REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

-CARLETON

REPORT

RAPPORT

Our File/N/Réf.
Your File/V/Réf.

DATE 21 July 1998

TO/DEST. Co-ordinator, Corporate Services and Economic Development Committee

FROM/EXP. Finance Commissioner

SUBJECT/OBJET **1998 PROPERTY TAX POLICY**

DEPARTMENTAL RECOMMENDATIONS

1. That the Corporate Services and Economic Development Committee receive and table this report along with the following recommendations for consideration at the regular meeting scheduled on August 4, 1998;

2. That a public meeting be scheduled for July 29, 1998 to receive delegations regarding the report and proposed recommendations;

3. That Corporate Services and Economic Development Committee and Council approve the following;

a) The adoption of the provincially prescribed transition ratios as the tax ratios for the 1998 tax year;

b) The adoption of the following tax ratios for the mandatory property subclasses;

i) **vacant commercial units/land - 70% of the commercial property class tax ratio;**
ii) **vacant industrial units/land - 65% of the industrial property class tax ratio;**
iii) **farmlands pending development class I - 35% of the residential property class tax ratio;**
iv) **farmlands pending development class II - 100% of the respective own property class tax ratio.**

c) The use of all optional property classes, namely, the shopping center commercial property class, the office tower commercial property class, the parking lot commercial property class and the large industrial property class;

d) Consideration of the use of tiered tax rates and phase-in program for the residual commercial property class;

e) The provision of a 40% rebate to charitable organizations as defined in the legislation;

f) The provision of a 100% rebate to any church leasing space to houses of refuge;

g) The provision of a tax relief (deferral) program for low income seniors and disabled as defined in this report;

h) The adoption of the by-laws necessary to implement the aforementioned recommendations in accordance with the legislation.

BACKGROUND AND PURPOSE

During 1997 and 1998, the provincial government enacted legislation that has fundamentally changed the property taxation and assessment system in Ontario, effective in 1998. Importantly, the new system includes a significant policy role for Regional Council involving decisions that will affect the relative burden of property taxation between property classes, temporary mitigation of the tax impact of the new systems on individual properties within property classes as well as ongoing tax rebate and tax relief programs for certain properties. The purpose of this report is to present recommendations regarding these 1998 property tax policy issues for the consideration of Committee and Council.

The analysis presented in this report and its annexes was completed by staff using the On-Line Property Taxation Analysis (OPTA) System. OPTA is a web-based modelling tool developed by the Ministry of Finance as the tool for upper-tier municipalities to use in designing property tax policy. This past March, staff were faced with the decision regarding what tool set to use to pursue the necessary analysis around the new tax system. It was recognized that a very powerful modelling tool would be required that would incorporate all of the policy alternatives the provincial government planned to incorporate in the new system. Staff made the strategic decision to use OPTA as the necessary toolset as it was to be developed by the Ministry of Finance as the standard for use by municipalities and would be continuously updated by the Ministry with updated assessment files and amendments to the legislative framework as they occurred. Staff felt that it made no sense to spend funds to create any additional modelling capability outside of OPTA.

OPTA was a long-time in development but was originally to have been available for use in the spring. Unfortunately, this turned out not to be the case as it was not available in useable form until much later. This was primarily due to the fact that significant amendments to the new tax system were made by the provincial government as late as June and the system programmers were racing to keep pace. As well, OPTA was not updated with the final assessment role until mid-June.

Exacerbating this situation was the fact that OPTA was originally designed to calculate tax rates and model taxation impacts including grantable assessment (properties that pay payments-in-lieu of taxation). This was not workable for Ottawa-Carleton due to the large number of grantable properties and significant assessment represented by these properties, especially within the City of Ottawa. It was and is staff's position that grantable assessment should be excluded from these calculations (i.e. estimated as budgetary revenue to reduce the overall tax requirement) primarily because historically there has been serious discrepancies between values on the assessment role and values that the federal government has been willing to pay grants-in-lieu of taxes on. Indeed, it is the opinion of the Legal Department that the legislation directs that it should not be included. Following the 1993 assessment, over $9 million in remissions were incurred across the region when the federal government did not accept the reassessed values placed on its properties by the provincial assessment office for the purpose of calculating payments-in-lieu of taxation. Following discussion on this issue with regional staff and area municipality treasurers, the provincial government agreed, after three months, to modify the system to exclude grantable assessment. This modified version was to be made available to the region by mid-June. The system was finally available on July 1, 1998. Since that time staff have been able to access data and produce frequency distribution reports on tax and assessment impacts. The system has not been user-friendly, however, in that frequently report runs abort or access to the web site would be unavailable. While Ministry staff have worked very hard to support the Region in finally producing the needed reports, it has been slow going.

This report presents analysis and recommendations based on data regarding the tax impact experiences of properties within property classes and between classes. **It does not provide information regarding named or described properties within a class and their experiences**. For instance, the report indicates how many properties within a certain class are experiencing decreases of between 30% and 50% . It does not identify these properties however. The reports necessary to access this level of information have been requested from the Ministry formatted on the policy variations recommended in this report. The compact discs with this data are expected from the Ministry during the week of July 21, 1998. This data is important especially to gain an understanding as to why certain properties are identified as experiencing large tax increases or decreases. These properties are known as "outliers" as they occupy the tails of the frequency distribution graphs. Staff will be forwarding a supplementary report to Committee with any relevant information obtained from these files.

This report could not wait for individual property information due to the very tight timeframe that remains for the finalization of tax rates and property tax bills**. The legislation requires Council to have approved tax rates by August 14, 1998**. The current schedule would see Council completing this on August 12, 1998. There are a number of reasons this timing is critical, including:

i) cash flow considerations - e.g. school board requisitions are due September 30;
ii) assessment appeal deadline is August 31 - many taxpayers may make their appeal decision based on their final tax bill (although the Region has already publicized information to assist property tax payers in this regard);
iii) legislation requires gross lease landlords to inform tenants how much property tax they are going to charge them by September 30;
iv) charitable rebates are required to be paid out by October 31, 1998.

The reality is, however, that even if Council finalizes its tax policy decisions and tax rates on August 12, 1998, there is still a very strong possibility that the area municipalities will not be able to accommodate the complexities of these policy changes without significant modifications to the tax billing systems, especially if broad mitigation measures are employed. Almost all area municipalities are currently installing new tax billing systems or implementing upgrades to existing systems.

DISCUSSION

Council must make decisions on eleven issues.

GROUP 1 - Relative Tax Burden

These issues involve setting the relative rates of taxation between property classes and include:

a) the setting of tax ratios for property classes, including the use of transition tax ratios;
b) the setting of tax ratios for mandatory sub-classes;
c) the use of optional property classes; and
d) the establishment of a new multi-residential property class.

GROUP 2 - Temporary Mitigation of Tax Impacts

These issues involve providing temporary mitigation of changes in taxation to individual properties within property classes resulting from the new systems and include:

a) the use of a 2.5% cap for increases for multi-residential, commercial and industrial properties for a three year period;
b) the use of tiered rates of taxation for commercial and industrial properties.
c) the use of phase-in of assessment-related changes to individual properties over a period of up to eight years; and
d) the use of rebates for individual multi-residential, commercial or industrial properties.

