



Committee Report

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| To: | Warden Hicks and Members of Grey County Council |
| Committee Date: | April 8, 2021 deferred to April 22, 2021 |
| Subject / Report No: | FR-CW-12-21 |
| Title: | 2021 Tax Policy |
| Prepared by: | Kevin Wepler, Director of Corporate Services |
| Reviewed by: | Kim Wingrove, CAO |
| Lower Tier(s) Affected: | All Local Municipalities |
| Status: | Deferred to April 22, 2021 Committee of the Whole through resolution CW69-21; |

Recommendation

1. That Report FR-CW-12-21 regarding 2021 property tax policies be received; and
2. That County Council eliminate the Commercial and Industrial vacant and excess subclass discounts with corresponding tax ratio reductions to the Commercial and Industrial class to maintain the class-by-class balance as outlined in Report FR-CW-12-21; and
3. That County Council adopt the remaining current 2020 tax ratios and the tax reductions for 2021 taxation year; and
4. That in the absence of Provincial Regulations for the new Small Business Property Subclass, and the financial impact analysis required, that the new Small Business Property Subclass be considered in a future budget year; and
5. 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.
- Proposing the eliminations of the commercial and industrial vacant and excess subclass discounts in 2021 with a corresponding tax ratio reduction to maintain the class-by-class tax balance
- Recommending not to implement the new Small Business Property Subclass in the 2021 tax 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 February 19th and March 12th with the local municipal treasurers and staff to receive their input, direction and support.

Current Value Assessment

The Municipal Property Assessment Corporation (MPAC) has historically conducted a province-wide assessment update every four years to update the assessed values of every property in Ontario. Due to the COVID-19 pandemic, the Ontario government postponed the 2020 assessment update. For the 2021 property tax year, property values will continue to be based on the fully phased-in January 1, 2016 current values. This means property owner's property assessment for the 2021 property tax year will be the same as the 2020 tax year unless there has been a change to the property.

The Ontario Government announced on March 24, 2021, as part of the 2021 Ontario Budget, that the Province would be further postponing the property tax reassessment. The government has stated that they will be seeking input from municipalities, taxpayers and interested stakeholders regarding the timing and valuation date for the next reassessment.

Growth, Loss, Reassessment, Phase-In, and Levy Change

Property assessments change in one of two fundamental ways; to reflect a property's values as of a current valuation date or to reflect actual changes to a property's state, condition, or use (growth change – positive or negative). Physical changes to property that include new construction, additions, improvements, and demolitions, translate into net assessment growth. Table 1 illustrates the 2020 net assessment growth.

Table 1 – 2020 Net Taxation Growth From Assessment Growth

| 2020 Current Value Assessment | | | | |
|-------------------------------|---------------------|---------------------|--------------------|--------------|
| Realty Tax Class | Roll as Returned | Roll as Revised | In-Year Growth | |
| | | | \$ | % |
| <i>Taxable</i> | | | | |
| Residential | \$49,012,161 | \$50,128,347 | \$1,116,186 | 2.28% |
| Farm | \$2,302,988 | \$2,304,875 | \$1,887 | 0.08% |
| Managed Forest | \$158,241 | \$161,412 | \$3,171 | 2.00% |
| New Multi-Residential | \$41,923 | \$48,901 | \$6,978 | 16.65% |
| Multi-Residential | \$1,310,696 | \$1,315,381 | \$4,685 | 0.36% |
| Resort Condominium | \$847,158 | \$847,158 | \$0 | 0.00% |
| Commercial | \$4,139,788 | \$4,200,713 | \$60,925 | 1.47% |
| Industrial | \$1,187,451 | \$1,218,635 | \$31,184 | 2.63% |
| Pipeline | \$146,224 | \$147,539 | \$1,315 | 0.90% |
| Sub-Total Taxable | \$59,146,630 | \$60,372,961 | \$1,226,331 | 2.07% |
| <i>Payment-In-Lieu</i> | | | | |
| Residential | \$139,394 | \$139,692 | \$298 | 0.21% |
| Farm | \$66 | \$66 | \$0 | 0.00% |
| Multi-Residential | \$10,324 | \$10,324 | \$0 | 0.00% |
| Commercial | \$492,364 | \$508,477 | \$16,113 | 3.27% |
| Industrial | \$15,109 | \$14,806 | -\$303 | -2.01% |
| Landfill | \$6,013 | \$6,013 | \$0 | 0.00% |
| Sub-Total PIL | \$663,270 | \$679,378 | \$16,108 | 2.43% |
| | | | | |
| Total (Taxable + PIL) | \$59,809,900 | \$61,052,339 | \$1,242,439 | 2.08% |

Provincial Education Taxes

While municipalities levy and collect the education portion of the property tax bill, municipalities have no authority over the tax rates employed for this purpose. Since 1998, education tax rates have been regulated by the Minister of Finance on an annual basis. Uniform education tax rates have been prescribed for properties in residential, multi-residential, farm and managed forest property classes, which apply across the entire province. Traditionally, annual

adjustments to the uniform residential education rate have been made to maintain approximate revenue neutrality on a Province-wide basis.

