



Alternative formats and communication supports available upon request. Please contact accessibility@brantford.ca or 519-759-4150 for assistance.

Date December 14, 2022 **Report No.** 2022-713

To Chair and Members
Finance Committee

From Joelle Daniels
Director of Finance/City Treasurer

1.0 Type of Report

Consent Item []
Item For Consideration [X]

2.0 Topic 2023 Property Tax Policy [Financial Impact - None]

3.0 Recommendation

- A. THAT Report 2022-713 2023 Property Tax Policy BE RECEIVED, and;
- B. THAT no commercial or industrial optional property classes BE ADOPTED;
and
- C. THAT no graduated tax rates BE ADOPTED for the commercial or industrial property classes; and
- D. THAT no phase-in of property taxes BE ADOPTED; and
- E. THAT no relief from hardship be adopted for the residential, farmland or managed forest property classes; and
- F. THAT the 30% tax rate reduction for vacant and excess land in the commercial and industrial property classes be reviewed with a recommendation coming forward to the Estimates Committee in February;
and
- G. THAT the tax rate reduction for farmland awaiting development phase 1 REMAIN at 25% of the residential tax rate and that the tax rate reduction for farmland awaiting development phase 2 REMAIN at 30% for commercial, industrial and multi-residential class property; and

-
- H. THAT all related by-laws, being by-laws to; provide for an interim tax levy for 2023, set tax rate reductions for prescribed property subclasses for general purposes for 2023, set tax ratios for general purposes for 2023, set tax rates for general purposes for 2023 and provide for the collection of taxes for 2023 BE PRESENTED to Council for adoption within the legislated time frames.

4.0 Executive Summary

The annual tax policy report establishes tax policy for the year including decisions that affect the annual operating budget and the impact on property taxes for all property owners. With these decisions approved before the adoption of the annual operating budget, staff is able to identify for Council the impact of the decisions being considered during the Estimates Committee meetings. The tax policy decisions being considered include tax ratio decisions that conform to the approved Tax Ratio Reduction Policy, optional property classes and the elimination of the 30% reduction in property taxes for the vacant or excess land in the commercial and industrial tax classes. In 2021, the Province authorized the option to establish a small business property subclass, however this is not being considered at this time due to complexities involved with establishing this additional tax subclass, and the implications on all property owners that must be considered. In addition, City Council already has an approved property tax ratio reduction policy that assists in the reduction of tax rates for the non-residential tax classes and starting in 2021, the Province approved an approximate 30% reduction in education taxes for non-residential property classes. In 2021, the average property in the Commercial and Industrial tax classes experienced an overall tax reduction of 12% and 10% respectively due to the Council approved tax ratio reduction policy and the reduction of the education tax rate by the Province. In 2022 City Council decided to suspend Finance Policy 014 – Tax Ratio Reduction Policy and not reduce tax ratios for the non-residential properties in accordance with the policy.

5.0 Purpose and Overview

The purpose of this report is to set 2023 tax policy so that the 2023 Budget can be prepared and reviewed with the appropriate tax policy positions included in the operating budget, plus allow for the preparation and presentation of the appropriate by-laws to provide for the collection of taxes for 2023.

These recommendations enable the municipality to move towards full CVA taxation as quickly as possible, while attempting to keep the tax system, from a

municipal perspective, easy to understand and also maintains the Council direction that was established from previous years' tax policy decisions.

6.0 Background

Reviewing and setting property tax policy is an annual exercise that used to be conducted after the budget has been determined. For several years now, tax policy has been reviewed before the operating budget is approved by the Estimates Committee. This year again, staff is attempting to address tax policy considerations so that the Operating Budget can be prepared with set tax policy positions included in what is presented to the Estimates Committee for review.

In 2015, Council approved a Tax Ratio Reduction Policy which reduces the tax ratios for the Commercial, Industrial and Multi-Residential tax classes based on the amount of assessment growth in these corresponding tax classes. Summarized below, the impact of this Tax Ratio Reduction Policy has been identified for years 2016 to 2021:

