

1. PROPERTY TAX- NEW MULTI-RESIDENTIAL OPTIONAL PROPERTY TAX CLASS

COMMITTEE RECOMMENDATIONS

That Council:

- 1. Approve that the Region adopt the new multi-residential optional property tax class.**
- 2. Enact and pass the by-law adopting the new multi-residential optional property tax class.**

DOCUMENTATION

1. Joint A/Finance Commissioner and A/Social Housing Group Director's report dated 19 Jul 00 is immediately attached.
2. Extract of Draft Corporate Services and Economic Development Committee Minute, 01 Aug 00 immediately follows the report and includes a record of the vote.

REGION OF OTTAWA-CARLETON
RÉGION D'OTTAWA-CARLETON

REPORT
RAPPORT

Our File/N/Réf.
 Your File/V/Réf.

DATE 27 July 2000

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

FROM/EXP. Acting Finance Commissioner
 Acting Director, Social Housing Group

SUBJECT/OBJET **PROPERTY TAX- NEW MULTI-RESIDENTIAL OPTIONAL
 PROPERTY TAX CLASS**

DEPARTMENTAL RECOMMENDATION

That the Corporate Services and Economic Development Committee recommend Council:

- 1. Approve that the Region adopt the new multi-residential optional property tax class.**
- 2. Enact and pass the by-law adopting the new multi-residential optional property tax class.**

BACKGROUND

The Region has received a request from Claridge Homes for exemption from regional development charges in respect on an 11 storey, 175 unit rental apartment building to be constructed at 840 Montreal Road in the City of Ottawa.

The need for more rental housing is urgent, with Ottawa-Carleton experiencing the lowest vacancy rate in Canada at 0.7%. The cancellation in 1995 of the provincial social housing programs has generated a five to eight year wait for existing social housing, with more than 15,000 households on the waiting list. New rental construction has generated an average only 85 starts for the past four years, compared to an average of 1200 rental starts between 1991 and 1994.

DISCUSSION

Development Charges

The *Development Charges Act* does not permit a municipality to exempt a development from development charges on an ad hoc basis. Rather, unless an exemption already exists in the by-law, an exemption can only be granted through an amendment to the public, including the requisite notice and statutory public hearing.

The *Municipal Act*, section 111 prohibits a municipality from granting a bonus, which includes a reduced rate otherwise applicable, to a business or commercial enterprise such as Claridge Homes. It is the opinion of the Legal Department that an exemption to Claridge Homes in respect of this development, even were it to be created through a formal amendment to the by-law, would be in violation of section 111.

Property Taxes

Within the optional property classes that might be adopted by the Region is the new multi-residential property class. If adopted, this class includes units which meet both of the following characteristics:

- (a) Units on land which have been built or converted from a non-residential use pursuant to a building permit issued after the by-law adopting the new multi-residential property class was passed.
- (b) Units which were ready for occupation on or before the day as of which the land is classified for the taxation year (i.e. 31 October of the prior taxation year).

The regulations under the *Assessment Act* also provide that land within the new multi-residential property class ceases to be in such class after it has been classified as such for eight taxation years. After such point the land would come within the multi-residential property class.

Any new multi-residential units constructed presently come within the multi-residential tax class. Currently the tax ratio for the multi-residential class as established by the Province is 2.3359. In order for tax relief to be available for new multi-residential units, two steps have to be taken:

1. The Region must adopt, as an optional property tax class, the new multi-residential property class.
2. A tax ratio must be established for the new multi-residential property class.

In order to be effective for 2001, a property class must be adopted by 15 October 2000. However, the tax ratio need not be established until 15 March 2001. Therefore, by adopting at this time the new multi-residential property class, the Region can create the possibility of providing tax relief for such development while at the same time leaving to the new Council of the City of Ottawa the actual decision

over the tax relief, if any, to be granted. Given the requirement that the building permit for such new multi-residential units be issued after the by-law adopted the class is enacted and the requirement that the units be ready for occupation by 31 October of the year prior to which the new property class is to be applicable to such units, the earliest year for which tax relief could be provided is 2002.

With the continuing shortage of rental units, it is recommended that the new multi-residential property class be adopted at this time with the decision with respect to the applicable tax ratio being left to the Council of the new City of Ottawa.