In the absence of any reassessment or phase-in change for 2021, uniform education tax rates have been held constant to 2020 levels:

- Residential, Multi-Residential, New-Multi-Residential = 0.00153000
- Farm and Managed Forest = 0.00038250

Business Education Tax

The Province also prescribes business education tax (BET) rates; however, these are set at a unique level for each upper-tier and single-tier jurisdiction. From 1998 through 2007, the Province maintained approximate revenue neutrality at the single and upper-tier municipal level when setting education tax rates for the business classes. This meant municipal specific adjustment in reassessment years and rate freezes for non-reassessment years.

Certain business properties also receive special tax treatment for education purposes if they are eligible for inclusion in one of the “new construction” classes (commercial residual, shopping centre, office building, industrial residual and large industrial). These five new construction property classes are based on the same criteria as traditional counterpart classes and are subject to differential treatment for education purposes only.

2021 Business Education Tax (BET) Cuts

As part of the Province’s 2020 Budget, they enacted a reduction in the Business Education Tax (BET) Rates province-wide to a uniform level of 0.88%. This translates to rate reductions over 2020 of approximately 30% for any rate that was at the previous maximum, and just over 10% for new construction rates and those set to the previous target level of 0.98%.

The implication for the majority of business class properties is that they could see tax reductions of the Education portion of their tax bill of between 10% and 30%. Table 2 contains a summary to 2021 education tax rates in comparison to the 2020 rates as regulated.

Table 2 – Provincial Education Rates

| 2020 versus 2021 Provincial Education Rates (Taxable Only) | | | |
|---|-----------------------|-------------|---------------|
| Realty Tax Class | Education Rate | | Change |
| | 2020 | 2021 | % |
| Residential | 0.00153000 | 0.00153000 | 0.00% |
| Farmland Awaiting Development (FAD1) | 0.00038250 | 0.00038250 | 0.00% |
| Farm/Managed Forest | 0.00038250 | 0.00038250 | 0.00% |
| New Multi-Residential | 0.00153000 | 0.00153000 | 0.00% |
| Multi-Residential | 0.00153000 | 0.00153000 | 0.00% |
| Commercial | 0.01250000 | 0.00880000 | -29.60% |

| 2020 versus 2021 Provincial Education Rates (Taxable Only) | | | |
|---|-----------------------|-------------|---------------|
| Realty Tax Class | Education Rate | | Change |
| | 2020 | 2021 | % |
| Commercial New Construction | 0.00980000 | 0.00880000 | -10.20% |
| Resort Condominium | 0.00153000 | 0.00153000 | 0.00% |
| Industrial | 0.01250000 | 0.00880000 | -29.60% |
| Industrial New Construction | 0.00980000 | 0.00880000 | -10.20% |
| SSOFB (C & I) | 0.00245000 | 0.00220000 | -10.20% |
| Pipeline | 0.00980000 | 0.00880000 | -19.75% |

SSOFB refers to the "Small Scale On-Farm Business" for commercial and industrial properties.

Tax Policy Tools

For 2021, the Municipal Act continues to provide upper-tier municipalities with tax policy tools that may be used to alter the distribution of the tax burden within and between tax classes.

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.

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. Ratios that 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 2020 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 | 0.218000 | 0.00 | 0.25 | - | N/A |
| Managed Forest | 0.250000 | 0.25 | 0.25 | - | N/A |

| Realty Tax Class | Grey County 2020 Ratios | Ranges of Fairness | | Threshold Ratios | |
|-----------------------|-------------------------|--------------------|-------------|------------------|-----------------------------|
| | | Lower Limit | Upper Limit | Threshold | Subject to Levy Restriction |
| 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 | 1.00 | 1.001 | - | 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 |

Subclasses and Subclass Discounts

There are a number of different subclasses that apply to different property types depending on use, zoning, nature of improvements and nature of enterprise. These include:

- Commercial and Industrial **Vacant Land**, which applies to properties that are included in one of these classes as a result of zoning or planning details, but which have no assessable improvement (buildings).
- Commercial and Industrial **Excess Land** subclasses captures portions of improved property that are in excess of the amount of land required to support the improved portions of the land under municipal planning rules.
- Properties coded as **Farmland Awaiting Development (FAD)** are properties being actively farmed, but for which a plan of subdivision has been registered (**FAD1**) or building permits have been issued (**FAD2**). Properties will fall into one of the residential, multi-residential, commercial, or industrial subclasses, depending on the future use of the land.
- **Small Scale-On Farm Business (SSOFB)** serve to apply to the first 50,000 of current value assessment (CVA) for eligible commercial and industrial improvements on farm properties. Eligible improvements must be primarily used to process, manufacture, sell or market something produced by or delivered from the farming on the land.

The following illustration and explanation have been included to assist Council in understanding the types of property captured in the vacant and excess land subclasses.

Property A: Is a completely unimproved lot and would be classified as **Vacant Land**.

Property B/C: Is comprised of both Improved and Unimproved land.

