

REGIONAL MUNICIPALITY OF OTTAWA-CARLETON
MUNICIPALITÉ RÉGIONALE D'OTTAWA-CARLETON

REPORT
RAPPORT

Our File/N/Réf.
Your File/V/Réf.

DATE 10 June 1998

TO/DEST. Coordinator
Corporate Services and Economic Development Committee

FROM/EXP. Finance Commissioner

SUBJECT/OBJET **TREATMENT OF PROPERTY TAXATION FOR FARMLANDS OWNED BY THE NATIONAL CAPITAL COMMISSION AND LEASED FOR FARMING PURPOSES**

DEPARTMENTAL RECOMMENDATION

That the Corporate Services and Economic Development Committee recommend Council seek the City of Nepean's concurrence to treat NCC farmlands with the same provisions that determine eligibility for other farmlands that are taxed at 25% of the total residential rate and upon receiving this endorsement, indicate support for the City of Gloucester's resolution, under the provision that it is applied consistently across the Ottawa-Carleton region.

DISCUSSION

Prior to 1998, the province provided owners of farm properties who met certain eligibility criteria, as defined by the Ministry of Agriculture, Food and Rural Affairs, with a property tax rebate program of approximately 75% of the total taxes levied on these properties. All farm properties that met the criteria established in the regulations were eligible for the rebate, with the following exception:

“Except for the Agricultural Rehabilitation and Development Directorate of Ontario and conservation authorities, the Crown and agencies and corporations owned, controlled or operated by the Crown or a government are not eligible for a rebate.”

Under the changes introduced in the Fair Municipal Finance Act, this rebate program has been replaced with a reduced tax rate for these eligible farm properties. Owners of the farmland properties that would have been eligible previously for the tax rebate program, will be taxed at 25% of the total residential property tax rate in 1998. Based on the current draft regulations that

define this eligibility criteria, farmers who lease land from the National Capital Commission (NCC), and meet the rest of the criteria, would not be eligible to be considered under this reduced tax rate class, given that the property is ownership restricted. This limitation continues to place NCC tenant farmers in an unfair tax disadvantage with respect to the other farmers in the community.

At the June 9th meeting of Gloucester Council, a resolution was passed endorsing the treatment of NCC farmlands in the same manner in which other farmland properties are treated, regardless of who owns the property. Attached is a copy of the City of Gloucester report, with the submission from the NCC Farm Tenants Association, and the adopted resolution.

Based on information provided by the National Capital Commission, it is estimated that there are 37 farmers leasing 127 properties in the cities of Nepean and Gloucester that would potentially be eligible for the tax reduction program if the ownership restriction is removed. The total 1997 realty taxes that were levied on these properties was approximately \$150,000. If these properties had been taxed in the farmland property class in 1997, the 75% rebate they would have received would have resulted in a total revenue loss of \$112,500. Based on these estimates, and RMOC's 1998 share of taxation for residential/farm properties, this amounts to a loss of revenue of \$67,500 for RMOC. The resulting burden of removing the ownership restriction would be shared across all property classes.

*Approved by
J.C. LeBelle*

Attach. (1)

THE CORPORATION OF THE CITY OF GLOUCESTER
REPORT TO CITY COUNCIL
JUNE 9, 1998

Title: NCC Farm Tenants
Submitted by: Jo-Anne Poirier, Deputy City Manager, Corporate Services
Prepared by: Gilles Malboeuf, Head, Tax & Assessment (ext. 4156)

SUBJECT:

To present for consideration by Council, a resolution on changes to the tax treatment of farmlands leased from government agencies.

RECOMMENDATION:

THAT Council:

- (a) support the position of The National Capital Commission Farm Tenants Association that there should be fair tax treatment of all farm properties; and
- (b) request that the Ministers of Finance, Municipal Affairs and Housing and Agriculture, Food and Rural Affairs prepare the regulations in order to allow the 25% Farmlands Class tax rate on federal lands leased to farmers.

BACKGROUND:

Under the new legislation (Fair Municipal Finance Act, Bill 106), farmland is taxed at 25% of the residential tax rate. The definition of farmland will be included in new regulations which are now being drafted. This lower rate would apply to all farmers who meet the farm production and income requirements set by the Ministry of Agriculture, Food and Rural Affairs with the exception of tenants who lease from the Crown (i.e. NCC). Prior to this change, these farmers were not eligible for a tax rebate under the Farm Tax Rebate Program which the lower rate of 25% replaces.

DISCUSSION:

The NCC Farm Tenants Association addressed Council at its meeting of May 26, 1998 to express their disapproval of the fact that tenants of the Crown were not allowed the lower tax rate of 25% of the residential rate. Farm tenants of private land owners will benefit from the lower rate and have always benefited in the past from the rebate program. Under draft regulation, the NCC tenant farmers cannot benefit from the 25% tax rate because the land is under government ownership. However, the draft regulation will, for the first time, permit tenants of farmland owned by Conservation Authorities to qualify for the lower tax rate of 25% if they meet the farm eligibility requirements. The different treatment of farm tenants based on land ownership is not fair.

There are 36 farm properties leased by the NCC in Gloucester of which 23 would qualify for the lower tax rate if legislation would be changed to include tenants of the Crown.

FINANCIAL IMPLICATIONS:

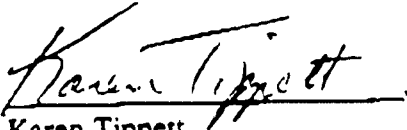
If the 23 properties mentioned above would qualify for the lower tax rate, the estimated loss in total taxes based on 1997 rates, would be \$89,000. The City's share would be \$13,400.

