

1. 1998 PROPERTY TAX POLICY

**COMMITTEE RECOMMENDATIONS AS AMENDED**

That Council approve:

1. The adoption of the provincially prescribed transition ratios as the tax ratios for the 1998 tax year;
2. 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.
3. 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;
4. The assessment related tax impacts be phased in over three years for the shopping center commercial property class;
5. The provision of a 40% rebate to charitable organizations as defined in the legislation;
6. The provision of a 100% rebate to any religious organization that would otherwise be eligible for property tax exemption, for any space the organization leases to a registered charity;
7. The provision of a tax relief (deferral) program for low income seniors and disabled as defined in this report;

- 8. The current value assessment related to tax increases above 5% for the residential property class be phased-in over a three year period;**
- 9. (a) A rebate program be implemented for 1998 under subsection 442.2 of the *Municipal Act*, operating with the following criteria:**
- eligible assessment would include that in the residual commercial and residual industrial property;**
  - that a rebate of 100% of the qualifying net assessment-related increase on the first \$500,000 of residual commercial assessment (all sub-classes) and/or residual industrial assessment (all sub-classes) for a property for 1998;**
  - that the Minister of Finance be requested to share in the cost of the rebate program for the education share and should approval not be received, that the qualifying rebate be limited to the upper and lower tier portions;**
  - property owners who receive a rebate shall share the rebate with any person who has an interest in the property, including a leasehold interest, in proportion to the taxes paid in 1997 between the tenant and the owner;**
  - property owners and/or tenants that qualify for the registered charity tax rebate are ineligible for the general rebate program.**
- (b) That the Regional Assessment Office No. 3 be requested to provide the information necessary to identify properties whose residual commercial and /or residual industrial assessment related increase is due to physical changes to the property thereby rendering them ineligible for this rebate program prior to the issuance of property tax bills.**
- (c) That a rebate of 50% of the qualifying net assessment-related increase on the first \$500,000 of residual commercial assessment (all sub-classes) and / or residual industrial assessment (all sub-classes) for a property be provided for 1999.**
- 10. The adoption of the by-laws necessary to implement the aforementioned recommendations in accordance with the legislation.**

DOCUMENTATION:

1. Finance Commissioner's report dated 21 Jul 98, ***1998 Property Tax Policy***, is immediately attached.
2. Finance Commissioner's report dated 04 Aug 98, "***1998 Property Tax Policy - Consolidated Views of Commercial and Industrial Property Groups - Recommended Mitigation Measures***" immediately follows the above-noted report.
3. Extract of Corporate Services and Economic Development Committee **Minute, 21 Jul 98**, immediately follows the above-noted report and includes a record of the vote.
4. Extract of Draft Corporate Services and Economic Development Committee **Minute, Public Consultation Meeting, 29 Jul 98**, immediately follows the above-noted minute.
5. Extract of Draft Corporate Services and Economic Development Committee **Minute, 04 Aug 98**, immediately follows the above-noted minute and includes a record of all votes.
6. Extract of Draft Corporate Services and Economic Development Committee **Minute, 10 Aug 98**, will be distributed prior to the Regional Council meeting of 12 Aug 98.
7. Annex Document to Finance Commissioner's 21 Jul 98 report and Public Written Submissions have been previously distributed and are on file in the Regional Clerk's Department.

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**

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### **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 reduce 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 not to use the optional classes, Council would be “averaging” the disparate existing tax burdens of properties in these classes with those in the residual 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 1<sup>st</sup> of the previous year that the tax relief is being requested and in 1998, the December 1<sup>st</sup> 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);

**or**

- 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 forecasting 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.

#### REVIEW WITH AREA MUNICIPALITIES

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

Ministry of  
Municipal Affairs  
and Housing

Ministère des  
Affaires municipales  
et du Logement



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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.

A handwritten signature in black ink, appearing to read "Nancy Bardecki".

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
<b>Total</b>	<b>165,882</b>	<b>343,442</b>	<b>584,207</b>	<b>1,093,531</b>	<b>172,256</b>	<b>557,418</b>	<b>373,380</b>	<b>1,103,054</b>

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%
<b>Total</b>	<b>6,374</b>	<b>3.8%</b>	<b>213,976</b>	<b>62.3%</b>	<b>(210,827)</b>	<b>-36.1%</b>	<b>9,523</b>	<b>0.9%</b>

**EDUCATION TAXATION SHIFTS**  
(As per OPTA reports)

Municipalities	1997			1998		
	Residential	Non Residential	Total	Residential	Non Residential	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
<b>Total</b>	<b>363,781</b>	<b>220,426</b>	<b>584,207</b>	<b>149,665</b>	<b>223,715</b>	<b>373,380</b>

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%
<b>Total</b>	<b>(214,116)</b>	<b>-58.9%</b>	<b>3,289</b>	<b>1.5%</b>	<b>(210,827)</b>	<b>-36.1%</b>

Our File/N/Réf.  
 Your File/V/Réf.

DATE 4 August 1998

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

FROM/EXP. Finance Commissioner

SUBJECT/OBJET **1998 PROPERTY TAX POLICY**  
**- CONSOLIDATED VIEWS OF COMMERCIAL AND**  
**INDUSTRIAL PROPERTY GROUPS**  
**- RECOMMENDED MITIGATION MEASURES**

### DEPARTMENTAL RECOMMENDATIONS

**That the Corporate Services and Economic Development Committee receive and table this report along with the following recommendations for consideration at a special meeting to be scheduled for August 10, 1998**

**That the Corporate Services and Economic Development Committee and Council approve the following:**

- 1) The provision of a general tax rebate program for the commercial and industrial property groups as defined in this report;**
- 2) The adoption of the by-laws necessary to implement the aforementioned recommendations in accordance with legislation.**
- 3) The recommendations outlined in the 21 Jul 98 Finance Commissioner's report.**

### BACKGROUND AND PURPOSE

On 21 July 98, the Finance Commissioner tabled a report with the Corporate Services and Economic Development Committee entitled "1998 Property Tax Policy". This report presented analysis of the tax impacts of the new provincial property tax system on individual assessment portions by property class and made recommendations regarding property tax policy decisions that Council must make in 1998.

The report indicated that the tax impact distributions for the non-residential property classes were abnormal. The report stated that further analysis would be required to understand the factors behind these tax impact experiences before a recommendation could be made with respect to what mitigation program would be most effective for the residual commercial property class. Mitigation measures for the other non-residential classes are not recommended by the report.

Staff required data from the Ministry of Finance to conduct this second-level analysis and were promised this data for 22 July 98. The data was actually received on 28 July 98. Since then, staff has worked virtually “around the clock” on additional analysis required for the consideration of mitigation measures for the non-residential property classes. The purpose of this report is to present the results of that additional analysis and make recommendations regarding mitigation.

## DISCUSSION

The frequency distribution graphs and tables presented in the Annexes to the 21 July 98 report were generated from the provincial Ontario Property Tax Analysis (OPTA) system. These graphs and tables describe how many properties in each property class are experiencing increases or decreases of various magnitudes. In reality, the properties referred to in the OPTA distributions are really “assessment portions” or pieces of properties. To understand this concept, one must understand the fact that in the new property tax system a non-residential property can have its total assessment allocated among a number of different property classes. For example, a large shopping centre will have its assessment allocated between at least four property classes. The assessment related to the first 25,000 square feet will be allocated between the residual commercial occupied and the residual commercial vacant property classes. The remainder of the assessment will be allocated between the shopping centre occupied and the shopping centre vacant classes. The same example holds true for office building properties where the assessment related to the first 25,000 square feet is allocated to the commercial occupied and vacant property classes.

The result is that the property class statistics generated by OPTA do not reflect the total experience of individual properties but rather the experiences of individual portions of assessment of individual properties that fall into that property class. When one views the OPTA frequency distributions for the commercial property class, for example, the picture also includes as “properties” the assessment of the first 25,000 square feet of every shopping centre and office building property in Ottawa-Carleton. While this is congruent with the basis of the new tax system and its legislative framework, it makes it more difficult to understand the tax impacts to be experienced in total by individual properties within property groups.

With the arrival of the property assessment roll data from the Ministry of Finance on 28 July 98, staff have been able to sort the assessment data to present a different view of the tax impact distributions from that provided by OPTA, one that focuses on the change in total tax bills for individual properties. This is achieved by first sorting the assessment portions from all property classes by individual property assessment roll number, resulting in total tax bill results for individual properties. Then the property assessment roll numbers are assigned to either the commercial, shopping centre, office building, parking lots, industrial or large industrial property groups, based on which assessment portion represents the largest component of their total

assessment. This “consolidated” view better presents the overall tax impact to be experienced by taxpayers and represents a better basis from which to consider mitigation measures, despite the fact that the mitigation measures, if applied, must be applied against individual assessment portions within property classes.

The tax impact frequency distribution graphs for the consolidated commercial, shopping centre, office building, industrial and large industrial property groups respectively, assembled as described above, are attached as slides to this report. The results are described in the report sections that follow.

### Commercial Property Group

The properties identified in this group are those that have the largest component of their assessment in the residual commercial property class. On this basis, there are 6,599 properties so characterized, as opposed to the 9,097 residual commercial assessment portions reported by OPTA. For this group of properties, the total tax burden has increased by \$4.3 million, or 2.3%. **Slide One** compares the total tax bill impact for the properties in this property group against the OPTA results for the residual commercial property class. As expected, there are fewer properties in the extremes of the distribution, as the assessment portions relating to the first 25,000 square feet of shopping centre and office tower properties are no longer present. In addition, swings between occupied and vacant portions of the same building are now consolidated together under the common property. The frequency distribution remains abnormal however, with a significant number of properties experiencing large increases. In **Slide Two**, the bars have been split to indicate the proportion of the properties in each band that is comprised of small commercial properties. For the purpose of this view, properties with assessments less than \$500,000 Current Value Assessment (CVA) are considered small. Under the old taxation system, the mean average CVA for a building classified as small commercial was approximately \$300,000. The graph shows that many small commercial properties are facing large tax increases.

The 21 July 98 report recommended that Council not consider the use of a 2.5% capping program to mitigate increases in commercial property classes. The reasons for not recommending such a program are outlined in that report. This mitigation measure is addressed again however, at the end of this report. Although Council could reduce the tax impacts for all properties with residual commercial assessment portions by reducing the tax ratio for the residual commercial property class, the 21 July 98 report recommends employing the transition tax ratios for the 1998 taxation year until such time as the Property Tax Policy Committee has fully addressed the implications of changing the ratios. Council is then left with the options of a tiered-tax rate program, a phase-in program and a general rebate program.

As the 21 July 98 report notes, staff have concerns over the fact that tiered tax rates will not equitably mitigate the tax impacts within the residual commercial property class. While the tool will assist small businesses located in street-front or stand-alone business properties, it may negatively impact small businesses located in malls or larger commercial properties. Small business owners (and/or their landlords) side by side on the same street could face different rates of taxation depending on the size of building in which they are tenants. This effect can be reduced by setting a higher assessment band for the discounted tax rate. Staff has modelled a number of



tiered-tax rate programs. The only program that had any significant effect on the experiences faced by small commercial properties was one employing a first band limit of \$500,000 in CVA and a discounted tax rate of 60% of the high band tax rate. At this threshold level, a tax rate discount of 40% for the first assessment band would have to be funded by a 24% increase to the tax rate on assessment above that band. This in itself will create serious inequities for commercial properties with large assessments. For example, while all properties with less than \$500,000 CVA win from a tiered tax rate program and properties with a CVA of \$1,000,000 break even, properties with a CVA of \$10,000,000 face taxes that are in the order of 20% higher than they would be without tiering.

