Committee Report

To:	Warden McQueen and Members of Grey County Council
Committee Date:	April 23, 2020
Subject / Report No:	FR-CW-10-20
Title:	2020 Tax Policy
Prepared by:	Kevin Weppler, Director of Corporate Services
Reviewed by:	Kim Wingrove, CAO
Lower Tier(s) Affected:	All Local Municipalities
Status:	Recommendation adopted by Committee as amended per Resolution CW79-20 ; Endorsed by Council May 14, 2020 per Resolution CC50-20;

Recommendation

1. **That Report FR-CW-10-20 regarding 2020 property tax policies be received; and**

2. **That as a result of the current pandemic and state of emergency that the 2020 tax policies remain the same as 2019 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.**

Executive Summary

- Report provides background and advice to Council to establish annual tax policy decisions.
- Proposed 2020 tax policies are unchanged from 2019 in order to provide stability to the ratepayers in recognition of challenging economic conditions and to allow staff the time to consider the new assessment data for the new 4-year assessment cycle, that is anticipated to begin with the 2022 taxation year.
- 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 County tax burden by property class, as well as between the nine local municipalities.

In order to enact these policy decisions, it is also the responsibility of the upper-tier municipality to pass a tax policy by-law annually. In preparation for this report, the tax policy items set out below were discussed on March 5th with the local municipal treasurers and staff to receive their input. Recommendations that were voiced at that time by the group could not have anticipated the current pandemic, the declaration of an emergency, and the impact of this pandemic is having on the residents of Grey County. Some of the tax policy changes that were under review for this year are now not appropriate. What is being proposed provides continuity with what Council had endorsed in 2019.

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.

Where an increase in market value has materialized, the increase is added to the property's Phased Current Value Assessment (CVA) in twenty-five percent (25%) increments each year over the four-year period. As such, affected taxpayers were not taxed at their January 1st, 2016 full market value for the 2017 through 2019 taxation years. As 2020 is the last year of the cycle, the final 25% increase increment has been applied and all taxes will be calculated based on Full CVA for 2020.

Assessment decreases are not phased-in. Where a property's CVA has been reduced as a result of reassessment, the new lower CVA has been set as the property's phased or effective CVA for the duration of the four-year assessment cycle.

With 2020 being year four of the phase-in, all properties will be taxed on their full, non-phased adjusted CVA for 2020. 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 1 – Phase-in Tax Shifts by Rate of Phase-In Change

Realty Tax Class	Rate of Phase-In Change %	2019 Levy as Revised	2020 Notional Start Levy	Inter-Class Shift	
				$	%
Residential	1.75%	$48,556,228	$48,354,700	-$201,528	-0.42%
Farm	11.59%	$2,284,286	$2,494,376	$210,090	9.20%
Managed Forest	9.66%	$145,070	$155,674	$10,604	7.31%
New Multi-Residential	3.20%	$40,490	$41,243	$753	1.86%
Multi-Residential	3.19%	$1,287,235	$1,299,601	$12,366	0.96%
Commercial	1.41%	$4,582,309	$4,557,045	-$25,264	-0.55%
Resort Condominium	0.23%	$849,735	$833,423	-$16,312	-1.92%
Industrial	3.10%	$1,173,776	$1,182,985	$9,209	0.79%
Landfill	4.38%	$5,792	$5,916	$124	2.14%
Pipeline	2.33%	$143,896	$143,854	-$42	-0.03%
Total (Taxable + PIL)	**3.26%**	**$59,068,817**	**$59,068,817**	**$0**	**0.00%**

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

Table 2 - Revenue Neutral (Notional) Tax Levy Inter-Municipal Shifts

Local Municipality	County General Levy		Inter-Municipal Shifts	
	2019 as Revised	2020 Notional Levy	$	%
Chatsworth	$3,052,242	$3,065,590	$13,348	0.43%
Georgian Bluffs	$6,333,687	$6,302,176	-$31,511	-0.50%
Grey Highlands	$6,906,862	$6,965,718	$58,856	0.85%
Hanover	$2,908,990	$2,886,705	-$22,285	-0.77%
Meaford	$6,605,739	$6,574,340	-$31,399	-0.48%
Owen Sound	$8,002,163	$7,936,130	-$66,033	-0.83%
Southgate	$3,450,832	$3,502,007	$51,175	1.48%
Blue Mountains	$15,963,050	$15,921,115	-$41,935	-0.26%
West Grey	$5,845,252	$5,915,035	$69,783	1.19%
Total (Taxable + PIL)	**$59,068,817**	**$59,068,816**	**-$1**	**0.00%**

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

Please note, the Ontario government has announced that the 2020 Assessment Update has been postponed. Property assessments for the 2021 property tax year will continue to be based on the fully phased-in January 1, 2016 current values. This will mean that property owners can anticipate their property assessment for the 2021 property tax year will be the same as the 2020 tax year, unless there has been changes to the property.

