The Regional Municipality of York

Committee of the Whole
Finance and Administration
May 9, 2024
FOR DECISION

Report of the Commissioner of Finance

2024 Property Tax Policy

1. Recommendations

1. The New Multi-Residential (Municipal Reduction) property subclass be adopted.

2. Property Tax ratios for the 2024 taxation year be established as follows:

Broad Property Class	Proposed 2024 Tax Ratios
Residential	1.0000
Multi-Residential	1.0000
New Multi-Residential	1.0000
New Multi-Residential (Municipal Reduction) subclass	1.0000
Commercial (incl. office)	1.3321
Industrial	1.6432
Pipelines	0.9190
Farmland	0.2500
Managed Forests	0.2500
Landfill	1.1000

3. Regional Solicitor be authorized to prepare a bylaw to implement the above tax ratios and adopt the “New Multi-Residential (Municipal Reduction)” property subclass.

4. Staff be directed to review property tax discounts for the Vacant and Excess Commercial and Industrial Land subclass and provide a recommendation regarding their continued use as part of the 2025 Tax Policy Report.

5. Regional Clerk circulate this report to local municipalities.

2. Purpose

This report proposes property tax policy, including tax ratios, for the 2024 taxation year. As required under Section 308 of the *Municipal Act, 2001* (Municipal Act), upper-tier municipalities must establish tax ratios for both upper-tier and local municipalities. The report also proposes the Region adopt the New Multi-Residential Class (Municipal Reduction) as well as commence a review of the discount currently being offered for Vacant and Excess Commercial and Industrial lands.

Key Points:

- Tax ratios indicate how the tax rate of a given property class compares to the residential class, with the residential ratio being equal to "one"
- Following the 2016 reassessment, Council approved "revenue-neutral tax ratios" to mitigate effects of the reassessment on homeowners. The 2016 reassessment was fully phased in by 2020 and Council maintained the same tax ratios through 2023
- On August 16, 2023, the Province filed a regulation under the *Assessment Act, 1990* requiring fully phased-in values as of January 1, 2016, to be used for the 2024 taxation year. The 2024 Ontario Budget affirmed the announcement that assessment values for taxation purposes would remain at 2016 levels until a review of the Provincial taxation and assessment system has been completed
- In 2020, 2022, and 2023, Council directed staff to defer a review of the Vacant and Excess Commercial and Industrial Land Discount until after the next property reassessment. As property reassessment continues to be postponed, policy effectiveness and benefits of offering the discount could be reviewed for potential recommendations in the 2025 tax year
- The 2024 Ontario Budget announced that municipalities may adopt a new optional subclass and offer property tax rate discounts of up to 35% for new purpose-built rental buildings. The new property subclass would have the same tax ratio as the existing the New Multi-Residential property class; however, future purpose-built building could be offered a property tax discount up to 35%. A detailed analysis and potential recommendations for a property tax rate discount could be considered for implementation for the 2025 tax year

3. Background

Tax Ratios determine the share of property tax burden borne by each property class

Tax ratios determine the distribution of the property tax burden among the different property classes. Tax ratios and the council-approved budget are used to calculate property tax rates necessary to raise funds to fund the tax levy-supported portion of the budget.

The tax rate for a given property class is determined by multiplying the residential tax rate by the tax ratio for the class. For example, if the proposed tax ratios are adopted, the tax rate for a property in the commercial class would be 1.3321 times the residential tax rate. Table 1 shows the property tax ratios that have been in place since 2013.

Table 1
Property Tax Ratios Since 2013 Taxation Year

Property Class	2013-2016 Ratios	2017 Ratios	2018 Ratios	2019 Ratios	2020-2023 Ratios	2024 Ratios (Proposed)	Ranges of Fairness[1]
Reassessment Year	**2012**	**2016**					
Residential	1.0000	1.0000	1.0000	1.0000	**1.0000**	**1.0000**	1.0000
Multi-Residential	1.0000	1.0000	1.0000	1.0000	**1.0000**	**1.0000**	1.0 to 1.1
New Multi-Residential	1.0000	1.0000	1.0000	1.0000	**1.0000**	**1.0000**	1.0 to 1.1
New Multi-Residential (Municipal Reduction) subclass	N/A	N/A	N/A	N/A	N/A	**1.0000**	1.0 to 1.1
Commercial (incl. office)	1.1172	1.1813	1.2323	1.2794	**1.3321**	**1.3321**	0.6 to 1.1
Industrial	1.3124	1.4169	1.4973	1.5704	**1.6432**	**1.6432**	0.6 to 1.1
Pipelines	0.9190	0.9190	0.9190	0.9190	**0.9190**	**0.9190**	0.6 to 0.7
Farmland	0.2500	0.2500	0.2500	0.2500	**0.2500**	**0.2500**	0.25
Managed Forests	0.2500	0.2500	0.2500	0.2500	**0.2500**	**0.2500**	0.25
Landfill	-	1.1000	1.1000	1.1000	**1.1000**	**1.1000**	0.6 to 1.1

[1] Ranges of fairness are the tax ratios established by the Province per O. Reg. 386/98 and sections 308.1(3) and 308.1(2) of the *Municipal Act, 2001* to ensure properties of similar assessment levels pay similar amounts of taxes

regardless of class. They help align levels of taxation with costs of providing services to that class. Business classes typically consume fewer municipal services than residential classes.