- The **“B” Portion** is considered Occupied.
- The **“C” Portion** is classified as **Excess Land**.



Adjusting Subclass Discounts

The following rules and limitations apply to the setting, application, and movement of subclass discounts:

- As of 2021, upper and single-tier municipalities can set the discounts for vacant and excess land anywhere up to 35% (0.65 factor) or may choose not to apply any discount, or a factor of 1.0;
- FAD 1 rates for all classes (Residential, Multi-Residential, Commercial, and Industrial) are all uniform and represent a discounted residential rate;
- The FAD 1 discount may not be moved more than 10 points in any year (e.g. 0.25 to 0.35); and
- If adopted, the discount factor for Small Scale On-Farm Business subclass is fixed at 0.25.

Table 4 – Subclass Discount Factors (Expressed as a % of Full Class Rate)

| Tax Classes and Subclass | Status Quo (2020) Discount Factors | Range of Flexibility | |
|--------------------------|---------------------------------------|----------------------|-------------|
| | | Lower Limit | Upper Limit |
| Residential | | | |
| FAD First Subclass | 0.25 | 0.25 | 0.75 |
| FAD Second Subclass | 1.00 | 0.25 | 1.00 |
| Multi-Residential | | | |
| FAD Second Subclass | 1.00 | 0.25 | 1.00 |
| Commercial | | | |
| Vacant Land | 0.70 | 0.65 | 1.00 |
| Excess Land | 0.70 | 0.65 | 1.00 |
| Small Scale OFB | 0.25 | 0.25 | 1.00 |
| FAD Second Subclass | 1.00 | 0.25 | 1.00 |
| Industrial | | | |
| | | | |

| Tax Classes and Subclass | Status Quo (2020) | Range of Flexibility | |
|--------------------------|-------------------|----------------------|-------------|
| | Discount Factors | Lower Limit | Upper Limit |
| Vacant Land | 0.65 | 0.65 | 1.00 |
| Excess Land | 0.65 | 0.65 | 1.00 |
| Small Scale OFB | 0.25 | 0.25 | 1.00 |
| FAD Second Subclass | 1.00 | 0.25 | 1.00 |

Impacts of the Elimination of Subclass Discounts for Commercial and Industrial Vacant and Excess Land and Tax Ratio Adjustments

The following tables have been provided in this report to provide the potential impact on the upper-tier general levy of eliminating the subclass discounts for commercial and industrial vacant and excess land as well as tax ratio adjustments. The County ratios have been adjusted to maintain approximate class level burdens of the municipal levy County-wide. The ratio for the Commercial Class would be at 1.296900 and the Industrial Class at 1.83100.

Where education tax has been included in the summary results, these have been included to demonstrate the impact of the Province's BET cuts for 2021.

Table 5 contains the County ratios, subclass discounts and rates for the model, which are provided in comparison to the County's 2021 status quo starting rates.

Table 6 shows the class level impacts that could be expected under the model. These results are in comparison to the class distribution of taxes under the County levy calculated using the status quo tax policy.

Table 6 is based on the same results as Table 5, however this summarizes the impacts by each local area municipality based on this model.

Table 5 – County Subclass Discount and Tax Rate Impacts

| Realty Tax Class | Tax Ratios | | | General County Levy Tax Rates | | |
|-----------------------|------------|----------|--------|-------------------------------|------------|--------|
| | Start | Model | Change | Notional | Model | Change |
| Residential | 1.000000 | 1.000000 | 0.00% | 0.00356034 | 0.00355998 | -0.01% |
| <i>FAD1</i> | 0.25 | 0.25 | 0.00% | 0.00089009 | 0.00089000 | -0.01% |
| Farm | 0.218000 | 0.218000 | 0.00% | 0.00077615 | 0.00077608 | -0.01% |
| Managed Forest | 0.250000 | 0.250000 | 0.00% | 0.00089009 | 0.00089000 | -0.01% |
| New Multi-Residential | 1.000000 | 1.000000 | 0.00% | 0.00356034 | 0.00355998 | -0.01% |
| Multi-Residential | 1.441197 | 1.441197 | 0.00% | 0.00513115 | 0.00513063 | -0.01% |

| Realty Tax Class | Tax Ratios | | | General County Levy Tax Rates | | |
|----------------------|------------|----------|--------|-------------------------------|------------|--------|
| | Start | Model | Change | Notional | Model | Change |
| Commercial | 1.306940 | 1.296900 | -0.77% | 0.00465315 | 0.00461694 | -0.78% |
| <i>Excess/Vacant</i> | 0.70 | 1.00 | 42.86% | 0.00325721 | 0.00461694 | 41.75% |
| <i>SSOFB</i> | 1.00 | 1.00 | 0.00% | 0.00465315 | 0.00461694 | -0.78% |
| Resort Condominium | 1.000000 | 1.000000 | 0.00% | 0.00356034 | 0.00355998 | -0.01% |
| Industrial | 1.858187 | 1.831000 | -1.46% | 0.00661578 | 0.00651832 | -1.47% |
| <i>Excess/Vacant</i> | 0.65 | 1.00 | 53.85% | 0.00430026 | 0.00651832 | 51.58% |
| <i>SSOFB</i> | 1.00 | 1.00 | 0.00% | 0.00661578 | 0.00651832 | -1.47% |
| Landfill | 1.000000 | 1.000000 | 0.00% | 0.00356034 | 0.00355998 | -0.01% |
| Pipeline | 0.906848 | 0.906848 | 0.00% | 0.00322869 | 0.00322836 | -0.01% |

