

To:	Warden Hicks and Members of Grey County Council
Committee Date:	April 11, 2019
Subject / Report No:	FR-CW-11-19
Title:	2019 Tax Policy
Prepared by:	Kevin Wepler, Director of Corporate Services
Reviewed by:	Kim Wingrove, CAO
Lower Tier(s) Affected:	All Local Municipalities
Status:	Recommendation adopted by Committee as amended as per Resolution CW88-19; Endorsed by County Council on April 25, 2019 as per Resolution CC34-19.

Recommendation

1. That Report FR-CW-11-19 regarding 2019 property tax policies be received; and
2. That the 2019 tax policies remain the same as 2018 for:
 - Tax Ratios
 - Tax Reductions for Mandated Subclasses of Vacant Lands
 - Tax Reductions for Farmland Awaiting Development Subclasses
 - Optional Classes of Property; and
3. That the County utilize all of the optional capping tools available in order to move as many commercial properties as possible towards full current value assessment (CVA) based taxation; and
4. That the necessary By-laws be drafted for Council's consideration and approval; and
5. That staff inform Council on any flexibility that may be provided in 2019 by the Provincial Government regarding the current vacancy rebate reduction programs to seek input and direction.

Executive Summary

- Report provides background and advice to Council to establish annual tax policy decisions.
- Responsibility of upper-tier municipality to pass by-laws relating to tax policy decisions.

Background and Discussion

The purpose of this report is to provide County Council with the background and advice to enable the County to establish tax policies that affect how the County of Grey apportions the tax burden by property class, as well as between the nine local municipalities.

It is also the responsibility of the upper-tier municipality to pass by-laws relating to tax policy decisions. In preparation for this report, the tax policy items set out below were discussed on March 8th with the local municipal treasurers and staff to receive their input on the items in this report.

Tax Ratios

County Council establishes the relative tax distribution for multi-residential, commercial, industrial and pipeline classes annually. Property tax ratios determine how a property class municipal tax rate compares with the residential tax rate which is legislated to equal 1.0. The purpose of tax ratios is to manage the balance of taxation among properties based on their use or classification. Without classes and ratios a \$100 of industrial or farmland assessment would carry the same share of the tax liability as a residential property. Under Grey County's current ratios, the farmland's share is $\frac{1}{4}$ of the residential share, while the industrial share is 1.86 times the residential tax share and over seven times that carried by farmland of the same value.

The farm tax class and managed forest tax class have a prescribed ratio of 0.25. Municipalities have the flexibility to set a tax ratio for the farm tax class below 0.25, however, this reduction would only apply to the municipal portion of the tax bill.

In setting tax ratios for all other property classes, municipalities must do so within the guidelines prescribed by the Province. Council may choose to adopt:

1. The current tax ratio for any class, or;
2. A new tax ratio for the year that is closer to or within the Range of Fairness, as shown in Table 1 – Tax Ratio Summary, or;
3. Utilize restated revenue neutral transition ratios to mitigate reassessment related tax shifts between classes in accordance with the regulated calculations. This option has not been made available for the 2019 taxation year as of the date of this report being prepared.

Table 1 – Grey County Tax Ratio Summary

Realty Tax Class	Grey County 2018 Ratios	Ranges of Fairness		Threshold Ratios	
		Lower Limit	Upper Limit	Threshold	Subject to Levy Restriction
Residential	1.000000	1.00	1.00	-	N/A
Farm	0.250000	0.00	0.25	-	N/A
Managed Forest	0.250000	0.25	0.25	-	N/A
New Multi-Residential	1.000000	1.00	1.10	-	N/A
Multi-Residential	1.441197	1.00	1.10	2.00	No
Commercial	1.306940	0.60	1.10	1.98	No
Resort Condominium	1.000000	1.10	1.10	-	N/A
Industrial	1.858187	0.60	1.10	2.63	No
Landfill	1.000000	0.60	1.10	25.00	N/A
Pipeline	0.906848	0.60	0.70	-	N/A

Table 2 – 2018 Tax Ratio Comparisons – Upper Tier

Municipality	Multi-Residential	New Multi-Residential	Commercial	Industrial	Farmland
Bruce County	1.0000	1.0000	1.2331	1.7477	0.2500
Dufferin County	2.4500	1.1000	1.2200	2.1984	0.2500
Grey County	1.4412	1.0000	1.3069	1.8582	0.2500
Huron County	1.1000	1.1000	1.1000	1.1000	0.2500
Simcoe County	1.2699	1.0000	1.2520	1.4430	0.2500
Wellington County	1.9000	1.1000	1.4910	2.4000	0.2500

Current Value Assessment

The Municipal Property Assessment Corporation (MPAC) updates property values in Ontario every four years. The 2016 assessment update reflects the current values of properties as of January 1, 2016 and are used for the 2017 through 2020 taxation years, versus the values used for the 2013 through 2016 taxation years, which were based on a valuation date of January 1, 2012.

Updates in assessment values are being made as part of a four year phase-in, with 2019 being year three of the phase-in. Reassessment changes will not affect the municipal revenue because tax rates must be restated (revenue-neutral tax rate).

However the reassessment will affect the overall distribution of the tax burden as there are differences in the rate of value appreciation and/or depreciation, which vary between individual properties, tax classes, and between local municipalities in a two-tier jurisdiction.

Shifts in tax levy dollars between classes occur when the market values of some properties increase, while others remain the same, or decrease, as compared to their value in 2012.