**Slide Three** shows how such a program would shift the experience for commercial properties within this CVA threshold. A tiered tax rate program does improve the situation for small commercial properties, with 1,287 fewer commercial properties with CVA less than \$500,000 experiencing increases of more than 15%. Unfortunately, even with tiered tax rates, almost 1,717 properties, 1,235 of them with CVA less than \$500,000, will experience increases greater than 15%. In the overall, this degree of in-effectiveness, when considered with the inequities such a system creates results in staff not recommending the use of a tiered-tax rate program

The remaining options for Council are a phase-in program and/or a rebate program. Staff would recommend the use of a rebate program over a phase-in program. A rebate program has a number of strengths over a phase-in program. A rebate program is more flexible and can be better focused, in that the rebates given can be based on the total assessment-related tax increase of a property, considered as a whole, as opposed to phase-in adjustments which must treat separately each assessment portion of a property and operate within property classes not property groups. Importantly, school boards (the Province) do not share in the cost of a phase-in program which must be funded by decreases foregone by other properties in the class. Under a rebate program, however, the Minister of Finance may fund the school board share (approximately 50%) of the cost of the rebates provided and area municipalities fund the lower-tier share. It is expected that it would be very unlikely for the Minister to deny the application to fund the school board share of the rebates provided, however, staff would recommend that if a rebate program is implemented that rebating the education should be subject to provincial participation. Finally, phase-in programs must be extended to grantable assessment portions within a property class if they are extended to taxable assessment portions. This would result in a loss of potential payments-in-lieu of taxation.

Details of administering a rebate program have been discussed with the area municipalities and no significant difficulties are expected. Staff recommend that the rebate program be applied to tax bills i.e. that the rebates be calculated and applied to the tax bills before their issuance. The program can also operate on an application basis where property owners must apply to the area municipalities for rebates after full value tax bills have been issued. The only advantage to this approach is that staff would be able to identify if the assessment-related increase being applied for was due to improvements or change in use to the property, thereby making them ineligible for the rebate. This is not possible with a tax bill-based program, because the database does not provide the necessary information.

Staff recommend a rebate program directed at small businesses be implemented for 1998 under subsection 442.2 of the Municipal Act, operating with the following criteria:

- eligible properties would include taxable commercial properties (properties whose largest assessment portion is residual commercial) with a 1998 CVA of \$1,000,000 and a qualifying assessment-related property tax increase ;
- rebates would be for the full amount of the qualifying assessment related increase;
- that the Minister of Finance be requested to share in the cost of the rebate program for the education share and should approval not be received that the qualifying rebate be limited to the upper and lower tier portions;
- property owners who receive a rebate shall share the rebate with any person who has an interest in the property, including a leasehold interest, in proportion to the taxes paid in 1997 between the tenant and the owner;
- general tax rebates be applied to not-for-profit and similar organizations that are not registered charities;
- property owners and or tenants that qualify for the registered charity tax rebate are ineligible for the general rebate program;

Staff have estimated the cost of such a rebate program to the commercial property group as follows:

	1998(\$000's)
Lower Tier	900
Upper Tier	2,900
School	3,800
Total	7,600

**Slide Four** shows how such a rebate program would change the tax impact frequency distribution for commercial properties within this CVA threshold. There are 2,918 properties eligible for the rebate program and they shift to the left in the frequency distribution. There are still 1,253 properties facing increases of 20% or more, 968 of the properties with less than \$500,000 in CVA. This is because the total tax impact on individual properties is made up of many more factors than simply the assessment-related impact. These include changes in levy requirements, impact of upper-tier tax ratios and the difference between where provincial costs are downloaded and education tax room is vacated. In addition, the formula stated in the regulations to the legislation to calculate the qualifying assessment-related increase understates the true assessment-related increase for former CBE school supporters and overstates the increase for former OBE school supporters as it uses a region-wide notional rate for education purposes. A significant portion, 38%, of the small properties facing 20% increases or more are located in the rural townships. Despite the fact that some properties will still experience significant increases, rebating 100% of the assessment-related increases is the best mitigation measure that can be employed for this property class when inter-class equity considerations are considered. The only mitigation measure that would ensure that all commercial properties would not experience significant increases is the 2.5% capping program which would also have to be extended to the shopping centre and office building property group.

Staff recommend that Council approve the rebate program only for 1998 at this point. The Minister of Finance will only agree (or not) to participate in a rebate program for one year.

Municipalities must reapply for subsequent years. Staff recommend that the Property Tax Policy Committee consider the issue of future year rebates along with the consideration of more permanent approaches to dealing with the impact on small business, including applying to the Minister of Finance for the creation of a separate property class for these properties that would allow tax policy to be focused independently from other commercial properties in the residual commercial property class. The consideration of future year tax ratios could also address this issue.

### Shopping Centre Property Group

The properties identified in this group are those that have the largest component of their assessment in the shopping centre property class. On this basis, there are 115 properties so characterized. For this group of properties, the total tax burden has increased by \$4.7 million, or 6.8%. **Slide Five** compares the total tax bill impact frequency distribution for the properties in this property group against the OPTA results for the shopping centre property class. The views are significantly different. The property group distribution is much more normal. There are, however, 26 of the 115 properties in this group that will be experiencing increases of more than 15%. Staff has identified these properties. The majority of them are regional shopping centres and large neighbourhood centres. Staff maintain the recommendation in the 21 July 98 report to not mitigate the tax experiences for the shopping centre property class.

### Office Building Property Group

The properties identified in this group are those that have the largest component of their assessment in the office building property class. On this basis, there are 171 properties so characterized. For this group of properties, the total tax burden has increased by \$0.8 million, or 0.6%. **Slide Six** compares the total tax bill impact frequency distribution for the properties in this property group against the OPTA results for the office building property class. Again, the view is significantly different with the distribution much more normal. There are, however, 25 of the 171 properties in this group that will be experiencing increases of more than 15%. Staff have identified these properties. Four of these are occupied by federal government departments as tenants who, under the old system, were exempt from the BOT. Staff maintain the recommendation in the 21 July 98 report to not mitigate the tax experiences for the office building property class.

### Industrial Property Group

The properties identified in this group are those that have the largest component of their assessment in the residual industrial property class. On this basis, there are 1,084 so characterized, as opposed to the 1,686 residual industrial assessment portions reported by OPTA. For this group of properties, the total tax burden increased by \$1.7 million, or 7.7%. **Slide Seven** compares the total tax bill impact for the properties in this property group against the OPTA results for the residual industrial property class. There are fewer properties in the extremes of the distribution. The frequency distribution remains abnormal however, with 665 properties experiencing increases of more than 15%. In **Slide Eight**, the bars have been split to indicate the proportion of

the properties in each band that is comprised of small industrial properties. For the purpose of this view, properties with assessments less than \$500,000 CVA are considered small. Similar to the experience in the commercial property group, the graph shows that many small industrial properties are facing large increases.

Like the residual commercial property class, staff assessed the use of a tiered tax rate program for this class. At the threshold level of \$500,000 CVA and a discounted tax rate of 60% of the high band tax rate for the first assessment band an increase of 31% to the tax rate on assessment above that band would be required. **Slide Nine** shows how such a program would shift the experience for industrial properties within this CVA threshold.

A tiered tax rate program only marginally improves the situation for small industrial properties, with 76 fewer industrial properties with CVA less than \$500,000 experiencing increases of more than 15%. Unfortunately, even with tiered tax rates, almost 592 properties, 485 of them with CVA less than \$500,000, will experience increases greater than 15%. Tiered-tax rates are only marginally effective as a mitigation measure. For the same reasons described for the commercial property group, staff don't recommend the use of a tiered-tax rate program for the industrial property group.

Staff recommend the same general tax rebate program proposed for the commercial property group be extended to the industrial property group ( for those properties whose largest assessment portion is residual industrial).

Staff have estimated the cost of such a rebate program to the industrial property group as follows:

	1998(\$000's)
Lower Tier	200
Upper Tier	600
School	800
Total	1,600

**Slide Ten** shows how such a rebate program would change the tax impact frequency distribution for industrial properties within this CVA threshold. There are 660 properties eligible for the rebate program. There are still 274 properties facing increases of 20% or more, 232 of the properties with less than \$500,000 in CVA. Like the commercial property group, this is because the total tax impact on individual properties is made up of many more factors than simply the assessment-related impact. In addition, the formula stated in the regulations to the legislation to calculate the qualifying assessment-related increase understates the true assessment-related increase for former CBE school supporters and overstates the increase for former OBE school supporters as it uses a region-wide notional rate for education purposes. A vast majority, 93%, of the small properties facing 20% increases or more are located in the rural townships. Again, despite the fact that some properties will still experience significant increases, rebating 100% of the assessment-related increases is the best mitigation measure that can be employed for this property class when inter-class equity considerations are considered. The only mitigation measure that would ensure that all industrial properties would not experience significant increases is the

2.5% capping program which would also have to be extended to the large industrial property group.

### Large Industrial Property Group

The properties identified in this group are those that have the largest component of their assessment in the large industrial property class. On this basis, there are 20 properties so characterized. For this group of properties, the total tax burden virtually did not change. **Slide Eleven** compares the total tax bill impact frequency distribution for the properties in this property group against the OPTA results for the large industrial property class. The view is significantly different with the distribution much more normal. There are, however, two properties with increases in excess of 15%. The two properties are Nortel in the City of Nepean with an increase of 79% and Newbridge in the City of Kanata with an increase of 14%. Staff maintain the recommendation in the 21 July 98 report to not mitigate the tax experiences for the large industrial property class.

### Adequacy of Proposed Mitigation Measures

Staff recognizes that the proposed mitigation program falls short of eliminating onerous tax increases for all properties in the commercial and industrial property groups with 1,253 and 274 properties, respectively, continuing to face increases of more than 20%. While many of these properties face warranted increases resulting from changes in the use of the property or expansions and additions, and others face increases that will be eliminated through successful assessment appeals, many face unmitigated increases simply as a result of the impacts of the new provincial assessment and taxation system. A disproportionate number of these exist in the rural areas of Ottawa-Carleton.

Nevertheless, within the tools provided to Council by the legislation, short of implementing a capping program, this is the best Council can do. Staff continues to take the position that the problems associated with a capping program continue to make it difficult to recommend. To highlight, these problems include:

- Preliminary calculations show that a capping program cannot be funded within the commercial and industrial property groups with a shortfall of approximately \$10 million and \$4 million, respectively;
- 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;
- Any budget increases in 1999 and 2000 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, by adjusting their tax ratios;

- The Region and area municipalities will lose the potential for large increases in payments-in-lieu of taxation, primarily from the federal government who has indicated a willingness to pay increases resulting from the new provincial property taxation and assessment system;
- If capping is provided to the residual commercial or industrial classes it must also be extended to the shopping centre, office building, parking lot and large industrial 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;
- The capping of tax increases also requires the capping of tax decreases thereby freezing existing inequities and defeating the entire purpose of reassessment;
- There are significant logistical concerns over the area municipalities' ability to maintain the "frozen" assessment rolls necessary to administer such a program;
- Not all area municipality treasurers are certain that their tax billing systems will easily 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.

### PUBLIC CONSULTATION

The recommendations made by this report have been developed with regard given to the verbal and written submission received by the Corporate Services and Economic Development Committee during the Public Meeting on 1998 Tax Policy held on July 29, 1998. In addition, ongoing consultation has taken place with the Area Municipality Treasurers.

### FINANCIAL COMMENTARY

The cost of the proposed general rebate programs for the commercial and industrial property groups as outlined in this report is estimated to be \$9.2 million in total with a cost to the Region of \$3.5 million. It is recommended that the cost of the 1998 general rebate program be offset through an increased budget for payments-in-lieu of taxation which have been conservatively estimated in the approved 1998 Budget.

*Original signed by J.C. LeBelle*

Extract of Draft Minute  
Corporate Services and  
Economic Development Committee  
21 July 1998

### 1998 PROPERTY TAX POLICY

- Committee Co-ordinator's report dated 14 Jul 98
- Finance Commissioner's report dated 21 Jul 98

J. LeBelle, Finance Commissioner, introduced the staff report. The following outlines key points of the presentation:

- Represents an unprecedented change in the property taxation system.
- Under the new system, there will be a significant role for Regional and Municipal Councils to play in the setting of relevant tax burdens among the classes.
- 1998 is a transition year and staff are recommending the adoption of the provincially prescribed transition ratios as the tax ratios for the 1998 tax year; however, noted Council appointed a Tax Policy Committee which will begin meeting in the fall. This Committee will set tax ratios for 1999 property taxation and consider the use of a new multi-residential property class.
- In preparing the report and recommendations, experienced numerous problems associated with the On-Line Property Taxation Analysis (OPTA) System, particularly that it was not accessible until 1 Jul and not user friendly.
- Results of the analysis was by class and by municipality only, contained in large Annex Documentation; individual property information will not to be available until 22 Jul 98 or later.
- Important dates re Legislative Agenda
  - Tax Rates by August 14
  - Assessment Appeal deadline August 31
  - Information to Landlords September 30
  - School Requisitions paid by Sep 30
  - MegaWeek Invoices due on Oct 01
  - Charitable Rebates paid by Oct 31
- Major concerns surrounding the quality of the assessment data, the ability for area municipalities to send out tax bills, huge communications challenge to explain changes to public, and simply too many changes in one year.
- Council need to make decisions on eleven issues for the 98 property taxation; grouped in three logical groupings 1. Relative tax burden 2. Mitigation of Tax Impacts 3. Tax Rebate and Relief

K. Kirkpatrick, Deputy Treasurer, reviewed the timetable with a public consultation meeting on 29 Jul 98, Committee consideration on 4 Aug and Council consideration on 12 Aug 98. Commissioner LeBelle draw the Committee's attention to Annex C of the Annex Document, page 06. He noted the description in the top left box reading "RMOC" was

Extract of Draft Minute  
Corporate Services and  
Economic Development Committee  
21 July 1998

incorrect and should read “Total”; not the Corporation’s total, but is the aggregate of all taxation in the Region for all purposes. Each box represented total taxation requirements for all three purposes, upper tier, lower tier and education.