GROUP 3 - Tax Rebate and Relief Programs

These issues involve providing ongoing rebates or relief from property taxation to certain individual properties and include:

a) setting of mandatory rebates for charitable organization of between 40-100%;
b) the use of rebates for organizations similar to charitable organizations such as non-profits; and
c) the provisions of tax relief to low income seniors or disabled individuals through either cancellation or deferral of property taxes.

GROUP 1 - Relative Tax Burdens

Tax Ratios

Tax ratios express the relationship that the municipal tax rate for each property class bears to the tax rate for the residential property class. In doing so, tax ratios determine the relative tax burden of each property class in relation to the residential property class.

Prior to 1998, the relative tax burden of each property class was hidden in the calculation of taxable assessment. The old system established taxable assessment by factoring the market values of properties by different percentages depending on the type of property. In addition, in the case of commercial and industrial properties, a Business Occupancy Tax (BOT) was levied as a percentage of the reality tax, with the percentage varying depending on the use of the property. Finally, the actual mill rates for residential properties were discounted to 85% of the non-residential mill rate. All of these factors were regulated by the provincial government.

Under the new system, Regional Council has the ability, **on an annual basis**, to adjust tax ratios and consequently the relative burdens of property taxation for municipal purposes between classes.

The Ministry of Finance has regulated a set of "transition" tax ratios for Ottawa-Carleton. These transition tax ratios are included in the annexes to this report. Transition ratios reflect the existing (1997) relative tax burdens for municipal purposes between property classes based on 1997 taxation and 1998 Current Value Assessment (CVA) after adjusting for the education tax room being vacated on residential and multi-residential tax bills for municipal purposes. Transition ratios also ensure that the former BOT is levied on the commercial and industrial property classes based on the amount that was levied in aggregate on each of the properties forming these classes in 1997. It should be noted that transition ratios do not exactly replicate existing tax burdens. Inter-municipal and inter-class shifting occurs due to the fact that downloaded costs are not distributed in the same way that education tax room is vacated. The provincial government has refused to disclose the methodology or calculations used in setting the transition ratios. The table included as Annex B estimates the inter-class shifting on a region-wide basis inherent in the transition tax ratios. It appears that the provincial government has chosen to not load back into the multi-residential property class municipal taxation equivalent to the vacated education tax room generated by the common education tax rate for all residential properties. This results in a shift to all other property classes. Council cannot address the reduced tax burden for the multi-residential property class as the legislation allows Council only to <u>reduce</u> the disparity between the relative tax burden of the residential property class and all other classes, with the upper limits set by the transition ratios. Council could elect to reduce the tax ratios for the non-residential classes, however this would reduce future flexibility for Council in managing the relative tax burdens between property classes. Appendix 2 attached to this report details the total tax shifts between property classes for lower-tier, upper-tier and education purposes.

The transition tax ratios also shift property taxation burdens among municipalities as well as between property classes. This is because the transition ratios are calculated on a region-wide basis. The region-wide sharing of the total property tax requirement does not reflect the previous sharing between property classes within area municipalities in the raising of the local tax requirement.

The transition ratios provide Council with a "starting point" from which to establish the distribution of municipal taxes between property classes. Council could choose to adopt transition ratios as the 1998 tax ratios, and in doing so maintain, to a significant extent, the existing distribution of municipal tax, or Council could set different tax ratios to shift tax burdens between property classes. Council must adhere to provincially-regulated "ranges of tax fairness" however, if it chooses to shift tax burdens. These ranges represent a significantly different sharing of taxation burden than currently exists in Ottawa-Carleton. Table 1 illustrates this by comparing the existing relationship (as indicated by the transition ratios including all optional classes) to the provincial ranges.

TABLE 1	TRANSITION RATIO	RANGE OF TAX FAIRNESS
Residential	1.0000	1.0000
Multi-Residential	2.3359	1.1000-1.0000
Commercial *	1.9577	1.1000-0.6000
Industrial *	2.2439	1.1000-0.6000
Pipe Line	1.1326	0.7000-0.6000
Farmlands	0.2500	0.2500
Managed Forests	0.2500	0.2500
Commercial Office (Optional)	2.3659	1.1000-0.6000
Shopping Centres (Optional)	1.6285	1.1000-0.6000
Parking Lots & Vacant Land (Optional)	1.2829	1.1000-0.6000
Large Industrial (Optional)	1.9269	1.1000-0.6000

* the tax ratios for these classes change if the optional classes are not employed. See Annex A for more information.

The ranges set by the provincial government clearly indicate that the government's intention is that the tax burden of multi-residential properties should be the same as residential and in the case of commercial and industrial classes should be the same **or lower**. Council does not have to shift the tax ratios, but if it chooses to do so they must move towards the ranges, i.e. Council can only move to increase the burden on the residential property class. Once Council elects to move towards the ranges Council cannot shift the tax ratios back away from them. Moving off of the transition ratios for one property class results in increasing the tax burden for other property classes.

This issue of tax ratio setting is the most fundamental component of Council's new role in property taxation policy. Answering the question as to what relative burden of municipal taxation between property classes in Ottawa-Carleton is the most equitable from a social and economic development policy perspective, will be difficult. Council has already recognized this by establishing a property tax policy committee to organize the necessary public forum sessions to ensure property taxpayers and other stakeholders are given the opportunity to provide necessary input into the process of setting tax ratios for 1999 and future years.

Given that Council now possesses the tool to adjust relative burdens of taxation between property classes, **the most appropriate course for 1998 property tax policy would be to employ the principle of attempting to reflect the existing relative tax burdens between property classes, while maintaining the flexibility provided by the transition tax ratios as ceilings**. Future years'decisions on this important issue can then be made with the benefit of appropriate research and consultation with representatives of residents, landlords, homeowners, tenants and business property owners in Ottawa-Carleton. Staff are not aware of any municipality that has not employed the transition ratios.

Staff recommends the adoption of the provincially-prescribed transition ratios as tax ratios for the 1998 taxation year.

Tax Ratios for Mandatory Sub-Classes

The original version of the legislation required municipalities to discount tax rates for two mandatory subclasses: commercial vacant units/land and industrial vacant units/land. The commercial discount was 30% and the industrial discount was 35%. The difference in the two discount rates reflects the fact that properties in the industrial property class paid a higher average BOT rate under the former system than properties in the commercial property class did. The requirement for a discount is caused by the fact that vacant properties, which under the old system were exempt from the BOT, will face increases through the general tax ratios for the commercial and industrial property classes as these tax ratios are calculated to recover the BOT revenues.

Subsequent amendments to the legislation allow municipalities discretion in choosing a discount rate for either subclass of 30% to 35%.

Staff has not completed analysis which would substantiate the use of rates different from those proposed originally in the legislation. **Staff recommends that the tax ratios for these mandatory sub classes be set as follows:**

- **70% for commercial vacant units/land; and**
- **65% for industrial vacant units/land.**

The legislation provides for two other mandatory subclasses that can or must receive a tax rate discount, both involving farmland awaiting development.