Table 3 – Phase-in Tax Shifts by Rate of Phase-In Change

Realty Tax Class	Rate of Phase-In Change %	2018 Year End	2019 Notional Start Levy	Inter-Class Shift	
				\$	%
Residential	1.80%	\$46,114,144	\$45,914,405	-\$199,739	-0.43%
Farm	13.11%	\$2,121,097	\$2,346,502	\$225,405	10.63%
Managed Forest	10.77%	\$127,076	\$137,681	\$10,605	8.35%
New Multi-Residential	3.20%	\$30,669	\$30,956	\$287	0.94%
Multi-Residential	3.30%	\$1,248,022	\$1,260,876	\$12,854	1.03%
Commercial	1.39%	\$4,538,600	\$4,500,847	-\$37,753	-0.83%
Resort Condominium	0.23%	\$851,070	\$834,311	-\$16,759	-1.97%
Industrial	2.67%	\$1,061,309	\$1,066,068	\$4,759	0.45%
Landfill	4.54%	\$5,823	\$5,954	\$131	2.25%
Pipeline	2.39%	\$139,307	\$139,507	\$200	0.14%
Total (Taxable + PIL)	3.43%	\$56,237,117	\$56,237,107	-\$10	0.00%

Small differences due to rounding.

As previously stated, as well as tax shifts between classes, shifts also occur between local municipalities within a two-tier structure.

Table 4 - Revenue Neutral (Notional) Tax Levy Inter-Municipal Shifts

Local Municipality	County General Levy		Inter-Municipal Shifts	
	2018 as Revised	2019 Notional Levy	\$	%
Chatsworth	\$2,955,381	\$2,970,098	\$14,717	0.50%
Georgian Bluffs	\$6,077,099	\$6,045,533	(\$31,566)	-0.52%
Grey Highlands	\$6,613,201	\$6,675,865	\$62,664	0.95%
Hanover	\$2,825,559	\$2,800,163	(\$25,396)	-0.90%
Meaford	\$6,399,848	\$6,367,848	(\$32,000)	-0.50%
Owen Sound	\$7,880,230	\$7,795,301	(\$84,929)	-1.08%

Local Municipality	County General Levy		Inter-Municipal Shifts	
	2018 as Revised	2019 Notional Levy	\$	%
Southgate	\$3,159,928	\$3,215,177	\$55,249	1.75%
Blue Mountains	\$14,773,981	\$14,742,014	(\$31,967)	-0.22%
West Grey	\$5,551,885	\$5,625,113	\$73,228	1.32%
Total (Taxable + PIL)	\$56,237,112	\$56,237,112	\$0	0.00%

Shifts among local municipalities will also shift based on the differential rates of change being experienced County wide.

Farm Tax Class Ratio

As illustrated in the Inter-Class Shifts Table 3 above, the farmland tax class is seeing a shift of \$225,509 in taxation in 2019. This is the result of the farmland tax class incurring a greater rate of change in market value updates. On a County-wide basis, the overall increase in Full Current Value Assessment (CVA) is in excess of 70%.

Table 5 - Farmland – Reassessment Trends and Impacts

Local Municipality	Full CVA (Destination) Farm Values		Market Value Update	
	2016 Full CVA	2020 Full CVA	\$	%
	Jan. 1, 2012	Jan. 1, 2016		
Chatsworth	\$181,612,139	\$301,500,800	\$119,888,661	66.01%
Georgian Bluffs	\$138,838,159	\$227,214,700	\$88,376,541	63.65%
Grey Highlands	\$369,282,965	\$664,714,302	\$295,431,337	80.00%
Hanover	\$2,577,294	\$3,060,300	\$483,006	18.74%
Meaford	\$193,903,244	\$289,849,942	\$95,946,698	49.48%
Owen Sound	\$2,324,883	\$3,503,700	\$1,178,817	50.70%
Southgate	\$318,591,440	\$595,849,031	\$277,257,591	87.03%
Blue Mountains	\$121,129,303	\$151,842,190	\$30,712,887	25.36%
West Grey	\$416,724,325	\$744,789,446	\$328,065,121	78.72%
County Wide	\$1,744,983,752	\$2,982,324,411	\$1,237,340,659	70.91%

As a result of valuation changes from reassessment, increases are phased in over a four year period. Table 6 plots the rate of phase-in over the four years and the related upper-tier general levy tax shifts.

Table 6 – Percent of CVA and Levy Share by Year and Class

Year	Residential		Farm		Multi-Residential		Commercial		Industrial	
	CVA	Levy	CVA	Levy	CVA	Levy	CVA	Levy	CVA	Levy
2016	78.37%	82.96%	10.96%	2.90%	1.42%	2.17%	6.18%	8.46%	0.90%	1.73%
2017	76.55%	82.40%	12.81%	3.45%	1.41%	2.18%	5.87%	8.19%	0.87%	1.72%
2018	75.30%	81.90%	14.04%	3.82%	1.43%	2.23%	5.80%	8.18%	0.92%	1.83%
2019	74.29%	81.64%	15.18%	4.17%	1.42%	2.24%	5.62%	8.00%	0.95%	1.90%
2020	73.17%	81.30%	16.40%	4.56%	1.41%	2.26%	5.51%	7.94%	0.94%	1.90%

Tax and assessment, attributable to the County's managed forest, new multi-residential, resort condominium, pipeline and landfill property classes have not been included.