Mr. Kirkpatrick reviewed the eleven issues highlighting the staff recommendation for each. Staff concluded by encouraging Councillors and the public to call or meet with them and they would assist in explaining this very complicated issue.

Following questions from committee members, the Committee received and tabled the report until 4 Aug 98.

- 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.**



Extract of Draft Minute  
Corporate Services and  
Economic Development Committee  
21 July 1998

- 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.**

TABLED

## MINUTES

### CORPORATE SERVICES AND ECONOMIC DEVELOPMENT COMMITTEE

Public Consultation Meeting  
1998 Property Tax Report

REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

CHAMPLAIN ROOM

29 JULY 1998

8:30 A.M.

#### PRESENT

Chair: R. Chiarelli

Members: B. Hill, P. Hume, A. Loney, M. Meilleur and R. van den Ham

Other Councillors: H. Kreling, J. Legendre, W. Byrne, C. Doucet

#### REGRETS

D. Beamish, R. Cantin, G. Hunter, W. Stewart

#### FINANCE

1. 1998 Property Tax Policy
  - Finance Commissioner's report dated 21 Jul 98 previously issued
  - Annex Document previously issued

Chair Chiarelli welcomed members of the public and thanked them for attending. The Chair referenced the difficulty and complexity of the property tax issue and introduced Kent Kirkpatrick, Deputy Finance Commissioner, who provided a brief overview of the staff report.

Mr. Kirkpatrick reviewed the compressed timeframe staff and Council were faced with. He stated staff first began their policy analysis on 1 Jul 98, at which time access to the OPTA was gained through the Internet. Mr. Kirkpatrick pointed out the legislative

requirement for Council was to set Regional tax rates, thereby approve a 1998 Tax Policy, by 12 August 98. Mr. Kirkpatrick reviewed the remaining dates that being the assessment appeal deadline of 30 August, the date for landlords to notify tenants by 30 September, school requisitions due 30 September and MegaWeek invoices due 01 October 98. Mr. Kirkpatrick explained staff and Council were working within the timeframe provided by the Province.

Referencing the report, Mr. Kirkpatrick explained it dealt with how the total tax requirement was to be allocated to property classes and individual properties within classes. He pointed out Council froze the total Regional tax requirement during the 1998 budget deliberations, and emphasized any increase to individual tax bills were the result of the Province's new taxation system, not a Regional tax increase. In closing, Mr. Kirkpatrick reviewed the report recommendations. He provided an update from the 21 Jul information as follows:

- ⇒ The residual commercial class was not just "basic" commercial properties, but also included the first 25,000 square feet of every shopping centre and office tower property.
- ⇒ The new system dealt with tax policy based on "assessment portions" not individual properties.
- ⇒ A non-residential property can have assessment split between many property classes such as the Rideau Centre, which has five classes.
- ⇒ The tax impact frequency distributions for a property class include the experiences of a combination of whole properties as well as pieces of properties that have assessment portions in other property classes.
- ⇒ A large number of small commercial properties will face significant increases of between 30-50%; therefore, a tiered-tax rate program will be required to protect small commercial property owners; recommendations available 4 Aug 98.
- ⇒ Staff produced reports for each property class that identified assessment portions that had a 20% or higher change; these reports would be provided to area municipalities which would allow the municipalities to assist Regional staff in explaining why extreme cases. Noted there were significant errors in the assessment file.

The Committee then heard from the public delegations.

**Janet Stroh** (written submission on file with Committee Co-ordinator)  
***Ontario Specialty Tenant Tax Coalition (OSTTC)***

Ms. Stroh began by describing the composition of the OSTTC, their membership and noted their goal was to promote a property tax system that encouraged investment and job creation; this being done by working with the government to develop solutions that meet community needs.

She reported the OSTTC membership had a strong presence in Ottawa-Carleton, both in the downtown core and in shopping centres. Ms. Stroh emphasized they were concerned that with full implementation of the Province's new current value assessment, many small retailers would face substantial tax increases. Ms. Stroh emphasized the businesses could not bear the immediate burden of these increases, which would result in closed stores, lost jobs and reduced revenues.

Ms. Stroh requested the Committee consider and support the mitigating tools from the Province, in particular the 2.5% cap. She pointed out the cap was the only tool that protected the tenants and guaranteed that tax reform did not result in additional tax shifts within a property; shifts that were primarily caused by the elimination of the Business Occupancy Tax and the new current value assessment methodology. Ms. Stroh recognized that adopting the cap would result in a slower shift of tax burden, however, it would provide a stable transition period to adjust. In closing, Ms. Stroh offered the OSTTC assistance as a resource as the RMOC assessed the implications of proposed approaches and tax rates.

In response to questions from Chair Chiarelli regarding the 2.5% cap, Mr. Kirkpatrick noted there were serious drawbacks with this provision. He explained the most significant was it reduced Council's flexibility in dealing with its budgetary concerns over the next two years in that any increase in tax requirement that Council was not able to manage would be directed to the uncapped property classes, primarily the residential class. Mr. Kirkpatrick explained the 2.5% cap could not be extended only to the shopping centre class, but must also be extended across all commercial properties in all commercial property classes. He also pointed out that the tool may not work as the capping provision must be funded from within the same property class i.e. must be funded from the decreases that other commercial property owners would be receiving. Mr. Kirkpatrick did not believe these problems should drive Council's decision in using the cap, but wanted to ensure Council was aware of the loss in flexibility to deal with any tax increase in 1999 or 2000.

The Deputy Finance Commissioner explained Council could consider a phase-in program, but noted again it must be self-financed within the class. He explained staff did not recommend mitigation, but if Council was to consider it, they would recommend a phase-in program that did not exceed more than three years, as the next reassessment was in 2000. Councillor Meilleur pointed out the phase-in tool was similar to that used with Regional Police.

Councillor van den Ham reviewed the consequences of the 2.5% cap. Mr. Kirkpatrick further explained that should the Province download more, Council could increase taxes, however, the total burden of the increase would fall to the uncapped classes, primarily residential. Mr. Kirkpatrick suggested the capping program did not eliminate the problem, but rather deferred it as after the end of three years, the properties would face the same increases as today.

Councillor Hume referenced the market value assessment in 1993. Mr. Kirkpatrick reported Council provided grants to the area municipalities and the municipalities used the grants to phase-in increases over three years. Mr. Kirkpatrick referenced the phase-in programs of Regional Police and solid waste collection.

**Luigi Caparelli, President** (written submission on file with Committee Co-ordinator)  
*Eastern Ontario Landlords Organization*

Mr. Caparelli introduced the EOLO as being 200 members whom owned or managed in excess of 30,000 residential rental units in Eastern Ontario. Mr. Caparelli outlined some facts regarding property taxes in Ottawa-Carleton and their relation to landlords and tenants. He provided the argument that a tenant living in a multi-unit apartment did not consume any more municipal services than the owner of a single family home, if not significantly less. However, he noted tenants were required to pay tax at a rate that was 2.1 times higher than a single family home owner. In addition, numerous studies had shown that on average, tenants have a lower income.

Mr. Caparelli continued to explain the EOLO believed the multi-unit residential class should be at the same rate as the residential, a position which was supported by the Fair Tax Commission. The speaker referenced the Provincial transition "range of fairness" ratio which must be used by the municipality in establishing the tax ratios for 1998; the ratio for multi-residential class being set at a maximum of 2.3359 which resulted in the status quo. Mr. Caparelli noted the benefit to the multi-residential class, however, believed it was a small move to fairness and long overdue.

In closing, Mr. Caparelli urged the Committee to use a transition ratio of 1.0% with the tax increase in the residential class being phased-in over a period of up to eight years. He stated the EOLO was prepared to work with the Region to examine the outcome of different policies. However, he stated it was imperative to move the multi-residential class towards equality with the residential class. Mr. Caparelli referenced the creation of a new class identified as New Multi-Residential. He supported staff's position to not use the capping tool, however, suggested some form of phase-in may be appropriate for increases in excess of 10%.

**David Patton, President** (written submission on file with Committee Co-ordinator)  
***Building Owners and Managers Association of Ottawa-Carleton (BOMA)***

Mr. Patton stated that the tenant reimbursed the landlord for property taxes through their rent. He highlighted three key areas. Firstly, tax ratios and optional classes. Mr. Patton stated the BOMA disagreed with staff's notion of freezing the 1997 relative burdens among the different business sectors. Rather, he proposed the goal of reassessment was to change relative tax burdens in accordance with the changes in relative values in each property class. Mr. Patton reviewed an example of results with the optional classes for an office tower and shopping centre. He stated in principle there should be one rate of taxation on all commercial property.

Secondly, Mr. Patton explained BOMA would like to see the adoption of one of the optional classes, that is the parking lot and vacant land class. He believed assessment should be according to value in current use and the adoption of this separate class would assist development and encourage the revitalization of the core.

In closing, the speaker reviewed the four mitigation measures. With regard to capping, Mr. Patton concurred with the staff report that capping should not be adopted. He then spoke to the phase-in tool and explained they felt increases of more than 30% should be phased-in over three years. Mr. Patton stated tiered rates were poorly targeted and BOMA did not support this tool. He added the rebate program also did not receive BOMA's support as it would be unfair to give relief to individual property owners identified specifically, since that would increase taxes on all other property owners.

**Councillor Betty Hill** (letters from the Townships of Goulbourn and West Carleton  
on file with Committee Co-ordinator)  
***on behalf of the Townships of Goulbourn and West Carleton***

Councillor Hill read a letter from Mr. Dwight Eastman, Mayor, Township of West Carleton. The letter stated the Township of West Carleton increased its tax requirement by \$638,500 and planned on revisiting the budget with the intent of cutting well over half of the planned expenditures. The Township requested that Council consider two items. Firstly, to explore every avenue and mitigation tool that would provide some relief to the industrial/commercial sector. Secondly, the Mayor suggested the manner in which the \$47 million the Region received in Provincial grants was applied was unfair and provided no assistance to the rural areas outside the transit boundaries. He stated that all of Ottawa-Carleton should have benefited from those Provincial monies.

Councillor Hill then read a letter from Ms. Janet Stavinga, Mayor, Township of Goulbourn. The letter firstly referenced increases in assessments associated with non-residential properties. Ms. Stavinga requested, given the magnitude of the increases to the non-residential class, the Region consider mitigating the impacts through various tools available. Secondly, the letter referenced the transitional grants totaling \$43 million the Region received from the Province. The letter suggested as the grants were applied to subsidize the transit services, they only benefited ratepayers in the urban transit area. In closing, the letter referenced time lines for informed decision-making. Ms. Stavinga pointed out the Provincial deadlines were unreasonable and stated they would support the Region if it requested the Ontario Government to revise the approval date for tax rates and other time lines.

Councillor Hill concluded by stating she recognized there were problems and the issues were very complex. She referenced the Property Tax Committee of which she was a member.

Councillor Loney inquired about the \$43 million the Region received in Provincial grants. Mr. Kirkpatrick explained Regional Council decided to apply the \$43 million to the transit levy for very good reasons. He indicated the Provincial letters that accompanied the cheques stated it was to assist municipalities in seeding transit capital reserves and referenced the impact of the elimination of transit subsidies. He agreed the grants were unconditional, however, the Province indicated they both related to transit. Mr. Kirkpatrick pointed out there was \$66 million of tax requirement down-loaded to the Region with the elimination of the transit subsidy. Staff and Council concurred it was logical to apply the \$43 million to the transit levy to reduce the tax requirement on this one time basis.

