities. The Region established the eligibility criteria which are reviewed as part the annual tax policy report. The program allows for an interest free deferral of all annual property tax increases.

*Deferral of Full Property Tax*

In March 2016, Regional Council approved Report No. FN-06-16 re: "Implementation of Older Adults Property Tax Deferral Program" and passed By-law No. 20-16 to provide a full property tax deferral program – interest free – for low-income older adults who own real property in Halton Region. Section 107 of the *Municipal Act, 2001*, permits a municipality to make grants (the interest-free component of the program) for any purpose that Regional Council considers to be in the interest of the municipality, subject to certain restrictions. This program was adopted by the local municipalities and commenced on July 1, 2016.

The program was designed to help eligible older adults remain in their homes by deferring full property taxes with the interest being paid by Halton Region. The program is being offered in addition to, and mutually exclusive of, the existing property tax increase deferral as discussed above (s. 319 of the *Municipal Act, 2001*) and the local tax rebate programs under s. 365 of the *Municipal Act, 2001* as set out below. For example, if an older adult is accepted for the full tax deferral program, then the same person would not be eligible for a local tax rebate program or the tax deferral for the property tax increase.

In 2018, a total of 43 households participated in the program Region-wide as shown below at a cost of $75,900.




The program is reviewed annually and any changes to the program are brought forward to Council for consideration as part of the annual tax policy report. For 2019, Regional staff recommend that Council continue the existing program, however, amend the by-law to state that full repayment of taxes owed will effectively withdraw an applicant from the Older Adults Property Tax Deferral Program. Should the applicant wish to re-enter the program at a later date, the full application will need to be completed and relevant administration fees paid.

***Local Tax Rebate for Low Income Older Adults***

Tax rebate programs for low income older adults are offered by the City of Burlington, the Town of Halton Hills and the Town of Oakville through section 365 of the *Municipal Act, 2001.* This section allows lower-tier municipalities to provide for the cancellation, reduction or refund of taxes for municipal and school purposes for an eligible property of any person whose taxes are considered to be unduly burdensome. The Council of the lower-tier municipality defines "unduly burdensome" and the rebate criteria. Upper-tier municipalities may cost share in the rebate programs in the same proportional share as the tax revenues. A by-law is required to establish the cost sharing by the upper-tier municipality. If the upper-tier does not cost share in the program, then the lower-tier is responsible for the portion of the costs relating to the upper-tier municipality.

Halton Region has been cost sharing the low income older adults' tax rebates since 2008. The proportion of the rebate for education taxes is automatically shared with the school boards. Older adults apply annually through an application form which is available from the local tax office or the websites in each participating municipality.

The City of Burlington and the Town of Halton Hills continue to offer a rebate program of $525 and $500 respectively, based on participants receiving a monthly guaranteed income supplement under Part II of the *Old Age Security Act*. The Town of Oakville offers a rebate of $500 for those who had a maximum combined household income of $29,746 in 2018. The regional cost of the older adults rebate program in 2018 was $157,700.

Staff recommends that the Region continue to cost-share in the local rebate programs for low income older adults.

***Local Tax Rebate for Eligible Heritage Property***

Pursuant to section 365.2 of the *Municipal Act, 2001,* a local municipality may establish a program to provide tax reductions or refunds to eligible heritage properties. Currently, the Town of Halton Hills and the City of Burlington have established local programs.

In 2015, Regional Council approved through Report No. FN-45-15 re: "Heritage Properties Tax Rebate Program" and Report No. FN-52-15 re: "2016 Budget and Business Plan and Disposition of the 2015 Surplus" to cost share Local Municipal Heritage Property Tax Rebate programs for eligible properties. Establishing a Regional Heritage Property Tax Rebate program in conjunction with the local municipalities is supported by the Region's Official Plan (2009) which contains policies pertaining to protection and stewardship of Halton Region's cultural heritage resources. A Heritage Property Tax Rebate program is also consistent with policies of the Provincial Policy Statement 2014 (PPS) as it promotes conserving cultural heritage resources.

Under the Heritage Property Tax Rebate program, the Region provides a reduction or refund of the Regional portion of property taxes for an eligible heritage property that is the same as that provided by the lower-tier by-law. For 2019, the following rebate will be provided by the Region:

- In the City of Burlington, a total rebate of 40% of taxes levied for upper-tier purposes
- In the Town of Halton Hills, a total rebate of 20% of taxes levied for upper-tier purposes

The Regional cost of the Heritage Property Tax Rebate programs in 2018 was $37,000.

***Tax Exemptions for the Royal Canadian Legions and Naval Associations***

As of January 1, 2019, section 3 (1) of the *Assessment Act* was amended to exempt land used and occupied as a memorial home, clubhouse or athletic grounds by an Ontario branch of the Royal Canadian Legion from property taxes (including the education portion) therefore Regional By-law Nos. 91-12 for the Town of Halton Hills and 54-15 for the Town of Milton are no longer required. By-law No. 58-15 expired at the end of 2018 as the City of Burlington sets the length of time for their exemption by-law to coincide with the term of Council.

The Navy League of Canada and Halton Naval Veterans Association will continue to require a by-law in order to be exempted from municipal property taxes. Sections 6 and 6.1 of the *Assessment Act* permit the exemptions of land owned by the Navy League of Canada and land used and occupied as a memorial home, clubhouse or athletic grounds by veterans from municipal property taxes through the passage of by-laws by municipal councils. They are classified by MPAC as RD – residential education taxes only, which means they are subject to the education portion of the municipal property tax bill but are exempt from the upper-tier and lower-tier portions of the taxes. Similar to By-law No. 58-15, By-law No. 59-15 for this exemption expired at the end of 2018 as the City of Burlington sets the length of time for their exemption by-law to coincide with the term of Council. The Regional by-law update will go forward to Council following the City of Burlington's approval of its updating by-law.

## FINANCIAL/PROGRAM IMPLICATIONS

The financial impacts of this report are in accordance with the Region's 2019 Budget and Business Plan.

Respectfully submitted,

| | |
|---|---|
| Debbie Symons | Mark Scinocca |
| Acting Director, Budgets and Tax Policy | Commissioner, Finance and Regional Treasurer |

Approved by

Jane MacCaskill
Chief Administrative Officer

If you have any questions on the content of this report, please contact: Debbie Symons Tel. # 7294

Attachments: Attachment # 1 – 2019 Regional Tax Rates
Attachment # 2 – 2019 Capping Program for Commercial and Industrial Properties
2019 Current Value Assessment (CVA) and Tax Policy Reference Manual (Under Separate Cover)