

2023 TAX POLICY SENSITIVITY ANALYSIS

Prepared For:

THE CITY OF OWEN SOUND

Prepared By:

MUNICIPAL TAX EQUITY (MTE) CONSULTANTS INC.

GEORGETOWN, ONTARIO

WWW.MTE.CA

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Analysis contained in this report is based on the use of tax rates for general local municipal purposes only. Education tax rates have not been included except where explicitly noted.

DISCUSSION AND EXPLANATION

Municipal Tax Equity (MTE) Consultants has prepared the property tax models set out in this report in support of the City of Owen Sound's consideration of its tax policy and tax levy options for 2023. While alternate levy amounts and/or tax policy factors have been applied in the generation of this modelling, the following parameters and base data are common to all calculations.

1. All calculations are performed using the assessment roll as originally returned for 2023 taxation;
2. 2023 Start Ratios and subclass discounts have been relied upon for the calculation of notional and all *Status Quo* models;
3. A 2023 City Revenue Limit of \$33,027,419 has been used to calculate the municipality's 2023 notional levy for general purposes;
4. A City target levy of \$33,138,031;
5. Municipal tax calculations, have been calculated based on taxable assessment and grantable (PIL) assessment and revenue as per the municipality's historic protocols; and
6. Education amounts are not included in any tax summaries unless explicitly noted.

Important Note Re: County of Grey Tax Policy

It is critical for the reader to be aware that the results set out in this report are based in part on a hypothetical tax policy model prepared for the County of Grey. As of the date of publication, County Council has not considered this hypothetical model or made any 2023 tax policy decisions. Should the County choose a tax policy model other than the one referenced in this document, the analysis in this report must be updated.

Base-Line Levy Summaries

In order to isolate the direct impacts of the tax ratio change options, it is first necessary to establish an accurate Status Quo base against which to measure change or variations. Table 1 provides a summary of the Notional (Starting) tax rates for both the City and County portion of the levy along with the rates to raise each respective target levy under a Status Quo policy scheme.

Tables 2 and 3 set out the distribution of the City and County tax levies on a class-by-class basis. The tax amounts shown have been calculated using 2022 tax policy parameters (class structure, ratios, etc.) for both the County and City levies. Both tables show the revenue neutral starting levy, along with the proposed levy increase for each.

As the actual County year-end levy is slightly different than the notional start levy, we have also included a comparison against the year-end taxes by class in Table 4.

The rates and taxes in these base-line tables, inclusive of levy change represent our base-line municipal levies against which the impacts of the modelled ratio changes will be measured.

Table 1
Base-Line (Status Quo) Municipal Tax Rates
(Status Quo Policy with Proposed 2023 Levy change)

Realty Tax Class	City Levy			County Requisition		
	<i>Notional</i>	<i>Target</i>	<i>Difference</i>	<i>Notional</i>	<i>Target</i>	<i>Difference</i>
Residential	0.01314860	0.01319264	0.33%	0.00345260	0.00350323	1.47%
Farm	0.00328715	0.00329816	0.33%	0.00086315	0.00087581	1.47%
Managed Forest	0.00328715	0.00329816	0.33%	0.00086315	0.00087581	1.47%
New Multi-Residential	0.01314860	0.01319264	0.33%	0.00345260	0.00350323	1.47%
Multi-Residential	0.02206204	0.02213593	0.33%	0.00579312	0.00587807	1.47%
Commercial	0.02255537	0.02263092	0.33%	0.00592266	0.00600951	1.47%
Industrial	0.02407509	0.02415572	0.33%	0.00632171	0.00641441	1.47%
Pipeline	0.03891755	0.03904791	0.33%	0.01021909	0.01036895	1.47%

Table 2
2023 Base-Line City Levy
(Status Quo Policy / Target Levy)

Realty Tax Class	City General Levy		Levy Change	
	<i>Notional</i>	<i>Target Levy</i>	\$	%
<i>Taxable</i>				
Residential	\$20,564,873	\$20,633,753	\$68,880	0.33%
Farm	\$10,820	\$10,856	\$36	0.33%
Managed Forest	\$234	\$235	\$1	0.43%
New Multi-Residential	\$244,402	\$245,221	\$819	0.34%
Multi-Residential	\$3,390,745	\$3,402,101	\$11,356	0.33%
Commercial	\$7,319,538	\$7,344,055	\$24,517	0.33%
Industrial	\$753,667	\$756,191	\$2,524	0.33%
Pipeline	\$233,233	\$234,014	\$781	0.33%
Sub-Total (Taxable)	\$32,517,512	\$32,626,426	\$108,914	0.33%
<i>Payment in Lieu</i>				
Residential	\$87	\$87	\$0	0.00%
Multi-Residential	\$44,389	\$44,537	\$148	0.33%
Commercial	\$451,552	\$453,064	\$1,512	0.33%
Industrial	\$13,879	\$13,926	\$47	0.34%
Sub-Total (PIL)	\$509,907	\$511,614	\$1,707	0.33%
Total (Taxable + PIL)	\$33,027,419	\$33,138,040	\$110,621	0.33%