*Approved by Lloyd Russell,
Acting Finance Commissioner*

*Approved by Marni Cappe,
Acting Director, Social Housing Group*

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

BY-LAW NO. OF 2000

FINANCE: (F.1.4...)

BEING a by-law to adopt an optional property class for 2000

WHEREAS the *Assessment Act*, R.S.O. 1990, c. A.31, subsection 2(3.1) authorizes the passage of a regulation which regulation being Regulation 282/98 which permits The Regional Municipality of Ottawa-Carleton to establish, by by-law, optional property classes for 2000 for the Regional Municipality and its lower-tier municipalities;

AND WHEREAS the Regional Municipality of Ottawa-Carleton deems it desirable to exercise this option;

NOW THEREFORE the Council of The Regional Municipality of Ottawa -Carleton ENACTS AS FOLLOWS:

1. **ESTABLISHMENT OF OPTIONAL PROPERTY CLASS**

For the taxation year 2000, the following optional property class is established for property within the Regional Municipality of Ottawa-Carleton:

- a. New Multi-residential Property Class

2. **EFFECTIVE DATE**

This by-law shall come into force and take effect on the date of its final passing.

ENACTED AND PASSED in Open Council this 9th day of August, 2000.

Regional Chair

Regional Clerk

FINANCE / SOCIAL HOUSING

PROPERTY TAX - NEW MULTI-RESIDENTIAL OPTIONAL PROPERTY TAX CLASS

- Joint A/Finance Commissioner and A/Social Housing
Group Director's report dated 19 July 00

In response to an inquiry from Councillor R. van den Ham, Mr. L. Russell, Acting Commissioner of Finance, replied that although there is an existing multi-residential property tax class, there is a need for a new multi-residential class, which would represent primarily new rental units at a tax ratio that may be closer to the residential rate than other multi residential rates have historically been. When Council approved the existing policy in 1998 they didn't deal with that particular class, and by creating it now, it provides the opportunity for the next Council to address the overall issues of tax rates to create a more equitable tax arrangement for these new types of rental units.

Councillor W. Stewart queried that in creating a new property class, owners of those multi-residential units would receive a tax break that would translate into either less revenue for the Region or an increase in the tax rate for another class. Mr. Russell clarified that as the class would apply only to new units, there would not be a tax loss. The tax rates established for these properties may be lower than what they would have been had they been the existing multi-residential class.

In reply to a question from Councillor Stewart, Mr. Russell advised that the intent of the legislation is to provide a lower tax rate for a period of 8 years, at which time the properties would revert to the full multi-residential class and be taxed at the same rate as all other rental properties.

Councillor Stewart inquired whether the department could provide comparative examples of how this has functioned in other communities, and whether it has resulted in a boom in construction of rental properties. Mr. Russell noted that an examination is currently being undertaken to review municipalities who have undertaken this and what the effect has been, and that information will be available for the consideration of the new Council early in 2001, prior to the setting of a new rate.

Councillor M. Meilleur posited that an appeal to the Ontario Municipal Board could be made based on tax rate comparitors for rental properties, and the proposed disparity could be viewed as unfair. Mr. Russell noted that while the avenue of appeal is open to any resident, it wouldn't necessarily address what the legislation is intended for, or recognize the disparity between the residential rate and the multi-residential rate. For the municipal

Extract of Draft Minute
Corporate Services and
Economic Development Committee
01 August 2000

portion of the tax bill, the multi-residential rate is about 2.3 times that of the residential unit. So even if they were to get their assessment reduced somewhat, the tax rate is still significantly higher than the residential rate. The creation of this class was an effort on the part of the province to provide some tax relief for rental properties for a period of time but ultimately be phased out. The focus is on development and providing some incentive for rental unit construction.

In response to a request for clarification from Councillor Meilleur, Mr. Russell noted that an appeal must be based in the same class.

Councillor Meilleur noted she represents a ward with a number of shelters which are very crowded, and hopefully this proposal will stimulate construction and alleviate some of the problems being experienced downtown.

That Corporate Services and Economic Development Committee recommend Council:

- 1. Approve that the Region adopt the new multi-residential optional property tax class; and,**
- 2. Enact and pass the by-law adopting the new multi-residential optional property tax class**

CARRIED