



**City of Kingston  
Report to Council  
Report Number 21-126**

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**To:** Mayor and Members of Council  
**From:** Desiree Kennedy, Chief Financial Officer & City Treasurer  
**Resource Staff:** Lana Foulds, Director, Financial Services  
Jeff Walker, Manager, Taxation and Revenue  
**Date of Meeting:** April 20, 2021  
**Subject:** 2021 Tax Ratios and Tax Capping Parameters

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**Council Strategic Plan Alignment:**

Theme: Regulatory & compliance

Goal: See above

**Executive Summary:**

The purpose of this report is to present recommendations for setting property class tax ratios and parameters for the property tax capping program for 2021.

The *Municipal Act, 2001* requires that Council pass a by-law each year to set the property class tax ratios. Tax ratios are applied to the residential tax rates in order to distribute the tax burden among property classes. This report provides information on past policy decisions and recommends 2021 tax ratios that comply with Council direction, policy measures and legislative requirements, as outlined in the report. As there are no reassessment related tax burden shifts in 2021, the 2021 recommended tax ratios are consistent with those that were established for 2020.

Each year Council must also approve capping parameters and the funding method for the tax capping program, which applies to commercial, industrial, and multi-residential properties. The *Municipal Act, 2001* sets out the mandatory tax capping calculations and various options that may be adopted. In 2020 and 2021, the industrial and commercial classes respectively, were eligible to exit the capping program.

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The recommendation for the 2021 capping program will continue to make use of all options available for the remaining multi-residential property class in order to facilitate properties in exiting the capping program as quickly as possible.

Recognizing the fiscal challenges experienced by taxpayers related to the COVID-19 pandemic, Council previously approved a one-month deferral of the 2021 interim property tax billing. This report includes a recommendation for a similar one-month deferral of the final property tax billing. The final billing will be mailed early July 2021 with a due date of July 30, 2021.

**Recommendation:**

**That** Council approve the 2021 tax ratios as follows:

- a) the residential property class be set at 1.00;
- b) the new multi-residential property class be set at 1.00;
- c) the multi-residential property class be set at 1.70;
- d) the commercial property class be set at 1.98;
- e) the industrial property class be set at 2.63;
- f) the pipeline property class be set at 1.1728;
- g) the farm property class be set at 0.20; and
- h) the managed forests property class be set at 0.25.

**That** the by-law, attached as Exhibit A to Report Number 21-126, be presented to Council for all three readings on April 20, 2021 in order to establish the 2021 tax ratios; and

**That** the 2021 property tax capping programs utilize all of the options available that will move properties as quickly as possible to their current value assessment (CVA) tax and that the funding for capped properties be provided from within the respective tax class; and

**That** a by-law and report establishing the capping options used, decrease percentage and actual capping results will be presented for Council approval after final property tax bills are calculated and processed; and

**That** the due date for the 2021 final tax billing be July 30, 2021.

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**Authorizing Signatures:**

ORIGINAL SIGNED BY CHIEF FINANCIAL  
OFFICER & CITY TREASURER

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**Desiree Kennedy, Chief  
Financial Officer & City  
Treasurer**

ORIGINAL SIGNED BY CHIEF  
ADMINISTRATIVE OFFICER

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**Lanie Hurdle, Chief  
Administrative Officer**

**Consultation with the following Members of the Corporate Management Team:**

Paige Agnew, Commissioner, Community Services	Not required
Peter Huigenbos, Commissioner, Business, Environment & Projects	Not required
Brad Joyce, Commissioner, Corporate Services	Not required
Jim Keech, President & CEO, Utilities Kingston	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	Not required
Sheila Kidd, Commissioner, Transportation & Public Works	Not required

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**Options/Discussion:****Reassessment Update**

The Municipal Property Assessment Corporation (MPAC) is responsible for assessing and classifying properties in Ontario. Every four years, it conducts a province-wide assessment update. In 2016, MPAC updated the assessed values of every property in Ontario to the legislated valuation date of January 1, 2016. Increases in the assessed value were phased-in over four years (for taxation years 2017-2020); however, properties that decreased in value went directly to the decreased value in 2017.

