

REGIONAL MUNICIPALITY OF OTTAWA-CARLETON  
MUNICIPALITÉ RÉGIONALE D'OTTAWA-CARLETON

REPORT  
RAPPORT

---

Our File/N/Réf.  
Your File/V/Réf.

DATE 15 October 1997

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

FROM/EXP. Councillor Alex Munter

SUBJECT/OBJET **ASSESSMENT ACT AMENDMENTS AND NEED FOR  
PUBLIC EDUCATION PROGRAM  
PRESENTATION BY MR. DENNIS DATE**

---

### **REPORT RECOMMENDATION**

**That the Corporate Services and Economic Development Committee receive the presentation on “Assessment Act Amendments and Need for Public Education Program” by Mr. Dennis Date for information.**

### **PURPOSE**

Attached for your information are Presentation Notes dated September 1997 from Mr. Dennis Date on the subject of Assessment Act Amendments and the need for a Public Education Program. Mr. Date has requested to make a presentation to the Corporate Services and Economic Development Committee on this matter.

*Approved by  
Councillor Alex Munter*

Attach. ( 1 )

**PRESENTATION NOTES TO MUNICIPAL COUNCIL  
RE ASSESSMENT ACT AMENDMENTS AND NEED FOR  
PUBLIC EDUCATION PROGRAM**

By March 15th 1998 the regional council will have to adopt tax rates for different classes of property. Those rates will determine the share of property taxes to be raised from each of the various classes of property. This action will possibly rank as the most significant exercise in financial accountability at the municipal level.

This new responsibility will arise out of the amendments already made to the Assessment Act and others before the legislature under the Fair Municipal Finance Act No. 2. The prime purpose of this presentation is to encourage the regional council, and aspiring regional councillors, to share with the taxpayers the tax rates they would like to promote for use in 1998.

Despite placatory announcements from the province to the contrary the new assessment system could bring about significant distribution shifts between classes of property. Because of the existing property class based 1993 region wide assessment system it may prove difficult for the council to maintain the hidden distribution patterns built into that system.

Taxpayers need a basic understanding of the new system and particularly the new taxation arrangements that it will bring in 1998. They need to know the differential tax rates that are preferred by candidates running for election. Without an early education effort severe problems could arise when final tax bills, reflecting the impacts of selected tax rates, are hopefully issued in May of 1998.

Your Finance Commissioner filed a very informative report with this committee on April 1, 1997. The objectives of the then Bill 106 were summarized and number 4 of those objectives underscores the needs outlined in the previous paragraph. The need for the province to design a comprehensive communication strategy to educate and inform taxpayers about O.F.A.S. was also stressed but no mention was made of the role that the municipalities themselves should play in this education process.

Although the regional assessment offices will be launching an education program, without municipal councils' participation and input the information from regional assessment office sources will be of limited value. Councils should provide examples of potential impacts on individual properties under different tax rate scenarios as a supplement to the explanation by regional assessment staff of the current value based system.

While not claiming expertise with respect to this new system and readily accepting the Commissioner's view that "the Province provide municipalities with this data as soon as possible" when

referring to assessment information I believe that some simulated output could provide council with a useful debating mechanism.

The finance department has far greater capacity and skills than I have to develop "what-if" financial models. I have; however, used one as a resource base for creating my first **Municipal Awareness Seminar To Educate Ratepayers**. I now believe that there are at least 19 members of the public who have a fairly good grasp of the principles at stake in this major piece "downloading" responsibility to the municipal sector!

Although there is no vocal public demand for the kind of debate I'm seeking this not surprising. Assessment appears to be a very complex matter to most taxpayers. The framework for O.F.A.S. has; however, been legislated and the challenges facing upper or single tier municipalities in the setting of tax rates for different classes of property can be articulated. The following is my perception of what is known and can be used to project some scenarios for discussion.

#### **Current Value versus Local Assessments**

Currently, and except for the limited number of municipalities which have moved to full market value assessments, factors are applied to each class of property in arriving at local assessments. Those used in the Region of Ottawa-Carleton under the region wide assessment system and their equivalency as tax rate ratios are:

	Factors	Tax Equivalent Ratios
Residential	.048	1.000
Multi residential	.100	2.083
Commercial	.062	1.292
Industrial	.062	1.292
Farmlands	.048	0.250 *
Pipelines	.105	2.187

The residential tax rate will be used as a benchmark from which other rates will be derived. The 25% ratio for farmlands\* has been set by statutory amendment. Within parameters to be set by the province the designated municipality will be able to set the rates for the other classes of property. Very shortly the province is going to release details of existing "transitional ratios" which can be used if they are outside the ranges set by the province.