New reassessment values are anticipated to apply beginning with the 2022 taxation year. The new valuation base year has not been decided as of this date.

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 0.24 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.

Table 3 – Grey County Tax Ratio Summary

Realty Tax Class	Grey County 2019 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	0.240000	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

Realty Tax Class	Grey County 2019 Ratios	Ranges of Fairness		Threshold Ratios	
		Lower Limit	Upper Limit	Threshold	Subject to Levy Restriction
Pipeline	0.906848	0.60	0.70	-	N/A

Table 4 – 2019 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	2.1500	1.1000	1.2200	2.1984	0.2300
Grey County	1.4412	1.0000	1.3069	1.8582	0.2400
Huron County	1.1000	1.1000	1.1000	1.1000	0.2500
Simcoe County	1.1346	1.0000	1.2520	1.3476	0.2500
Wellington County	1.9000	1.1000	1.4910	2.4000	0.2500

Farm Tax Rebate

The Province of Ontario implemented changes to property assessment and introduced taxation reform which came into effect in 1998. Prior to this, farm properties were subject to taxation at the base residential tax rate and farmers applied annually to the Minister of Finance to be reimbursed 75% of the farm portion of taxes paid to the local municipality. Since the Local Service Realignment in 1998, farmland now has been legislated with a tax ratio of 0.25, meaning that the rebate for the farmland is paid by the local tax base.

All other properties in Grey County are now sharing in the cost of the farm tax rebate. Under the previous program, the cost of the Province's cheap food and agriculture production policies was shared province wide.

Ontario Municipal Partnership Fund

The Cost of the farmland rebate was intended to be offset by the old Community Reinvestment Fund (CRF) grant, which has since been replaced by the Ontario Municipal Partnership Fund (OMPF).

County wide the Province has announced for 2020 that the OMPF funding allocations for Grey County's local municipalities will provide support of $11,189,600. Using the 2020 local revenue neutral tax rates, if farmland was taxed as the full local residential rates, farm rebates of $13,907,726 are being provided locally in Grey County and not at the Provincial level.

Farm Tax Ratio

As illustrated in the Farmland – Reassessment Trends and Impact in Table 5 below, the farm property class in Grey County is marked by strong market value updates and has resulted in an overall increase in 2016 Full Current Value Assessment (CVA) to the 2020 Full CVA in excess of 70%, which translates into a 2020 phase-in change of 11.59% as illustrated in Table 6 below.

Table 5 - Farmland – Reassessment Trends and Impacts

Local Municipality	Full CVA (Destination) Farm Values		Market Value Update	
	2016 Full CVA Jan. 1, 2012	2020 Full CVA Jan. 1, 2016	$	%
Chatsworth	$181,105,230	$300,659,000	$119,553,770	66.01%
Georgian Bluffs	$135,155,281	$221,250,000	$86,094,719	63.70%
Grey Highlands	$363,539,074	$654,344,265	$290,805,191	79.99%
Hanover	$2,640,334	$3,133,300	$492,966	18.67%
Meaford	$193,255,649	$288,716,842	$95,461,193	49.40%
Owen Sound	$2,476,987	$3,750,700	$1,273,713	51.42%
Southgate	$319,658,999	$597,263,489	$277,604,490	86.84%
Blue Mountains	$120,197,642	$150,857,209	$30,659,567	25.51%
West Grey	$418,139,557	$747,304,515	$329,164,958	78.72%
County Wide	**$1,736,168,753**	**$2,967,279,320**	**$1,231,110,567**	**70.91%**

Although new notional/revenue neutral tax rates are calculated annually to compensate for the additional assessment being phased-in, these rates are calculated in response to municipal-wide assessment change and are not sensitive to any specific class of property. As such, varying rates of assessment change will inevitably result in shifts between properties and groups of properties. The inter-class shifts of the County levy are previously documented in Table 1.

