7. PROPERTY ASSESSMENT AND TAXATION POLICY UPDATE

COMMITTEE RECOMMENDATION

That Council receive this report for information.

DOCUMENTATION:

1. Finance Commissioner's report dated 27 May 98 is immediately attached.

2. Extract of Draft Minute, Corporate Services and Economic Development Committee, 2 June 98, immediately follows the report and contains a record of all votes.

REGIONAL MUNICIPALITY OF OTTAWA-CARLETON | REPORT
MUNICIPALITÉ RÉGIONALE D'OTTAWA-CARLETON | RAPPORT

Our File/N/Réf.
Your File/V/Réf.

DATE	27 May 1998
TO/DEST.	Acting Co-ordinator Corporate Services and Economic Development Committee
FROM/EXP.	Finance Commissioner
SUBJECT/OBJET	**PROPERTY ASSESSMENT AND TAXATION POLICY UPDATE**

DEPARTMENTAL RECOMMENDATION

That the Corporate Services and Economic Development Committee recommend Council receive this report for information.

PURPOSE

This report is intended to provide members of Council with additional details concerning the use of the optional cap on property tax increases for the commercial, industrial, and multi-residential property classes.

DISCUSSION

On 27 Mar 98, the Minister of Finance announced that further measures would be introduced to protect small business from large property tax increases. The province's news release indicated:

"Today's announcement includes a provision that would allow municipalities to limit tax increases, to no more than 2.5 per cent for each of the next three years, on business properties with historically outdated assessments."

The announcement further acknowledged that this provision was developed to mitigate the increases in areas such as Toronto, where the assessment base is significantly out-of-date. The legislation, however, does not restrict other municipalities from using this option. On 7 May 98, the Finance Minister introduced Bill 16, *the Small Business and Charities Protection Act, 1998*. The provisions contained in the Bill provided some of the details for an optional property tax increase cap of 2.5% and the conditions placed on the use of this cap, including the following if adopted:

- the decision to use the optional cap rests with Regional Council and the impact of the cap applies to all taxes (upper-tier, lower-tier, business occupancy taxes and education taxes);
- the decision must be made within 30 days from the date of the return of the assessment roll, unless extended by regulation;
- the 2.5% cap per year applies to 1998, 1999 and 2000, with no ability to opt out in years 2 or 3;
- the upper-tier municipality can not delegate authority for establishing tax ratios to the lower-tier in 1998, 1999, or 2000;
- the cap can only be used on properties in the commercial, industrial, and multi-residential property classes;
- the cap can only be financed through the property class to which it applies by limiting tax decreases at 2.5%;
- the cap can be applied to individual business properties or alternatively to tenants (for example, businesses leasing space in shopping centres, office buildings, or industrial malls);
- the otherwise mandatory 40% rebate program for registered charities becomes optional;
- despite any provisions in their leases, tenants who are eligible under this program are protected from paying any increases in property taxation to their landlord that exceed the 2.5% cap.

The most restrictive parameter that this legislation introduces is that the 2.5% tax cap applies to all tax increases for these properties for a 3 year period and not just those that are driven by assessment changes.

In other words, if in the year 1999 or 2000 there is a requirement to raise additional taxes to cover new costs, the burden would rest totally on those properties that were not protected by this cap. This presents a significant risk, given that this cap may also limit the alternatives for future tax ratio and tax rate scenarios.

It was the original intention of the provincial government to pass this Bill by 29 May 98, at the same time that the final tax roll was scheduled to be released. The Bill has received first reading and was tentatively scheduled for second and third reading the week of 25 May 98, with royal ascent occurring within the following week. The province has attempted to rush this Bill through the Legislature because the changes contained in the Bill affect the ability of municipalities to establish tax rates for 1998.

On the afternoon of 27 May 98, the Province removed a time allocation motion that was to be tabled later on during the day that was intended to assist in expediting the Bill through the Legislature. At the time of finalizing this report, the anticipated timing for passage of the Bill is unknown.

Approved by
J.C. LeBelle

Extract of Draft Minute
Corporate Services and
Economic Development Committee
2 June 1998

<u>PROPERTY ASSESSMENT AND TAXATION UPDATE</u>
- Finance Commissioner's report dated 27 May 98

Councillor P. Hume spoke about information provided by the Association of Municipal Clerks and Treasurers of Ontario (AMCTO) with respect to Bill 16 having gone to committee where it can be amended. He said it was his understanding that representations to this committee were heavily skewed towards the associations and organizations for whom municipalities will be required to provide rebates. He recalled that Bill 16 made it mandatory to provide rebates to charities and like organizations and he expressed concern the next step would likely be to also make rebates to like organizations mandatory as opposed to this decision being left at the discretion of municipalities. He suggested the Regional Finance Commissioner attend the committee meeting to present the viewpoint that the decision about rebates should remain with the Regions across the Province.

The Finance Commissioner, Mr. J. C. LeBelle, informed the Committee there is to be only one committee meeting on Tuesday 3 June; in addition, the provincial government has imposed closure on Bill 16 and it will be back before the legislature on Thursday, June 4. Mr. LeBelle indicated that the Bill was first introduced in March 1997 in response to concerns expressed about the historically out-of-date assessments in Toronto and the tremendous impact that Current Value Assessment would have on the commercial and business sector in that city. Staff now understand that the City of Toronto does not intend to use the 2.5% cap, but rather to provide rebates to businesses to alleviate tax pressures. He pointed out that, in Ottawa-Carleton's case, the situation is different as the Region went through region-wide assessment in 1992 and it could not be argued that "historically outdated assessments" are a factor.

Mr. LeBelle drew Committee's attention to the fact that, should Council decide to use the legislation to limit increases in the commercial sector, it cannot have a tax increase for any purpose and it must keep that limitation for three years. In response to a question from Councillor Hume, Mr. LeBelle confirmed this means that only taxes on homeowners could be raised.

Moved by R. van den Ham

<u>That the Corporate Services and Economic Development Committee recommend Council receive this report for information.</u>

RECEIVED