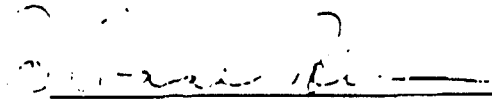
CONCLUSION:

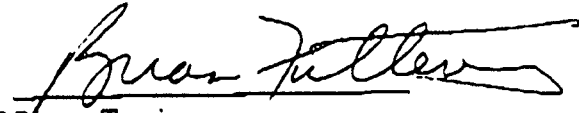
The proposed amendment would seek to rectify the unfair tax treatment imposed on the farm tenants of the Crown, particularly the NCC tenants. The attached resolution addresses this problem and proposes that the Crown tenants be accorded the same treatment as tenants of private landowners.

APPENDICES:

1. Appendix "A" - Submission from National Capital Commission Farm Tenants Association
2. Resolution to adopt recommendation


Karen Tippett
Treasurer


Jo-Anne Poirier
Deputy City Manager, Corporate Services


Pierre Tessier
City Manager

APPENDIX "A"

Title: Submission from National Capital Commission Farm Tenants Association

National Capital Commission (NCC) Farm Tenants Association

c/o Theresa Whalen-Rutter, Chair

3664 Baseline Road, Ramsayville, Ontario K0A 2Y0 Tel/Fax: (613) 731-7321 E-mail: rutter@intranel.ca

Delegate's Address: *I am bringing to the attention of the Gloucester City Council an unfair property tax situation and am asking Council to support the efforts of the NCC Farm Tenants Association in correcting the problem.*

Background

- The National Capital Commission (NCC) pays property taxes on leased properties and pays grants in lieu of taxes on non-leased properties. Taxes on leased properties are recovered directly from the tenants.
- The Ontario government only recognizes the NCC as a government land-holder and has lumped together all of its holdings into the categories of Municipal Residential, Conservation, Commercial, and so on. The individual assessment of leased properties is no longer available. This makes it impossible for tenants to know exactly what their taxes are.
- Furthermore, the Ontario government does not recognize any NCC properties as farmlands and the 25% Farmlands Class tax rate is not being applied. This is forcing farming tenants of the NCC to pay the full Municipal Residential tax rate on their entire farm properties.
- Under the previous Farm Tax Rebate Program, NCC farmlands were not recognized citing the logic that a government cannot receive a rebate from another government. This means that NCC farm tenants have been paying the full property tax rates on their leased lands for years! Numerous individual attempts to rectify this injustice have been made over the decades - but they fell on deaf ears. In more recent years, tenants were pacified with the promise of change in this new legislation. Now we see that we have been excluded again!
- Since paying the property taxes is part of the lease/rent formula, many NCC farm tenants have had their leases expire and are renting month to month on goodwill because they could not negotiate a new lease until the new fair tax legislation went through establishing the long-promised lower Farmlands Class tax rate.
- Now, NCC farmers cannot even determine what their tax assessment is, let alone claim the 25% Farmlands Class tax rate!
- There are 59 agricultural properties leased out by the NCC (36 Gloucester and 23 Nepean), about 40 of which would qualify in all manners for the 25% Farmlands Class tax rate.
- If the Farmlands Class tax rate were applied to qualified NCC farmers, the impact on the City of Gloucester would be about \$89,000 less in revenues (Approximately \$60,000 for Nepean.)
- It is ironic that provincial Conservation Authority lands leased out for agricultural purposes are taxed at the 25% Farmlands Class tax rate. Why is it that NCC farm tenants are not taxed at the same rate as other Ontario farmers?
- Farming is a long-term business with profitability based on cost efficiency. How can NCC farmers be economically competitive when they are paying 75% more in farmland property taxes than other Ontario farmers? We sure don't get paid more for our milk, meat, eggs, crops and produce, just because they were grown on government lands!
- NCC farm tenants feel we are good care-takers of the land and rural image of our communities. If farm tenants were forced out of the NCC due to excessive taxes, what would our city look like then?

I trust that the people's representatives in the City of Gloucester will recognize the unfair financial burden placed on NCC farm tenants and support us in our quest for property tax fairness and equality.

Council
Resolution No:
Meeting Date: June 9, 1998
Moved by:
Seconded by:



WHEREAS the National Capital Commission (NCC) pays property taxes on property that it leases and payments-in-lieu of taxes on non-leased properties (vacant properties);

AND WHEREAS the NCC recovers from its tenants the taxes that it pays on leased properties;

AND WHEREAS the tenants that lease land from the NCC and use it for farming purposes are not eligible for the lower farmland tax rate of 25% of the residential rate on account of the land being owned by a government agency;

AND WHEREAS the NCC farm tenants believe they should be treated fairly and equitably and therefore seek the same tax treatment as other farm tenants who lease farmland from private land owners;

AND WHEREAS the NCC farm tenants believe that the NCC and other government agencies who lease land for farming purposes should be taxed at the lower rate of 25% of the residential tax rate;

NOW THEREFORE BE IT RESOLVED that the Council of the Corporation of the City of Gloucester supports the position of the NCC Farm Tenants Association that there should be fair tax treatment of all farm properties that otherwise qualify and requests that the Province prepare the related regulation defining the ownership eligibility requirements so as to allow the NCC and other government agencies to benefit from the lower farmland tax rate and pass the savings on to their farming tenants;

AND BE IT FURTHER RESOLVED that a copy of this resolution be forwarded to the City of Nepean and the Regional Municipality of Ottawa-Carleton for their endorsement and to the Minister of Finance, the Minister of Municipal Affairs and Housing and the Minister of Agriculture, Food and Rural Affairs and to the local Members of Provincial Parliament for their action.

CARRIED

MAYOR