**James Johnson, President** (written submission on file with Committee Co-ordinator)  
*Johnson's Office Furniture*

Mr. Johnson inquired why the commercial tax rate had historically been 3 or 4 times higher than the residential tax rate. Mr. Kirkpatrick stated there was not a simple answer to the question. He explained that as a result of a hundred years of tax evolution, the Province of Ontario made decisions in terms of relative burdens of taxation and property classes. Mr. Johnson recommended that Council shift the burden to result in an equal tax burden across all classes. He pointed out Council now had that power. In closing, Mr. Johnson emphasized the commercial class needed a break in order to create jobs. Regarding mitigation, he supported its use, however, preferred the tax burden be shifted. Mr. Johnson indicated that his assessment value had dropped, however, the property taxes had risen 25%.

**Hugh Gorman**  
*O.N.Y. Enterprise*

Mr. Gorman began by stating he was a commercial landlord in Ottawa. He reiterated that the tax assessments affected both tenants and landlords when considering vacant space. Mr. Gorman concurred with the staff recommendation that the changes be assessed as fairly as possible, but should be based on current values. The speaker opposed the optional classes between office buildings, commercial building and shopping centres for the following reasons. Firstly, it represented a disproportional share of tax burden based on previous market value assessment and this should not be further extended by increasing the transition ratio charged to office buildings. Secondly, there was a large inconsistency behind the rationale to separate office buildings and shopping centres. In closing, Mr. Gorman noted the ONY agreed with the phase-in of increases over 30%.

**Robert Edmunds, Vice President**  
*Action Sandy Hill*

Mr. Edmunds referenced the property tax on vacant sites and parking lots. He stated the tax proposal before the Committee relating to vacant sites and parking lots could have a diametrically opposed effect to that cited as a goal of the Region's Official Plan. Mr. Edmunds reviewed the proposed changes for the Region's parking lots and believed it did not support the development of the core. Mr. Edmunds stated they would like to see the taxes for vacant lots and parking lots increased. Speaking to the two tier system, the speaker reported Action Sandy Hill was a proponent of this system. He proposed a higher tax for lands and lower tax for buildings which would result in increased development. Speaking to the vacant lots on Rideau Street, Mr. Edmunds suggested they would have a relatively high monetary value partly because they were subject to a relatively low property tax. Mr. Edmunds noted the disincentive to homeowners to maintain homes in high standards.

**Betty Neelin, President and Chair**  
*Daybreak Board of Directors*

Ms. Neelin explained the mandate of Daybreak and referenced the good work they did in Ottawa-Carleton. Ms. Neelin reported the three homes they owned under charitable organizations were tax exempt, except for a fourth house at 77 Gloucester Street which was rented from St. George's Church. She indicated because they did not own and occupy the property, the assessed taxes were \$18,000 per year. The speaker referenced the previous recommendation from Council in Jun 98 which endorsed an amendment to Bill 16 to exempt houses of refuge such as Daybreak and in the cause of Daybreak, it be retroactive to January 1996. She pointed out as Bill 16 received Royal Assent, the private



bill was no longer possible. Ms. Neelin referenced and endorsed the staff recommendation to provide a 100% rebate to any church leasing space to houses of refuge. Speaking to the tax arrears and in order to ensure Daybreak's survival, Ms. Neelin reviewed the history and requested Council provide a grant to cover the 1996 and 1997 arrears in the amount of \$42,377.97.

**Randall Kemp** (written submission on file with Committee Co-ordinator)

Mr. Kemp stated he managed and co-owned three commercial buildings. He reviewed each of the three properties and the effect of the tax changes on himself and the tenants, in that the taxes had increased by a total of \$8,017. Mr. Kemp referenced the impact on the non-profit community which would be required to pay an additional 50% in spite of the fact the building had depreciated 40%. Mr. Kemp questioned the logic of increased taxes when the properties' values decreased. He stated it was necessary to have an understanding of what the tax liability was going to be to the tenant, and in his case reflected approximately \$6.00 per square foot. In closing, Mr. Kemp echoed concerns that these changes would have an adverse and severe effect on the community. The speaker believed the solution was to develop a tax system that took into consideration the ability of the taxpayer/ business to pay the tax, and suggested the two tier tax rate did this to a certain extent.

**Fred Barkaohouse, President**  
*Carleton Condominium Corporation #468*  
**Brian Watkinson, Director**  
*Apollo Management*

Mr. Barkaohouse introduced the CCC #468 and reported most owners were close to retirement and owned property that was facing a 400% increase. He outlined historically the project was built ten years ago and advertised as residential apartment/hotel. As a result, many people bought the units as an investment and a program for retirement. However, ten years later the property was reassessed and re-classified resulting in a 400% increase. Mr. Barkaohouse stated retirement was no longer viable and suggested it was expropriation without notice. The speaker believed it would force the units to be changed to apartments on an already depressed market, or ultimately, bankruptcy. Mr. Barkaohouse noted they had invested in Ottawa and employed 100 people, in addition to providing a service to family travel and tourism. In closing, the speaker reiterated that the proposed system would cause hardship to the owners and was not justifiable.

Mr. Watkinson requested Council to consider a long term phase-in or transition plan that was proportional to the increase.

Mr. Kirkpatrick inquired about the location of the property. Mr. Watkinson reported it was on Besserer Street and Mr. Kirkpatrick noted staff had discovered this property increase the previous evening. He reported the property was assessed residential in 1997 and now reassessed as commercial. The Deputy Finance Commissioner suggested further discussions with the Assessment Office would be required and confirmed staff would also speak to the office to gain an understanding of the history of the issue. He believed there may be others like it in Ottawa-Carleton.

**Marianne Wilkinson** (written submission on file with Committee Co-ordinator)  
*S.O.S. Children's Villages Canada, National Council of Women of Canada, Canadian Federation of University Women, Kanata Food Cupboard.*

Ms. Wilkinson represented both charitable and non-profit organizations and expressed concern over the proposed system as the impact would be substantial. Ms. Wilkinson requested the following four recommendations:

Firstly, the speaker referenced staff's recommendation that the minimal rebate of 40% be used for charities, however, noted they were experiencing higher increases than 40%. Ms. Wilkinson acknowledged it was not possible to know the exact impact at this time, but requested if it was greater than 40%, the rebate percentage be reviewed.

Secondly, Ms. Wilkinson requested that non-profit community groups which had a charitable number for a portion of their activities be granted the same tax rebate as charities.

Thirdly, the speaker asked that the actual impact on charities and non-profit groups be monitored and adjustments to this policy made if the actual property tax increases on such groups were shown to exceed 40%.

In closing, Ms. Wilkinson requested that a complete review of the impact of the rebate policy be undertaken annually, for at least the next three years, and the policy adjusted if such a review showed a detrimental impact on charities and non-profit organizations.

**Brian Lahey**  
*Properties Group Limited*

Mr. Lahey began by stating the Properties Group owned several small retail and industrial properties generally in the residual commercial class. The speaker reported in general all retail tenants would be increased from 25 - 45%, whereas office tenants were decreasing. Speaking to the retail tenants, Mr. Lahey said they could not absorb such an increase in

one year. He believed the absurdly low values of large office buildings in 1996 was the core of the problem. In closing, Mr. Lahey expressed his support for separate tax classifications within the commercial classes, however, acknowledged it would not be the solution. Speaking to the 1992 market value assessment, Mr. Lahey supported a phase-in program and suggested that a 10% increase be the most to have to absorb in one year.

**Jean-Pierre Gravelle, Board member**  
*Gloucester Chamber of Commerce*

Mr. Gravelle reported the Gloucester Chamber of Commerce membership would prefer to see no tax increases, however, if necessary, the increases be phased-in over a minimum period of five years. Mr. Gravelle stated the commercial and residential tax rates should be equalized over a minimum period of seven years. Referencing the economy, the speaker suggested it had improved somewhat but was still in a very fragile state. He noted higher taxes did not promote the Region, development, housing, jobs or the well being of the Region. With regard to companies that competed on a Provincial and international basis, he noted it was necessary to keep taxes low in order to keep a healthy economic base. Mr. Gravelle concluded by stating the members did not support the use of rebate programs for charitable organizations, churches, seniors or disabilities, but should be available to all.

Chair Chiarelli pointed out the 1998 Regional budget did not increase taxes, with great difficulty. The Chair stated the present situation was the result of unconscionable and ad hoc policy-making by the Provincial government which was changing on a continual basis. Chair Chiarelli referenced the difficulty staff had in analyzing the situation and making recommendations for Council to consider. Speaking to the time frame, the Chair stated there was little time to properly consult the public and implement the changes under the Legislative timetable. In summary, Chair Chiarelli emphasized the municipalities were not involved in the policy making of this structure, however, were being legislated to attempt to balance the interests which was virtually impossible to do.

In response to questions from Councillor Kreling, Mr. Kirkpatrick explained the cost of the rebate programs could be funded from the class that were benefiting, such as the commercial property class. Speaking to the two tiered program, Mr. Kirkpatrick reported the tool must be applied Region wide and may miss properties that should have been mitigated. He noted it may be the only tool Council had to protect small businesses from significant increases. Speaking to home based businesses, Mr. Kirkpatrick explained the legislation provided for upper tier municipalities to apply to the Minister to create new classes in the future and suggested it be an issue forwarded to the Property Tax Policy Committee to review.

**Jos Scott** (written submission on file with Committee Co-ordinator)

**Bill Eggertson**

*Canadian Society of Association Executives*

Ms. Scott reviewed the effects the system would have on the non-profit organizations, most significantly that non-profits were facing both re-assessment increases and a 40% increase in one year.

Mr. Eggertson requested that the Region either implement Bill 16, the protection of non-profits, or delay a 40% increase to non-profits for one year. During this period, he said the CSAE would undertake its major econometric modeling of the impact of non-profits, and report back to the Region with a decision on taxes made at that time.

**Paula Agulnik, Executive Director**

*REACH*

Ms. Agulnik reported REACH was a non-profit charitable organization in the community which was self-funded except for causes supported by Provincial or Federal Governments. Speaking to the tax changes, Ms. Agulnik stated they were placed quickly after budgets were set and with little notice. She reiterated the results of the new tax system would leave people with disabilities to suffer. In closing, Ms. Agulnik requested the 40 % rebate be applied to non-profit associations and questioned when the rebate would be received.

Mr. Kirkpatrick reported the 1998 rebates must be paid to the organizations by 31 October as well as 50% of the estimated 1999 rebate allowing for a cash flow benefit for budgeting. He confirmed the second installment of the 1999 rebate was due in June 1999.

**Christine Leadman**

*Ottawa Business Group*

Ms. Leadman expressed concern with the short time frame to attempt to digest the information and understand the consequences the proposed system would have. Ms. Leadman emphasized time was required to consult with tax experts and inform members of the impact. The speaker acknowledged the Provincial legislative timetable, however, believed it was the Region's responsibility to request time for proper review and implementation to protect the community. Ms. Leadman reiterated the outstanding impacts the changes would have on all sectors of the community, noting the small businesses would be hit a second time following market value assessment in 1993. In closing, she requested the opportunity to return to the Committee on 4 August after reviewing the report and recommendations with staff.

Acting Chair Hume reviewed the timetable imposed by the Province. He explained it would be the decision of the Committee to hear a second presentation from the Ottawa Business Group specifically if there was additional information. The Acting Chair suggested a written submission could also be made.

**Ed Mitchell, Chairman**  
***Somerset Village BIA***

Mr. Mitchell reported the Somerset Street Village BIA consisted of 15 buildings = 13 heritage, 45 businesses, and 300 jobs. He expressed concern as a small business owner regarding commercial class and residual commercial classes. Mr. Mitchell stated the process seemed disparate and chaotic with the basic premises not re-analyzed. The speaker reviewed individual properties and their tax histories. In summary, he reiterated the effects of the system as being bankruptcy, vacant buildings and tax revolt. Speaking to the mitigation tools, Mr. Mitchell believed capping may work, but posed difficulties; a tiered system may be equitable and progressive, and phasing-in was not a solution but deferral of the problem.