Table 6 – Phase-In CVA Change 2019 to 2020

Realty Tax Class	Phase Adjusted CVA		Change in Phased CVA		% of Total
	2019 Revised	2020 Returned	$	%	2020
Residential	13,568,277,301	13,805,889,966	237,612,665	1.75%	73.85%
Farm	2,659,127,624	2,967,279,320	308,151,696	11.59%	15.87%
Managed Forest	162,119,840	177,780,906	15,661,066	9.66%	0.95%
New Multi-Residential	11,409,382	11,775,000	365,618	3.20%	0.06%
Multi-Residential	249,494,782	257,451,095	7,956,313	3.19%	1.38%
Commercial	989,677,749	1,003,667,900	13,990,151	1.41%	5.37%
Resort Condominium	237,400,600	237,943,100	542,500	0.23%	1.27%
Industrial	179,229,882	184,778,733	5,548,851	3.10%	0.99%
Landfill	1,618,125	1,689,000	70,875	4.38%	0.01%
Pipeline	44,258,569	45,289,300	1,030,731	2.33%	0.24%
Total (Taxable + PIL)	**18,102,613,854**	**18,693,544,320**	**$590,930,466**	**3.26%**	**100.00%**

The Grey County Federation of Agriculture made a delegation to County Council on February 27th, where they stated their appreciation to the County for reducing the farm tax ratio to 0.24 in 2019. The Federation was requesting that consideration be given to avoid further shifts in property tax to the farm class in 2020.

The Federation stated to maintain the 2019 farm tax burden at 4.2% of County levy would require a ratio or 0.218 or the farm tax burden at historical 3% of the levy level would require a ratio of 0.153.

Farm 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 0.24 to 0.23 – Table 7, 0.218 – Table 8 and 0.153 – Table 9.

Table 7 – Scenario of Reducing Farm Ratio to 0.230000

Realty Tax Class	2020 Revenue Neutral		Inter-Class Shifts	
	Status Quo	Scenario 0.230000	$	%
Residential	$48,354,701	$48,439,805	$85,104	0.18%
Farm	$2,494,376	$2,394,653	($99,723)	-4.00%
Managed Forest	$155,674	$155,949	$275	0.18%
New Multi-Residential	$41,243	$41,316	$73	0.18%
Multi-Residential	$1,299,601	$1,301,889	$2,288	0.18%
Commercial	$4,557,044	$4,565,063	$8,019	0.18%
Resort Condominium	$833,423	$834,890	$1,467	0.18%
Industrial	$1,182,985	$1,185,067	$2,082	0.18%
Landfill	$5,916	$5,926	$10	0.17%
Pipeline	$143,854	$144,107	$253	0.18%
Total (Taxable + PIL)	**$59,068,817**	**$59,068,665**	**($152)**	**0.00%**

Reducing Farm ratio from 0.24 to 0.23

Table 8 – Scenario of Reducing Farm Ratio to 0.218000

Realty Tax Class	2020 Revenue Neutral		Inter-Class Shifts	
	Status Quo	Scenario 0.218000	$	%
Residential	$48,354,701	$48,542,517	$187,816	0.39%
Farm	$2,494,376	$2,274,538	($219,838)	-8.81%
Managed Forest	$155,674	$156,280	$606	0.39%
New Multi-Residential	$41,243	$41,403	$160	0.39%
Multi-Residential	$1,299,601	$1,304,651	$5,050	0.39%
Commercial	$4,557,044	$4,574,748	$17,704	0.39%
Resort Condominium	$833,423	$836,660	$3,237	0.39%
Industrial	$1,182,985	$1,187,580	$4,595	0.39%
Landfill	$5,916	$5,939	$23	0.39%
Pipeline	$143,854	$144,413	$559	0.39%

Realty Tax Class	2020 Revenue Neutral		Inter-Class Shifts	
	Status Quo	Scenario 0.218000	$	%
Total (Taxable + PIL)	**$59,068,817**	**$59,068,729**	**($88)**	**0.00%**