Due to the COVID-19 pandemic, Ontario's planned reassessment for the 2021-2024 assessment cycle was initially delayed by one year. As a result, property assessments for the 2021 property tax year continue to be based on the fully phased-in January 1, 2016 current values. This means that, unless there have been changes to a property, property assessments for the 2021 property tax year will be the same as the 2020 tax year and the tax burden across property classes will remain consistent.

A further postponement of the property tax reassessment was recently announced as part of the 2021 Ontario Provincial Budget. The government will be seeking input from municipalities, taxpayers and interested stakeholders regarding the timing and valuation date for the next reassessment and the outcomes of that review are expected to be communicated in the fall of this year. As a result, assessed values for 2022 will continue to be based on the same valuation date as they were for 2020 and 2021. There will be no financial impact to the City as a result of this extended postponement. MPAC will continue to update assessment rolls to reflect new construction.

**Property Class Tax Ratios**

The *Municipal Act, 2001* requires that municipal councils establish tax ratios by passing a by-law each year. Tax ratios effectively distribute the tax burden among property classes and reflect how a property class' tax rate compares to the residential rate. Changes in tax ratios affect the relative tax burden between classes of properties. Tax ratios can be used to prevent large shifts of the tax burden caused by relative changes in assessment among property classes as well as to lower the tax rates on a particular class or classes. Once set, the tax ratio for a class is multiplied by the residential tax rate to determine the tax rate for that class.

When the reforms to the property tax were introduced in the late 1990s, the Province prescribed ranges of fairness in each property class. The ranges of fairness are summarized in Table 1 below. Currently, municipalities are only permitted to adjust tax ratios for the multi-residential, commercial, industrial, and pipeline property classes closer to the provincially prescribed ranges of fairness. Municipalities may also choose to reduce the farm tax ratio below the legislated maximum.

The Province also established provincial levy restriction thresholds, as noted in Table 1 below. Where established tax ratios are above a provincial levy restriction threshold for any class,

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general levy increases cannot be imposed on property in the class until the ratio is at or below the threshold. With respect to existing policy, Council has directed that any revised ratios being established not exceed the provincial levy restriction threshold for any class to ensure that any municipal budget increase can be passed through to all property classes.

### **Multi-Residential Tax Class**

In response to concerns about higher property tax burdens on multi-residential apartment buildings the Province passed legislation directing that the tax ratio for the multi-residential property class be lowered in 2017 to prevent any reassessment related shifts to this property class. In addition, if the municipality's tax ratio for the multi-residential property class was greater than 2.0 then a full levy restriction was to be implemented thereby restricting the municipality from passing budget increases to properties in this class. As a result, the City's multi-residential property class tax ratio was reduced to 2.0 for 2017 in order to prevent reassessment related shifts to this property class and to remain below the provincial levy restriction threshold in accordance with Council policy.

Reassessment related tax burden shifts onto this property class remained a concern for the remaining years of the current assessment cycle (2018-2020) and a large shift of the tax burden onto the multi-residential property class continued to create concern for potential implications on rental market affordability. As a result, Council approved a further reduction in the multi-residential tax ratio in 2018, 2019 and 2020 to 1.90, 1.80 and 1.70 respectively to continue to mitigate reassessment related tax burden shifts to the multi-residential property class and to stay in line with the Provincial average.

Because there are no reassessment tax burden shifts for the 2021 tax year, and because the multi residential tax ratio remains below the provincial levy restriction threshold and continues to be line with the Provincial average, no further reduction to this property class tax ratio is being recommended for 2021.

### **Farm Property Tax Class**

In the 2016 MPAC reassessment, the farm property class experienced the highest reassessment increase of any property class in the municipality, which resulted in a significant shift of tax burden onto the farm property class. In response Council approved a reduction in the farm property class ratio from 0.25 to 0.20 phased-in equally over the four-year reassessment period, with 2017 set at 0.237500, 2018 set at 0.225000, 2019 set at 0.212500 and 2020 set at 0.200000.

There are no reassessment tax burden shifts for the 2021 tax year, and no further reduction to this property class tax ratio is being recommended for 2021.

Further information and history on the City's use of tax ratios can be found in Report Number [20-115](#) (2020 Tax Ratios and Tax Capping Parameters).

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## Tax Ratios / Tax Burden

The tax ratios recommended for 2021 are at the same level as those established for 2020 and continue to comply with Council's direction to not exceed provincial levy restriction thresholds for any class. As there are no reassessment related tax burden shifts in 2021, the property tax burden across property classes also remains consistent with the prior year.