**Phil Sweetnam** (written submission on file with Committee Co-ordinator)  
***Goulbourn Chamber of Commerce***

Mr. Sweetnam acknowledged the proposed system was confusing, however, believed the Region should move quickly to the fairness ratios set by the Province which would address many issues referenced through the delegations. Mr. Sweetnam reviewed the history of the inequity for the commercial/ industrial taxes and noted in 1998, businesses could not afford to subsidize the residential class. Mr. Sweetnam reviewed the importance of the commercial and industrial sector and emphasized the Provincial attitude of lowering these rates should be considered. Mr. Sweetnam acknowledged the many mechanics involved in the system, however, encouraged that a policy decision must be made, recommending that over the next seven years, the Region could move in equal stages to a final ratio 1:1.2 for commercial and residential.

**Michael Allan** (written submission on file with Committee Co-ordinator)  
**Janet Whillans**  
***United Way***

Mr. Allan outlined the following concerns regarding the proposed system:

- Reiterated concerns regarding the time frames and the complexity of the issues.
- Some charities did not have the capacity to manage the initial impact of the changes.

- Concern that some 1,200 not-for-profit organizations who were delivering important services had been excluded from the application of tax rebate program by virtue of the recommended strict definition for eligibility.
- Unclear how charities who own their own properties were affected by the legislation or the policy.
- Referenced three member agencies that represent seniors and persons with disabilities and stated he was unclear how policy would be administered to benefit these groups.

Mr. Allan reviewed seven recommendations for Committee's consideration.

1. United Way was willing to work with the Region to create a simple, effective and efficient tax rebate program.
2. Suggested a communication strategy that explained the legislation, policy and procedures be developed and targeted at charities and landlords.
3. Requested consideration be given to assist charities which experienced financial hardships or cash flow problems in paying 1998 taxes before the effect of the rebate program.
4. Encouraged the Region to consider other property tax rebate provisions available to readdress any increases over 40%.
5. Requested further analysis of the full exclusion of not-for-profits or "similar organizations" to ensure that those delivering charitable services were included for a rebate.
6. Encouraged the Region to review the tax relief program with organizations with respect to seniors and persons with disabilities.
7. Suggested the proposed property tax rebate program only be an interim measure and a permanent approach would be the creation of a distinct "charitable" class for charities to be taxed at the residential rate.

**Gerry LePage**  
*Bank Street Promenade*

Mr. LePage referenced the market value assessment in 1993 and its consequences. He noted there had been records set for the number of bankruptcies and suggested people would "walk away" from their properties and businesses; small business would collapse under the weight of more taxes. Mr. LePage questioned the equitability of the shopping centres having a rate that was lower than commercial, and questioned how it was possible to have meaningful economic growth or urban renewal under these circumstances. Mr. LePage requested Council lower the rate for commercial/residual to that equal with shopping centres. In summary, Mr. LePage believed the system rewarded non-productivity rather than encouraging development. He suggested it was necessary to raise the parking lot rate which would result in further benefits to the economy. Mr. LePage favoured a tiered approach to increases as phase-in programs only prolonged the inevitable. The speaker questioned the concept of a better, fairer system and stated the commercial /residual rates must be lower.

**Amy Kempster** (written submission on file with Committee Co-ordinator)

***Federation of Citizens' Association***

Ms. Kempster referenced the public participation component of the process and expressed concern with the timelines and the time of the public consultation meeting, noting there were very few homeowners present. Ms. Kempster stated the FCA supported the staff recommendation regarding tax ratios and the optional property classes for 1998. She requested that where possible tax policy and ratios should reflect the intent of the Regional Official Plan. Speaking to the parking lot rate, Ms. Kempster requested it be equal to or above rates for vacant commercial land, at least in the core. Referencing the phase-in tool, Ms. Kempster expressed concern this option was not recommended for the residential class where large increases were expected. In closing, Ms. Kempster requested staff consider mitigation for the residual commercial class.

**Andre Vertes, Manager**  
***Rickard Realty Advisors***

Mr. Vertes reported these changes represented the third reassessment in the last ten years. He stated there had been tax increases to small businesses from 90 - 400%. Mr. Vertes encouraged staff to explore the avenue of creating a separate property class for small commercial retail. The speaker reported the absorption of the business occupancy tax by all commercial and industrial classes caused tax increases to small retail. Other complications for small retail tenants were (i) no longer receive assessment notices unless co-operative landlords pass on information (ii) assessment errors and incorrect information, and (iii) concern with the appeal deadline. In closing, Mr. Vertes reiterated the serious consequences of the proposed system and suggested it discriminated against small business and apartment dwellers.

**Dawn Dannehl, Executive Director**  
***Byward Market Business Improvement Area***

Ms. Dannehl stated she represented a group that would be hard hit by the new system, and also suffered in 1993 during market value assessment. Ms. Dannehl expressed support of the staff recommendation for mitigation, however, expressed concern that the effect of the mitigation was not known at this point. Speaking to the tools of mitigation, Ms. Dannehl pointed out the inherent flaws. She believed some form of cap or lowering the 5.95 rate to that equal of shopping centres may assist in the effects of this system. Ms. Dannehl suggested in the long run, a new small retail class could prevent the sector from being sacrificed over and over. Speaking to the shopping centre and parking lot ratios, Ms. Dannehl expressed amazement at these reduced rates. In closing, Ms. Dannehl referenced the new Tax Policy Committee and expressed concern in that there was no representation from the business community to give input on experience.

In response to a question from Councillor van den Ham, Mr. Kirkpatrick confirmed Council had the ability to reduce the tax ratio for any property class as long as it was moving in the direction of reducing the disparity burden to that of the residential class.

Councillor Loney referenced the tax ratio for parking lots. Mr. Kirkpatrick reported Council could not change the ratio for parking lots except to decrease it, which was not recommended. However, he explained by opting not to exercise an optional parking lot class, Council could increase the tax ratio for parking lots leaving them as part of the residual commercial class.

**Seth Cwinn** (written submission on file with Committee Co-ordinator)  
***Erawan House (International) Limited***

Mr. Cwinn spoke on the special class of commercial buildings in centretown, referred to as Class "C", older and small walk-up office and retail mixed use building. Mr. Cwinn noted they were facing tax increases of more than 50%. He believed these increases would be passed on to the small business owners and reiterated the severe effects of these increases. The speaker requested an allowance be made for the Class "C" class. In reference to the not-for-profit artist groups, Mr. Cwinn indicated they must now pay the business occupancy tax. He suggested without relief, they would not survive as they could not absorb the increases. In closing, they too would disappear from the community.

Councillor Legendre inquired if staff would be making a proposal regarding the house of refuge situation on August 4. The Councillor requested staff enlarge this to include charities that were renting from church groups as well. Councillor Legendre requested information on the actual impact on the Region.

As this concluded the public delegations, Acting Chair Hume thanked the public for their contributions and noted the Committee would meet on August 4 for deliberation of the report.

#### ADJOURNMENT

The meeting adjourned at 12:55 p.m.

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CO-ORDINATOR

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CHAIR



1998 PROPERTY TAX POLICY  
CONSOLIDATED VIEWS OF COMMERCIAL AND  
AND INDUSTRIAL PROPERTY GROUPS -  
RECOMMENDED MITIGATION MEASURES

- Finance Commissioner's report dated 21 Jul 98 and Annex Document
- Finance Commissioner's report dated 04 Aug 98

Chair Chiarelli expressed concern with the misconception that the Region was to blame for a possible tax increase. The Chair clarified the policy was not about Regional taxes, but how to cope with radical changes to the property tax system forced on the Region by the Provincial Government; changes that were drastic and poorly planned with unrealistic timelines. Chair Chiarelli acknowledged the already large financial burden on homeowners and businesses in Ottawa-Carleton and understood the taxpayer could not handle more tax burden. He noted many of the changes applied reasonably well in Toronto, however, not in Ottawa-Carleton.

J. LeBelle, Finance Commissioner, referenced an addendum report dated 04 Aug 98 which dealt with the consolidated views of commercial and industrial property groups and recommended mitigation measures. Mr. LeBelle explained staff recommended tabling the report to provide members with the opportunity to review the report and discuss with staff the issues surrounding these classes; followed by a Committee meeting on 10 Aug 98. He indicated the report dealt with the mitigation measures available to the non-residential sector, each having their own implications.

K. Kirkpatrick, Deputy Finance Commissioner, explained the new property tax system was a system where it was possible for a primarily non-residential property to have its total assessment allocated between a number of the property classes that existed under the new system, for example the Rideau Centre. Mr. Kirkpatrick reviewed the slides as attached to the report.

Beginning with the **commercial property group**, Mr. Kirkpatrick explained the mitigation tools of rebate vs phase-in. Speaking to the rebate program, he outlined the following points:

- It allowed more flexibility and a greater ability to focus on properties within the group that had been "hardest hit".
- It provided \$10 million worth of mitigation to the taxpayers with 50% being funded by the Province.
- It was a better tool to assist small businesses.

Extract of Draft Minute  
Corporate Services and  
Economic Development Committee  
**04 August 1998**

- Council could, through a by-law, set the criteria for properties it wished to be eligible for the rebate.
- The rebate program was funded by the Province, the Region and the area municipalities in proportion to the total tax bill that goes to three groups.
- The Provincial participation was subject to the approval of the Minister, however, it was believed the Province would participate. The Regions of Halton and Hamilton-Wentworth were using rebate programs and approvals were pending.
- The Province would pay 50% of the rebate program. The cost was \$7.6 million; Provincial share being \$3.8 million, Region \$2.9 million (raised across all property taxpayers) and area municipalities share would be \$900,000.
- The \$2.9 million would be Regional dollars that must come out of the Regional budget.

Referencing the phase-in tool, the following was noted:

- It would have an impact on the payments in lieu revenue received by the Region in 1998; an amount totalling at least \$3 million.  
The phase-in had to be funded from properties within the class, i.e. other commercial properties which would otherwise face decreases would fund the phase-in of the increases.

Speaking to the **shopping centre and office building property groups**, Mr. Kirkpatrick confirmed staff remained with the recommendation of the 21 Jul 98 report to not mitigate the tax experiences for these classes. With regard to the **large industrial property group**, he added staff remained with the recommendation of the 21 Jul 98 report to not mitigate the tax experiences for this group.

Moving to the **industrial property group**, the Deputy Finance Commissioner explained staff recommended the same general tax rebate program proposed for the commercial property group be extended to this group (for properties whose largest assessment portion is residual industrial). Mr. Kirkpatrick reviewed the rationale underlying why the capping and tiered tax rate programs were not recommended.

In response to questions from Councillor Beamish, Mr. Kirkpatrick explained the phase-in and rebate programs only allowed Council to phase-in a rebate on the assessment related change (which is only a portion of the total tax bill). He added this amount was calculated in the form of a formula in the legislation. Other issues relating to the new system included changes in the levy requirement, the impact of the upper tier tax ratios on the lower tier levy requirements of area municipalities, the difference in the averaging between

Extract of Draft Minute  
Corporate Services and  
Economic Development Committee  
**04 August 1998**

the school board rates, and pure assessment related changes. Speaking to the report and options, Mr. Kirkpatrick stated the Committee should only make decisions regarding the rebate program for 1998 as the Province would only approve and participate for one year and it was necessary to apply in future years. He suggested the Property Tax Policy Committee would review the issues for 1999. The Deputy Commissioner noted 1998 should be considered transitional in nature.

Councillor Beamish inquired about the administrative costs which would face the lower municipalities in administering a rebate program. Mr. Kirkpatrick reported they have had discussions with the area municipalities regarding this option and they do not anticipate significant problems. He confirmed Regional staff would calculate the amount of rebates to be applied to eligible properties and provide the data to the area municipalities to load into their systems. Mr. Kirkpatrick pointed out there was going to be a significant increase in work for the area municipalities as a result of the new system, regardless of which mitigation measure was approved. Mr. Kirkpatrick reviewed the two methods of processing the rebate program (tax bill or application), and stated that for efficiency purposes, staff were recommending the tax bill base system.

In response to a question from Councillor Legendre regarding using both rebate and phase-in programs, Mr. Kirkpatrick explained it was possible to implement a phase-in program followed by a rebate program with a property class. However, he noted it was not an operative solution as the only amount that could be rebated following a phase-in is that portion of the assessment related increase that was not phased out.