Table 6 – County General Levy Impacts

| Realty Tax Class | County General Levy | | Difference | |
|-----------------------|---------------------|--------------|------------|--------|
| | Notional | Model | \$ | % |
| Residential | \$50,267,440 | \$50,262,360 | -\$5,080 | -0.01% |
| <i>FAD1</i> | \$678 | \$678 | \$0 | 0.00% |
| Farm | \$2,304,941 | \$2,304,732 | -\$209 | -0.01% |
| Managed Forest | \$161,412 | \$161,397 | -\$15 | -0.01% |
| New Multi-Residential | \$48,902 | \$48,896 | -\$6 | -0.01% |
| Multi-Residential | \$1,325,705 | \$1,325,573 | -\$132 | -0.01% |
| Commercial | \$4,618,192 | \$4,582,257 | -\$35,935 | -0.78% |
| <i>Excess Land</i> | \$37,377 | \$52,982 | \$15,605 | 41.75% |
| <i>Vacant Land</i> | \$51,911 | \$73,581 | \$21,670 | 41.74% |
| <i>SSOFB</i> | \$1,701 | \$1,687 | -\$14 | -0.82% |
| Resort Condominium | \$847,158 | \$847,073 | -\$85 | -0.01% |
| Industrial | \$1,190,416 | \$1,172,879 | -\$17,537 | -1.47% |
| <i>Excess Land</i> | \$6,894 | \$10,450 | \$3,556 | 51.58% |
| <i>Vacant Land</i> | \$35,378 | \$53,625 | \$18,247 | 51.58% |
| <i>SSOFB</i> | \$678 | \$668 | -\$10 | -1.47% |
| Landfill | \$6,013 | \$6,013 | \$0 | 0.00% |

| Realty Tax Class | County General Levy | | Difference | |
|------------------------------|---------------------|---------------------|-------------|--------------|
| | Notional | Model | \$ | % |
| Pipeline | \$147,539 | \$147,523 | -\$16 | -0.01% |
| Total (Taxable + PIL) | \$61,052,335 | \$61,052,374 | \$39 | 0.00% |

Table 7 – County General Levy – Inter-Municipal Impacts

| Municipality | County General Levy | | Difference | |
|-----------------|---------------------|---------------------|-------------|--------------|
| | Notional | Model | \$ | % |
| Chatsworth | \$3,116,504 | \$3,115,467 | -\$1,037 | -0.03% |
| Georgian Bluffs | \$6,475,226 | \$6,473,648 | -\$1,578 | -0.02% |
| Grey Highlands | \$7,114,369 | \$7,108,736 | -\$5,633 | -0.08% |
| Hanover | \$3,000,544 | \$2,999,140 | -\$1,404 | -0.05% |
| Meaford | \$6,734,067 | \$6,733,908 | -\$159 | 0.00% |
| Owen Sound | \$8,127,214 | \$8,133,932 | \$6,718 | 0.08% |
| Southgate | \$3,636,070 | \$3,635,892 | -\$178 | 0.00% |
| Blue Mountains | \$16,786,708 | \$16,789,828 | \$3,120 | 0.02% |
| West Grey | \$6,061,635 | \$6,061,823 | \$188 | 0.00% |
| County | \$61,052,337 | \$61,052,374 | \$37 | 0.00% |

Table 8 summarizes the impact on properties coded as Commercial and Industrial Vacant Land.

Table 8 – Average Vacant Land Property Impacts (Property Type “A”)

| Vacant Land Properties | Count & Average CVA | | Start Tax (w/o BET Cut) | | Model Tax (w BET Cut) | | Model Impacts | | | |
|------------------------|---------------------|---------|-------------------------|------------|-----------------------|------------|---------------|--------|-----------------------|--------|
| | | | Municipal | Mun + Edu. | Municipal | Mun + Edu. | Municipal Tax | | Municipal + Education | |
| Chatsworth | | | | | | | | | | |
| Commercial | 2 | 52,500 | \$496 | \$1,152 | \$704 | \$1,166 | \$208 | 41.94% | \$14 | 1.22% |
| Industrial | 2 | 8,350 | \$104 | \$208 | \$158 | \$232 | \$54 | 51.92% | \$24 | 11.54% |
| Georgian Bluffs | | | | | | | | | | |
| Commercial | 13 | 120,200 | \$1,007 | \$2,509 | \$1,427 | \$2,485 | \$420 | 41.71% | -\$24 | -0.96% |
| Industrial | 1 | 18,300 | \$203 | \$432 | \$306 | \$467 | \$103 | 50.74% | \$35 | 8.10% |
| Grey Highlands | | | | | | | | | | |
| Commercial | 12 | 48,583 | \$423 | \$1,030 | \$600 | \$1,027 | \$177 | 41.84% | -\$3 | -0.29% |