In addition to considering the broad class and municipal level impacts that can be expected for 2019 taxation, it is also important to consider the impacts of reassessment at the property level. While the specific changes experienced by each ratepayer can vary widely, considering how the assessment and tax changes will materialize for a typical or average property can be helpful in placing the change trends in an understandable perspective.

Tables 7 through 10 have been prepared to illustrate the potential impact on various “typical” taxable properties within the County.

Table 7 – Typical Residential Property Changes – Single Detached Residential Properties

Municipality	Average Phased CVA			2018 Municipal General Levy			2019 Municipal General Levy			Phase-In Related Tax Shift	
	2018	2019	% Change	County	Local	Combined	County	Local	Combined		
Chatsworth	239,362	241,238	0.78%	\$860	\$1,595	\$2,455	\$847	\$1,564	\$2,411	-\$44	-1.79%
Georgian Bluffs	276,495	278,117	0.59%	\$993	\$1,506	\$2,499	\$977	\$1,489	\$2,466	-\$33	-1.32%
Grey Highlands	253,666	256,629	1.17%	\$911	\$1,392	\$2,303	\$901	\$1,364	\$2,265	-\$38	-1.65%
Hanover	213,769	216,087	1.08%	\$768	\$1,785	\$2,553	\$759	\$1,781	\$2,540	-\$13	-0.51%
Meaford	263,698	265,615	0.73%	\$947	\$2,092	\$3,039	\$933	\$2,071	\$3,004	-\$35	-1.15%
Southgate	246,032	248,721	1.09%	\$883	\$1,742	\$2,625	\$873	\$1,692	\$2,565	-\$60	-2.29%
Blue Mountains	484,921	493,854	1.84%	\$1,741	\$1,820	\$3,561	\$1,734	\$1,817	\$3,551	-\$10	-0.28%
West Grey	243,106	247,304	1.73%	\$873	\$1,499	\$2,372	\$869	\$1,472	\$2,341	-\$31	-1.31%
County-Wide	275,597	278,847	1.18%	\$990	\$1,699	\$2,689	\$979	\$1,659	\$2,638	-\$51	-1.90%
Owen Sound	216,848	218,011	0.54%	\$694	\$2,562	\$3,256	\$682	\$2,547	\$3,229	-\$27	-0.83%

"Typical" properties and average assessment and corresponding taxes for Single Detached Residential Properties

Table 8 – Typical Residential Property Changes – All Typical Residential Properties

Municipality	Average Phased CVA			2018 Municipal General Levy			2019 Municipal General Levy			Phase-In Related Tax Shift	
	2018	2019	% Change	County	Local	Combined	County	Local	Combined		
Chatsworth	193,676	197,418	1.93%	\$695	\$1,290	\$1,985	\$693	\$1,280	\$1,973	-\$12	-0.60%
Georgian Bluffs	577,966	248,506	1.45%	\$880	\$1,334	\$2,214	\$873	\$1,331	\$2,204	-\$10	-0.45%
Grey Highlands	244,137	249,132	2.05%	\$877	\$1,339	\$2,216	\$875	\$1,324	\$2,199	-\$17	-0.77%
Hanover	200,378	202,486	1.05%	\$720	\$1,673	\$2,393	\$711	\$1,669	\$2,380	-\$13	-0.54%
Meaford	248,375	251,618	1.31%	\$892	\$1,970	\$2,862	\$884	\$1,962	\$2,846	-\$16	-0.56%
Southgate	196,497	201,389	2.49%	\$706	\$1,391	\$2,097	\$707	\$1,370	\$2,077	-\$20	-0.95%
Blue Mountains	453,244	463,182	2.19%	\$1,628	\$1,701	\$3,329	\$1,627	\$1,704	\$3,331	\$2	0.06%
West Grey	201,373	206,562	2.58%	\$723	\$1,241	\$1,964	\$725	\$1,229	\$1,954	-\$10	-0.51%
County-Wide	265,803	270,970	1.94%	\$954	\$1,639	\$2,593	\$952	\$1,612	\$2,564	-\$29	-1.12%
Owen Sound	207,230	208,661	0.69%	\$663	\$2,449	\$3,112	\$653	\$2,437	\$3,090	-\$22	-0.71%

"Typical" properties and average assessment and corresponding taxes for all Residential Properties

Table 9 – Typical Commercial Property Changes – Occupied Commercial Properties

Municipality	Average Phased CVA			2018 Municipal General Levy			2019 Municipal General Levy			Phase-In Related Tax Shift	
	2018	2019	% Change	County	Local	Combined	County	Local	Combined		
Chatsworth	116,684	118,013	0.97%	\$549	\$1,018	\$1,567	\$542	\$1,000	\$1,542	-\$25	-1.60%
Georgian Bluffs	313,174	316,758	1.14%	\$1,470	\$2,229	\$3,699	\$1,454	\$2,217	\$3,671	-\$28	-0.76%
Grey Highlands	196,655	203,121	3.29%	\$923	\$1,410	\$2,333	\$932	\$1,411	\$2,343	\$10	0.43%
Hanover	372,747	375,263	0.67%	\$1,749	\$4,068	\$5,817	\$1,722	\$4,042	\$5,764	-\$53	-0.91%
Meaford	199,606	202,064	1.23%	\$937	\$2,069	\$3,006	\$927	\$2,059	\$2,986	-\$20	-0.67%
Southgate	120,277	122,332	1.71%	\$564	\$1,113	\$1,677	\$561	\$1,088	\$1,649	-\$28	-1.67%
Blue Mountains	454,765	458,486	0.82%	\$2,134	\$2,231	\$4,365	\$2,104	\$2,204	\$4,308	-\$57	-1.31%
West Grey	156,475	157,649	0.75%	\$734	\$1,261	\$1,995	\$724	\$1,226	\$1,950	-\$45	-2.26%
County-Wide	268,523	271,546	1.13%	\$1,260	\$2,163	\$3,423	\$1,246	\$2,112	\$3,358	-\$65	-1.90%
Owen Sound	408,775	414,568	1.42%	\$2,459	\$9,081	\$11,540	\$2,439	\$9,104	\$11,543	\$3	0.03%