Reducing Farm ratio from 0.24 to 0.218

Table 9 – Scenario of Reducing Farm Ratio to 0.153000

Realty Tax Class	2020 Revenue Neutral		Inter-Class Shifts	
	Status Quo	Scenario 0.153000	$	%
Residential	$48,354,701	$49,106,327	$751,626	1.55%
Farm	$2,494,376	$1,614,882	($879,494)	-35.26%
Managed Forest	$155,674	$158,095	$2,421	1.56%
New Multi-Residential	$41,243	$41,884	$641	1.55%
Multi-Residential	$1,299,601	$1,319,802	$20,201	1.55%
Commercial	$4,557,044	$4,627,878	$70,834	1.55%
Resort Condominium	$833,423	$846,378	$12,955	1.55%
Industrial	$1,182,985	$1,201,373	$18,388	1.55%
Landfill	$5,916	$6,008	$92	1.55%
Pipeline	$143,854	$146,090	$2,236	1.55%
Total (Taxable + PIL)	**$59,068,817**	**$59,068,717**	**($100)**	**0.00%**

Reducing Farm ratio from 0.24 to 0.153

The charts above show that reducing the farm tax ratio to 0.23 would shift $99,723 onto the other tax classes, a ratio of 0.218 would shift $219,838, and a ratio of 0.153 would shift $879,494. This does not factor in the shift that would also happen with the local municipal taxes that would have shifts as well that would apply.

County Taxes – Average by Property Type

The following table highlights the average current value assessment and the County portion of taxes paid by the major property tax classes.

Table 10 – County Taxes – Based on Average 2020 Current Value Assessments

Property Tax Class	Property Code	Average CVA*	Average 2020 County Taxes (Revenue Neutral Rate)
Residential (RT)	Single Family Home – 301	275,903	$966
	Farm House – 211	193,080	$676
	Seasonal Recreational Dwelling - 395	492,754	$1,726
Farm (FT)	Farmland - 211	522,036	$439
Commercial (CT)	Small Retail Commercial Property – 410	278,996	$1,277
Industrial (IT)	Standard Industrial Property – 520	478,953	$3,117

*Source MPAC Datafile

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.

Tax policy decisions should be made based on a policy objective of the County. As illustrated in the tables above, the lowering of the farm tax ratio shifts taxes primarily onto the residential tax class and this is the result of Grey County being primarily a rural residential municipality with approximately 74% of the assessment base being in the residential property class. Once these assessment values have been weighted by tax ratios, residential properties fund 82% of the County tax levy. Grey County does not have a significant commercial and/or industrial base as compared to other municipalities therefore a reduction in the farm tax ratio would primarily shift additional tax burden to the residential class.

Multi-Residential Tax Ratio

In 2017, the Province announced several tax policy amendments. One of these policy changes was the tax treatment of multi-residential properties. The change required all municipalities with a multi-residential ratio in excess of 2.0 to either reduce the ratio to at least 2.0 or be subject to a levy restriction, meaning that no portion of a levy increase could be imposed on the multi-residential tax class. Considering the County of Grey's 2016 multi-residential ratio was 1.441197, this amendment did not apply to Grey County.

The Province also legislated a New Multi-Residential tax class beginning in 2017 which must be adopted by all municipalities. The new multi-residential class is limited to a tax ratio between 1.0 and 1.10.

Over the years 2010 and 2011, the Housing and Planning Departments undertook a joint Housing Study to address the housing needs of the County, and to provide recommendations for further official plan policy beyond what was included in the County's Five Year Review Official Plan Amendment #80 (OPA 80). The study provided 'a snapshot' of the current housing ownership and rental levels within the County, while also protecting the County's affordable and social housing needs.

One of the strategies contained in the study was the recommendation to equalize the multi-residential tax rates for new multi-residential development to encourage the development of new multi-residential housing stock by providing a lower tax ratio or tax rate on these new buildings. By providing a lower tax ratio, for only new builds, this would have no impact or tax shift onto any other tax classes.

This new multi-residential property tax class was established with a tax ratio of 1.0, that being equal to the residential property class, and this was endorsed by County Council in 2012.

Having two property classes for similar properties has been identified as an item that should be reviewed when considering tax ratios. While the new multi-residential property class with a tax ratio of 1.0 provided an incentive for new builds, it has provided an inequity when compared to the existing multi-residential tax class with a tax ratio of 1.44197.

Affordable Housing has been an item identified by County Council as a priority. While no formal requests have been received by property owners to reduce the multi-residential tax class ratio, in order to try and maintain the County's current housing stock, it is being recommended that the County consider a staged reduction for its traditional multi-residential tax ratio.