| Vacant Land Properties | Count & Average CVA | | Start Tax (w/o BET Cut) | | Model Tax (w BET Cut) | | Model Impacts | | | |
|------------------------|---------------------|---------|-------------------------|------------|-----------------------|------------|---------------|--------|-----------------------|--------|
| | | | Municipal | Mun + Edu. | Municipal | Mun + Edu. | Municipal Tax | | Municipal + Education | |
| Industrial | 4 | 122,375 | \$1,406 | \$2,936 | \$2,132 | \$3,209 | \$726 | 51.64% | \$273 | 9.30% |
| Hanover | | | | | | | | | | |
| Commercial | 15 | 115,760 | \$1,277 | \$2,724 | \$1,811 | \$2,830 | \$534 | 41.82% | \$106 | 3.89% |
| Industrial | 11 | 23,636 | \$344 | \$640 | \$522 | \$730 | \$178 | 51.74% | \$90 | 13.17% |
| Meaford | | | | | | | | | | |
| Commercial | 13 | 121,908 | \$1,283 | \$2,807 | \$1,819 | \$2,892 | \$536 | 41.78% | \$85 | 3.03% |
| Industrial | 9 | 113,356 | \$1,576 | \$2,992 | \$2,388 | \$3,386 | \$812 | 51.52% | \$394 | 14.06% |
| Owen Sound | | | | | | | | | | |
| Commercial | 37 | 134,565 | \$2,584 | \$4,267 | \$3,665 | \$4,849 | \$1,081 | 41.83% | \$582 | 13.64% |
| Industrial | 24 | 173,225 | \$3,566 | \$5,731 | \$4,896 | \$6,420 | \$1,330 | 37.30% | \$689 | 12.02% |
| Southgate | | | | | | | | | | |
| Commercial | 12 | 77,092 | \$795 | \$1,759 | \$1,127 | \$1,805 | \$332 | 41.76% | \$46 | 2.62% |
| Industrial | 14 | 41,229 | \$561 | \$1,077 | \$851 | \$1,214 | \$290 | 51.69% | \$137 | 12.72% |
| Blue Mountains | | | | | | | | | | |
| Commercial | 13 | 159,546 | \$1,052 | \$3,047 | \$1,491 | \$2,895 | \$439 | 41.73% | -\$152 | -4.99% |
| Industrial | 17 | 32,588 | \$284 | \$691 | \$430 | \$717 | \$146 | 51.41% | \$26 | 3.76% |
| West Grey | | | | | | | | | | |
| Commercial | 13 | 40,069 | \$356 | \$857 | \$505 | \$857 | \$149 | 41.85% | \$0 | 0.00% |
| Industrial | 16 | 70,850 | \$831 | \$1,717 | \$1,260 | \$1,884 | \$429 | 51.62% | \$167 | 9.73% |
| Grey County | | | | | | | | | | |
| Commercial | 130 | 108,237 | \$1,373 | \$2,726 | \$1,947 | \$2,899 | \$574 | 41.81% | \$173 | 6.35% |
| Industrial | 98 | 83,948 | \$1,383 | \$2,433 | \$1,972 | \$2,711 | \$589 | 42.59% | \$278 | 11.43% |

(Municipal Tax Includes Revenue Neutral County and Local General Levies)

“Start Tax Without BET Cut” amounts are based on revenue neutral municipal tax, calculated using starting ratios and status quo discounts, and actual 2020 education tax rates.

“Model Tax With BET Cut” amounts are based on the revised model with no subclass discounts and the new Provincial uniform BET rate of 0.00880000.



Table 9 contains the impact of the model on average Excess Land portions.

Table 9 – Average Excess Land Property Impacts (Property Type “C”)