Typical* properties and average assessment are properties in Commercial Occupied in the Commercial Taxable Class (CT) and the Commercial (New Construction) Taxable Class (XT)

Table 10 – Typical Industrial Property Changes – Occupied Industrial Properties

Municipality	Average Phased CVA			2018 Municipal General Levy			2019 Municipal General Levy			Phase-In Related Tax Shift	
	2018	2019	% Change	County	Local	Combined	County	Local	Combined		
Chatsworth	100,602	104,309	3.68%	\$671	\$1,245	\$1,916	\$681	\$1,257	\$1,938	\$22	1.15%
Georgian Bluffs	264,504	267,560	1.16%	\$1,765	\$2,677	\$4,442	\$1,746	\$2,662	\$4,408	-\$34	-0.77%
Grey Highlands	140,192	141,232	0.74%	\$935	\$1,429	\$2,364	\$922	\$1,395	\$2,317	-\$47	-1.99%
Hanover	494,555	497,936	0.68%	\$3,300	\$7,674	\$10,974	\$3,249	\$7,625	\$10,874	-\$100	-0.91%
Meaford	126,441	129,651	2.54%	\$844	\$1,864	\$2,708	\$846	\$1,878	\$2,724	\$16	0.59%
Southgate	281,159	282,959	0.64%	\$1,876	\$3,698	\$5,574	\$1,847	\$3,577	\$5,424	-\$150	-2.69%
Blue Mountains	314,840	315,439	0.19%	\$2,101	\$2,196	\$4,297	\$2,058	\$2,156	\$4,214	-\$83	-1.93%
West Grey	264,266	266,744	0.94%	\$1,763	\$3,027	\$4,790	\$1,741	\$2,949	\$4,690	-\$100	-2.09%
County-Wide	212,920	214,945	0.95%	\$1,421	\$2,439	\$3,860	\$1,403	\$2,377	\$3,780	-\$80	-2.07%
Owen Sound	470,281	473,817	0.75%	\$3,355	\$12,389	\$15,744	\$3,305	\$12,338	\$15,643	-\$101	-0.64%

"Typical" properties and average assessment are properties in the Industrial Taxable Class (IT) and the Industrial (New Construction) Tax Class (JT)

Considering the typical farm property is somewhat more complex because the farmland class only represents a fraction of assessment and taxes attributable to these properties.

The farm property class is considered to be a special tax incentive class and inclusion is based on ownership, use and occupancy criteria. Looking at farmland, captured by the farm property class only, is not sufficient to fully consider how the bottom line taxes are changing for farms and farmers. A proportion of property tax on the majority of farms is made up of portions that fall into other tax classes. It is important to consider this and to understand how farm taxes are changing.

The most common combination of a farm property is a farm mixed with a residential portion associated with a farm house or other non-farm related improvements. The home and barn are valued on a replacement cost model derived from comparable farms.

One acre of land along with the farmhouse is classified and taxed as residential; the remainder of the land and all farm out buildings are classified and taxed in the farm property class and subject to tax rates that are 25% of those applicable to residential properties.

The assessment roll as returned for 2019 taxation indicates there are 7,679 roll numbers (properties) in the County that fall in the farm property class. The following table has been prepared to illustrate the breakdown of the farm class rolls.

As shown in Table 11, approximately 68% of all properties that make up the farm class have at least one other portion on the same roll number that is captured by another property class. Further, 82% of farm property portions within the County are part of multi-portion farms.

Table 11 – Farm Class versus Whole Farm Property

Municipality			Farm Class Only			Multi-Portion Farms		
	Farm Class Rolls	Farm Property Portions	Count	Share of Farm Rolls	Share of Farm Portions	Count	Share of Farm Rolls	Share of Farm Portions
Chatsworth	936	1,645	279	29.81%	16.96%	657	70.19%	83.04%
Georgian Bluffs	792	1,361	271	34.22%	19.91%	521	65.78%	80.09%
Grey Highlands	1,530	2,753	459	30.00%	16.67%	1,071	70.00%	83.33%
Hanover	14	21	8	57.14%	38.10%	6	42.86%	61.90%
Meaford	984	1,668	345	35.06%	20.68%	639	64.94%	79.32%
Owen Sound	27	37	17	62.96%	45.95%	10	37.04%	54.05%
Southgate	1,299	2,218	459	35.33%	20.69%	840	64.67%	79.31%
Blue Mountains	457	776	160	35.01%	20.62%	297	64.99%	79.38%
West Grey	1,640	2,881	479	29.21%	16.63%	1,161	70.79%	83.37%
County-Wide	7,679	13,360	2,477	32.26%	18.54%	5,202	67.74%	81.46%

Since farm properties are not only impacted by the assessment change of the farm tax class alone, as there are multiple portions to these properties, a further analysis of these properties is required.

