Administrative Report

To:	**Warden MacDonald and Members of Essex County Council**
From:	**Melissa Ryan, CPA, Director, Financial Services/Treasurer**
Date:	**Wednesday, February 19, 2025**
Subject:	**2025 Tax Policy Discussion and Recommendation**
Report #:	**2025-0219-FIN-R07-MR**

Purpose

To provide recommendations to County Council regarding 2025 Property Tax Policies for the County of Essex.

Background

In accordance with Section 308 of the Municipal Act, 2001, as amended, the County of Essex is responsible for establishing the tax ratios and property tax policy for the local municipalities within the geographic boundaries of the County of Essex for the current year. Following the approval of the Corporation's Annual Budget, an administrative report is prepared to present recommendations for County Council to set the Tax Policy that the County and all local municipalities will follow to determine the relative tax burden of each class of property for the current taxation year.

In terms of process, the Director of Financial Services / Treasurer annually chairs a regional meeting attended by Treasurers and Tax Collectors representing each local municipality. There is a long-standing tradition of collaborative decision making on tax policy topics. Even though the County has the jurisdictional authority to set policy for the whole of the County, recommendations have always resulted from input from every municipality. Tax policy for the County and its locals has been rooted in the principles of stability, equity, transparency and simplicity.

In December 2024, the regional treasurer and tax collector group held a final review of existing tax policies and evaluated optional tax tools for the 2025 taxation year. During this meeting, they examined various tax options and assessed the potential impacts of proposed changes on tax revenue and

Melissa Ryan, CPA, Director, Financial Services/Treasurer
Corporation of the County of Essex, 360 Fairview Ave. W., Essex, ON N8M 1Y6
Phone: 519-776-6441, ext. 1312; Email: mryan@countyofessex.ca

their communities. The recommendations outlined in this report reflect unanimous support from representatives of all seven local municipalities.

Discussion

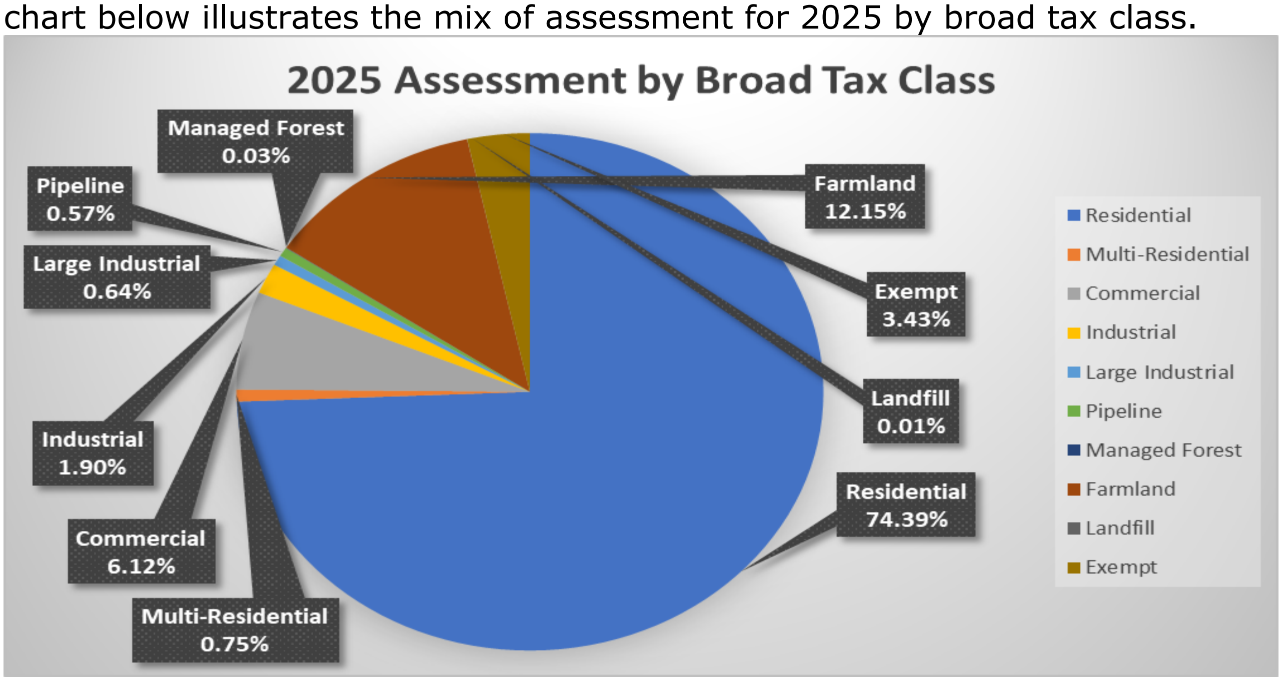
The regional group reviewed a number of tax policies and by-laws. The following discussion summarizes the issues and recommendations made by the group.