| Vacant Land Properties | Count & Average CVA | | Start Tax | | Model Tax | | Model Impacts | | | |
|------------------------|---------------------|---------|---------------|------------|-------------|------------|---------------|--------|-----------------------|--------|
| | | | (w/o BET Cut) | | (w BET Cut) | | Municipal Tax | | Municipal + Education | |
| | | | Municipal | Mun + Edu. | Municipal | Mun + Edu. | | | | |
| Chatsworth | | | | | | | | | | |
| Commercial | 1 | 6,200 | \$58 | \$136 | \$84 | \$139 | \$26 | 44.83% | \$3 | 2.21% |
| Industrial | 3 | 38,701 | \$483 | \$967 | \$733 | \$1,073 | \$250 | 51.76% | \$106 | 10.96% |
| Georgian Bluffs | | | | | | | | | | |
| Commercial | 22 | 36,864 | \$309 | \$747 | \$438 | \$762 | \$129 | 41.75% | \$15 | 2.01% |
| Industrial | 2 | 18,050 | \$200 | \$406 | \$302 | \$462 | \$102 | 51.00% | \$56 | 13.79% |
| Grey Highlands | | | | | | | | | | |
| Commercial | 8 | 37,133 | \$323 | \$735 | \$458 | \$785 | \$135 | 41.80% | \$50 | 6.80% |
| Industrial | 1 | 15,400 | \$177 | \$369 | \$268 | \$404 | \$91 | 51.41% | \$35 | 9.49% |
| Hanover | | | | | | | | | | |
| Commercial | 6 | 101,038 | \$1,115 | \$2,326 | \$1,581 | \$2,470 | \$466 | 41.79% | \$144 | 6.19% |
| Industrial | 1 | 26,700 | \$389 | \$723 | \$590 | \$825 | \$201 | 51.67% | \$102 | 14.11% |
| Meaford | | | | | | | | | | |
| Commercial | 6 | 22,850 | \$240 | \$526 | \$341 | \$542 | \$101 | 42.08% | \$16 | 3.04% |
| Industrial | 1 | 56,000 | \$779 | \$1,479 | \$1,180 | \$1,673 | \$401 | 51.48% | \$194 | 13.12% |
| Owen Sound | | | | | | | | | | |
| Commercial | 30 | 99,579 | \$1,913 | \$3,042 | \$2,712 | \$3,588 | \$799 | 41.77% | \$546 | 17.95% |
| Industrial | 5 | 71,360 | \$1,469 | \$2,319 | \$2,017 | \$2,645 | \$548 | 37.30% | \$326 | 14.06% |
| Southgate | | | | | | | | | | |
| Commercial | 3 | 46,433 | \$479 | \$995 | \$679 | \$1,087 | \$200 | 41.75% | \$92 | 9.25% |

| Vacant Land Properties | Count & Average CVA | | Start Tax | | Model Tax | | Model Impacts | | | |
|------------------------|---------------------|---------|---------------|------------|-------------|------------|---------------|--------|-----------------------|--------|
| | | | (w/o BET Cut) | | (w BET Cut) | | Municipal Tax | | Municipal + Education | |
| | | | Municipal | Mun + Edu. | Municipal | Mun + Edu. | | | | |
| Industrial | 3 | 144,667 | \$1,969 | \$3,617 | \$2,985 | \$4,259 | \$1,016 | 51.60% | \$642 | 17.75% |
| Blue Mountains | | | | | | | | | | |
| Commercial | 10 | 578,860 | \$3,818 | \$9,664 | \$5,411 | \$10,505 | \$1,593 | 41.72% | \$841 | 8.70% |
| Industrial | 1 | 29,300 | \$255 | \$621 | \$387 | \$645 | \$132 | 51.76% | \$24 | 3.86% |
| West Grey | | | | | | | | | | |
| Commercial | 8 | 61,462 | \$546 | \$1,288 | \$774 | \$1,315 | \$228 | 41.76% | \$27 | 2.10% |
| Industrial | 4 | 105,475 | \$1,237 | \$2,474 | \$1,876 | \$2,804 | \$639 | 51.66% | \$330 | 13.34% |
| Grey County | | | | | | | | | | |
| Commercial | 94 | 119,836 | \$1,265 | \$2,561 | \$1,794 | \$2,848 | \$529 | 41.82% | \$287 | 11.21% |
| Industrial | 21 | 71,062 | \$1,031 | \$1,869 | \$1,513 | \$2,138 | \$482 | 46.75% | \$269 | 14.39% |

(Municipal Tax Includes Revenue Neutral County and Local General Levies)

“Start Tax Without BET Cut” amounts are based on revenue neutral municipal tax, calculated using starting ratios and status quo discounts, and actual 2020 education tax rates.

“Model Tax With BET Cut” amounts are based on the revised model with no subclass discounts and the new Provincial uniform BET rate of 0.00880000.



Table 10 considers the property-wide impacts on properties with one or more portions that fall into one the Excess Land Subclasses.

Table 10 – Properties with Excess Land Portions (Properties Type “B/C”)

| Properties with Excess Land Portions | Start Tax | | Model Tax | | Model Impacts | |
|--------------------------------------|---------------|------------|-------------|------------|---------------|-----------------------|
| | (w/o BET Cut) | | (w BET Cut) | | Municipal Tax | |
| | Municipal | Mun + Edu. | Municipal | Mun + Edu. | | Municipal + Education |
| Chatsworth | | | | | | |