The first, Farmlands Pending I is defined as farmland that has an approved and registered subdivision plan on the lands but where no actual development has yet to take place. For 1998, the tax rate/ratio for this subclass must be set at 25% to 35% of the residential tax rate regardless of the zoning associated with the subdivision plan (i.e., zoned commercial or industrial lands that are currently being farmed and awaiting development would still pay 25% to 35% of the residential tax rate). Municipalities can in the future decrease the tax discount (i.e., increase the tax ratio) by up to 10 percentage points a year. **Staff recommends that the tax ratio be set at the maximum amount of 35%.** It is also recommended that this issue be reviewed by the Property Tax Policy Committee for 1999.

The second category of farmland awaiting development is the Farmlands II subclass which consists of farmland where a building permit has been issued. These transitional lands can be taxed at up to 100% its own class tax rate (e.g., commercially zoned development lands that are currently being farmed can be taxed at up to 100% of the tax rate for vacant commercial land provided that a building permit has been issued). Once a building permit has been issued, a property is effectively no longer farmland and if were to sell at this point it would sell at its full current value. Therefore property taxes should reflect full CVA and tax rate. **Staff recommends that no discount be given to the Farmlands II subclass.**

Optional Property Classes

On March 27, 1998, the Minister of Finance announced a number of measures relative to tax policy. The most significant of these measures, with respect to relative tax burdens between property classes, dealt with the establishment of four new optional commercial and industrial property classes, specifically:

1. commercial office buildings (rentable area exceeding 25,000 sq. ft.)
2. large shopping centres (rentable area exceeding 25,000 sq. ft.)
3. parking lots and vacant land
4. large industrial (buildings with an exterior measured area greater than 125,000 sq. ft.)

The set of transition ratios attached as Annex A, indicate by way of a sixteen scenario matrix how the transitional tax ratios for property classes would change depending on how many of the optional classes are employed in combination with the non-optional classes. The matrix indicates how the existing relative tax burdens of the four optional classes are significantly different from their respective principal commercial or industrial class. By opting <u>not</u> to use the optional classes, Council would be "averaging" the disparate existing tax burdens of properties in these classes with those in the <u>residual</u> commercial or industrial class.

The decision to use optional classes is not a "point of no return." Council can elect to employ or rescind optional classes in the future. The only limitation relates to the use of capping. If capping is applied to an optional class, it must continue to be used for the mandatory three year capping term.

In keeping with the principle described in the previous section of attempting to reflect existing relative burdens of taxation, Council should elect to use all of the optional property classes. By doing so, the existing aggregate relative tax burdens of properties in the optional classes are reflected as well as those in the residual class.

Staff recommends the use of all optional property classes.

New Multi-Residential Property Class

The legislation provides Council with the authority to establish an optional property class for newly constructed multi-residential buildings. Council would be able to establish a lower tax rate for this class. Properties would be eligible to remain in this preferential property class for eight years. The objective of this policy would be to encourage the development of new multi-residential properties.

Staff has not been able to conduct any policy research on the effect that such a program may have on the development of this type of property and consequently **do not recommend its use in 1998.** It is recommended, however, that this issue be reviewed by the Property Tax Policy Committee for future use.

GROUP 2 - Temporary Mitigation of Tax Impacts

The most logical approach to take in the consideration of the various mitigation tools available in the legislation, is to first assess the property by property tax impacts occurring within the class(es) to which the tools relate and then consider their desirability.

The Residential Property Class

The tax impact experience of the residential property class is described in the frequency distribution graphs and tables listed in the Annex D series to this report. As can be seen from Annex D1, the frequency distribution on a region-wide basis is relatively normal with 63% of the properties experiencing increases or decreases of between 0% and 10%. Nevertheless, there are a significant number of properties, 17%, experiencing increases of 10% to 30% and 15% experiencing decreases of between 10% to 30%. The experiences vary when you look at properties grouped by area municipality. To understand this, it is important to realize that there are a number of issues that contribute to the total tax impact experienced by an individual property, a number of which are area municipality specific. They include:

- i) shift in property tax burden between property classes and area municipalities caused by the transition tax ratios;
- ii) relative changes in assessments between properties within a property class on a region-wide basis;
- iii) the difference between where education tax room is vacated and where the provincial costs have been downloaded;
- iv) changes in levy requirements, e.g. increases or decreases in area municipality tax requirements or continued phasing-in of regional policing costs;
- v) increased education tax requirements imposed by provincially regulated rates on non-residential property classes.

Only one of the mitigation measures is available to the residential property class, that being a phase-in program. (Phase-in programs are also available for all other property classes and the requirements for such a program are the same regardless of the property class).

Phase-In Program

A phase-in program, as its name depicts, provides for a phase-in of assessment-related increases and decreases between properties within a property class. Assessment-related changes are not the same as total tax impact. Inter-class subsidization is not allowed in that a phase-in program must be self-funding within a property class. The amount eligible for phase-in is defined in provincial legislation as the difference between the 1997 and 1998 education and municipal taxes on an individual property resulting from reassessment with the following conditions:

i) 1997 taxes include BOT paid by the property,
ii) the 1998 education tax rates for phase-in purposes are based on the ratio of 1997 school taxes over 1998 assessment on a region-wide basis. (this causes the education tax rate averaging effect to be included in the amount eligible for phase-in),
iii) the 1998 assessment for phase-in purposes excludes improvements to a property unless such improvements were captured in a 1998 supplemental assessment.

Phase-in programs must begin in 1998 and expire by at least 2005. The program must pass on increases or decreases in a given year that are less than or equal to the increase or decrease in the prior year, i.e. the program cannot be back-end loaded.

While phase-in programs are an effective means of mitigating tax increases to individual property owners, there are several disadvantages to such programs including:

i) deferred increases are paid for by deferred decreases for other property tax payers within the class, raising the question of which is more onerous, a tax increase or a foregone decrease of taxes overpaid;
ii) phase-in programs are difficult and expensive to administer especially for the large property-class (residential) and if the phase-in program extends beyond 2001, the year of the next re-assessment;
iii) phase-in programs must be extended to grantable (payments-in-lieu of taxation) assessment if they are provided to the equivalent taxable assessment;

It is the opinion of staff that the region-wide tax impact experience of the residential class does not require mitigation. The frequency distribution for the class is relatively normal and the number of properties experiencing increases or decreases of more than 30% is quite small (5% of the total number of properties). While there is a substantial number of properties experiencing an increase between 10% to 30% (17% of the total) most of those fall inside a 15% increase. Administering a phase-in program for the 79,000 properties experiencing increases or decreases of more than 10% would be extremely complex for the area municipalities and may not be able to be achieved within the current schedule for the issuance of final tax bills. For all of these reasons staff are not recommending a phase-in program for the residential property class.

There are, however, a number of properties experiencing very large increases or decreases (more than 50%). Although they represent less than three quarters of one percent of the total number of residential properties, there are 1,064 properties with increases and 539 properties with decreases of this magnitude. Staff will pursue further investigation of these properties to gain an understanding of how this type of experience could occur. Staff are aware that there is some problem data in the provincial assessment file and suspect that these outlier properties may represent such cases. The report that will allow staff to analyze the characteristics of individual properties in the bands will not be available before July 22, 1998. A supplementary report on these properties, if required, will be issued to the Committee as soon as possible, prior to August 4, 1998.