Table 11 – Multi-Residential Class Reduction

	2019	2020	2021	2022	2023
Ratio	1.441197	1.297077	1.167369	1.050632	1.000000
Ratio Change %		-10.00%	-10.00%	-10.00%	-4.82%

Multi-Residential 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.

If Council were to consider phasing in a reduction to the multi-residential property tax class ratio, the following tables have been created to illustrate the impact of reducing the multi-residential tax ratio from the current ratio of 1.441197 to 1.297077 in 2020.

Table 12 – Scenario of Multi-Residential Ratio to 1.297077

Realty Tax Class	2020 Revenue Neutral		Inter-Class Shifts	
	Status Quo	Scenario 1.297077	$	%
Residential	$48,354,701	$48,461,204	$106,503	0.22%
Farm	$2,494,376	$2,499,873	$5,497	0.22%
Managed Forest	$155,674	$156,017	$343	0.22%
New Multi-Residential	$41,243	$41,334	$91	0.22%
Multi-Residential	$1,299,601	$1,172,219	($127,382)	-9.80%
Commercial	$4,557,044	$4,567,084	$10,040	0.22%
Resort Condominium	$833,423	$835,259	$1,836	0.22%
Industrial	$1,182,985	$1,185,591	$2,606	0.22%
Landfill	$5,916	$5,929	$13	0.22%
Pipeline	$143,854	$144,171	$317	0.22%
Total (Taxable + PIL)	**$59,068,817**	**$59,068,681**	**($136)**	**0.00%**

Reducing Multi-Residential ratio from 1.441197 to 1.297077

A change in the multi-residential tax ratio would be a policy objective of Council that would assist in equalizing the tax rates for the new multi-residential and the multi-residential property tax classes and provide equity between these two classes at the end of the four-year phase-in period.

It is difficult, during this current Covid-19 pandemic, to recommend making changes to tax ratios and causing taxation shifts, specifically to the residential property class. The Province announced on March 25, 2020 that it is postponing the planned 2021 Reassessment by a year, to 2022, to provide stability for property taxpayers and municipalities.

Property assessment for 2021 will continue to be based on the fully phased-in January 1, 2016 current values. This will mean that property owners can anticipate their property assessment for the 2021 property tax year will be the same as the 2020 tax year, unless there has been changes to the property.

New assessment values are anticipated to apply beginning with the 2022 taxation year. The new valuation base year has not been decided as of this date.

Recommending that no ratio changes to the current model be implemented at this time, will provide staff the ability to consider the new assessment data for the new 4-year assessment cycle, that is anticipated to begin with the 2022 taxation year, as well utilizing the 2021 taxation year where no reassessment or phase-in will take place.

Recommendation – County of Grey adopt the 2019 year's actual tax ratios for use in setting the 2020 tax rates.

Tax Reductions for Mandated Subclasses

The tax treatment of vacant and excess land and the rebate program for vacant commercial and industrial units has been prescribed by the content of the Municipal Act and supporting regulations.

Vacant commercial and industrial parcels and those with excess land components are identified on the assessment roll and taxed at a lower rate than properties, or property elements that have assessable improvements (buildings). For the most part, no significant concerns have risen in respect of vacant and excess land sub-classes.

From 1998 to 2000 vacant units were also reflected by way of specific sub-class assessments on the roll. In 2001 the Province introduced an application based rebate program for vacant units. The program is prescribed by the Province in Section 364 of the Municipal Act which states "Every local municipality shall have a program to provide tax rebates to owners of property that have vacant portions if that property is in any of the commercial or industrial classes."

Currently, owners of commercial properties may apply for a 30% rebate of the property taxes attributable to vacant space, with industrial properties receiving a 35% rebate. In order to qualify for a rebate there are a number of eligibility requirements that must be met, including:

- the area(s) must be vacant for a minimum of 90 consecutive days;
- the area(s) must be physically separated from the used portions of the building;
- the business must not be seasonal in nature; and
- the area(s) must be capable of being leased for immediate occupation or undergoing renovations.

The vacant unit rebate program has become increasingly problematic for a number of reasons including:

- Properties remaining eligible for rebate program for years at a time or indefinitely;
- Properties that have received rebates after securing assessment reductions;
- The application and enforcement of eligibility criteria are difficult to administer due to loosely defined rules and limited compliance provisions.