Councillor van den Ham referenced the 21 Jul 98 report, Recommendation 3 (b) (iii)(iv), being farmlands pending development and the recommended 35% of residential class ratio. Mr. Kirkpatrick confirmed the 35% was the maximum set by the Province and stated it was farmlands that have been rezoned for development.

Councillor van den Ham referenced the optional class of parking lots and vacant commercial lands and the comments from the public consultation meeting that the transition rate was low. Mr. Kirkpatrick stated Council could not increase the tax ratio for an optional commercial vacant / parking lot class; however, explained they could increase the tax ratio by leaving the property in the residual commercial class. Mr. Kirkpatrick noted that in future years, Council could decide to not use optional classes.

Councillor Meilleur expressed concern with the recommended rebate program as it was only postponing the problem. She inquired about 1999. Mr. Kirkpatrick reinforced that it was not possible to change the outcome of the new system. However, he noted Council could again approve another rebate program, however, reiterated that Provincial approval

Extract of Draft Minute  
Corporate Services and  
Economic Development Committee  
**04 August 1998**

would be required. Mr. Kirkpatrick pointed out Council only had one opportunity for the phase-in program (1998) although the length of that period could extend up to 8 years, noting staff recommended only 3 years as the next reassessment was in 2000. Councillor Meilleur referenced the Provincial funding received in 1998 to assist the Region. She pointed out those funds would not be available in 1999.

Chair Chiarelli referenced the two programs and the cost to the Region. Mr. Kirkpatrick indicated there may be the same net cost to the Region for each of the two programs due to the loss of payments in lieu of taxation (PIL's).

Speaking to the ability to phase-in assessment related increases for the residential class, Councillor Hume inquired what the City of Toronto approved. Mr. Kirkpatrick believed it was either five or six years. Mr. Kirkpatrick confirmed the impact on the Regional budget for a three year phase-in was zero as it was funded by other taxpayers within those classes that would otherwise be experiencing a decrease.

Chair Chiarelli inquired what should have happened in the process for the new system to work and what regulatory changes should the Region be seeking from the Province.

Mr. LeBelle stated the implementation of current value assessment would have been preferred without the complexities of all the other tax policy issues trying to be accomplished at the same time. He stated there have been many "fixes" to the legislation without slowing down the timetable. Mr. LeBelle stated both the Regional staff and the area municipal staff will have a very difficult and challenging time explaining to the taxpayer the rationale and many issues surrounding their tax increase. Speaking to this, Mr. LeBelle added staff at both levels were working together to ensure a consistent communication package for the public. In response to suggestions from Councillors Meilleur and Hill regarding taking a leadership role in public relations, the Finance Commissioner confirmed they had been working closely with the area municipal staff to ensure there will be consistent communications with the public. He added a communications package was being prepared and this information would be provided to the Municipal and Regional Councillors.

With regard to suggested regulatory changes for future years, Mr. LeBelle believed that immediately following the adoption of a 1998 policy, issues would be put to the Taxation Policy Committee with the assistance of staff.

Extract of Draft Minute  
Corporate Services and  
Economic Development Committee  
**04 August 1998**

Councillor Beamish referenced the phase-in program. Mr. LeBelle confirmed this program could only be done on the assessment related impact as calculated by the Province. Mr. Kirkpatrick added that for the residential class, the vast majority of the assessment portions also equalled the total tax bills; the “mixed” tax bill issues were primarily for non-residential classes. Mr. LeBelle stated staff hoped to build templates that would allow Councillors to deal with the changes on an individual property basis.

The Committee then received and tabled the 4 Aug 98 Finance Commissioner’s report regarding the commercial and industrial properties groups.

**That the Corporate Services and Economic Development Committee receive and table this report along with the following recommendations for consideration at a special meeting to be scheduled for August 10, 1998**

**That the Corporate Services and Economic Development Committee and Council approve the following:**

- 1. The provision of a general tax rebate program for the commercial and industrial property groups as defined in this report;**
- 2. The adoption of the by-laws necessary to implement the aforementioned recommendations in accordance with legislation.**

TABLED (to 10 Aug)

The Committee then considered the 21 Jul 98 staff report and heard from the following public delegations.

*Mr. John Schioler* stated he was a residential taxpayer and was concerned that this sector had not been vocal throughout the process. He reported he purchased his present home in 1977 and was going to experience an increase of 40%. Mr. Schioler suggested the unphased introduction of severe retroactive increases without prior consultation was unfair and unreasonable. Speaking to the option of not using the phasing-in option, Mr. Schioler did not accept the rationale of administrative complications or that the taxpayer facing the increase had received the benefit in the past.

Extract of Draft Minute  
Corporate Services and  
Economic Development Committee  
**04 August 1998**

The speaker noted the homeowner used many criteria in choosing where to live and at what price. Mr. Schioler stated this opportunity had been available and should not be changed so drastically. He indicated in the twenty years of ownership, the taxes had quadrupled while the value had only doubled after taking into account improvements and inflation. In summary, Mr. Schioler stated the taxpayer did not care what the complicated issues or rationale was for the increases, only that their taxes had increased an unreasonable amount in one year. The speaker, therefore, proposed that a compromised solution was that increases over 10% be phased-in over the longest period of time available, at least three years.

*Mr. Gerry LePage, Bank Street BIA* reminded the Committee that many small business owners who were hardest hit in the MVA were also homeowners. As a result, they were going to face an increase for both business and residence. Mr. LePage referenced applying to the Province for the creation of a new small business class and viewed the rebate as a one year recourse until something substantive could be done. Mr. LePage reiterated the consequences of the inability to pay the taxes resulting in bankruptcy. In closing, he stated the phase-in program did not work. He believed although there was a cost upfront for the rebate system, at least money was being returned in the economy.

Chair Chiarelli reviewed the consequences of the rebate program and noted it would increase the Region's tax requirement which may result in reduced services / programs or increased taxes.

In response to questions from the Chair and Councillor Beamish, Mr. LePage reiterated the small business class required substantive relief, the phase-in program for the 1993 MVA had minimal success, and they required time to apply to the Province for the creation of a new small business class.

Councillor Stewart inquired about the business occupancy tax. She pointed out there was a small amount of leverage with the elimination of this tax.

Councillor Meilleur indicated a rebate program for 1999 was not guaranteed and Council only had this one opportunity to approve a phase-in program. She stated there was little option, and no matter what the decision, it would be difficult.

Councillor Legendre suggested the Ottawa-Carleton business community should react as the Toronto business sector did and physically and actively campaign the Province in Toronto.

Extract of Draft Minute  
Corporate Services and  
Economic Development Committee  
**04 August 1998**

Speaking to Recommendation No. 3 (f) of the 21 Jul report on the 100% rebate to any church leasing space to houses of refuge, Councillor Legendre requested this recommendation include registered charities. Councillor Beamish moved a Motion to this regard. As staff were required to confirm some questions with the Provincial Assessment Office around this request, the recommendation was amended and tabled until the 10 Aug 98 meeting.

Moved by D. Beamish

**That departmental recommendation no. 3 (f) of the 21 Jul 98 report be amended to add the words “and registered charities” after houses of refuge.**

TABLED (to 10 Aug)

Councillor Meilleur referenced the public delegations and their concern for the ratio for parking lots. The Councillor noted the need to encourage development in the downtown core and discourage vacant and empty parking lots. Councillor Meilleur moved a Motion to this effect.

Moved by M. Meilleur

That departmental recommendation no 3 (c) of the 21 Jul 98 report be amended by removing the parking lot commercial property class from the optional property classes, thereby, incorporating it into the residual commercial class.

LOST

YEAS: D. Beamish, B. Hill, M. Meilleur .... 3

NAYS: P. Hume, W. Stewart, R. van den Ham, R. Chiarelli .... 4

In response to questions from Councillor Hume regarding a phase-in program for residential, Mr. Kirkpatrick confirmed it was the only mitigation program available for this class. With regard to costs, he stated the cost to the Region would be minimal as the costs were borne by the residential taxpayer that would otherwise be receiving a decrease.

Extract of Draft Minute  
Corporate Services and  
Economic Development Committee  
**04 August 1998**

Mr. Kirkpatrick reviewed the effect of the residential class being phased-in over a period of three years.

Chair Chiarelli moved out of the Chair and Councillor Hume resumed as Acting Chair. R. Chiarelli moved a Motion that the current value assessment related tax increases for the residential property class be phased-in over a three year period.

Councillor van den Ham inquired if that would apply to all assessment increases or just those above 30%; he suggested there was a need for some guidelines. Councillor Hume stated he supported the phase-in motion and believed the mitigation tool should be used for all properties regardless of the amount of the increase.

Mr. LeBelle commented that in consultation with the area municipalities, it was recommended to set a threshold so staff would not have to administer a phase-in program for an excessively small amount of money. Mr. Kirkpatrick stated the Region was able to calculate the amount of the phase-in, however, noted that some municipalities' tax system may not be able to accommodate this and the task may have to be manually completed for each of the three years.

Councillor van den Ham moved a Motion that the threshold for the residential phase-in be set at \$200.00 for residential. (This Motion was amended to 5% and incorporated into the Chiarelli motion.)

Moved by R. Chiarelli

**That the current value assessment related tax increases over 5% for the residential property class be phased-in over a three year period.**

CARRIED  
(D. Beamish and P. Hume  
dissented)



Extract of Draft Minute  
Corporate Services and  
Economic Development Committee  
**04 August 1998**

The Committee then approved the report recommendations as amended.

**That the Corporate Services and Economic Development Committee and Council approve the following:**

- 1. The adoption of the Provincially prescribed transition ratios as the tax ratios for the 1998 tax year, subject to any decision to be taken by Committee on 10 Aug 98 with respect to the commercial classes;**

CARRIED as amended

- 2. 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.**

CARRIED

- 3. The use of all optional property classes, namely, the shopping centre commercial property class, the office tower commercial property class, the parking lot commercial property class and the large industrial property class;**

CARRIED

- 4. Consideration of the use of tiered tax rates and phase-in program for the residual commercial property class;**

TABLED (to 10 Aug)  
(reference 04 Aug report  
recommendations)

- 5. The provision of a 40% rebate to charitable organizations as defined in the legislation;**

CARRIED

Extract of Draft Minute  
Corporate Services and  
Economic Development Committee  
**04 August 1998**

6. **The provision of a 100% rebate to any church leasing space to houses of refuge and registered charities;**

TABLED (to 10 Aug)

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

CARRIED

- 8. The current value assessment related to tax increases above 5% for the residential property class be phased-in over a three year period;**

CARRIED

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

CARRIED

## MINUTES

### CORPORATE SERVICES AND ECONOMIC DEVELOPMENT COMMITTEE

#### REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

#### CHAMPLAIN ROOM

10 AUGUST 1998

8:00 A.M.

#### PRESENT

Chair: R. Chiarelli

Members: D. Beamish, R. Cantin, B. Hill, P. Hume, M. Meilleur and  
R. van den Ham

#### REGRETS

G. Hunter, A. Loney, W. Stewart

#### REGULAR ITEM

##### FINANCE

1. 1998 PROPERTY TAX POLICY

- Finance Commissioner's addendum report dated 04 Aug 98
- Finance Commissioner's report and annex document dated 21 Jul 98
- Public written submissions on file with the Regional Clerk's Department

J. LeBelle, Finance Commissioner, opened with introductory comments and reviewed the process to date referencing the 21 Jul and 4 Aug 98 reports. Mr. LeBelle reported that subsequent to the 4 Aug 98 meeting, the Deputy Treasurer and staff had completed additional substantial analysis of the files. He emphasized the analysis showed there was a very serious implication of choosing between the phase-in program and the rebate program in terms of the impact it would have on the payment-in-lieu (PIL) revenues received from the Province.

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Notes: 1. Underlining indicates new or amended recommendations approved by Committee.  
2. Reports requiring Council consideration will be presented to Council on 12 August 1998 in Corporate Services and Economic Development Committee Waived Report Number 18.

K. Kirkpatrick, Deputy Treasurer, reported that while the rebate legislation was clearly designed to try to assist small commercial properties, it was important to note that a municipality must be careful about how it structured the eligibility criteria under the program. Mr. Kirkpatrick reviewed the proposed criteria and the rationale with the Committee. Referencing the cost of the program to the Region, Mr. Kirkpatrick confirmed it was estimated at \$9 million, with the Regional share being \$3.5 million and the lower-tier portion being \$1 million; the Province would share approximately one-half being \$4.5 million.