| Properties with Excess Land Portions | Start Tax (w/o BET Cut) | | Model Tax (w BET Cut) | | Model Impacts | | | |
|--------------------------------------|-------------------------|------------|-----------------------|------------|---------------|--------|-----------------------|---------|
| | Municipal | Mun + Edu. | Municipal | Mun + Edu. | Municipal Tax | | Municipal + Education | |
| Commercial | \$859 | \$1,180 | \$883 | \$1,137 | \$24 | 2.79% | -\$43 | -3.64% |
| Industrial | \$11,000 | \$18,510 | \$11,110 | \$16,411 | \$110 | 1.00% | -\$2,099 | -11.34% |
| Georgian Bluffs | | | | | | | | |
| Commercial | \$12,664 | \$25,401 | \$12,705 | \$22,056 | \$41 | 0.32% | -\$3,345 | -13.17% |
| Industrial | \$45,694 | \$80,849 | \$45,183 | \$70,431 | -\$511 | -1.12% | -\$10,418 | -12.89% |
| Grey Highlands | | | | | | | | |
| Commercial | \$24,894 | \$48,809 | \$24,850 | \$42,566 | -\$44 | -0.18% | -\$6,243 | -12.79% |
| Industrial | \$1,761 | \$3,074 | \$1,830 | \$2,754 | \$69 | 3.92% | -\$320 | -10.41% |
| Hanover | | | | | | | | |
| Commercial | \$33,327 | \$57,895 | \$33,554 | \$52,349 | \$227 | 0.68% | -\$5,546 | -9.58% |
| Industrial | \$19,761 | \$30,898 | \$19,682 | \$27,523 | -\$79 | -0.40% | -\$3,375 | -10.92% |
| Meaford | | | | | | | | |
| Commercial | \$5,296 | \$9,784 | \$5,357 | \$8,516 | \$61 | 1.15% | -\$1,268 | -12.96% |
| Industrial | \$5,461 | \$8,899 | \$5,794 | \$8,214 | \$333 | 6.10% | -\$685 | -7.70% |
| Owen Sound | | | | | | | | |
| Commercial | \$67,999 | \$97,363 | \$68,376 | \$90,284 | \$377 | 0.55% | -\$7,079 | -7.27% |
| Industrial | \$86,476 | \$122,400 | \$83,780 | \$109,886 | -2,696 | -3.12% | -\$12,514 | -10.22% |
| Southgate | | | | | | | | |
| Commercial | \$4,674 | \$7,783 | \$4,847 | \$7,458 | \$173 | 3.70% | -\$325 | -4.18% |
| Industrial | \$17,075 | \$26,046 | \$17,869 | \$25,489 | \$794 | 4.65% | -\$557 | -2.14% |
| Blue Mountains | | | | | | | | |
| Commercial | \$7,301 | \$17,069 | \$8,863 | \$16,892 | \$1,562 | 21.39% | -\$177 | -1.04% |
| Industrial | \$20,800 | \$40,338 | \$20,627 | \$34,381 | -\$173 | -0.83% | -\$5,957 | -14.77% |
| West Grey | | | | | | | | |
| Commercial | \$12,037 | \$23,752 | \$12,176 | \$20,659 | \$139 | 1.15% | -\$3,093 | -13.02% |
| Industrial | \$19,106 | \$31,783 | \$19,500 | \$29,183 | \$394 | 2.06% | -\$2,600 | -8.18% |
| Grey County | | | | | | | | |

| Properties with Excess Land Portions | Start Tax (w/o BET Cut) | | Model Tax (w BET Cut) | | Model Impacts | | | |
|--------------------------------------|-------------------------|------------|-----------------------|------------|---------------|--------|-----------------------|---------|
| | Municipal | Mun + Edu. | Municipal | Mun + Edu. | Municipal Tax | | Municipal + Education | |
| Commercial | \$30,604 | \$48,806 | \$30,935 | \$44,555 | \$331 | 0.68% | -\$4,251 | -8.71% |
| Industrial | \$34,867 | \$53,224 | \$34,387 | \$47,886 | -\$480 | -0.90% | -\$5,338 | -10.03% |

(Municipal Tax Includes Revenue Neutral County and Local General Levies)

“Start Tax Without BET Cut” amounts are based on revenue neutral municipal tax, calculated using starting ratios and status quo discounts, and actual 2020 education tax rates.

“Model Tax With BET Cut” amounts are based on the revised model with no subclass discounts and the new Provincial uniform BET rate of 0.00880000.



The County and the Local Treasurers Group have had discussions regarding 2021 tax policy options and the elimination of the current 30% discount for commercial excess and vacant land and the 35% industrial discount.

Based on discussions with the Local Treasures Group, and in conjunction with the changes to the BET rates in 2021, it is being recommend that to promote equity amongst taxpayers who do not receive special discount tax rates, to encourage landlords to best utilize their properties, to encourage infill development, and to discourage speculative holding of lands, it is being recommended that the elimination of the subclass discounts be implemented in 2021, while adjusting the full commercial and industrial tax ratios to maintain the approximate class level burdens of the municipal levy County-wide. By reducing the tax ratios in the full commercial and industrial tax ratios, it will result in lower tax rates to these occupied or active businesses.

It is not only municipalities that are eliminating the subclass discounts for vacant and excess land, the Province based on their own review made the decision to eliminate the vacant and excess land subclass treatment for the education portion of the tax bill. The Province has phase-out the subclass discounts over the 2019 and 2020 tax years.

The City of Owen Sound sets its own tax ratios and rates to raise the local municipal levy and County requisition. The 2021 Tax Policy Sensitivity Analysis attached to this report, contains County and Local general levy sensitivity analysis. In the case of Owen Sound, the City’s tax ratios have been similarly adjusted to maintain a class-by-class balance of the City’s levy and the County requisition.