Revenue-neutral tax ratios were adopted in 2017 to mitigate impacts of the 2016 reassessment on residential property owners

As prescribed by Section 19 of the *Assessment Act, 1990*, the 2016 property reassessment was phased in over four years, beginning with the 2017 taxation year. Since residential property had experienced a significantly higher increase in property values than those in the commercial and industrial property classes, Council adopted revenue-neutral ratios to mitigate the impact of the assessment increase.

Revenue-neutral tax ratios are calculated to keep the share of tax burden borne by each property class consistent despite changes in shares of assessed value. However, the Region's tax ratios for commercial and industrial property classes are still among the lowest in the Greater Toronto Area (GTA), as shown in Table 2.

Table 2

2023 Commercial and Industrial Tax Ratios for GTA Municipalities[1]

	Commercial Property Tax Ratio	Industrial Property Tax Ratio
Brampton	1.297100	1.470000
York Region	**1.332100**	**1.643200**
Caledon	1.347534	1.591035
Durham	1.450000	2.023500
Halton	1.456500	2.090700
Mississauga	1.516977	1.615021
Toronto	2.637413	2.585658

[1] GTA municipalities with authority to establish tax ratios

Property assessments are expected to be updated once the Province completes a review of the assessment and taxation system

The Municipal Property Assessment Corporation (MPAC) had planned to release an updated property assessment in 2020 for use by municipalities for the 2021 to 2024 taxation years. However, due to the COVID-19 pandemic, the Province has repeatedly postponed the reassessment.

On August 16, 2023, the Province again extended the assessment freeze through the 2024 taxation year. Simultaneously, the Province also announced its intention to continue deferring reassessment until a review of the property assessment and taxation system has been completed, focusing on fairness, affordability and business competitiveness.

As a result, revenue-neutral tax ratios adopted in 2020 continue to be revenue-neutral tax ratios until the next reassessment.

New Multi-Residential (Municipal Reduction) subclass would allow municipalities to provide property tax discounts of up to 35% for new purpose-built rentals

Through the 2024 Ontario Budget, the Province announced municipalities could adopt an optional subclass and offer a property tax rate discount between 0% and 35% on eligible properties within the subclass to encourage purpose-built rental development.

The discount would only apply to new multi-residential properties that receive building permits after municipalities pass a bylaw to adopt the optional subclass. Existing multi-residential properties, properties currently under construction, or properties for which a building permit has already been issued would not be eligible. The new optional subclass has the same property tax ratio as the existing New Multi-Residential property class.

Vacant and Excess Land Discount is the only remaining policy from the Province's initiatives to support reform of the property tax system

As part of the standardization of the property assessment and taxation system in 1998, Business Occupancy Taxes were eliminated and replaced with higher commercial and industrial property taxes. This shifted the tax burden away from businesses (irrespective of whether they owned their occupied property) to commercial and industrial property owners.

The Province implemented several measures to help mitigate the impact of the shift including a Vacant Unit Rebate, Capping and Clawback, and the Vacant and Excess Land Discount. Council eliminated the Vacant Unit Rebate in 2018 and completed phasing-out Capping and Clawback by 2020.

The remaining policy for Vacant and Excess Commercial and Industrial Land (land without a structure, not used for farming, or in excess of its current use) provides a 30% and 35% discount for those properties respectively.

Province has already phased out the Vacant and Excess Land Discount for the education portion of property taxes

The Vacant and Excess Land Discount was initially applied to both the municipal and education portions of property tax. In 2017 and 2018, the Province allowed municipalities to eliminate the discount on municipal property taxes and indicated that it would mirror municipal decisions on the education component. By 2020, the Province phased out the Vacant and Excess Land Discount for the education portion of property taxes regardless of municipal decisions.

In 2020, 2022, and 2023, Council directed staff to review the Vacant and Excess Land discount following the next property reassessment. However, as the reassessment continues to be delayed the timing of the review is still unclear.

