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## Report 2024-032

**Report Title:** 2024 Northumberland County Tax Ratios

**Committee Name:** Finance and Audit

**Committee Meeting Date:** March 5, 2024

**Prepared by:** Matthew Nitsch  
Director of Finance/Treasurer  
Finance

**Approved by:** Jennifer Moore, CAO

**Council Meeting Date:** March 20, 2024

**Strategic Plan Priorities:**  Innovate for Service Excellence  
 Ignite Economic Opportunity  
 Foster a Thriving Community  
 Propel Sustainable Growth  
 Champion a Vibrant Future

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### Recommendation

**Whereas** County Council is responsible for setting tax policy in Northumberland County using tax ratios; and

**Whereas** on February 28<sup>th</sup>, 2023 Peter Frise (from Municipal Tax Equity (MTE) Consultants Inc.) did a presentation to County Council and recommended that the County begin to reduce its multi-residential tax ratio from 2.0 towards the new multi-residential ratio of 1.0; and

**Whereas** County Council approved a reduction in the multi-residential tax ratio from 2.0 to 1.8 in 2023; and

**Whereas** MTE Consultants Inc continues to recommend that its municipal clients gradually reduce their multi-residential tax ratio towards 1.0 based on the expectation that this change will eventually be legislated; and

**Whereas** the Northumberland Treasurers Inter-Municipal Working Group agrees that the County should continue to gradually reduce the multi-residential tax ratio toward the new multi-residential tax ratio of 1.0;

**Now Therefore Be It Resolved That** the Finance and Audit Committee, having considered Report 2024-032 '2024 Northumberland County Tax Ratios', recommend that County Council approve a further reduction in the 2024 multi-residential tax ratio from the current 1.8 to 1.6.”

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## **Purpose**

The purpose of this report is to obtain approval from Northumberland County Council to continue with the gradual reduction (that was initiated in 2023) in the multi-residential tax ratio from 1.8 to 1.6 for the 2024 tax year.

## **Background**

In 2017 the Province decreased the threshold ratio for multi-residential from 2.7 to 2.0 and introduced strict levy restriction rules whereby a class with a ratio above 2.0 could not share in any proportion of a municipal levy increase. Northumberland County was captured by this change and was subject to levy restriction in 2017. Since then, Northumberland County reduced its multi-residential tax ratio to 2.0 to avoid levy restrictions.

The mandated ratio for new multi-residential properties is 1.0 creating an inequity between existing and new multi-residential properties.

In February of 2023 Peter Frise of MTE Consultants Inc did a presentation to Northumberland County Council and recommended that the County consider starting to reduce its multi-residential tax ratio from 2.0 towards 1.0 to bring it in line with the new multi-residential ratio.

This recommendation was based on the expectation that the Province is going to mandate this change for all municipalities. By reducing the ratio for one class this has the impact of increasing the burden on all other property classes. By gradually reducing the ratio each year (over a number of years) this spreads the impact over multiple years and makes it more manageable. If the change were mandated and Northumberland was forced to change the multi-residential ratio from 2.0 to 1.0 in one year this would have a significant impact in one year.

The following events are the main reasons that it is believed that the Province will legislate an equalization in the multi-residential and new multi-residential ratios:

- In February 2022, the provincially commissioned report by the Ontario Housing Affordability Task Force included a recommendation that the property taxes for purpose-built rental be aligned with those of condos and low-rise homes,
- The Province's 2022 Fall Economic Statement included a commitment to look at "potential approaches to reduce the current property tax burden on multi-residential apartment buildings, and
- On February 9<sup>th</sup>, 2023 a call for eliminating the rate differential was reiterated in a joint report released by the Building Industry and Land Development Association and the Federation of Rental-Housing Providers of Ontario.

Based on this advice, Northumberland County Council approved a reduction in the multi-residential ratio from 2.0 to 1.8 in 2023.

## **Consultations**

Peter Frise of MTE Consultants Inc believes that conditions have not changed, and he continues to recommend that his municipal clients continue to gradually reduce their multi-residential ratios to bring them closer to the new multi-residential ratio of 1.0.

The Northumberland Treasurers Inter-Municipal Working group has discussed tax policy and recommends that Northumberland continue with the gradual reduction in the multi-residential tax ratio in 2024 from 1.8 to 1.6.

### **Legislative Authority / Risk Considerations**

Assessment Act, R.S.O. 1990, c. A.31.

Municipal Act, 2001 Sections 313, 364 and Ontario Regulation 325/01, amended to Ontario Regulation 210/05.

### **Discussion / Options**

A reduction in the multi residential tax ratio is a continuation of the process that was initiated by County Council in 2023 to gradually reduce the ratio from 2.0 to 1.0 before the change is mandated on municipalities. The gradual reduction in the ratio phases in the impacts over time.

### **Financial Impact**

A change to tax ratios will not impact the amount of taxes levied by the County or member municipalities but will shift the tax burden between property classes. The approved tax levy and property taxation to collect remains constant. The tax ratios are simply determining the proportion of taxation each property class is required to pay.

If approved, the reduction to the multi-residential ratio in 2024 would create a shift in taxation burden across property classes. For the County portion of taxation, the levy collected from the multi-residential class is reduced by 10.86% and each of the other classes increase by 0.28% to compensate.

### **Member Municipality Impacts**

Changes made to tax policy (relative to tax ratios) can also result in a re-distribution of County taxes between member municipalities due to the varying compositions of property classes within the assessment base of each municipality. As displayed in the 2024 MTE Tax Ratio Sensitivity Analysis, the proposed reduction to the multi-residential ratio shifts County taxation ranging from a decrease of 0.28% to an increase of 0.28% across the member municipalities. Further, the analysis displays that for the combined County and member municipal levies the average residential home taxation increases range from \$4.90 to \$19.60 dependent on the municipality in which they are located.

### **Conclusion / Outcomes**

It is recommended that Northumberland County Council continue to gradually reduce its multi-residential tax ratio from 1.8 to 1.6 in 2024.

### **Attachments**

Report 2024-032 ATTACH 1 '2023 MTE Presentation Property Tax Policy'  
Report 2024-032 ATTACH 2 '2024 MTE Tax Ratio Sensitivity Analysis'