Table 1 below summarizes the recommended 2021 tax ratios and resulting tax burden by property class. Once the ratios have been established the tax levy by-law will be presented to Council, which will set the tax rates to be applied to raise the taxes required for the 2021 approved operating budget.

Table 1: 2021 Tax Ratio, Tax Levy and Burden by Property Class

Property Class	Range of Fairness	Provincial Levy Restriction Threshold	2021 Tax Ratio	Tax Levy \$000's*	2020 Class Burden %	2021 Class Burden %
Commercial	0.60 - 1.10	1.980000	1.980000	45,886	22.76	22.39
Industrial	0.60 - 1.10	2.630000	2.630000	4,445	2.19	2.17
Multi-Residential	1.00 - 1.10	2.000000	1.700000	16,895	8.23	8.24
New Multi-Res	1.00 - 1.10		1.000000	5,893	2.53	2.88
Residential	1.00		1.000000	131,011	63.89	63.93
Pipeline	0.60 - 0.70		1.172800	613	0.30	0.30
Farmland	Up to 0.25		0.200000	181	0.09	0.08
Forest	0.25		0.250000	5	0.01	0.01
<b>Total</b>				204,929	100.00	100.00

\*General Municipal Tax Rates not including education rates or fire area rating.

Staff is requesting three readings of the By-Law to Establish the 2021 Tax Ratios, attached as Exhibit A, at the same meeting in order to meet tax billing deadlines.

## Property Tax Capping Program

Commercial, industrial and multi-residential properties are covered by a mandatory tax capping program as set out in [Part IX](#) of the *Municipal Act, 2001*: Limitation on Taxes for Certain Property Classes. This program originally limited tax increases resulting from reassessment to 5%. Since 2001, the Province has introduced a number of optional capping provisions which will

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accelerate the movement of capped properties to their actual uncapped (CVA) taxes (CVA taxes = Current Value Assessment x tax rate). A further option permits the removal of properties from the capping program once CVA taxes are reached.

Legislation allows municipalities a number of options to reduce the amount of capping that must be provided to properties remaining in the capping program. In 2019 all properties in the industrial class reached full CVA tax and, as such, in 2020 the industrial class exited the capping program. In 2020 all properties in the commercial class reached full CVA tax and, as such, in 2021 the commercial class is also eligible to exit the capping program immediately. Consistent with 2020, the recommendation for the 2021 capping program continues to make use of all options available for the remaining multi-residential property class in order to facilitate properties in exiting the capping program as quickly as possible.

The following program options will be utilized for the 2021 tax capping program, where applicable, in order to move properties to CVA tax as quickly as possible while maintaining funding of the capping program within the multi-residential property class:

- 1) Utilize maximum cap limits to move properties towards CVA tax as soon as possible. The limits provide for increasing the cap up to a maximum 10% calculated on the previous year's capped tax or the previous year's uncapped tax, whichever is greater.
- 2) Utilize maximum threshold limits, which will allow properties to move immediately to uncapped tax when the capped tax is within \$500 of the uncapped tax amount. This option is recommended for the remaining multi-residential property class and allows a number of properties to immediately move to full uncapped tax.
- 3) Utilize all options available to remove eligible properties from the tax capping program. Municipalities have the option to exclude any properties that reach CVA taxes in the previous year and/or crossover during the current year between the clawed back and capped categories. Municipalities may also limit capping protection to reassessment-related changes prior to 2017. Removing properties from the capping program reduces the number of properties subject to capping and reduces the amount of clawbacks needed to fund the remaining capped amounts.
- 4) Utilize all options available to exit or phase-out from the capping program. A municipality would be eligible for a four-year phase-out once it has no capped properties beyond 50% of the CVA level taxes in a property class. The option of excluding eligible vacant land from the phase-out eligibility criteria is also available.
- 5) Set maximum tax level for new construction and new-to-class property to be at the CVA tax. The capping program provides a special calculation for properties that are newly constructed or that have moved from one class to another. This calculation ensures that properties pay the average level of tax of comparable properties and no more than 100% of its uncapped tax.

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**Funding of Tax Capping Program**

Council must pass a recommendation for funding the tax capping program. Consistent with prior years, the recommendation to fund capped amounts by limiting tax decreases from within the same property class will result in a tax clawback for each property class remaining in capping.