2024 Ontario Budget announced the release of the Provincial Policy Framework for a Vacant Home Tax

In November 2023, Council declined to proceed with a Vacant Home Tax due in part to the absence of a Provincial Policy Framework. Following its budget presentation, the Province released the Provincial Policy Framework and accompanying regulations. As noted in the November 2023 Council report, a Vacant Home Tax will be reviewed as a potential policy tool as part of the Affordable Housing Implementation Plan ("AHIP"), now expected in the Fall of 2024.

4. Analysis

Maintaining tax ratios at 2023 levels will keep each property class's share of the tax burden consistent

Municipalities may adjust their tax ratios by moving them towards, or within, the provincially defined ranges of fairness or towards calculated revenue-neutral ratios. Since there is no assessment to phase in, revenue-neutral ratios are the same as current ratios.

Any option other than maintaining existing ratios would shift the tax burden towards residential properties, which is inconsistent with the tax policy adopted by Council in 2017 to mitigate the impact of assessment increases on residential properties. It is recommended that the 2023 tax ratios be maintained for the 2024 taxation year (see Table 3).

Table 3

Proposed Tax Ratios for 2024

	2023 Actual	2024 Proposed
Residential	1.0000	1.0000
Multi-Residential	1.0000	1.0000
New Multi-Residential	1.0000	1.0000
New Multi-Residential (Municipal Reduction) subclass	N/A	1.0000
Commercial (incl. office)	1.3321	1.3321
Industrial	1.6432	1.6432

	2023 Actual	2024 Proposed
Pipelines	0.9190	0.9190
Farmland	0.2500	0.2500
Managed Forests	0.2500	0.2500
Landfill[1]	1.1000	1.1000

[1]Currently, the Region has landfill properties as payment-in-lieu only and not as a taxable property class.

Proceeding with a Vacant and Excess Land Discount review provides an opportunity to ensure alignment with other Council policies

The majority of vacant and excess properties currently receiving a discount are located in Regional centres and corridors which according to the Regional Official Plan will accommodate most of the Region's planned growth.

The Vacant and Excess Land Discount does not incentivize development on vacant lands. As such, it may not be consistent with other policies aimed at supporting the Region's growth and development, such as development charge deferrals for new large office development.

Reviewing the Vacant and Excess Land Discount would allow Council to consider its alignment with other policies, such as revenue-neutral tax ratios, which helped mitigate the impact of the 2016 reassessment on residential property owners.

Offering discounted property tax rates to new purpose-built rentals could be one way to support the Region's housing objectives

The Province introduced the new multi-residential subclass and associated discounts to encourage the development of more purpose-built rental units. This aligns with the Region's 2019 - 2023 Housing and Homelessness Plan objectives, including increasing the supply of purpose-built rentals, as well as existing incentives to create complete communities, including development charge deferrals for affordable purpose-built rentals.

Only properties that receive building permits after the subclass is adopted would be eligible to receive a future potential property tax discount. Any discounts provided would be recovered from other taxpayers.

Through 2024, staff will review potential impacts of a discount, including consultation with local municipalities, residents and the business community. The discount's impact on potential purpose-built rental development could also be assessed as part of the AHIP, expected in the third quarter of this year. Staff will provide an update to Council as part of the 2025 Tax Policy report, including a recommendation regarding the discount.

Establishing tax ratios supports the Region's Vision, including Good Government and Economic Vitality

The Region's Vision for Good Government includes providing residents with good value for their tax dollars. Tax ratios are a tool by which the Region can support the Vision as they determine how the tax burden is distributed among the different property classes. This also illustrates the reliability of Council in meeting requirements under the *Municipal Act, 2001*, *Assessment Act, 1990* and associated regulations. Tax ratios also support economic vitality by ensuring the Region's tax policies are competitive among neighbouring municipalities, as equitable tax burdens among different property classes can help the Region continue to attract businesses and residents.

5. Financial Considerations

The adoption of tax ratios enables the Region to set tax rates to raise the amount of revenue Council approves through the annual budget process. The ratios do not affect the total amount of taxes collected, only the distribution of tax burden among different property classes.

Adoption of the New Multi-Residential (Municipal Reduction) optional subclass for the 2024 tax year would not have a financial impact since existing properties are not eligible.

6. Local Impact

Maintaining phased-in 2016 assessment values for the 2024 taxation year and revenue-neutral tax ratios, there will only be minor changes in the shares of the tax burden borne by each broad property class and each local municipality as a result of growth. Reviews of the Vacant and Excess Land Discount and the optional New Multi-Residential (Municipal Reduction) subclass will include consultation with local municipalities to ensure any future recommendations acknowledge potential impacts.

7. Conclusion

Proposed 2024 tax ratios will enable the Region to set tax rates to raise the property tax levy requirement approved by Council in the 2024 budget.

For more information on this report, please contact Bonny Tam, Acting Director, Treasury Office at 1-877-464-9675 ext. 75885. Accessible formats or communication supports are available upon request.

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