Table 12 – Typical Farm Property Changes – All Farm Rolls: Single Portion and Multi-Portion Farms

Municipality	Average Phased CVA			2018 Municipal General Levy			2019 Municipal General Levy			Phase-In Related	
	2018	2019	% Change	County	Local	Combined	County	Local	Combined	Tax Shift	
Chatsworth	364,882	401,745	10.10%	\$617	\$1,145	\$1,762	\$649	\$1,197	\$1,846	\$84	4.77%
Georgian Bluffs	338,669	372,283	9.93%	\$595	\$903	\$1,498	\$626	\$955	\$1,581	\$83	5.54%
Grey Highlands	469,002	523,162	11.55%	\$797	\$1,218	\$2,015	\$842	\$1,275	\$2,117	\$102	5.06%
Hanover	286,811	296,598	3.41%	\$530	\$1,232	\$1,762	\$528	\$1,240	\$1,768	\$6	0.34%
Meaford	358,272	387,286	8.10%	\$617	\$1,363	\$1,980	\$639	\$1,420	\$2,059	\$79	3.99%
Southgate	463,867	521,721	12.47%	\$755	\$1,488	\$2,243	\$801	\$1,551	\$2,352	\$109	4.86%
Blue Mountains	449,107	470,539	4.77%	\$815	\$851	\$1,666	\$827	\$866	\$1,693	\$27	1.62%
West Grey	464,806	519,615	11.79%	\$716	\$1,229	\$1,945	\$760	\$1,288	\$2,048	\$103	5.30%
County-Wide	424,317	469,621	10.68%	\$705	\$1,220	\$1,925	\$742	\$1,276	\$2,018	\$93	4.83%
Owen Sound	161,630	175,426	8.54%	\$263	\$972	\$1,235	\$306	\$1,141	\$1,447	\$212	17.17%

"Typical" properties and average assessment and corresponding taxes are for all properties with a farm classification. Considers single portion farms and all elements of multi-portion farm properties (FT, RT, CT, IT).

Tax Ratio Sensitivity

As discussed, tax ratios allow Council to distribute and adjust the tax burden among property classes. Council may choose to adjust ratios within Provincial parameters if deemed warranted.

In response to the request from the Ontario Federation of Agriculture, the following tables have been created to illustrate the impact of reducing the farm tax ratio from the current ratio of 0.25.

Table 13 – Scenario of Reducing Farm Ratio to 0.240000

Realty Tax Class	2019 County General Levy		Inter-Class Shifts	
	Status Quo	Scenario 0.240000	\$	%
Residential	\$45,914,484	\$45,991,238	\$76,754	0.17%
Farm	\$2,346,502	\$2,256,408	(\$90,094)	-3.84%
Managed Forest	\$137,681	\$137,911	\$230	0.17%
New Multi-Residential	\$30,956	\$31,008	\$52	0.17%
Multi-Residential	\$1,260,876	\$1,262,985	\$2,109	0.17%
Commercial	\$4,500,847	\$4,508,375	\$7,528	0.17%
Resort Condominium	\$834,311	\$835,707	\$1,396	0.17%
Industrial	\$1,065,994	\$1,067,777	\$1,783	0.17%
Landfill	\$5,954	\$5,963	\$9	0.15%
Pipeline	\$139,507	\$139,740	\$233	0.17%
Total (Taxable + PIL)	\$56,237,112	\$56,237,112	\$0	0.00%

Reducing Farm ratio from 0.25 to 0.24

Table 14 – Upper Tier General Levy Inter-Municipal Shifts – Farm Ratio 0.240000

Local Municipality	2019 County General Levy		Inter-Municipal Shifts	
	Status Quo	Scenario 0.240000	\$	%
Chatsworth	\$2,970,099	\$2,965,512	(\$4,587)	-0.15%
Georgian Bluffs	\$6,045,531	\$6,048,423	\$2,892	0.05%
Grey Highlands	\$6,675,866	\$6,666,238	(\$9,628)	-0.14%
Hanover	\$2,800,161	\$2,804,740	\$4,579	0.16%
Meaford	\$6,367,849	\$6,369,141	\$1,292	0.02%
Owen Sound	\$7,795,299	\$7,808,217	\$12,918	0.17%
Southgate	\$3,215,175	\$3,202,028	(\$13,147)	-0.41%
Blue Mountains	\$14,742,013	\$14,761,586	\$19,573	0.13%
West Grey	\$5,625,114	\$5,611,200	(\$13,914)	-0.25%
Total (Taxable + PIL)	\$56,237,107	\$56,237,085	(\$22)	0.00%

Reducing Farm ratio from 0.25 to 0.24

Table 15 – Scenario of Reducing Farm Ratio to 0.230000

Realty Tax Class	2019 Revenue Neutral		Inter-Class Shifts	
	Status Quo	Scenario 0.230000	\$	%
Residential	\$45,914,484	\$46,068,250	\$153,766	0.33%
Farm	\$2,346,502	\$2,166,013	(\$180,489)	-7.69%
Managed Forest	\$137,681	\$138,142	\$461	0.33%
New Multi-Residential	\$30,956	\$31,060	\$104	0.34%
Multi-Residential	\$1,260,876	\$1,265,100	\$4,224	0.34%
Commercial	\$4,500,847	\$4,515,927	\$15,080	0.34%
Resort Condominium	\$834,311	\$837,107	\$2,796	0.34%
Industrial	\$1,065,994	\$1,069,564	\$3,570	0.33%
Landfill	\$5,954	\$5,973	\$19	0.32%
Pipeline	\$139,507	\$139,974	\$467	0.33%
Total (Taxable + PIL)	\$56,237,112	\$56,237,110	(\$2)	0.00%