Part One – Current Value Assessment (CVA)

The Ministry of Finance postponed the re-assessment cycle for the 2025 year again. Taxation in the province has been frozen at January 1, 2016 levels since 2020. At the time of writing this report, the review of the property assessment and taxation system is ongoing, as such the province-wide property tax reassessment will continue to be deferred. The province remains silent on when the next re-assessment cycle will commence and what the CVA base year will be. As a result of the freeze, only in year growth/changes are impacting year over year CVA.

A comparison of the 2024 and 2025 returned rolls shows a 2.37% increase in raw assessment. The most notable growth occurred in the residential and new multi-residential classes. The residential class increased in raw assessment by $447,856,578 and the new multi-residential class increased by $13,951,000.

The County continues to be heavily weighted in the residential classes. The chart below illustrates the mix of assessment for 2025 by broad tax class.



Part Two – Tax Tools

In response to municipal need, the Province establishes tax tools from time to time. On an annual basis, the regional treasurers and tax collectors group reviews the tools available to determine their applicability to the taxation circumstance of the County.

Below are the typical tools that are discussed annually at the Regional Treasurer and Tax Collector meeting, as well as new tools that were introduced by the Province in 2024.

Optional Tax Classes

The County has the authority to establish optional tax classes, providing a valuable tool to refine how property taxes are applied. These classes enable municipalities to tailor tax policies to align with local priorities and community needs. By offering flexibility, incentivizing development or conservation, and promoting equity in tax distribution, optional tax classes help municipalities address unique challenges and opportunities. To implement these classes, municipalities must pass a bylaw and adhere to provincial guidelines, ensuring that tax rates and ratios remain fair and consistent across residential and non-residential properties.

Here are the detailed discussions had on some of the main optional classes the County has considered in the past.

Optional Small Business Class

In May 2021, the Province released the regulation related to the implementation of an optional small business class. The primary objective of the optional class is to assist municipalities that have gross assessment inequities among their commercial properties. The regional group analyzed the assessment of the County's commercial classes and did not find support for gross inequities; therefore, the group decided not to pursue this option. This analysis has been conducted each year since 2021 and, consistent with previous years, the regional group deemed this optional class unnecessary. For context, since the optional class was introduced in 2021, only a few municipalities have chosen to implement it, and it varies across municipalities, with each jurisdiction establishing specific eligibility criteria and tax relief measures based on local priorities and economic conditions. For example, in Toronto, the optional subclass provides targeted tax relief to small businesses in areas like Kensington Market, where rising property assessments have threatened the viability of local shops.

Small-Scale On-Farm Business Subclass

In May 2018, the Province established two optional subclasses for small-scale on-farm businesses to promote and support local farms across Ontario. The commercial and industrial subclasses were created to provide a tax rate that is 75% lower than the commercial and industrial tax rates that would otherwise apply. The Province established a two-tier threshold for qualifying commercial and industrial assessment. The first subclass limit is $50,000 and the second subclass limit is equal to assessment exceeding $50,000 up to $100,000. An analysis of the properties in the County revealed only 17 eligible properties. A comparison of the estimated relief to eligible properties against the administrative costs of implementing the optional subclass resulted in the regional group declining the creation of the subclass. This analysis has been conducted each year since 2018 and, consistent with previous years, the regional group recommends against adoption of the subclass. It is important to note that regardless of whether a subclass is adopted, all eligible properties will continue to receive an education tax reduction.