The ranges to be set province wide will reflect the provincial view on what is a "fair relationship" for property class tax burdens. Some hint on this score was captured in an extract from a January 1997 release from the Ministry of Finance which said "... in almost all Ontario municipalities, rental apartment

buildings are taxed **at least twice as heavily as single family homes and condominiums**". (emphasis added)

Since that time the province has said that it will guarantee that renters will receive the benefit of lower property tax burdens **if the municipalities set lower differential tax rates for this class of property**. Will the regional council decide to continue taxing this class of property at over twice the rate for single family homes?

Will the City of Ottawa press for relief for apartments? Will Kanata and Cumberland be happy to have commercial and industrial rates set considerably higher than residential mill rates? Under the second bill municipalities can request that there be 3 classes of commercial properties which can then enjoy graduated tax rates. What is the current view of councillors on this option?

No doubt property class interest groups will be organised to press for improved tax sharing relationships for their group. The owners of apartment buildings will probably be using provincial announcements to support their requests for lower tax rates. Small businesses will likely seek relief along with other groups.

Even if the total amounts to be raised through property taxes remain at existing levels the removal of the business occupancy tax base and absorption of the farm tax rebate at the municipal level can have material impacts on individual municipality's local tax rates.

The new system might seem to complement single tier government because the power to set ratios is not primarily available to lower tier units. The financial destiny of lower tier municipalities might appear to be at the mercy of an upper tier unit.

Depending on a municipality's mix of assessment the regional choice of tax rates will effect an individual area municipality's local tax burdens. These are of course a small percentage of any overall tax bill.

The model I used was built around a hypothetical region made up of a city, 2 urban and 2 rural area municipalities. It revealed the potential under differential rating for inter property class and inter regional government antagonisms. The sampling of questions posed earlier illustrate the kinds of questions that may arise and which should be brought onto the public agenda as soon as possible.

Any change in burden for one class of property has ramifications for other classes. The current historical distribution pattern reflects to some degree the deductibility of property taxes as a

business expense: individuals pay these taxes out of taxed income. Disentanglement has not meant giving municipalities a "pure" taxation base: it will be shared with the province.

There are an endless number of combinations that could developed to show the impact of selected ratios on the various property classes. Attached to these notes are copies of some of the transparencies used in my presentation to a group of interested taxpayers. Naturally I had to explain the existing system before I could address O.F.A.S.

The longer term impact of the new assessment system could overshadow governance, restructuring and financial cost sharing debates. It could of course dictate the outcome of some of these issues.

There are many good features in the proposed legislative changes not least of which is the more transparent responsibility which is placed on municipalities for setting tax rates. Current assessment values will be "clean" and no longer have factored and meaningless local assessment values covering up historical inequities between property class tax burdens.

The accountability of councils will be sharpened but that accountability should come into play now and also be transparent during the lead up to the next election. This of course is the thrust of my presentation.

I would like councillors to spell out their own views on fair and equitable long term tax ratios. There is the potential for an 8 year phase in period but a major shift of tax burdens to any property class spread out over 8 years could have significant economic and financial health considerations for this region.

Despite the need for more provincial information there is a need for an immediate start for a municipal education initiative targetted towards the taxpayers to get under way.

Dennis J. Date D.P.A., C.F.P.A., C.M.A.

September 1997

**TABLE 1**

**EXAMPLES OF FACTORS APPLIED TO  
MARKET VALUE ASSESSMENTS**

<b>CLASS OF PROPERTY</b>	<b>Region of Ottawa- Carleton</b>	<b>County of Renfrew</b>	<b>Region of Ottawa- Carleton</b>	<b>County of Renfrew</b>
	<b>FACTORS %</b>	<b>FACTORS %</b>	<b>FACTORS SHOWN AS RATIOS WITH RES = 1</b>	
Residential	4.8	3.0	1.00	1.00
Multi-Residential	10.0	5.2	2.08	1.73
Farmlands	4.8	3.0	1.00	1.00
Commercial	6.2	5.7	1.29	1.90
Industrial	6.2	9.1	1.29	3.03
Pipelines	10.5	7.8	2.19	2.60

**Note: The assessment base valuation years were 1988 and 1992 respectively  
for the regional and county municipalities**

TABLE 2

**SELECTED MARKET AND FACTORED  
LOCAL ASSESSMENT VALUES**

CLASS OF PROPERTY	CURRENT VALUES		LOCAL FACTORED ASSESSMENT VALUES	
	Region of Ottawa- Carleton	County of Renfrew	Region of Ottawa- Carleton	County of Renfrew
	\$	\$	\$	\$
Residential	150,000	150,000	7,200.00	4,500.00
Multi-Residential	150,000	150,000	15,000.00	7,800.00
Farmlands	150,000	150,000	7,200.00	4,500.00
Commercial	1,000,000	1,000,000	62,000.00	57,000.00
Industrial	1,000,000	1,000,000	62,000.00	91,000.00
Pipelines	1,000,000	1,000,000	105,000.00	78,000.00

Note: The factors applied to the market values are those shown in Table 1