Mr. Kirkpatrick reviewed the major positives and negatives of each scenario.

*Rebate Program - Positives:*

- Offered maximum mitigation for small commercial properties in that it would provide 100% of assessment-related increase on first \$500,000.
- The Province funded 50% of the cost.
- There was a minimal loss of PIL revenues.

*Rebate Program - Negatives:*

- There was no significant mitigation for large commercial properties.
- The municipal share of the cost of \$6.2 million was to be funded across all taxpayers.

*Three Year Phase-in Program - Positives:*

- All properties in the commercial class would receive 2/3 of their qualifying assessment-related increase in 1998 and 1/3 in 1999; they would be required to pay their full value tax bill by 2000.
- The cost of the program was funded by taxpayers in the same class who would otherwise be receiving decreases.

*Three Year Phase-in Program - Negatives:*

- Would not be availing the maximum mitigation for the small commercial properties.
- There was a significant loss in PIL revenues; a potential loss of \$5 million for the Region and \$8 million for the area municipalities.

*Combined Rebate and Phase-in Program - Positives:*

- All properties would receive at least 2/3 of mitigation.
- The smaller commercial properties, those under the threshold of eligibility criteria for the rebate program, would receive maximum mitigation.
- The program would be partially funded by taxpayers receiving decreases in the class.

*Combined Rebate and Phase-in Program - Negatives:*

- The loss of PIL revenue.
- There would still be about 1/3 of the rebate program cost being funded across all taxpayers.

In closing, Mr. Kirkpatrick emphasized the Committee must have significant regard to the issue of lost PIL revenues. He stated staff continued to recommend the use of a rebate program in the residual commercial and industrial property classes.

In response to a question from Chair Chiarelli regarding the rebate program, Mr. Kirkpatrick reported that based on the staff recommendation, all properties would receive a rebate of the assessment-related increases relating to the first \$500,000 of current value assessment, resulting in all properties receiving some form of rebate. The Deputy Treasurer noted staff were recommending that Committee make a decision on a program for 1998 only as the Minister would only approve their participation on an annual basis. He added if Committee was to consider a program beyond 1998, it must be subject to the Minister continuing to participate in the funding.

Councillor Meilleur referenced the rebate program and 1999. Mr. Kirkpatrick explained if the Ministry did not approve participation in 1999, the rebate would only be provided on the municipal portion of bill. However, he believed the Minister would participate in 1999 in particular if they approve 1998's participation. Mr. Kirkpatrick expected they would have the Provincial approval within a week after Council on 12 Aug 98.

Councillor van den Ham referenced other municipalities and inquired what they had decided. Mr. LeBelle reported that in most cases Council's had already approved tax rates and some had approved mitigation measures. The Commissioner noted the circumstances were drastically different in Ottawa-Carleton due to the PIL revenues. Mr. LeBelle noted it was necessary to review each Council's decision in the context of the impacts on each individual Region.

Mr. LeBelle confirmed there was authority to require the landlord to pass on savings to the tenant for the rebate program, but not the phase-in program. He added in terms of being able to direct the mitigation measures to small business, Council had the legislative authority to do so through the rebate program.

Chair Chiarelli referenced a letter from Mayor C. Cain, City of Gloucester. Mr. LeBelle suggested the letter should have been addressed to the Minister of Finance because the legislation specifically required that any mitigation measure taken by the upper-tier Council must be apportioned between the three bodies, that including the lower-tier.

The Committee then heard from the public delegations.

***Mr. Larry DeRocher, Ontario Specialty Tenant Tax Coalition***

Mr. DeRocher expressed concern that the legislation would cause significant increases to its members and threaten the viability of their businesses. He outlined two factors; firstly, that the shopping malls were experiencing large increases and these costs must be passed along. The second factor was that within the shopping centre class, there was a shift of taxes away from large anchor tenants and toward the small specialty tenants. Mr. DeRocher stated some retailers were facing up to a 200% increase and the organization was concerned this would threaten their survival, and could potentially create enough vacancy in shopping centres so as to weaken the shopping centre in total. Speaking to the mitigation measures, Mr. DeRocher believed adopting a separate class for shopping centres would help, but only in a minor way. Rather, the OSTTC was recommending either a rebate or, ideally, a three year phase-in program for shopping centres to allow time to re-negotiate leases with landlords and attempt to set up a new business situation combining the cost of rent and taxes. In closing, the speaker said he was seeking assistance to protect small retail tenants in shopping centres.

Chair Chiarelli outlined that Council was not considering a 2.5% cap, as the regulations provided by the Province did not accommodate the realities in Ottawa-Carleton, in that there were not enough in the commercial and industrial sector receiving tax decreases to fund those having increases. As a result, the residential class would be required to subsidize the commercial class.

Councillor Cantin said he believed when the question of tax reassessment was brought about, it was supposed to be a fair tax scheme based on floor space value within the framework as opposed to what the tenants actually paid (lease value).

Mr. Kirkpatrick explained for shopping centres and other large commercial office buildings, the reassessment was based on a net income approach, where the assessment office looked at what it believed was the income generating potential of the property in terms of market rent rather than the value of the land and replacement cost of structures.

In response to a question from Councillor Davis regarding working with the Province, Mr. DeRocher reported the meetings with the Ministry had led to little gain; resulting in the OSTTC concentrating their efforts at the Regional level. He added they intended to go back to the Province to address a number of issues, and that perhaps *en masse*, the impact would be greater and demonstrate how the increases have negatively impacted the retail sector.

Councillor van den Ham reported staff were proposing a one-year rebate program, and that Committee was attempting to address the concerns of small business for this year. The Councillor indicated another part of the equation dealt with tenant and landlord situations, and how shopping centres chose to deal with an increase was beyond Council's control. Councillor van den Ham asked if it was possible for small retailers to negotiate with their landlords as to how this rebate was passed along.

Mr. DeRocher stated this was not possible, as the landlord was in the business of running a business, had a legal contract, shareholders and a Board to report to. He believed the suggested development of a more equitable system would take time, and a three year phase-in would coincide with a new period of assessment and buy more time to negotiate with all parties.

Councillor Beamish inquired if the Region had the ability to phase-in only the shopping centre class and whether the costs of such a program had been examined.

Mr. Kirkpatrick explained Council had the ability to elect a phase-in program in any of the classes, including any of the optional commercial or industrial classes. Referencing the 4 Aug 98 staff report, Mr. Kirkpatrick noted staff felt that the frequency distribution for the shopping centre property group (those 115 properties that have the majority of their assessment in the shopping centre class), was relatively normal, but that 26 of the 115 properties would be experiencing increases of more than 15%. The majority of those 26 properties were made up of the large regional shopping centres and large neighbourhood shopping centres. Referencing the cost to the Region, Mr. Kirkpatrick reported they would be borne by other properties in the group that would be receiving assessment related decreases in their taxes. Mr. Kirkpatrick reiterated Council could elect to have a phase-in program for the shopping centre class independently.

Chair Chiarelli noted there had not been any representations from the area municipalities and asked staff what discussions they have had with them. Mr. Kirkpatrick reported they had been working closely with area municipal staff and have had discussions on the proposed recommended mitigation measures. Mr. Kirkpatrick stated the City of Ottawa was concerned with the mitigation measure of phase-in due to the potential lost of PIL revenue; they concurred with the recommended rebate program. He added the City of Nepean did not indicate any concern over the rebate program and the City of Gloucester had not commented on the program, except through Mayor Cain's letter dated 7 Aug 98. Chair Chiarelli pointed out there had not been any official delegations from the area municipalities. Councillor Hill noted she had made a presentation on behalf of the Townships of Goulbourn and West Carleton.

***Mr. Randall Kemp***

Mr. Kemp stated he would be experiencing increases between 20% and 50% under the new system. He noted that in five years the taxes had almost doubled. Mr. Kemp expressed his support for the rebate option and not phase-in. The speaker stated the creation of optional classes was a step in the right direction. Speaking to the residual commercial class, Mr. Kemp stated there were fundamental flaws as there were inequalities in the assessment process, which resulted in a segment of the commercial class not paying their fair share of property tax and in order to compensate, the other had to pay additional taxes. Mr. Kemp did not support phase-in as he could not afford the tax increases and referenced the results of the unreasonable increases. In speaking to the rebate option, Mr. Kemp reviewed the benefits of the program. However, he pointed out rebating was not putting money into the community; it was simply not taking the money out of the community. In closing, Mr. Kemp stated the rebate option would allow Council to research and fix the problem such as considering a separate class for small commercial properties.

Chair Chiarelli stated it was his intention to protect small businesses and would take the submission under advisement. He hoped they could improve the assessment rolls and noted it was a Provincial system of taxation which provided few tools for mitigation. Speaking to the problems with the assessment and the need for a balance, Chair Chiarelli asked the speaker what he wished to see. Mr. Kemp responded that he had been looking forward to the 1997 reassessment based on 1992 values; however, the 1996 assessment represented the bottom of the worst real estate depression since the 1930's. He stated there was a need for equity within the assessment process.

***Mr. Chuck Shields, Canadian Society of Associations Executives***

Mr. Shields stated the non-profit organizations were small organizations that would be experiencing a 40% increase. The speaker reiterated the number of difficulties this was going to cause. Referencing the staff recommendations, Mr. Shields stated he was pleased to see Committee would consider the mitigation measures. The speaker noted they had been working with the Province and would continue to do so, however, the current situation was not expected and they required assistance to work through the changes.

Mr. Kirkpatrick pointed out there was some confusion with the Assessment Office and staff were attempting to resolve it with them. He explained the regulation in the *Act* stated that not-for-profit organizations would be classified as residential properties and taxed at residential rates. The Deputy Treasurer added they were awaiting a response from the Ministry on the extent of a broader definition for not-for-profit organizations, but assumed they were referring to groups such as rotary and lions clubs.



***Mr. Francis Paddle, Tax Lawyer***

Mr. Paddle acknowledged the new property tax system was created by the Province, however, believed the Region should take some responsibility. Mr. Paddle noted they have been reviewing the issues for some ten years and have made four presentations to the Fair Tax Commission where a lot of this type of legislation originated. The speaker believed there was going to be a great deal of jostling in future. Mr. Paddle expressed concern with the process of obtaining data and information from the Province. The speaker reviewed the legislation and emphasized it was important for the Committee to keep their options open. He suggested if a rebate program alone was approved, Council would be at the mercy of the Province for their participation and contribution.

Mr. LeBelle reminded Committee to consider 1998 as a transitional year and not to make substantive decisions such as shifting tax burden from one class to another prior to going out into the community and consulting with all of the stakeholders. The Finance Commissioner referenced the Property Tax Policy Committee that will review the 1999 issues.

***Mr. Gerry LePage, Bank Street Promenade***

Mr. LePage reviewed some of the preliminary numbers he received from their tax consultant and noted in some instances they we're expecting increases from 24% to 200%. Speaking to the rebate program, Mr. LePage suggested it was more appropriately considered a re-investment in the business sector and community, to restore viability and confidence. This reinvestment would allow for rehabilitated buildings and renovated properties, resulting in increased assessment and ultimately increased tax flow. Mr. LePage stated the phase-in option was not feasible as it only postponed the inevitable and the cost was the money taken out of the economy. Whereas, he pointed out, a rebate program would return the money into the economy and avoid serious urban decay, higher social and policing costs, infrastructure costs, etc. In closing, Mr. LePage referenced Bank and Rideau Streets and their appearance without the independent business which were being replaced by multi-nationals from the United States. He stated the rebate program would provide the small business sector time to find and consider options such as the creation of a new small business class.

***Mr. Ed Mitchell, Somerset Village BIA***

Mr. Mitchell stated this was not just a problem for the downtown core, but a common problem across the Region. The speaker referenced the commercial class in the Ottawa-Carleton Region and noted this group required mitigation to survive. Speaking to the staff recommendation for a revised rebate program, the speaker explained it would reach many of the businesses that without help would fail. He concurred that the phase-in program

would not be successful and the end result would be the same as no mitigation applied. In reviewing particular properties, Mr. Mitchell stated they were struggling businesses that were severely hit in 1992, have not changed in usage or physically, but still face large increases with no correlation in the ability to pay. He emphasized that the tax system was clearly flawed, but acknowledged it could not be changed today.