Reducing Farm ratio from 0.25 to 0.23

Table 16 – Upper Tier General Levy Inter-Municipal Shifts – Farm Ratio 0.230000

Local Municipality	2019 County General Levy		Inter-Municipal Shifts	
	Status Quo	Scenario 0.230000	\$	%
Chatsworth	\$2,970,099	\$2,960,911	(\$9,188)	-0.31%
Georgian Bluffs	\$6,045,531	\$6,051,324	\$5,793	0.10%
Grey Highlands	\$6,675,866	\$6,656,584	(\$19,282)	-0.29%
Hanover	\$2,800,161	\$2,809,333	\$9,172	0.33%
Meaford	\$6,367,849	\$6,370,440	\$2,591	0.04%
Owen Sound	\$7,795,299	\$7,821,180	\$25,881	0.33%
Southgate	\$3,215,175	\$3,188,838	(\$26,337)	-0.82%
Blue Mountains	\$14,742,013	\$14,781,228	\$39,215	0.27%
West Grey	\$5,625,114	\$5,597,245	(\$27,869)	-0.50%
Total (Taxable + PIL)	\$56,237,107	\$56,237,083	(\$24)	0.00%

Reducing Farm ratio from 0.25 to 0.23

Table 17 – Scenario of Reducing Farm Ratio to 0.220000

Realty Tax Class	2019 Revenue Neutral		Inter-Class Shifts	
	Status Quo	Scenario 0.220000	\$	%
Residential	\$45,914,484	\$46,145,521	\$231,037	0.56%
Farm	\$2,346,502	\$2,075,316	(\$271,186)	-11.56%
Managed Forest	\$137,681	\$138,374	\$693	0.50%
New Multi-Residential	\$30,956	\$31,112	\$156	0.50%
Multi-Residential	\$1,260,876	\$1,267,223	\$6,347	0.50%
Commercial	\$4,500,847	\$4,523,501	\$22,654	0.50%
Resort Condominium	\$834,311	\$838,511	\$4,200	0.50%
Industrial	\$1,065,994	\$1,071,360	\$5,366	0.50%
Landfill	\$5,954	\$5,983	\$29	0.49%
Pipeline	\$139,507	\$140,209	\$702	0.50%
Total (Taxable + PIL)	\$56,237,112	\$56,237,110	(\$2)	0.00%

Reducing Farm ratio from 0.25 to 0.22

Table 18 – Upper Tier General Levy Inter-Municipal Shifts – Farm Ratio 0.220000

Local Municipality	2019 County General Levy		Inter-Municipal Shifts	
	Status Quo	Scenario 0.220000	\$	%
Chatsworth	\$2,970,099	\$2,956,294	(\$13,805)	-0.46%
Georgian Bluffs	\$6,045,531	\$6,054,234	\$8,703	0.14%
Grey Highlands	\$6,675,866	\$6,646,893	(\$28,973)	-0.43%
Hanover	\$2,800,161	\$2,813,941	\$13,780	0.49%
Meaford	\$6,367,849	\$6,371,742	\$3,893	0.06%
Owen Sound	\$7,795,299	\$7,834,183	\$38,884	0.50%
Southgate	\$3,215,175	\$3,175,600	(\$39,575)	-1.23%
Blue Mountains	\$14,742,013	\$14,800,934	\$58,921	0.40%
West Grey	\$5,625,114	\$5,583,238	(\$41,876)	-0.74%
Total (Taxable + PIL)	\$56,237,107	\$56,237,059	(\$48)	0.00%

Reducing Farm ratio from 0.25 to 0.22

The tax ratio illustrated in Table 13-18, is based on a Farm tax ratio 0.24, 0.23 and 0.22 for 2019. Consideration of any of these ratio changes would result primarily in a tax shift back to the residential class.

Changes in tax ratios have an impact on all other tax classes. Whenever reassessment occurs, tax shifts are inevitable as there are different rates of change in market values.

The Ontario Government implemented Current Value Assessment (CVA) in 1998 with the intent of bringing consistency in property assessments across the province and fair tax treatment to all

taxpayers. Adjusting tax ratios to maintain tax burden percentages by tax class undermines this principle.

Tax policy decisions should be made based on a strategic policy objective of the County and not based on shifts in assessment. The assessment based system is based on the principle that the amount of property taxation paid is indicative of the valuation that properties are assessed relative to all others.

Recommendation – County of Grey adopt the 2018 year’s actual tax ratios for use in setting the 2019 tax rates.

Tax Reductions for Mandated Subclasses

The County has historically used the legal default reduction of 30% for commercial and 35% for industrial property classes, and the alternative to having two rates is to set a uniform discount rate for both classes anywhere between 30% and 35%.

The percentage set for sub-class applies to any vacant unit rebates granted to properties within the class. Municipalities in 2017 and 2018 were given the opportunity to consider more significant changes to the treatment of these sub-classes, including but not limited to:

- Altering the discount percentages outside the 30-35% range;
- Eliminating reductions for municipal purposes; and
- Discontinuing the sub-class discounts from those applied to vacancy rebates.

Municipalities who were interested in pursuing policy refinements and enhancements were required to take on the policy making task locally and submit their desired program designs to the Province for review and consideration. To undertake any changes to this program, a planned approach would need to be developed in order to support the implementation:

- Determine Policy Interests
- Develop Policy
- Engage Stakeholders
- Prepare Provincial Submission
- Council Endorsement and Submission

Previous consultations on the vacant unit program, has resulted in the continuation of this program with consideration of refining general eligibility in order to improve the clarity and correctness of the vacant unit program.