New Multi Residential (2017)

In 2017, the Province made the New Multi-Residential tax class mandatory. Prior to 2017, the class was optional and hadn't been adopted by the County of Essex. The range of fairness for the tax ratio established for the class was prescribed between 1.0 and 1.1. In 2017, the County established the ratio at 1.1 for this new multi-residential class. The tax class capturing multi-residential assessment prior to 2017 had a tax ratio of 1.9554. In essence, multi-residential properties captured in the original tax class were taxed nearly double what a new multi-residential property was taxed in the new class. At the October 7, 2020 Regular Meeting of County Council, a recommendation, in principle, was approved that provided for the phased reduction of the multi-residential tax ratio over a four-year period. Beginning in 2021, the multi-residential tax ratio was reduced by 0.21385 annually, and reductions continued through to 2024. This ratio is now in parity with the new multi-residential tax ratio (1.1).

New Multi Residential Subclass (2024)

On April 4, 2024, Ontario introduced a new property tax option to encourage the development of purpose-built rental housing as part of its strategy to address the housing crisis. This initiative allows municipalities to create an optional subclass within the multi-residential property class, offering a reduced municipal property tax rate for new multi-residential rental properties.

Key Features

- **Tax Reduction**: Municipalities can offer a tax reduction of up to 35% for qualifying properties. If the new multi residential class was established, it would shift the burden to others in this multi residential tax class.
- **Eligibility**: Only newly constructed multi-residential developments qualify, provided building permits are issued on or after a date specified in the municipality's by-law.
- **Duration**: The reduced tax rate applies for 35 years once construction is completed, and the building is ready for occupancy.
- **Implementation**: Municipalities must pass a by-law to adopt the subclass and set the reduction percentage.

This tax tool is intended to incentivize investment in rental housing construction, providing long-term stability to developers while addressing housing shortages.

During the annual discussion, the group raised concerns about the proposed 35-year duration for this new multi-residential subclass, deeming it excessively long. There was also consensus that the current new multi-residential tax ratio, which achieved alignment with the old multi-residential ratio last year, already addresses the parity goals of the County. Furthermore, it was noted that some Local Partners already incentivize rental housing construction through existing By-laws or Community Improvement Plans. Given these considerations, the group agreed there is no need to adopt this additional new multi-residential subclass for the 2025 year.

Municipal Vacant Home Tax (VHT)

The Municipal Vacant Home Tax (VHT) is a strategic taxation tool aimed at addressing housing shortages by encouraging property owners to sell or rent out unoccupied homes. This penalty tax is applied to the assessed value of vacant residential properties and supports the province's broader objectives of improving housing affordability and availability.

Before 2024, only the cities of Toronto and Ottawa had the authority to impose a Vacant Home Tax, which was set at 1% of the Current Value Assessment (CVA) of vacant properties. Effective March 27, 2024, the Ontario government expanded this authority to all single-tier and upper-tier municipalities, introducing a Provincial Policy Framework to guide implementation and ensure consistency. Municipalities now have the flexibility to establish their own tax rates and define exemptions, such as for principal residences, seasonal homes, or properties undergoing significant renovations.

The VHT is expected to reduce vacancy rates, support local housing supply, and generate additional municipal revenue for housing initiatives. To ensure transparency and accountability, municipalities are required to conduct public consultations, establish clear processes for determining property vacancy, and report annually on the tax's outcomes, including the number of properties taxed and revenue collected. This initiative aligns with Ontario's housing goals and encourages the responsible use of residential properties.