Mr. Mitchell echoed a previous speaker's comments that Council must assume some responsibility in permitting these increases to be considered, and pointed out the Region and City have, in the past, accepted, perpetuated, and imposed rates that created these onerous taxes. He emphasized it was time for Council to take a leadership role, assist the small business sector and immediately address the improvement of the system to ensure these problems do not reoccur to any sector.

Councillor Meilleur pointed out that in the past four years there had not been an increase to the Regional tax requirement.

Referencing the speaker's request for the Region to take a leadership role, Councillor van den Ham noted there was going to be constant change. He suggested perhaps Council could establish a type of stabilization fund (creation of a reserve) which the business sector, or all sectors, could contribute to through a levy. Mr. Mitchell stated the business community would probably participate in such a fund, however, anticipated it would be spread equitably across all classes. The Councillor noted it was an option the Finance staff and Tax Policy Committee could consider.

***Ms. Gwen Toop, Somerset Heights BIA***

Ms. Toop stated she represented the area well known as China Town that consisted of small, independent buildings with one tenant, usually the business and property owner. She emphasized some of the increases were in excess of 200%. Ms. Toop reported the buildings were physically in disrepair and many owners did not consider improvements for fear of increased taxes. She expected the area to become further run down with 50% of the businesses closed. Speaking to the rebate program, Ms. Toop believed it was a re-investment in the community; one that provided businesses with a means to improve their business, employ more people and pay more in services.

***Mr. Terry Jaja, Westboro BIA***

Mr. Jaja stated he supported the rebate option as it would assist the small business community as well as the residents of Ottawa-Carleton. He noted the rebate option was considered a re-investment of small businesses and offered a win win scenario. Mr. Jaja reviewed the benefits of the rebate program and stated this program did not impact any other class or require reserves to fund.

***Ms. Dawn Dannehl, Byward Market BIA***

Ms. Dannehl reviewed statistics from bankruptcies in the market area over the last four years. She stated there was a high turn over in the Byward Market and the taxes were eventually paid, however, at a high expense through business turnover and bankruptcy. Speaking to the Regional Official Plan and the "Restore the Core" project, Ms. Dannehl suggested the infrastructure was not needed if the businesses and communities were not there to use it. The speaker referenced the two options and reported they supported the rebate option and reviewed its benefits. Speaking to phase-in, she noted if businesses could not afford the large increase in 1998, they would not be in the position in 1999. She requested the Committee to take the initiative to begin to right a wrong.

***Ms. Allison Erickson, Capital Property Tax Consultants***

Ms. Erickson stated these were major tax shifts which occurred under major reassessment. She noted over time the imbalances would be eliminated, the market would stabilize and there would not be large changes as the assessments would be produced on an annual basis. Ms. Erickson stated her clientele preferred the rebate program. She did not support the phase-in as it would penalize those that should rightfully experience a decrease.

Speaking to the proposed phase-in program for above 5% for the residential class, Ms. Erickson urged the Committee to consider a similar threshold for the decrease. She believed any decrease over 10 - 15% was a direct result of being over-taxed or incorrectly assessed / classified, and rightfully deserved the benefit of the decrease in taxes. Ms. Erickson indicated there were property owners that will experience a large decrease and should benefit from this tax relief.

Councillor van den Ham acknowledged the appeal process was difficult, however, felt property owners had the responsibility to review and appeal their assessment if it was unjust. Speaking to Ms. Erickson's request for a threshold for the decreases phase-in, the Councillor explained it was a very complicated process and stated the request would add additional complexities. Councillor Hume, Acting Chair, stated there may be a need to refined the phase-in program for the residential class to take into consideration renovations, changes in use and decreases.

***Ms. Mona Monkman, Treasurer, City of Ottawa***

Ms. Monkman referenced the impact of the PIL's on the City of Ottawa budget. She noted there would be a significant impact on these revenues with the phase-in program, and therefore, supported the rebate program. Ms. Monkman reported the City of Ottawa had been aggressive in terms of obtaining a commitment from the Federal Government to pay additional payments in lieu as a result of the elimination of the business occupancy tax. As a result, there would be an additional \$30 million paid to the Region, some going to the Cities of Ottawa, Gloucester and Nepean; resulting in all taxpayers benefiting. She noted a phase-in program would eliminate those additional monies.

Speaking to the City of Ottawa situation and the additional monies, she explained they would gain an additional \$10 million from the \$30 million. Ms. Monkman reported they had already incorporated this into the 1998 budget, however, did not consider it a long term commitment. The speaker pointed out they had to reduce their budget by \$10 million in order to meet the expenditure reduction program imposed by the Province; this being done through a re-organization which had one-time disengagement costs of \$10 million build into the budget from the PIL's. In closing, Ms. Monkman stated the City of Ottawa supported mitigation through a rebate program targeted to small business. With regard to the residential class, she indicated City Council supported the recommended phase-in program.

***Ms. Karen Tippett, Treasurer, City of Gloucester***

Ms. Tippett reported the City of Gloucester's share of the Provincial \$30 million was approximately \$2.8 million. She explained the impact in lost PIL's for the three year phase-in program would be between \$1.5 and \$1.8 million. Ms. Tippett added the City had budgeted a significant portion of the PIL increase in the base operating budget (which would otherwise be a 5% tax increase) as well as to use it on a one-time basis. Referencing the potential loss on the rebate program, Ms. Tippett stated it would be significantly lower than a phase-in program. In summary, the City Treasurer stated of the three options, preference was for the rebate program.

The Committee adjourned for one-half an hour and resumed at 12:00 noon.

Councillor Hume moved a Motion for the implementation of a full rebate program for 1998 with certain criteria and 50% for 1999.

Councillor Cantin expressed support for the Motion, however, hoped it would be made clear to the landlords that the rebate was to be shared with the tenants and this was required under the legislation.

Councillor Beamish questioned if it was appropriate to commit to the 50% rebate for 1999. He suggested the Tax Policy Committee may want to examine such an option for 1999. Councillor Hume explained he felt it was necessary to avoid a repetition of the debate in 1999, but at the same time, put the property owners on notice that eventually the Region would not be able to rebate. E. Johnston, Deputy Regional Solicitor, confirmed the Motion would not restrict the Property Tax Committee or Council from decisions in 1999.

Councillor Meilleur referenced a small family business in the Market that was going to experience a 200% tax increase. The Councillor expressed support for the Motion and stated it would be necessary to work with the business sector and Province to correct the problems. Councillor Meilleur stated she wished to help the small business sector and thanked staff for their assistance in meeting with them to explain the issues and complexities of the system.

Councillor van den Ham agreed with the spirit of the Motion. However, he stated it was of value to send out a signal to the small businesses knowing the cost to the Region. K. Kirkpatrick noted the amended cost of the rebate program was \$4.8 million and the cost in 1999 would be 50% of that figure.

Councillor Cantin expressed support for the Hume Motion, however, moved an amendment regarding the 50% rebate for 1999 and suggested it should read "be considered" rather than confirm. The Councillor referenced past experiences with the Province, pointed out it was not known what challenges lay ahead and flexibility may be needed. Councillor Cantin referenced the Policy Tax Committee and their mandate for 1999.

Moved by R. Cantin

That the Hume Motion be amended to read (c ) "that a rebate of 50% be *considered* for qualifying net assessment-related increase of the first \$500,000 of residual commercial assessment .... for the 1999 tax year."

LOST

YEAS: R. Cantin ... 1  
NAYS: D. Beamish, B. Hill, P. Hume, M. Meilleur, R. van den Ham  
R. Chiarelli ... 6

Speaking to the rebate program, Chair Chiarelli inquired where the money would come from. Mr. LeBelle reported the 1998 General Rebate Program would be offset through an increased budgetary provision for payments-in-lieu of taxation.

Moved by P. Hume

9. **(a) A rebate program be implemented for 1998 under subsection 442.2 of the *Municipal Act*, operating with the following criteria:**
- eligible assessment would include that in the residual commercial and residual industrial property;**
  - that a rebate of 100% of the qualifying net assessment-related increase on the first \$500,000 of residual commercial assessment (all sub-classes) and/or residual industrial assessment (all sub-classes) for a property for 1998;**
  - that the Minister of Finance be requested to share in the cost of the rebate program for the education share and should approval not be received, that the qualifying rebate be limited to the upper and lower tier portions;**
  - property owners who receive a rebate shall share the rebate with any person who has an interest in the property, including a leasehold interest, in proportion to the taxes paid in 1997 between the tenant and the owner;**
  - property owners and/or tenants that qualify for the registered charity tax rebate are ineligible for the general rebate program.**
- (b) That the Regional Assessment Office No. 3 be requested to provide the information necessary to identify properties whose residual commercial and /or residual industrial assessment related increase is due to physical changes to the property thereby rendering them ineligible for this rebate program prior to the issuance of property tax bills.**
- (c) That a rebate of 50% of the qualifying net assessment-related increase on the first \$500,000 of residual commercial assessment (all sub-classes) and / or residual industrial assessment (all sub-classes) for a property be provided for 1999.**

CARRIED

Councillor Beamish moved a Motion outlining a phase-in program for the shopping centre commercial property class. Mr. Kirkpatrick explained the financial impact to the Region was zero as there was little PIL assessment in that class and costs would be borne by other properties in the class that would experience decreases.

Moved by D. Beamish

**That the assessment related tax impacts be phased in over three years for the shopping center commercial property class.**

CARRIED

Speaking to the amendment tabled at the Committee on 4 Aug 98 regarding the 100% rebate for houses of refuge and registered charities, the Finance Commissioner suggested the following wording

Moved by D. Beamish

**That Recommendation No. 6 be amended to read “The provision of a 100% rebate to any religious organization that would otherwise be eligible for property tax exemption, for any space the organization leases to a registered charity.**

CARRIED as amended

The Committee approved the report recommendations as amended.

**That the Corporate Services and Economic Development Committee and Council approve:**

- 1. The adoption of the provincially prescribed transition ratios as the tax ratios for the 1998 tax year;**
- 2. 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.**
  
- 3. **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;**
  
- 4. **The assessment related tax impacts be phased in over three years for the shopping center commercial property class;**
  
- 5. **The provision of a 40% rebate to charitable organizations as defined in the legislation;**
  
- 6. **The provision of a 100% rebate to any religious organization that would otherwise be eligible for property tax exemption, for any space the organization leases to a registered charity;**
  
- 7. **The provision of a tax relief (deferral) program for low income seniors and disabled as defined in this report;**
  
- 8. **The current value assessment related to tax increases above 5% for the residential property class be phased-in over a three year period;**
  
- 9. **(a) A rebate program be implemented for 1998 under subsection 442.2 of the *Municipal Act*, operating with the following criteria:**
  - **eligible assessment would include that in the residual commercial and residual industrial property;**
  - **that a rebate of 100% of the qualifying net assessment-related increase on the first \$500,000 of residual commercial assessment (all sub-classes) and/or residual industrial assessment (all sub-classes) for a property for 1998;**
  - **that the Minister of Finance be requested to share in the cost of the rebate program for the education share and should approval not be received, that the qualifying rebate be limited to the upper and lower tier portions;**
  - **property owners who receive a rebate shall share the rebate with any person who has an interest in the property, including a leasehold interest, in proportion to the taxes paid in 1997 between the tenant and the owner;**
  - **property owners and/or tenants that qualify for the registered charity tax rebate are ineligible for the general rebate program.**



**(b) That the Regional Assessment Office No. 3 be requested to provide the information necessary to identify properties whose residual commercial and /or residual industrial assessment related increase is due to physical changes to the property thereby rendering them ineligible for this rebate program prior to the issuance of property tax bills.**

**(c) That a rebate of 50% of the qualifying net assessment-related increase on the first \$500,000 of residual commercial assessment (all sub-classes) and / or residual industrial assessment (all sub-classes) for a property be provided for 1999.**

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

CARRIED as amended

Chair Chiarelli thanked the representation from the community and for their ongoing advice and acknowledgment of the difficult issues surrounding the new system. The Chair believed it would continue to be difficult over the next number of years and Council would do what they could to accommodate the pressures. In addition, the Chair thanked the area municipalities for their participation. In conclusion, Chair Chiarelli referenced the high level of professionalism and dedication by staff and thanked them for their responsibility and hard work spent on the subject matter and assistance they provided to Committee and the public.

#### ADJOURNMENT

The meeting adjourned at 12:30 p.m.

#### NEXT MEETING

01 Sep 98

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CO-ORDINATOR

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CHAIR