After applying the capping options to reduce the number of properties requiring capping a percentage is calculated in order to determine how much taxation needs to be “clawed back” from capped taxpayers experiencing a tax decrease in the same property class to finance the “taxation shortfall”. Council must approve this percentage, known as the decrease limit percentage. A by-law and report establishing the decrease percentage, capping options employed, and actual capping results will be presented for Council approval after final property tax bills are calculated and processed. Based on historical results, it is estimated that sufficient decreases exist within the remaining multi-residential property class to fund the capping options. A recommendation for funding any shortfall, if required, will be included in that report.

**Final Property Tax Billing Due Date**

Recognizing the fiscal challenges experienced by taxpayers as a result of the COVID-19 pandemic, Council previously approved a one-month deferral of the 2021 interim property tax billing. With the continuing challenges of the pandemic, including the most recent provincial lock-down, staff are recommending a similar one-month deferral of the final property tax billing. Staff do not anticipate a significant impact on operating cashflows as a result of the one-month deferral. Any short-term borrowings required would be transacted by way of temporary internal borrowings from other City funds. The final billing will be mailed early July 2021 with a due date of July 30, 2021.

**Existing Policy/By-Law:**

*Municipal Act, 2001, as amended*

Ontario Regulation 73/03, as amended (Tax Matters – Special Tax Rates and Limits)

Ontario Regulation 385/98, as amended (Tax Matters – Transition Ratios and Average Transition Ratios)

**Notice Provisions:**

None

**Accessibility Considerations:**

None



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**Financial Considerations:**

Total taxation revenue is established as part of the operating budget estimates and does not change as a result of adjusting tax ratios. Tax ratios distribute the tax burden among property classes by applying the ratios against the residential tax rate to determine the tax rate for each class.

The results of the final capping calculations and recommendations for funding any shortfall will be presented to Council after the final tax bill is completed. The use of proposed capping parameters will move properties benefiting from the capping program to uncapped (CVA) tax levels sooner. Properties funding the program through withholding of tax decreases will experience greater reductions and will also move more quickly towards full uncapped tax levels.

**Contacts:**

Lana Foulds, Director, Financial Services, 613-546-4291 extension 2209

Jeff Walker, Manager, Taxation and Revenue, 613-546-4291 extension 2484

**Other City of Kingston Staff Consulted:**

None

**Exhibits Attached:**

Exhibit A - Draft by-law, "A By-Law to Establish the 2021 Tax Ratios"

**By-Law Number 2021-XX**

**A By-Law to Establish the 2021 Tax Ratios**

**Passed:**

**Whereas** Council of The Corporation of the City of Kingston has authorized a by-law to set tax ratios for prescribed property classes for municipal purposes; and

**Whereas** The Corporation of the City of Kingston deems it necessary and expedient, pursuant to subsection (4) of Section 308 of the *Municipal Act, 2001*, S.O. 2001 c.25, as amended, to establish the tax ratios for 2021 for the Corporation of the City of Kingston; and

**Whereas** the tax ratios are the ratios that the tax rate for each property class must be to the tax rate for the residential property class where the residential property class tax ratio is 1.00; and

**Whereas** the property classes have been prescribed by the Minister of Finance pursuant to Section 7 of the *Assessment Act, R.S.O. 1990, Chapter A.31*, as amended and Ontario Regulation 282/98, as amended;

**Therefore Be It Resolved That** the Council of The Corporation of the City of Kingston hereby enacts as follows:

1. For the taxation year 2021, the tax ratio for property in:
  - a) the residential property class is 1.00;
  - b) the new multi-residential property class is 1.00;
  - c) the multi-residential property class is 1.70;
  - d) the commercial property class is 1.98;
  - e) the industrial property class is 2.63;
  - f) the pipe line property class is 1.1728;
  - g) the farm property class is 0.20; and
  - h) the managed forests property class is 0.25.

2. For the purposes of this By-Law:
  - a) the commercial property class includes the office building property class, shopping centre property class, and parking lots and vacant land property class; and
  - b) the industrial property class includes the large industrial property class.
3. This By-Law shall come into force and take effect on the date of its passing.

Given all Three Readings and Passed:

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**John Bolognone**  
**City Clerk**

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**Bryan Paterson**  
**Mayor**