Table 3
2023 Base-Line County Levy¹
(Status Quo Policy/ Estimated Levy)

Realty Tax Class	County General Levy		Difference	
	<i>Notional</i>	<i>Target Levy</i>	\$	%
<i>Taxable</i>				
Residential	\$5,399,988	\$5,479,175	\$79,187	1.47%
Farm	\$2,841	\$2,883	\$42	1.48%
Managed Forest	\$61	\$62	\$1	1.64%
New Multi-Residential	\$64,176	\$65,117	\$941	1.47%
Multi-Residential	\$890,353	\$903,409	\$13,056	1.47%
Commercial	\$1,921,987	\$1,950,171	\$28,184	1.47%
Industrial	\$197,900	\$200,802	\$2,902	1.47%
Pipeline	\$61,243	\$62,141	\$898	1.47%
Sub-Total (Taxable)	\$8,538,549	\$8,663,760	\$125,211	1.47%
<i>Payment in Lieu</i>				
Residential	\$23	\$23	\$0	0.00%
Multi-Residential	\$11,656	\$11,827	\$171	1.47%
Commercial	\$118,570	\$120,309	\$1,739	1.47%
Industrial	\$3,644	\$3,698	\$54	1.48%
Sub-Total (PIL)	\$133,893	\$135,857	\$1,964	1.47%
Total (Taxable + PIL)	\$8,672,442	\$8,799,617	\$127,175	1.47%

¹ County levy amounts are hypothetical and calculated only for the purpose of this modelling. Neither the total levy amount, nor the distributed taxes have been calculated by or endorsed by the County of Grey.

Table 4
2023 Base-Line County Levy vs. 2022 Year-End
(Status Quo Policy/ Estimated Levy)

Realty Tax Class	County General Levy		Difference	
	2022 Year-End	2023 Base-Line	\$	%
<i>Taxable</i>				
Residential	\$5,406,275	\$5,479,175	\$72,900	1.35%
Farm	\$2,844	\$2,883	\$39	1.37%
Managed Forest	\$61	\$62	\$1	1.64%
New Multi-Residential	\$64,251	\$65,117	\$866	1.35%
Multi-Residential	\$891,388	\$903,409	\$12,021	1.35%
Commercial	\$1,924,227	\$1,950,171	\$25,944	1.35%
Industrial	\$198,131	\$200,802	\$2,671	1.35%
Pipeline	\$61,314	\$62,141	\$827	1.35%
Subtotal Taxable	\$8,548,491	\$8,663,760	\$115,269	1.35%
<i>Payment In Lieu</i>				
Residential	\$23	\$23	\$0	0.00%
Multi-Residential	\$11,669	\$11,827	\$158	1.35%
Commercial	\$118,708	\$120,309	\$1,601	1.35%
Industrial	\$3,649	\$3,698	\$49	1.34%
Subtotal PIL	\$134,049	\$135,857	\$1,808	1.35%
Total (Tax + PIL)	\$8,682,540	\$8,799,617	\$117,077	1.35%

Due to the special tax policy arrangements between the City and County, the County's notional levy must be recalculated each year, even in the absence of reassessment/phase-in related assessment change.

Alternate Tax Model Descriptions

Two separate models have been prepared and compared against a status quo base-line for 2023. Both scenarios are based on reducing the City’s multi-residential ratio to 1.508425 which is ¼ of the way to a ratio of 1.0.

Scenario 1 is based on the City reducing its multi-residential ratio with no tax policy or ratio changes being made by the County. Under this model the County’s requisition amount is held constant.

Scenario 2 contemplates both the City and the County reducing their respective multi-residential ratios. Under this model the City’s share of the County’s levy decreases due to the high concentration of multi-residential assessment in Owen Sound. The reduced County purpose levy target relied upon in this model is \$8,748,870; a decrease of approximately 0.58%.