Year	Tax Class	Assessment Growth	Ratio Reduction	Impact on Class	
				\$	%
2016	Residential			\$ 4.42	0.166%
	Commercial	0.760%	0.608%	\$ (47.37)	-0.440%
	Industrial	0.580%	0.464%	\$ (75.25)	-0.290%
	Multi-Residential	-3.380%	N/C	\$ 107.21	0.160%
2017	Residential			\$ 16.44	0.580%
	Commercial	-0.502%	N/C	\$ 66.00	0.600%
	Industrial	4.220%	3.376%	\$ (744.71)	-2.820%
	Multi-Residential	5.765%	4.612%	\$ (2,912.67)	-3.880%
2018	Residential			\$ 21.25	0.710%
	Commercial	1.341%	1.073%	\$ (43.83)	-0.360%
	Industrial	4.547%	3.638%	\$ (828.83)	-2.930%
	Multi-Residential	3.835%	3.068%	\$ (1,667.80)	-2.300%
2019	Residential			\$ 9.96	0.320%
	Commercial	1.226%	0.981%	\$ (84.54)	-0.640%
	Industrial	0.953%	0.762%	\$ (131.89)	-0.430%
	Multi-Residential	1.100%	0.880%	\$ (384.39)	-0.530%
2020	Residential			\$ 3.72	0.120%
	Commercial	0.522%	0.418%	\$ (63.73)	-0.300%
	Industrial	-0.193%	0.000%	\$ 52.54	0.120%
	Multi-Residential	0.562%	0.450%	\$ (240.02)	-0.320%
2021	Residential			\$ 19.07	0.580%
	Commercial	2.657%	2.126%	\$ (334.54)	-1.600%
	Industrial	1.445%	1.156%	\$ (265.36)	-0.600%
	Multi-Residential	0.332%	2.660%	\$ 230.71	0.310%

From 2016 to 2021, the Commercial tax ratio has been reduced from 1.8755 to 1.7457, the Industrial tax ratio has been reduced from 2.4730 to 2.2482 and the Multi-Residential tax ratio has been reduced from 2.0472 to 1.8628 to reflect the percentage increases in assessment growth for these tax classes.

If the tax ratio reduction policy did not exist over the last five years, the taxes on the average property in the Commercial, Industrial and Multi-residential properties would be 2.72%, 6.21% and 7.07% higher respectively.

In 2022, City Council decided to suspend the Tax Ratio Reduction Policy and did not reduce tax ratios in the non-residential tax classes. Therefore, tax ratios for the Commercial, Industrial and Multi-Residential tax classes remained at 1.7457, 2.2482 and 1.8628 respectively.

For 2023, the Tax Ratio Reduction Policy will be re-implemented and tax ratios will continue to be reduced when there is assessment growth until the approved tax ratio goal for the business classes of 1.5 is achieved.

Once Council approves a final budget including tax ratios and the impact on the tax classes, the appropriate bylaws will be presented to Council for adoption.

7.0 Corporate Policy Context

Reviewing tax rate fairness was identified as an opportunity in the Service Review Final Report prepared by KPMG in 2019.

8.0 Input From Other Sources

The resources of the Province are used to assist in analyzing data for tax policy option implications. The resource referred to is a website maintained by the Province available to municipalities, OPTA (Ontario Property Tax Analysis).

9.0 Analysis

It should be noted that the recommendations contained in this report maintain Council's past direction of moving towards full CVA taxation.

This analysis will deal with each of the recommendations in order as they appear in Section 3.

8.1 "That no commercial or industrial optional property classes be adopted."

Optional property classes include shopping centre, office building, parking lot, large industrial and new multi-residential. Creating optional property classes in the commercial and industrial sectors will only shift taxes between the various subclasses of property.

Council created the New Multi-residential property class in 2008 in order to attract development in the multi-residential property sector. Currently there are 20 properties in the New Multi-residential property class and provincial legislation dictates that these properties have a tax ratio that does not exceed 1.1000.

As noted above, once more information regarding the option to establish a small business tax including what other municipalities may be considering, a report will be brought to Council identifying options and the impacts of creating such a class. This is a complicated process that requires consulting with the business

sector and currently there are only two municipalities that we know of that have adopted the small business tax class.

8.2 “That no graduated tax rates be adopted for the commercial or industrial property classes.”

This tool, sometimes called banding, allows for different tax rates to apply in the same property class. Two or three rates can be chosen and would be applied on the basis of a property’s value. Each of the rates would apply to the portion of the value of a property that is in the band or range of value. For example, in a two-band option, a lesser rate would apply to the value of a property below a certain value and the portion above the specified value would be charged a higher rate. Graduated taxation is a tax policy tool that was intended to bring relief to smaller businesses with lower CVA’s, however smaller business located within larger properties (shopping centers) are not assured of receiving this reduced tax level. It is just another level of complexity that has no real benefit. We are still only aware of one municipality that has adopted this option.