The Province reviewed the vacant unit rebate and vacant/excess land tax reduction programs. The review was initiated in response to municipal concerns regarding the appropriateness of the lower tax level provided through these programs and any unintended implications this may have for local economies.

As a result of this review, in 2017 and as announced in future year, the Province has provided upper and single-tier municipalities with flexibility to tailor the vacancy rebate and reduction programs and how these programs function locally. Municipalities are now able to consider changes in respect of:

- The Percentage Reductions for Vacant and Excess Land;
- The Percentage or Percentages for Vacant Unit Rebates;
- Administrative Policies, Application Procedures and Information Requirements;
- Enhanced and Refined Eligibility Requirements; and
- Choose to eliminate a program in its entirety.

What the Province has not provided is any specific menu of options to pick from; it is up to each municipal jurisdiction to craft their own local policies. Municipalities interested in pursuing policy refinements and enhancements must take on the policy making task locally and submit their desired program designs to the Province for review and consideration. Municipalities interested in pursuing policy changes must:

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

Program Options

The item of Vacant Unit rebates has been discussed with the Local Treasurers as there are a number of options:

- Continue program for Commercial and/or Industrial Class
- Pursue Immediate Opt-Out
- Pursue a Universal Staged Phase-Out over Time
- Implement a Declining Benefit Program on a Property By Property Basis
- Alter Rebate Percentages
- Exclude Specific Property Types
- Eliminate Partial Building / Unit Rebates

The majority of municipalities in Ontario that have pursued changes, have chosen to abandon rather than reform the rebate program. Most municipalities that have requested program changes have chosen a phase-out or an immediate opt-out of the program.

Not only are municipalities making changes to this program; but the Province has made the decision to eliminate the vacant unit rebate program. For 2019 the percentages used for rebates and sub-class discounts were reduced by 50% for education purposes and will cease as of 2020.

Based on discussions with the Local Treasurers Group, it had been recommended that the County of Grey move towards the elimination of the Vacancy Rebate Program as it is believed that the program no longer serves the purpose for which it was created. That County staff proceed to seek comments from the business community and interested parties with respect to a proposed change to the vacant rebate program. And more specifically, that the vacant unit rebate program be phased-out over a two-year period beginning in 2020. The vacant unit rebate program currently benefits the Commercial and Industrial property tax classes at the same rate as the sub-class discounts – 30% for Commercial and 35% for Industrial property tax classes respectively. The proposed policy change would effectively eliminate the vacant unit rebate program in 2021.

However, with the current circumstances of the Covid-19 pandemic, and the impact that this is having on businesses in Grey County, it is being recommended that at this time staff not proceed with engaging stakeholders and seeking community input with respect to the potential elimination of the vacant unit rebate program and that the potential elimination of this rebate program be considered at another time.

Recommendation – County of Grey continue to use reductions of 30% for commercial and 35% for industrial vacant lands/units in 2020.

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. These sub-classes apply for education purposes, regardless of whether a municipality chooses to participate.

These 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
Classification	CT
CVA	125,000
Tax Ratio	1.306940
Discount	0.00
County Tax Rate	.00463514
County Tax Levy	**$579**

With Sub-Class		
CT	Sub-Class C7	Total
75,000	50,000	125,000
1.306940	1.306940	
0.00	0.75	
.00463514	.00115879	
$348	**$58**	**$406**

MPAC has released the listing of eligible properties identified under this new program. Thirteen (13) properties were identified across Grey County and approximately 250 Province-wide. The County has 7,615 farm properties across the County, with this sub-class making up less than 0.01% of the on-farm CVA on a County-wide basis.

Recommendation – County of Grey not adopt these optional sub-classes for 2020 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. 5078-20, a By-law to Adopt the Estimates and Revenue and Expenditures for the Year 2020 was adopted by Council on February 13, 2020.

Recommendation – the Director of Corporate Services prepare a general rating by-law, based on the recommended 2020 tax policy items, for 2020 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 low-income seniors and low-income persons with disabilities to seek financial relief from year-over-year increases in property tax for eligible property. This by-law has been reviewed with the Local Treasurers and this current by-law and deferral program needs to be updated. A future report will be provided to Council with recommendations on revising this program and updating this by-law.

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'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 2020 taxation year, the commercial property class will be entering year three of the phase-out. Based on preliminary estimates, the County is anticipating that all properties subject to capping are expected to reach CVA tax for 2020 as compared to the capping protection of $20,378 that was provided 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

2020 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