The Multi-Residential Property Class

The tax impact experience of the multi-residential property class is described in the frequency distribution graphs and tables listed in the Annex E series to this report. As can be seen from Annex E1, while the frequency distribution on a region-wide basis is not normal, the vast majority of multi-residential properties, 85%, are experiencing property tax decreases with 61% experiencing decreases of 10% or more. The distribution is extremely left-shifted.

Three mitigation measures (capping, phase-in and rebate programs), are available for the multi-residential class. Based on the tax impact experience of this class however, **staff does not feel that mitigation measures are necessary and consequently do not recommend any of the three options.** Staff will explore further however, the details surrounding the small number of properties in this class (thirty) experiencing significant increases of more than 50%, and will report to committee on August 4, 1998 if a rebate or phase-in program should be considered for these properties. Rebate programs are described in more detail later in this report.

The Residual Commercial Property Class

The tax impact experience of the residual commercial property class is described in the frequency distribution graphs and tables listed in the Annex F series to this report. As can be seen from Annex F1, the frequency distribution on a region-wide basis is very abnormal. Only 18% of the properties are experiencing increases or decreases of between 0 and 10%. The remainder of the class is dispersed into the extremes of the distribution with significant decreases and increases indicated. The distributions by area municipality are also very abnormal and in the case of the rural municipalities, are extremely right-shifted (predominantly increases), largely due to the impact of region-wide transition ratios.

The degree to which the distribution of this class is dispersed is not unexpected. The elimination of the BOT causes shifts between properties within these classes in substantial proportions. In addition, commercial classes typically have much greater fluctuations in property values than residential classes. Finally, staff believe that there may be significant problems in the assessment file for these property classes, as confirmed by a letter from the Director of the Municipal Finance Branch attached as Appendix 1 to this report.

When the individual property file is received from the province, staff will be able to identify the extreme outliers and draw conclusions regarding this issue.

It is the opinion of staff that the tax impact experience of this class requires mitigation. Four alternatives are available to Council for this class; capping, tiered tax rates, phase-in programs, and a rebate program.

Capping

The legislation provides Council with the option of limiting tax increases for commercial, industrial or multi-residential properties to 2.5% per year for 1998, 1999 and 2000. Increases are measured in relation to the 1997 municipal and education taxes property by property. Council could choose to cap any combination of the three classes. If capping is provided to the residual commercial or industrial classes it must also be extended to the optional classes. If capping is employed, it must be for the full three years as the program cannot be subsequently cancelled by Council.

The tax relief provided to properties by capping must be paid for by other properties within the class or classes to which the cap has been applied. As a result, tax reductions which otherwise would have been received by properties in the class will be reduced or eliminated. Should the amount of reductions within a class be insufficient to fund the amount required for capping, the program could not be introduced unless Council is prepared to reduce the overall tax burden of the class by changing the tax ratio for that class. This would, in turn, increase the tax burden of all other classes.

The capping option is an effective mechanism for maintaining taxes on properties close to the amounts paid in 1997. It has, however, a number of very serious drawbacks. These include:

a) Once imposed, the annual cap limits cannot be exceeded for any reason other than changes in the physical nature of properties. This eliminates the ability to introduce other tax policy changes for 1999 and 2000. Also any budget increases in those years that would otherwise be allocated to those capped property classes which exceed the amounts that can be absorbed by the permitted 2.5% annual increase, will have to be levied against other uncapped property classes, primarily (residential), thereby adjusting their tax ratios;
b) Ottawa-Carleton went through Region Wide Assessment (RWA) in 1993. Consequently, changes in relative assessed values between properties should not be as extensive as in other municipalities with outdated assessments like Toronto for which this option was primarily designed. The capping of tax increases also requires the capping of tax decreases freezing existing inequities and defeating the entire purpose of reassessment.
c) There are significant logistical concerns over the municipalities' ability to maintain the "frozen" assessment rolls necessary to administer this option.
d) Not all area municipality treasurers are sure their tax billing systems will accommodate a capping program and, even if they do, the administration of such a program could not be accomplished within the current schedule for the issuance of final tax bills.

Due to the severe shortcomings of the capping option, **staff does not recommend its use.**

Tiered Commercial and Industrial Tax Rates

The new system provides Council with the option of establishing either two or three bands of assessment in the residual commercial and industrial property classes. Different tax rates would be applied to assessments in each band. The bands established must cover all of the assessed property and must be the same for all properties in each of the residual commercial and industrial property classes. The policy must be self-financing within the property class in that the financial impact of the lower rates for the bottom band of assessment must be recovered by the higher rates for the middle and/or highest band of assessment.

This optional policy has some problems, however, including:

a) banding may assist street-front business property owners but it would negatively impact businesses located in malls since the latter are small business tenants located in highly assessed commercial properties, however this drawback is reduced with the use of optional shopping centre property class;
b) the BOT rates levied in the past were based on the type of occupancy or use of the building not on the building's assessed value;
c) small business tenants are often located in properties with the highest assessed values;
d) banding is a blunt tool that must apply uniformly throughout the Region for all levies;
e) banding can be used to mitigate tax increases for some ratepayers but will cause tax increases for others who, in Council's view, may be as deserving of mitigation as the original group targeted for assistance.
f) the adoption of all of the optional property classes as recommended in previous section will reduce the averaging impact as the highest BOT rates were associated with large commercial and large industrial properties.

Staff have concerns over whether or not this option is an effective tool to equitably mitigate the impact of averaging within the residual commercial and industrial classes.

Early modelling of phase-in programs suggests that they may not be particularly effective in mitigating the tax impact experience. Staff are also pursuing an investigation of the effectiveness of tiered tax rates within this class, however, as late as July 17, 1998, logic errors were discovered by regional staff in the OPTA tool on tiered tax rates which had not been fixed by the programmers.

Staff will endeavour to complete the necessary analysis and recommend an appropriate mitigation strategy at the meeting of July 29, 1998.

Rebate Program

The legislation allows Council to pass a by-law establishing a rebate program for commercial, industrial and/or multi-residential property classes. The program can rebate tax increases to individual properties. The by-law must identify which properties within the class are subject to rebates, the amount of the rebates by property and the disposition of the rebates between parties with an interest in the property. The cost of a rebate program is funded through budgetary provisions levied against all property classes, however the cost of a rebate program can be raised from the property class to which it applies by increasing the tax ratio for that property class with the approval of the Minister of Finance.

Rebate programs are difficult to administer and should only be considered for use against small numbers of properties where, in Council's opinion, the end result of the tax impact on a property after any other mitigation is unacceptably onerous.

The Shopping Centre Commercial Property Class

The tax impact experience of the shopping centre commercial property class is described in the frequency distribution graph and tables listed in the Annex G series to this report. As can be seen from Annex G1, the frequency distribution on a region-wide basis is somewhat abnormal with only 20% of the properties experiencing increases or decreases between 0 and 10%. In general this property class is left-shifted (majority of properties receiving decreases), however the aggregate dollar value of those decreases is more than offset by an aggregate dollar value of increases borne by 24% of the total properties.

As mentioned in the previous section, one of the main reasons for significant shifting within the residual commercial property class is the averaging of effective tax rates due to the elimination of the BOT. As most properties in the optional commercial classes paid close to the same BOT rates in 1997, this is not a significant issue in these classes. Consequently, the majority of the shifting of tax burden between properties in the optional classes is due to relative changes in market value assessment between them. **It is the position of staff that the tax impacts resulting from these changes should not be mitigated.** Any unfairness in relative assessments between properties within the same class should be dealt with through the assessment appeal process.