To date the following municipalities have implemented the vacant home tax and each program is unique in what they set as a tax rate and how they administer the program: Toronto, Ottawa, Hamilton, Windsor, Sault Saint Marie.

At the annual Treasurer and Tax Collector meeting, the Vacant Home Tax (VHT) was discussed in detail. Earlier in the year, when the Province communicated the expanded authority for municipalities to implement a VHT, it was suggested that all Local Partners analyze homes with low water usage as a means of estimating the number of potentially vacant homes in the County. This approach was identified as the most feasible method to approximate vacancy rates without conducting physical inspections of all properties or relying on complaints through a 311/211 system, which the County currently does not have.

As of this report, data has been received from a few Local Partners. While the preliminary numbers appear high, they likely include secondary homes or cottages, which could significantly skew the estimates. This highlights the need for further refinement and investigation to determine whether implementing a VHT would be administratively and financially worthwhile for the County. The revenue generated by a VHT would need to be able to cover the administrative cost of managing the program.

The consensus at the meeting was to continue exploring the feasibility of this tax, including assessing its potential revenue, administrative requirements, and overall impact. A detailed report outlining estimated numbers, potential processes for implementation, and expected benefits will be presented to County Council in Quarter 2 of 2025. At that time, Council will be asked to provide direction on whether to proceed with implementing the VHT in 2026.

Part Three – Regional Tax Subclass Discounts

Commercial Excess and Industrial Vacant & Excess Discounts

Since 1998, the mandatory vacant and excess land subclass reduction program provided tax relief to commercial and industrial property owners. Recognizing evolving municipal priorities, the Province has empowered local governments with flexibility to modify or eliminate these discounts through changes to the *Municipal Act* introduced in the Province's 2020 Budget Bill. This allowed municipalities to better align tax policies with local needs and community development goals.

In February of 2024, County Council approved the removal of the subclass discounts for Commercial Excess Land (30%) and Industrial Vacant Land (35%). At the December 2024 Treasurer and Tax Collector meeting, the implementation of this decision was discussed with all the Local Municipal Partners. While there were some questions raised from the public about the removal of the discounts, there was no significant opposition expressed by affected parties.

The decision to remove subclass discounts reflects a growing trend across Ontario to phase out or eliminate such discounts. Municipalities like Halton, Durham, and Waterloo Regions have already completed this process, and Niagara Region concluded its phased removal in 2024.

Farmland Awaiting Development

Currently, and in the past taxation years, the County has applied subclass discounts for farmland awaiting development to help landowners manage the transition from agricultural use to development. These discounts, set at 75% for Residential Subclass I and all other property classes under Subclass II, as outlined in O.Reg. 393/98, provide financial relief while farmland remains in a holding stage. For other property classes under Subclass I, a formula-based discount is used, allowing some flexibility to meet specific needs. These discounts have supported the County's growth strategies by encouraging farmland preservation during the planning process and providing stability for landowners. While they have been effective in facilitating development transitions, the County regularly reviews these policies to ensure they balance revenue needs, align with long-term plans, and remain fair to all taxpayers. The group recommends continuing with these discounts for 2025.

Part Four – Aggregate Extraction Sites

Effective January 1, 2025, a new property class for aggregate extraction sites was introduced in Ontario. This class is designed to standardize tax rates for properties used in the extraction of aggregates such as gravel, sand, and stone, and aims to create a more predictable and equitable taxation system. A total of approximately $6 million in provincial and municipal tax reductions will be allocated, split evenly between municipal and education taxes. As part of this transition, Ontario Regulations 510/24, 509/24, 511/24, and 512/24 outline the specific tax ratio ranges, levy restrictions, and the education tax rate framework.

At the annual Treasurer and Tax Collector meeting key considerations discussed included the potential benefits of the new framework, such as creating a fairer tax distribution and incentivizing sustainable extraction practices. However, concerns were raised regarding the shift in municipal revenue as these properties were previously taxed at the Industrial rate, 1.942500 and are now set at a transitional ratio of 1.580625.