8.3 “That no phase-in of property taxes be adopted.”

This option would allow for all tax changes in the year of a reassessment to be phased in. 2017 was a reassessment year and the Province again implemented a four-year phase-in of assessment increases related to the reassessment. This phase-in applies to all property classes and eliminates the requirement to consider a phase-in of property tax increases. A new reassessment cycle was scheduled to be completed in 2020 and the value for all properties would reflect a value for January 1, 2019. Due to the Covid-19 pandemic, this general reassessment has been delayed again and all properties that have not experienced change events will keep the same assessed value in 2023 that they had 2020, 2021 and 2022.

8.4 “That no relief from hardship be adopted for the residential, farmland or managed forest property classes.”

This is a tool that allows a municipality to provide tax relief for people in hardship (property taxes are “unduly burdensome”). Section 357 of the Municipal Act already allows taxpayers to apply for relief if they are unable to pay their taxes because of sickness or extreme poverty.

Another option that is currently available to residential taxpayers is the ability to apply for a tax deferral of tax increases greater than \$100.00 in reassessment

years. This option is open to qualifying low-income seniors and low-income persons with disabilities.

8.5 “THAT the 30% tax rate reduction for vacant and excess land in the commercial and industrial property classes be reviewed with a recommendation coming forward to the Estimates Committee in February.”

Council, in 2008, approved a uniform rate for both the commercial and industrial property classes. The vacant and excess land tax rate reduction in the past has been 30%. In 2017, the Province introduced legislation that would allow municipalities to eliminate the reduction for vacant unit rebates as well as property classified as vacant and excess land. The City of Brantford proceeded with the elimination of the vacant unit rebate, but the 30% reduction for vacant and excess land has remained in place. Many municipalities have now opted to remove this reduction and the Province has also removed this for education taxes. Staff will prepare a report for the Estimates Committee deliberations in February that will identify the impacts of eliminating this reduction and provide a recommendation to Council.

8.6 “That the tax rate reduction for farmland awaiting development phase 1 remain at 25% of the residential tax rate and that the tax rate reduction for farmland awaiting development phase 2 remain at 30% for commercial, industrial and multi-residential class property.”

In 1998, when these subclasses were created, Council adopted a philosophy that developers owning undeveloped property should not benefit from having their property taxed at a lower rate than was possible to charge.

Farmland Awaiting Development Phase 1 is land in classes other than the Farmland property class that is used solely for farm purposes and for which no building permit has been issued. We have reduced the percentage reduction to the minimum allowed by legislation, and this recommendation continues this philosophy of maintaining the minimum reduction limit of 25% for these properties.

Farmland Awaiting Development Phase 2 is land in classes other than the Farmland property class that is used solely for farm purposes and for which a building permit has been issued. Our position in the past has been to recognize the same level of reduction as is allowed for vacant and excess land.

We currently have no properties on our assessment roll satisfying the requirements for eligibility in either of these subclasses.

The necessary by-laws as referenced in the recommendations will be brought before Council to be adopted within the appropriate legislated time frames.

10.0 Financial Implications

Property taxes and tax policy considerations normally operate in a closed system. This means that the total amount of taxes remains static with changes or shifting occurring between property classes. The areas where this does not apply is with item numbers 8.5, which would require additional budget funding to support the expenditures. All recommendations that were related to capping and clawback legislation have been removed for this year's tax policy report as all properties in the City of Brantford are no longer subject to this legislation.

11.0 Climate and Environmental Implications

The establishment of annual property tax policy has no climate or environmental implications.

12.0 Conclusion

As in previous years, the overall principle for tax policy is to promote and adopt positions that shorten the time frame to achieve full CVA taxation and that simplify the complexities of the tax system. The current property tax system is very complex at all levels but with the adoption of these recommendations, this complexity will not be compounded by decisions made at the municipal level.



Joelle Daniels
Director of Finance/City Treasurer

Prepared By:

Patrick Telfer
Manager of Revenue/Tax Collector

In adopting this report, is a by-law or agreement required? If so, it should be referenced in the recommendation section.

By-law required ☒ yes ☐ no

Agreement(s) or other documents to be signed by Mayor and/or City Clerk ☐ yes ☒ no

Is the necessary by-law or agreement being sent concurrently to Council? ☒ yes ☒ no