If Council chooses to provide mitigation to this property class, however, staff would recommend that the resulting phase-in program be limited to phasing-in any increases over 30% through a three year phase-in period. Tiered-tax rates are not available for use within an optional property class.

The Office Tower Commercial Property Class

The tax impact experience of the office tower commercial property class is described in the frequency distribution graphs and tables listed in the Annex H series to this report. As can be seen from Annex H1 the frequency distribution on a region-wide basis is abnormal with 28% of properties experiencing increases or decreases of between 0 and 10%. Almost 40% of the properties are experiencing increases or decreases of between 10 and 30%. For the reasons described in the shopping center commercial property class section, **staff does not recommend mitigation for this property class.**

If Council chooses to provide mitigation to this property class, however, staff would recommend that the resulting phase-in program be limited to phasing-in any increases over 30% through a three year phase-in period. Tiered-tax rates are not available for use within an optional property class.

The Parking Lot Commercial Property Class

The tax impact experience of the parking lot commercial property class is described in the frequency distribution graph and tables listed in the Annex I series to this report. As can be seen from Annex I1, the frequency distribution on a region-wide basis is abnormal. Only 17% of properties are experiencing increases or decreases of 0% to 10%. Almost 33% of properties are experiencing increases or decreases of 10% to 30%. Half of all properties are experiencing increases or decreases of more than 30%. For the reasons described in the shopping center commercial property class section, **staff does not recommend mitigation for this property class.**

If Council chooses to provide mitigation to this property class, however, staff would recommend that the resulting phase-in program be limited to phasing-in any increases over 30% through a three year phase-in period. Tiered-tax rates are not available for use within an optional property class.

The Residual Industrial Property Class

The tax impact experience of the residual industrial property class is described in the frequency distribution graph and tables listed in the Annex J series to this report. As can be seen from Annex J1, the frequency distribution on a region-wide basis is abnormal. Only 18% of properties are experiencing increases or decreases of 0% to 10%. Almost 30% of properties are experiencing increases or decreases of 10% to 30%. As with the optional commercial property classes however, the majority of this experience is caused by relative changes in assessment between properties within the class, as there existed little variation in the BOT rates paid by properties within this class in 1997. For the reasons described in the shopping center commercial property class section, **staff does not recommend mitigation for this property class.**

The Large Industrial Property Class

The tax impact experience of the large industrial property class is described in the frequency distribution graph and tables listed in the Annex K series to this report. As can be seen from Annex K1, the frequency distribution on a region-wide basis is somewhat abnormal. Almost 30% of properties are experiencing increases or decreases of 0% to 10%. Then 40% of properties are experiencing increases or decreases of 10% to 30%. For the same reasons described in the previous section, **staff does not recommend mitigation for this property class.**

The Pipeline Property Class

The tax impact experience of the pipelines property class is described in the frequency distribution graph and table in Annex L to this report. As can be seen from Annex L, the frequency distribution on a region-wide basis is relatively dispersed with the majority of the properties experiencing increases or decreases between 10% to 30%. Given that the properties in this class are owned by a small group of gas utility or transmission companies and a large part of the total assessment in the class is owned by one company, **mitigation is not recommended by staff.**

The Farmlands Property Class

The tax impact experience of the farmlands property class is described in the frequency distribution graph and table in Annex M to this report. As can be seen from Annex M, the frequency distribution on a region-wide basis is very normal with 66% of the properties experiencing increases or decreases of between 0% and 10%, with a further 24% of properties experiencing increases or decreases of between 10% and 30%. **Staff does not recommend mitigation for this class.**

The Managed Forest Property Class

The tax impact experience of the managed forest property class is described in the frequency distribution graph and table in Annex N to this report. As can be seen from Annex N, the frequency distribution on a region-wide basis is very normal with 64% of the properties experiencing increases or decreases of between 0% and 10%, with a further 18% of properties experiencing increases or decreases of between 10% and 30%. In addition, the vast majority of properties in this property class will be experiencing decreases as can be seen by the left-shifted frequency distribution graph. **Staff does not recommend mitigation for this class.**

GROUP 3 - Tax Rebate and Relief Programs

Rebates for Charitable and Similar Organizations

Under the previous system, charitable and some not-for-profit organizations that owned and/or occupied property in the commercial and industrial property class were exempt from the BOT and were taxed at the residential rate rather than the commercial rate. As a result, these properties bore a much lower relative tax burden than other commercial properties in the new commercial property class. In the absence of mitigating measures, this would result in significant increases in property taxation for these properties.

The provincial government, in recognizing this impact, amended the legislation to require a minimum 40% rebate on taxes payable by an eligible charity on the property it occupies in either of the commercial or industrial property classes. The rebate provided by the program can be anything from the minimum of forty percent to the entire taxes payable. For the purpose of the rebate program, the legislation defines an eligible charitable organization as:

> "a charity as defined in subsection 248(1) of the *Income Tax Act (Canada)* that has a registration number issued by the Department of National Revenue."

In addition to providing a mandatory program, the provincial government has provided Council with the permissive authority to extend a rebate program to "organizations that are similar to eligible charities or a class of such organizations defined by the municipality." This optional provision permits Council to determine the properties that would be eligible for a rebate, as well as the amount of the rebate. The legislation does not require consistency in the percentage provided to these organizations.

The policy decisions regarding both sets of rebates are determined by Council with the administration being the responsibility of the area municipalities. Rebates are to be shared proportionately with the area municipalities and the school boards based on the percentage of each organizations share of the total individual tax bill.

The rebate program must provide for the payment of the first instalment of at least 50% of the annual estimated rebate by January 15 of each year, with the balance due by June 30. For 1998, however, the full 1998 rebate and the first instalment of the 1999 rebate must be provided by October 31, 1998.

Registered charities are provided with the authority to issue tax receipts for donations made in support of the criteria set out by the *Federal Income Tax Act* as part of a "public benefit" test in which:

- its activities and purposes provide a tangible benefit to the public;
- those people who are eligible for benefits are either the public as a whole or a significant section of it in that they are not a restricted group or one where members share a private connection, such as social clubs or professional associations with specific membership; and
- the charity's activities must be legal and must not be contrary to public policy.

Based on information received from Revenue Canada, Charities Division, there were 2,240 registered charities with mailing addresses in Ottawa-Carleton in 1997. Staff at the City of Ottawa and the Region have estimated that approximately 300 of these charities occupied space in either the commercial or industrial property class and were taxed at the residential rate and exempt from paying BOT in 1997.

Staff have estimated that in 1997, there were approximately 1,200 not-for-profit organizations occupying property in either the commercial or industrial property class, that were exempt from BOT and were taxed at the residential rate. These include organizations such as business and professional associations, cultural associations, health-related groups, individuals and numbered companies, political parties, and special interest groups. While it is recognized that these organizations contribute to the overall well-being and economic growth in communities, the characterization of these organizations extends beyond eligible charities and as such is difficult to isolate.