To date approximately 60 upper and single tier jurisdictions have requested and received regulated program reforms. The majority of municipalities have chosen to abandon the program rather than reform the program.

In the County, vacant unit rebates have historically been concentrated in Owen Sound. The City of Owen Sound has been actively engaged in the reform process over the past year. Public engagement was undertaken and feedback received. A City staff report recommended that the City pursue the elimination of the rebate program and submit this request to the Minister of Finance. City Council’s decision was to postpone a decision respecting the elimination of the Commercial Vacancy Rebate Program until such time as the 10th Street Bridge is re-opened.

The deadline to submit a notification to the Minister for changes for 2018 has passed with the deadlines being March 1, 2018 and August 1, 2018.

It is unknown at this time as to what property tax policy decisions the province will put in place for 2019. Will the new Provincial Government continue to invite and consider reform requests? Will these options be entrenched into regulations? Will reform measures already approved be revised? Will there be broader property tax reforms introduced that will make these matters irrelevant?

Based on the current uncertainty on what the Province will provide in flexibility in setting 2019 tax policy decisions, it is being recommended that the County not undertake any changes to the vacancy unit program at this time. If in 2019 the Provincial Government provides an opportunity for municipalities to modify their business vacancy rebate and reduction programs, that staff will inform County Council at that time and seek input and direction.

Recommendation – County of Grey continue to use reductions of 30% for commercial and 35% for industrial vacant lands/units in 2019.

New Agri-Food Business Sub-Classes for Farms

As part of the Province's *2017 Ontario Economic Outlook and Fiscal Review (Fall Budget)*, the Minister of Finance announced new property sub-classes. These new sub-classes will be optional for municipal purposes and are intended to give municipalities a means of incenting/supporting small scale Agri-Food enterprises.

In response to this announcement, MPAC conducted a review to determine which properties are eligible for the small-scale on-farm business sub-classes. As a result of this review, MPAC has stated that approximately 250 properties province-wide are eligible for the new optional subclasses, with 13 properties being in the County of Grey.

The new sub-classes will be a component of the commercial and industrial classes but distinct from existing sub-classes in a number of ways. They will be optional for municipal purposes and will not apply unless adopted. They will only apply to commercial or industrial portions of rolls that also include a portion included in the farm property class.

These sub-classes will not capture all on-farm business activities. The Regulation restricts the application to commercial and industrial activities that are a byproduct or a derivative of the broader farm operation. Specifically, commercial and industrial activities must meet the following eligibility criteria:

Commercial: Land used primarily to sell farm products, or a product derived from a farm product or products, that are produced on the land or on land used to carry on the same farming business.

Industrial: Land used primarily to process, or manufacture something from, a farm product or products that are produced on the land or land used to carry on the same farming business.

Rather than applying to a physical identifiable property, or portion of a property, they apply to a portion of the property's value and will exist only for taxation purposes. These sub-classes have a uniform class specific reduction of 75% and will attract larger discounts than the current sub-classes, which default at 30% and 35% for commercial and industrial sub-classes.

The assessment criteria for these properties to qualify are:

- 51% of the commercial and/or industrial facility must be used to sell, process or manufacture something from a product produced on the farmland.

- The first \$50,000 of assessed value attributed to the commercial or industrial operation will qualify for the reduced commercial or industrial tax rate.
- If the commercial or industrial operation has an assessed value equal to or greater than \$1 million, it will not qualify.

If adopted, the first 50,000 of commercial or industrial assessment attached to a farm property will be taxed at 25% of the rate that would otherwise be applied. These new property sub-classes are to promote and support small-scale agri-food businesses, and improvements valued at greater than \$1 million will not be eligible.

The following simplified illustration shows how the new sub-class option might impact a farm property with a small commercial component.

Table 19 – Agri-Food Business Sub-Classes for Farms Illustration (County Tax)

Retail Property	Current	With Sub-Class		
Classification	CT	CT	Sub-Class C7	Total
CVA	125,000	75,000	50,000	125,000
Tax Ratio	1.306940	1.306940	1.306940	
Discount	0.00	0.00	0.75	
County Tax Rate	.00467017	.00467017	.00116754	
County Tax Levy	\$584	\$350	\$84	\$434

These new sub-classes were not part of MPAC’s 2019 returned assessment roll and therefore were not available to implement into the 2019 tax levy or tax rate calculations. Therefore, if the County of Grey were to consider implementing these new sub-classes for 2019, the County and Local Municipalities would then need to plan for these discounts as tax write-offs in 2019.

On March 7, 2019, MPAC announced it was issuing Special Amended Notices to property owners for the 2018 and 2019 tax years. If the County were to implement these new sub-classes in 2019, the potential tax implication for these discounts would amount to approximately \$1,800 in County taxation being discounted and a write-off in 2019.

While this discount is consistent with the intent to provide an incentive/benefit for small-scale commercial and industrial operations ancillary to farm operations, the eligibility criteria may prove to be problematic. With so few properties being identified as eligible properties, it is anticipated that this will result in disputes and appeals over what is, what is not, a derivative farming activity. Such disputes and appeals will only consume staff time and resources. Therefore, based on the estimated tax discount being considered, and the complications that this discount may have, it is being recommended that the County not adopt these optional sub-classes for 2019 and this option be reviewed in the future. These properties will still incur tax relief in 2019 with the discount in provincial education taxes being implemented.