Recommendation – That the elimination of the Commercial and Industrial Vacant and Excess Land subclass discounts be implemented in 2021, while reducing the full

commercial and industrial tax ratios to maintain the approximate class level burdens of the municipal levy County-wide. That County Council adopt the remaining current 2020 tax ratios and the tax reductions for 2021 taxation year for use in setting the 2021 tax rates.

New Optional Small Business Subclass

The Province announced in the 2020 Ontario Budget that beginning in 2021, municipalities would be able to provide a property tax reduction for eligible small businesses through the adoption of a new optional small business property subclass. An amendment to the Assessment Act has now been passed, which now allows municipalities to define small business eligibility and set the discount based on their local needs and priorities through a municipal by-law. Further details on the optional small business tax subclass will be set in regulation once the legislation has passed.

The amount of the reduction and/or minimum/maximum reductions will be set by regulation. Parameters for determining how a property qualifies for inclusion will be at the discretion of each single or upper-tier municipality.

While the provincial budget enables property tax relief for small businesses, the province does not fund the relief. Any reduction to taxes for small business would be funded through a redistribution of property taxes onto other classes of property including other business properties.

There is an issue with timing to this opportunity and immediate implementation of it, as the 2021 assessment roll has been set and delivered, therefore should Council consider the optional subclass for 2021 taxation year, all eligible property tax reductions would be a direct write-off. This would be problematic as most municipalities have either completed their annual budget process or are close to finalizing their budgets.

The effects of creating a new property tax subclass will extend beyond the current year. Implementation without the proper analysis, consulting and review could potentially create inequities between businesses, residents, and municipalities. Properties excluded from the subclass could also be the subject of property tax appeals.

Implementation Considerations/Challenges

- **Eligibility:** Municipalities will have to define small business eligibility in a way that best meets local needs and priorities. Business properties exist in both the broad commercial and industrial property classes, and a small business subclass could be established in one or both classes. Local and County staff would need to consider how to define a “small business” in a way that can be captured in the MPAC-managed assessment roll. Although property assessment is normally performed by MPAC, depending on how eligibility is decided, municipalities may be required to identify each roll number to be included in the small business class and provide the list to MPAC.

A small business can be defined in numerous ways including, number of employees; by property value, by type of business, by retail or structure size, businesses within a geographic area such as a local BIA, by MPACs property codes, by sales revenue, etc. Some of this information is not part of the assessment roll. Input will be required from

MPAC as to how to define a small business and maintain the assessment roll in a practical manner.

- **Tax shifts onto other properties:** The annual budget determines the amount of taxes to be levied and a variety of tax polices determine the property tax rates for each property class. Lowering the tax rate for a small business subclass will shift the tax burden onto other classes of property including residential, multi-residential, and other commercial and industrial properties.
- **Implementation costs:** There could be incremental costs associated with the implementation of the small business subclass, predominately for municipalities that perform tax billing and collection function (e.g. system programming, additional workload, refunds, and write-offs if opted for 2021). If the municipality's definition includes information that is not part of the assessment roll, an application-based process may be required to determine eligibility, which would require additional municipal resources.
- **Timing:** Implementation in 2021 would result in an in-year budget impact to municipalities, given that the assessment roll for 2021 has been finalized and delivered.

The consensus on this new optional subclass is that it should not be viewed as a short-term COVID-19 impact mitigation tool, but rather a longer-term solution that must fit with long term municipal strategic plans and objectives, and implement it in such a way that avoids unintended consequences.

While the option for a small business subclass would enable some municipal and provincial tax relief for eligible small businesses, there is no associated offset funding from the Province for the municipal tax redistribution. Any small business tax relief would be funded through a redistribution of property taxes on other property classes. Once the regulation implementation the subclass is filed, municipalities will need time to understand the costs and benefits of the optional small business property tax subclass.

Recommendation – that the County defers implementation of the proposed optional small business property subclass in 2021 and undertake the necessary policy and financial impact analysis and local consultation following the release of the regulations.

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 at 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 staff are not recommending any new optional property classes for 2021.

Tax Rates

By-law No. 5108-21, a By-law to Adopt the Estimates and Revenue and Expenditures for the Year 2020 was adopted by Council on February 11, 2021.

Recommendation – the Director of Corporate Services prepare a general rating by-law, based on the recommended 2021 tax policy items, for 2021 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.

Tax Relief to Certain Elderly and Disabled Persons who are Owners of Real Property in the County of Grey – Staff presented on March 25, 2021, in Report FR-CW-09-21 that staff be directed to prepare the necessary by-law so that the current relief program would be updated to provide for the cancellation of annual tax increases for the purpose of relieving financial hardship for the annual eligible amount for the low-income seniors and low-income persons with disabilities to provide financial relief from year-over-year increases in property tax for 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.

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.

Utilizing of the optional capping tools available, all business properties in 2020 have now progressed to their full CVA tax levels and no capping protection was provided. All business properties are now excluded from capping.

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 2021 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

[2021 Tax Policy Sensitivity Analysis - Prepared by Municipal Tax Equity Consultants Inc.](#)