It is recommended that the rebate program only be offered to eligible charitable organizations as defined in the mandatory provisions contained in the legislation. Any eligibility criteria that extends the program beyond this group of organizations would be open to interpretation and would result in a number of appeals from organizations that might see themselves being considered under any expanded definition. Based on discussions that have occurred between the City of Ottawa and the federal government, staff believe that a number of federal government properties could potentially be eligible for rebates under an expanded definition. If successful, this could result in a significant loss of payments-in-lieu (PIL) revenue for municipalities across the region, the burden of which would have to be absorbed by taxable properties. In addition, the resulting increase in taxes faced by "similar organizations" will be mitigated as members of the residual property class, if mitigation is provided to that class.

The 1998 assessment data provided by the Province does not offer any indication of the properties, or units in properties, that were previously exempt from BOT and taxed at the residential rate. Furthermore, because the landlord has become responsible for apportioning property taxes to tenants in multi-use properties, an accurate measurement of the impact of any rebate program is difficult to determine. Notwithstanding this, staff have analyzed the 1997 assessment data, in order to estimate the potential impact that a rebate program would have in Ottawa-Carleton. The actual cost of the rebate program will not be known until after the first year of the cycle is completed and is a figure that will fluctuate to some extent, from one year to the next, as the number and locations of eligible organizations changes.

Staff's analysis has concluded that 95% of the eligible charities in Ottawa-Carleton would realize a reduction in the total tax bill for 1998 with a 40% rebate program. For this reason, staff are recommending that a 40% rebate amount be established.

Using this 40% rebate and after applying the notional tax rates for these properties, the impact of the program has been estimated to result a total rebate of $1.4 million for 1998, of which the Region's portion would amount to $0.5 million. Because the legislation requires the Region to rebate a minimum of the first 50% of the estimated 1999 taxes payable for these organizations at the same time as providing the rebate for 1998, the Region's estimated amount is an additional $0.25 million, for a total regional rebate in 1998 $0.75 million. The 1998 Budget contains an $0.8 million provision for this purpose.

Because individual units are not listed under the revised assessment roll, there is no way to determine where eligible tenants are currently located or the size of the space they occupy. In order to collect this information, staff will be establishing, with the area municipalities, an annual application/renewal process to facilitate the collection of information for assessing eligibility under the rebate program.

In order to advise organizations in Ottawa-Carleton of this rebate program, staff will be setting up public service announcements through the local media to identify the eligibility criteria for the program and the application process. Once approval for the program has been received, application forms for these programs will be made available at area municipality offices. Administration of this program is the responsibility of the area municipalities.

In a related issue, on June 3, 1998 Council approved the following:

1. That the RMOC endorse an amendment to Bill 16 in order to include a provision with respect to the Assessment Act to exempt all houses of refuge from municipal and education property taxes within the Province of Ontario in accordance with Schedule A of the 4 May 1998 report to Community Services and Economic Development Committee;

2. That, in the interim, the RMOC endorse private legislation to provide relief of municipal and education property taxes to any "house of refuge" renting church premises in Ottawa-Carleton specifically Daybreak and Bruce House.

The provincial government has responded with respect to these recommendations declining to amend the legislation. The provincial position is that should Council elect this policy for Ottawa-Carleton, it can effect it within its new delegated property taxation policy powers. Consequently, staff recommend that the charitable rebate program be expanded to include 100% rebates to churches leasing space to houses of refuge.

Tax Relief For Low-Income Seniors and Low-Income Disabled

Under the legislation, all upper-tier municipalities are required to establish a by-law to provide tax relief for "any or all assessment-related increases" for low-income seniors and low-income disabled owning residential properties. The legislation provides a significant amount of latitude with respect to the type of tax relief program, threshold levels, and definition of what constitutes low-income seniors and low-income disabled. Lower-tier municipalities are responsible for administering the programs.

Tax relief can be provided by either deferring or cancelling part or all of the assessment related tax increases on properties in the residential class.

Under a deferral policy, the assessment related increase is deferred and is not payable until the ownership of the property changes. The deferred amount remains a lien on the property like outstanding unpaid taxes. Municipalities can elect to charge interest on the deferred amounts. A deferral policy creates a cashflow issue for municipalities but not a budgetary issue as the taxes deferred are still recognized as revenue when they are billed.

Cancellation policies, on the other hand, do create a budgetary requirement in that they represent an expenditure to the municipality. In effect, the taxpayer receives a grant in the amount of the assessment related increase relieved by the program. This represents a shift in relative tax burdens by those property owners eligible under the program and all other residential property tax payers. For this reason, staff recommend that any relief program employ deferral policies and not cancellation.

There are two areas staff have considered when developing eligibility criteria: the financial capacity of the owner/spouse, and the value of the property. It is important that the relief program be offered to owners/spouses who are in need of assistance but at the same time, any policy decision needs to take into account the value of the asset (property) owned by the applicant.

The Municipal Finance Officers' Association (MFOA) has developed a framework defining eligibility criteria for these two programs. Staff have adopted these and refined the criteria to meet the needs of Ottawa-Carleton. For these two programs, staff are recommending that the following conditions be used to determine eligibility of the owners/spouses each year.

- To qualify for tax assistance, applicants must have been owners of real residential/farm property within Ottawa-Carleton for a period of one (or more) year(s) preceding the application.
- Tax relief only applies where the 1998 current assessed value of the property falls below a threshold value of $500,000.
- The deferral program is not available for property owners whose assessment-related increases have resulted in a 1998 taxation increase of less than 5% or $100 over 1997 taxes.
- The total amount of tax relief available is restricted to a maximum of 75% of the current assessed value of the property.
- Deferred amounts represent a lien against the property, under provisions established under Section 382 of the Municipal Act.

- Tax assistance is only allowed on one principal residence of the qualified individual or the qualifying spouse. Appropriate proof of residency establishing continuous and not part-time residency must be provided. Verification of documentation provided in conjunction with an application may be carried out independently at the discretion of the municipality.
- Tax deferral applies to current taxes only and not tax arrears or outstanding taxes.
- Tax relief amounts are only deferred after payment in full is received for any current or past year amounts payable.
- The municipality shall determine the amount of the assessment-related increase using the formula contained in the governing legislation.
- Application for tax relief must be made annually to the local municipality to establish eligibility or confirm continued eligibility. Application must be made by December 1st of the previous year that the tax relief is being requested and in 1998, the December 1st deadline will apply to 1998 tax relief as well.
- For properties which are jointly held or co-owned by persons other than spouses, both or all co-owners must qualify under applicable eligibility criteria in order to receive tax relief.
- "Spouse" means a person of the opposite sex,
    a) to whom the person is married, or
    b) with whom the person is living outside marriage in a conjugal relationship, if the two persons:
        i) have cohabited for at least one year,
        ii) are together the parents of a child, or
        iii) have together entered into a cohabitation agreement under Section 63 of the Family Law Act.
- Tax relief amounts provided under municipal by-laws are not transferable to the estates of deceased owners.
- Any tax relief ceases to apply once the property is sold, or when the eligible applicant dies or ceases to be eligible under the criteria established by the by-law. Any deferred amounts plus applicable interest charges immediately become a debt payable to the municipality, including part-year portions.
- The applicant must agree to provide the necessary information to the municipality in order to demonstrate that the eligibility criteria has been met.
- The applicant must agree to sign a waiver providing the area municipality Treasurer and the Regional Treasurer access to personal information for the purpose of confirming eligibility.
- Any amount deferred under this program would be subject to annual interest at a rate which is the lower of :
    a) bank prime plus ½%
    b) a rate established by provincial regulations

These conditions form the common criteria for determining eligibility criteria for tax deferral under both the low-income seniors tax relief program and the low-income disabled tax relief program. In addition to meeting these criteria, there are recommended requirements that are specific to each of the programs that must be met.