Recommendation – County of Grey not adopt these optional sub-classes for 2019 for these commercial and industrial agri-food business sub-classes on farm properties. That these optional sub-classes be considered in future years as part of the annual tax policy decisions.

Tax Reductions for Farmland Awaiting Development Subclasses

Two categories of Farmland awaiting development are possible:

- I. Type 1 with subdivision registered, may be taxed at between 25% - 75% of the residential tax rate;
- II. Type 4 with building permit issued, may be taxed at up to 100% of zoned class rate.

Recommendation – County of Grey shall leave the Type 1 at a tax rate of 25% and the Type 4 to be taxed up to 100% of the zoned class rate.

Optional Classes of Property

The County of Grey in 2005 established a Resort Condominium property class and in 2012 established a New Multi-Residential property class. At this time there does not appear to be any need to add any new optional property classes.

Tax Rates

By-law No. 5044-19, a By-law to Adopt the Estimates and Revenue and Expenditures for the Year 2019 was adopted by Council on February 28, 2019.

Recommendation – the Director of Corporate Services prepare a general rating by-law, based on the recommended 2019 tax policy items, for 2019 Tax Rates, for approval by County Council.

Other Policies

The following policies have been adopted by Council in the past and legislation does not require ratification or reconsideration on an annual basis. They are mentioned here as information to Council. These by-laws are planned to be reviewed and any proposed changes and/or updates to these current tax relief and rebated programs will be brought to Council in a future report.

Tax Relief to Certain Elderly and Disabled Persons who are Owners of Real Property in the County of Grey – This by-law provides for deferral of the annual eligible amount for the eligible property.

Tax Rebate Program for the purposes of Providing relief from taxes on Eligible Property Occupied by Eligible Charities – This by-law provides a tax rebate program for the purposes of providing relief from taxes or amounts paid on taxes on eligible property owned by eligible charities or similar organizations.

Tax Rebate Program for the purposes of Providing relief from taxes on Eligible Property Used and Occupied by Branches of the Royal Canadian Legion and Similar Organizations – This by-law provides rebates in the amount of 100 per cent of taxes levied for veterans' clubhouses, athletic grounds, and legion halls for the taxation years 2011 to 2020.

The Province's 2018 Fall Budget Bill introduced a new exemption for Legion properties. Subsection 3 (1) of the Assessment Act, which list the various categories of exempt property has been amended by the addition of the following paragraph:

15.1 Land that is used and occupied as a memorial home, clubhouse or athletic grounds by an Ontario branch of the Royal Canadian Legion.

This particular exemption relies on the "used and occupied" condition, there is no ownership requirement. As the amendment was passed after the assessment roll was closed, these

exemptions will be processed by MPAC as a Special Amended Notice (SAN) with effective dates of January 1, 2019.

Municipal exemption by-laws and rebate programs as established by the County of Grey, can be cleaned up in the future.

Business Class Tax Capping Options

As of the 2016 tax year, the Province provided municipalities with enhancements for additional flexibility in the business property tax capping program. Municipalities were provided with additional flexibility to manage the business tax capping program by adjusting capping parameters to increase progress towards Current Value Assessment (CVA) tax levels.

These enhancements provided municipalities with the option to exit or phase-out from the capping program, if doing so would have a limited impact on business properties. A municipality would be eligible for a four-year phase-out from the capping program once the municipality has no capped properties beyond 50% of the CVA level taxes in the property class. Municipalities with no properties currently remaining in the capping program were eligible to exit the program immediately.

In addition to the continuation of the opt-out and phase-out options, the Province introduced a new calculation option for 2017 capping. The option allowed the municipality to limit protection levels to any outstanding capping protections related to prior reassessment cycles, while flowing through any tax increases resulting from the current reassessment.

County Council has historically endorsed using all of the optional capping tools available in order to move as many properties as possible towards full CVA based taxation, including the 2017 provision to flow-through current reassessment cycle increases.

In 2018 The County the County's tax capping parameters permitted the County to be eligible to adopt the four-year phase-out program for the commercial class, with the County already having opted out of capping for the multi-residential and industrial classes.

For the 2019 taxation year, the commercial property class will be entering year two of the four year phase out and this will decrease the costs of capping. Based on preliminary estimates, the County is anticipating that capping protection will drop from \$69,384 in 2018 to approximately \$25,000 in 2019, with no capping shortfall and the capping protection being recoverable by claw-back. If any funding shortfall was to exist, it would be funded from general revenues of each of the municipalities including the County. The County portion would be expensed to the tax write off account in 2019.

Recommendation – That the County utilize all of the optional capping tools available in order to move as many commercial properties towards full current value assessment (CVA) based taxation.

Legal and Legislated Requirements

Assessment Act, R.S.O. 1990, c.A. 31

Municipal Act, 2001, and the various supporting regulations

Financial and Resource Implications

The information and recommendations contained in this report has no impact on the County's 2019 budget instead it reflects how the County and Local Municipality's tax levies will be

distributed among the various property tax classes.

The Director of Corporate Services has prepared this report with consultation with Local Municipal Treasurers and with the services of the County's tax consultant Municipal Tax Equity (MTE).

Relevant Consultation

Internal CAO Kim Wingrove

External Local Municipal Treasurers and Staff, and the County's tax consultant Municipal Tax Equity (MTE).

Appendices and Attachments

None