Following discussion, the County and its Local Municipal Partners agreed on a transitional ratio of 1.580625 for the new property class to comply with O.Reg. 510/24.

Part Five – Tax Assistance Programs

Essex County Tax Assistance Program for Low-Income Seniors and Low-Income Persons with Disabilities (By-law 2021-05)

Section 319 of the Municipal Act 2011, S.O. 2001, c.25, as amended, provides that, for the purposes of relieving financial hardship, a municipality, other than a lower tier municipality, shall pass a by-law providing for deferrals or cancelation of, or other relief in respect of, all or part of a tax increase on property in the residential class for persons assessed as owners who are, or whose spouse are low-income seniors as defined in the by-law or low-income persons with disabilities as defined in the by-law. The maximum amount that an eligible applicant would be able to receive, according to the provisions of the Act, would be the difference between the total taxes for the property in the current year less the total taxes for that property in the most recent re-assessment year. The upper tier municipality may opt to provide some relief that is less than the maximum amount, albeit some type of tax relief program is mandatory under Section 319. The County of Essex has had a tax assistance program for low-income seniors and low-income persons with disabilities in place since 1998.

The program is reviewed annually by the regional group. Similar to the experience for the 2023 taxation year, applications received at the local level have remained consistent during the 2024 taxation year.

The regional group recommends continuation of this program as represented in By-law 2021-05.

Essex County Charity Rebate Program

Section 361 of the Municipal Act 2001, S.O. 2001, c.25 as amended, mandates an upper tier or single tier municipality to pass a by-law implementing rebate policies of at least 40% for registered charities and similar charitable and non-profit organizations, for the purpose of providing relief from taxes on properties occupied in the commercial or industrial property tax class. Section 361 also provides an option to extend this rebate program to charities and similar organizations occupying property that is not assessed in the commercial and industrial property classes.

The Essex County Charity Rebate program has been in place since 1998 and provides a rebate of 40% of taxes paid by eligible charities and similar organizations that occupy property in the commercial and/or industrial tax class and that make application.

This program is reviewed annually by the regional group. There are no changes being recommended for 2025 and no amendments to Bylaw 16-2007, which sets out the eligibility criteria and process for applying for this tax assistance program.

Financial Implications

The proposed tax policy recommendations contained in this report reflect tax ratios and programs that consider the principles of fairness, affordability and equity in support of the continued long-term fiscal sustainability of the Corporation and its local municipalities.

Consultations

Regional Treasurers and Tax Collectors

Tracy Pringle, Municipal Property Assessment Corporation

Jana Thiessen, Municipal Property Assessment Corporation

Strategic Plan Alignment

Working as Team Essex County	Growing as Leaders in Public Service Excellence	Building a Regional Powerhouse
☐ Scaling Sustainable Services through Innovation ☐ Focusing "Team Essex County" for Results ☐ Advocating for Essex County's Fair Share	☐ Being an Employer with Impact ☐ A Government Working for the People ☒ Promoting Transparency and Awareness	☐ Providing Reliable Infrastructure for Partners ☐ Supporting Dynamic and Thriving Communities Across the County ☐ Harmonizing Action for Growth ☐ Advancing Truth and Reconciliation

Recommendation

That Essex County Council receive this report for information.

And further that Essex County Council adopt the tax ratios as set out in By-law 2025-07 for the 2025 taxation year;

And further that the Essex County Tax Assistance Program for Low-Income Seniors and Low-Income Persons with disabilities established under By-law 04-2004 and amended under By-law 2021-05 continue with no amendments;

And further that the Essex County Charity tax Rebate Program established under By-law 16-2007 continue with no amendments.

Approvals

Respectfully Submitted,

Melissa Ryan

Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,

Sandra Zwiers

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

Appendix	Title
A	By-law 2025-07 A By-law to establish tax policy and levy property taxes for the year 2025.
B	By-law 04-2004
C	By-law 2021-05 (to amend By-law 04-2004)
D	By-law 16-2007