Specific Criteria for Low-Income Seniors

In order to be considered eligible for tax relief under the low-income seniors tax relief program, one of the following two criteria must be met:

1) The owner/spouse must have reached the age of 65 and in receipt of benefits under the Guaranteed Income Supplement program (GIS);

<u>or</u>

2) The owner/spouse must have reached the age of 65 and in receipt of benefits under the Guaranteed Annual Income System (GAINS).

The GIS is a federal program administered by Human Resources Development Canada, in conjunction with the Old Age Security (OAS) program. The Guaranteed Income Supplement is an income-tested, monthly benefit for Old Age Security pensioners with limited income apart from the Old Age Security pension.

To qualify for the GIS, an individual must:

i) be receiving the Old Age Security pension;
ii) be resident in Canada; and
iii) have an income at or below the qualifying level, as established by regulation. (For married couples, the combined income of both spouses must be below the qualifying level).

Provisions of the GIS are established under the Old Age Security Act (Canada), and regulations made quarterly under this Act. Application, eligibility determination and payment of benefits under this program is administered by Human Resources Development Canada.

The GAINS is a provincial program administered by the Ontario Ministry of Community & Social Services (MCSS). The Guaranteed Annual Income System is a monthly benefit for Ontario seniors who qualify, consisting of payments which make up the difference between a senior's income and the minimum level guaranteed by the Province.

To qualify under GAINS, an individual must:

i) be receiving the Old Age Security pension and the Guaranteed Income Supplement described above;
ii) must be a permanent resident in Ontario for the preceding 12 months; and
iii) must have an income below the qualifying level, as guaranteed by the Province.

Provisions of the GAINS program are established under the *Ontario Guaranteed Annual Income Act, Ontario Regulation 874 (O.Reg. 874, R.R.O. 1990)* and other regulations. Application, eligibility determination and payment of benefits under this program is administered by the Ministry of Community and Social Services (Ontario), using information supplied by Human Resources Development Canada. Adoption of this criteria automatically satisfies the requirement for receipt of benefits under GIS, as all GAINS recipients receive benefits under the GIS.

Specific Criteria for Low-Income Disabled

To be considered under the low-income disabled tax relief program, one of the following conditions must be met:

1. The owner/spouse must be receiving benefits under the Ontario Disability Support Program (ODSP);

   or

2. The owner/spouse must be receiving benefits under the Guaranteed Annual Income System (GAINS) for the disabled and eligible to claim a disability amount as defined under the Income Tax Act.

The definition of disability has been adopted from the *Ontario Disability Support Program Act, 1997* (Schedule B to Bill 142, the Social Assistance Reform Act, 1997). A person is a person with a disability if:

a) the person has a substantial physical or mental impairment that is continuous or recurrent and expected to last one year or more;
b) the direct and cumulative effect of the impairment on the person's ability to attend to his or her personal care, function in the community and function in a workplace, results in a substantial restriction in one or more of these activities of daily living; and
c) the impairment and its likely duration and the restriction in the person's activities of daily living have been verified by a person with the prescribed qualifications.

The Ontario Disability Support Program (ODSP) is a provincial program administered by the Ontario Ministry of Community & Social Services (MCSS). The ODSP is a new program, introduced in legislation in June 1997 (Bill 142), created to remove people with disabilities from the Welfare system to more effectively meet their needs. Eligibility under the ODSP is determined by staff of the Ministry of Community and Social Services, according to criteria which considers, among other things, the nature of the disability, the extent to which daily activities are affected by the disability, income level from all sources (including receipt of benefits under other income support programs such as GAINS, Canada Pension Plan, Workers Compensation), etc. Application, eligibility determination and payment of benefits under the ODSP is administered by the Ministry of Community and Social Services (Ontario), using information supplied by applicants.

Using these definitions to determine eligibility provides a consistent way of assessing eligibility under these programs. Applicants need only demonstrate proof that they are receiving assistance under the appropriate benefits program to qualify for the tax deferral program.

PUBLIC CONSULTATION

Over the past twelve months, staff have briefed Council through public reports on facets of the new system as they became known. Information, including generally asked questions and answers about the new system were placed on the Region's web-site and were provided to councilors' offices. In addition, many councilors held community meetings over the late winter and spring where staff presented information regarding the new system. All of this information, however, dealt with describing the new system and <u>forecasting</u> its impact on property taxes in Ottawa-Carleton. As described earlier in this report, actual modeled data regarding tax impacts has only been available to staff over the last few weeks, as staff relied on OPTA as the source. The reality is this has not provided enough time for consultation with the public on actual impacts and the effects of recommended policy options. To facilitate this to the extent possible, staff recommend that this report be tabled by the Committee for a period of two weeks before deliberating on its recommendations, and that a special meeting take place on July 29, 1998 to receive delegations and input from the public on the report. In fact, staff have taken the liberty to advertise this special meeting in the Ottawa Business News and community newspapers this past weekend. Staff are also working on media releases to assist the media in disseminating the messages of the report to the public.

Of equal concern, however, is the huge communications challenge that awaits the Region and Area Municipalities following the issuance of the final tax bills. Regardless of the policy decisions taken by Council, 1998 property tax bills will be very different from 1997 due to the provincial megaweek transfers and changes to the funding of the education system.

It will be close to impossible for an individual taxpayer to understand the reasons why the amount of property tax billed in 1998 is significantly different than in 1997. Staff is currently working with the area municipalities tax billing and collection offices to jointly prepare a plan that will address the thousands of inquiries that are expected. The challenge, however, is expected to be insurmountable. The reality is there is simply too much changing in 1998 for property taxation to be reasonably understood by property taxpayers in general, even with assistance.

<u>REVIEW WITH AREA MUNICIPALITIES</u>

The analysis and recommendations contained in this report have been conducted and developed in consultation with the area municipality treasurers. So much of what Council determines in the way of tax policy has a tremendous impact on those administering the tax billing and collection function. While the area treasurers were not asked to formally endorse the contents of this report, the recommendations made herein have been reviewed with the area municipality treasurers.

Original approved by J C. LeBelle

J.C. LeBelle
Finance Commissioner

In Case of Transmission Difficulties, Please Call 416-863-2101

Please Deliver To: Township of Cumberland

Appendix 1

Ministry of Municipal Affairs and Housing

Ministère des Affaires municipales et du Logement

Ontario

Municipal Finance Branch
13th Floor, 777 Bay Street
Toronto, ON M5G 2E5
Tel: (416) 585-6951
Fax: (416) 585-6315

July 17, 1998

MEMORANDUM TO: All Municipal Treasurers and Clerk/Treasurers

SUBJECT: **OPTA Update to the 1997/98 Assessment Phase-In Tape**

A few municipalities have brought to our attention a slight inconsistency in the preparation of their 1997/98 assessment phase-in tape issued on June 15, 1998. In some instances, the 1997 commercial or industrial assessment values for properties within the "vacant unit and excess land subclasses" and "vacant land subclasses" have retained business assessment amounts which would have existed when the properties were considered occupied, whereas the general norm has been that "vacant subclass" properties do not have an attached business assessment component. This difference in treatment for certain vacant subclass properties within a municipality does not apply to all vacant subclass properties within that municipality, and it should be noted that there are many municipalities within the province where vacant subclass properties do not have a business assessment component.

This memorandum is to advise you that we are now instituting a data update procedure, to assist those municipalities that are continuing to analyze phase-in and tax impact results, especially on a property-by-property basis, utilizing the On-line Property Tax Analysis (OPTA) system provided by the Ministry. Reamined Systems Incorporated, our software provider, is now in the process of suppressing those 1997 business assessments that were assigned to "vacant unit and excess land" and "vacant land" properties in the phase-in tape issued June 15, 1998.

We expect that this reduction in the 1997 property-by-property assessment base, as applicable for some municipalities, will be operational on a province-wide basis effective Tuesday, July 21, 1998. It should also be noted that where the 1997 related realty assessments have been subject to a commercial mill rate, these codings will be modified to reflect a residential mill rate responsibility. For those municipalities that might be affected by this assessment update, and consequential mill rate change, and have already received phase-in or tax impact reports on a property-by-property basis, Reamined Systems will provide a substitute report next week at no cost to the municipality.

Although these data refinements might marginally modify your tax relief proposals, they should not affect the determination of your 1998 municipal and school tax rates. If you require further clarification on this matter, please contact your local Regional Assessment Commissioner or the OPTA Helpline in Toronto at 416-585-4017 or 416-593-5090 ext. 29.

for

Nancy Bardecki
Director

TOTAL TAXATION SHIFTS
(As per OPTA reports)

Municipalities	1997				1998			
	Local	RMOC	Education	Total	Local	RMOC	Education	Total
	$000	$000	$000	$000	$000	$000	$000	$000
Gloucester	19,682	40,308	72,553	132,543	22,052	66,976	42,049	131,077
Kanata	10,512	21,621	41,206	73,339	10,588	36,689	25,903	73,180
Nepean	22,315	52,841	96,469	171,625	29,077	87,507	54,432	171,016
Ottawa	88,092	192,106	290,529	570,727	79,169	293,157	204,905	577,231
Vanier	3,810	6,564	10,117	20,491	3,819	10,242	6,475	20,536
Rockcliffe Park	836	1,972	3,117	5,925	1,145	3,556	1,503	6,204
Cumberland	9,475	12,462	25,842	47,779	10,815	24,808	14,250	49,873
Goulbourn	2,876	5,109	13,901	21,886	3,195	10,743	7,492	21,430
Osgoode	3,000	3,082	9,594	15,676	4,058	7,298	4,923	16,279
Rideau	2,294	3,316	9,404	15,014	3,390	7,329	4,945	15,664
West Carleton	2,990	4,061	11,475	18,526	4,948	9,113	6,503	20,564
Total	**165,882**	**343,442**	**584,207**	**1,093,531**	**172,256**	**557,418**	**373,380**	**1,103,054**

Municipalities	Increase / (Decrease)							
	Local		RMOC		Education		Total	
	$000	%	$000	%	$000	%	$000	%
Gloucester	2,370	12.0%	26,668	66.2%	(30,504)	-42.0%	(1,466)	-1.1%
Kanata	76	0.7%	15,068	69.7%	(15,303)	-37.1%	(159)	-0.2%
Nepean	6,762	30.3%	34,666	65.6%	(42,037)	-43.6%	(609)	-0.4%
Ottawa	(8,923)	-10.1%	101,051	52.6%	(85,624)	-29.5%	6,504	1.1%
Vanier	9	0.2%	3,678	56.0%	(3,642)	-36.0%	45	0.2%
Rockcliffe Park	309	37.0%	1,584	80.3%	(1,614)	-51.8%	279	4.7%
Cumberland	1,340	14.1%	12,346	99.1%	(11,592)	-44.9%	2,094	4.4%
Goulbourn	319	11.1%	5,634	110.3%	(6,409)	-46.1%	(456)	-2.1%
Osgoode	1,058	35.3%	4,216	136.8%	(4,671)	-48.7%	603	3.8%
Rideau	1,096	47.8%	4,013	121.0%	(4,459)	-47.4%	650	4.3%
West Carleton	1,958	65.5%	5,052	124.4%	(4,972)	-43.3%	2,038	11.0%
Total	**6,374**	**3.8%**	**213,976**	**62.3%**	**(210,827)**	**-36.1%**	**9,523**	**0.9%**

EDUCATION TAXATION SHIFTS
(As per OPTA reports)

Municipalities	1997 Residential	1997 Non Residential	1997 Total	1998 Residential	1998 Non Residential	1998 Total
	$000	$000	$000	$000	$000	$000
Gloucester	48,578	23,975	72,553	20,077	21,972	42,049
Kanata	25,596	15,610	41,206	10,949	14,954	25,903
Nepean	64,496	31,973	96,469	25,017	29,415	54,432
Ottawa	155,370	135,159	290,529	63,155	141,750	204,905
Vanier	6,654	3,463	10,117	2,437	4,038	6,475
Rockcliffe Park	3,110	7	3,117	1,495	8	1,503
Cumberland	21,578	4,264	25,842	9,878	4,372	14,250
Goulbourn	11,785	2,116	13,901	5,038	2,454	7,492
Osgoode	8,770	824	9,594	3,850	1,073	4,923
Rideau	8,049	1,355	9,404	3,517	1,428	4,945
West Carleton	9,795	1,680	11,475	4,252	2,251	6,503
Total	**363,781**	**220,426**	**584,207**	**149,665**	**223,715**	**373,380**

Municipalities	Increase / (Decrease) Residential		Non Residential		Total	
	$000	%	$000	%	$000	%
Gloucester	(28,501)	-58.7%	(2,003)	-8.4%	(30,504)	-42.0%
Kanata	(14,647)	-57.2%	(656)	-4.2%	(15,303)	-37.1%
Nepean	(39,479)	-61.2%	(2,558)	-8.0%	(42,037)	-43.6%
Ottawa	(92,215)	-59.4%	6,591	4.9%	(85,624)	-29.5%
Vanier	(4,217)	-63.4%	575	16.6%	(3,642)	-36.0%
Rockcliffe Park	(1,615)	-51.9%	1	14.3%	(1,614)	-51.8%
Cumberland	(11,700)	-54.2%	108	2.5%	(11,592)	-44.9%
Goulbourn	(6,747)	-57.3%	338	16.0%	(6,409)	-46.1%
Osgoode	(4,920)	-56.1%	249	30.2%	(4,671)	-48.7%
Rideau	(4,532)	-56.3%	73	5.4%	(4,459)	-47.4%
West Carleton	(5,543)	-56.6%	571	34.0%	(4,972)	-43.3%
Total	**(214,116)**	**-58.9%**	**3,289**	**1.5%**	**(210,827)**	**-36.1%**