Table 5 documents the status quo and alternate tax ratios and levies utilized in these models.

**Table 5
Municipal Tax Rate Sensitivity Overview**

Realty Tax Class	Status Quo	Scenario 1		Scenario 2	
		Model	Change	Model	Change
Residential	1.000000	1.000000	0.00%	1.000000	0.00%
Farm	0.250000	0.250000	0.00%	0.250000	0.00%
Managed Forest	0.250000	0.250000	0.00%	0.250000	0.00%
New Multi-Res.	1.000000	1.000000	0.00%	1.000000	0.00%
Multi-Residential	1.677900	1.508425	-10.10%	1.508425	-10.10%
Commercial	1.715420	1.715420	0.00%	1.715420	0.00%
Industrial	1.831000	1.831000	0.00%	1.831000	0.00%
Pipeline	2.959825	2.959825	0.00%	2.959825	0.00%
County Requisition	\$8,799,624	\$8,799,624		\$8,748,870	
City Levy	\$33,138,031	\$33,138,031		\$33,138,031	

Tax Ratios and Balance of Taxation

Tax ratios and subclass discounts govern the tax rate of each property class in relation to the tax rate for the residential property class. Ontario’s tax ratio system is not simply about expressing the relationship among tax rates, the real function of tax ratios is to manipulate the balance of taxation among property classes.

Tax ratios effectively alter the weighting, or distribution of the tax burden compared to how the total levy would be shared if each dollar of CVA was treated equally. Table 5-B shows how the share of tax differs from the share of assessment for each class in accordance with the municipality’s starting ratios for the year. The more dramatic the ratio, the larger the difference between the share of assessment and share of tax each class carries. By changing tax ratios, the municipality can influence and alter this balance.

**Table 5-B
Balance of Taxation**

Realty Tax Class	Assessment		Status Quo		Scenarios 1 & 2	
	2023 CVA	Share	Tax Ratio	Share of Tax	Tax Ratio	Share of Tax
Residential	1,564,041,792	73.63%	1.000000	62.27%	1.000000	62.93%
Farm	3,291,600	0.15%	0.250000	0.03%	0.250000	0.03%
Managed Forest	71,100	0.00%	0.250000	0.00%	0.250000	0.00%
New Multi-Res.	18,587,700	0.88%	1.000000	0.74%	1.000000	0.75%
Multi-Residential	155,703,367	7.33%	1.677900	10.40%	1.508425	9.45%
Commercial	344,533,914	16.22%	1.715420	23.53%	1.715420	23.78%
Industrial	31,954,754	1.50%	1.831000	2.32%	1.831000	2.35%
Pipeline	5,993,000	0.28%	2.959825	0.71%	2.959825	0.71%
Total (Tax + PIL)	2,124,177,227	100.00%		100.00%		100.00%

Results Tables

The results of the above scenarios are set out in Tables 6-A through D, 7-A through D.

Each of the “A” Tables summarize the City and County tax rates for the model compared against the status quo.

Each of the “B” Tables contain the City’s class level impacts that could be expected under each alternate model. These results are provided in contrast to the class distribution of taxes under the municipality’s levy calculated using status quo tax policy.

The “C” Tables show the net year-over-year change in total (City, County and Education) tax by class. This is measured from year-end to each respective model outcome, inclusive of levy change. Education taxes are held constant and are not impacted by municipal policy changes.



Table 6-A
Municipal Tax Rate Sensitivity
(Scenario 1 vs. Status Quo – Inclusive of Levy Change)

Realty Tax Class	City Rates			County Rates		
	Status Quo	Scenario 1	Difference	Status Quo	Scenario 1	Difference
Residential	0.01319264	0.01333270	1.06%	0.00350323	0.00354043	1.06%
Farm	0.00329816	0.00333318	1.06%	0.00087581	0.00088511	1.06%
Managed Forest	0.00329816	0.00333318	1.06%	0.00087581	0.00088511	1.06%
New Multi-Residential	0.01319264	0.01333270	1.06%	0.00350323	0.00354043	1.06%
Multi-Residential	0.02213593	0.02011138	-9.15%	0.00587807	0.00534047	-9.15%
Commercial	0.02263092	0.02287118	1.06%	0.00600951	0.00607332	1.06%
Industrial	0.02415572	0.02441217	1.06%	0.00641441	0.00648253	1.06%
Pipeline	0.03904791	0.03946246	1.06%	0.01036895	0.01047905	1.06%

Table 6-B
City Levy Sensitivity

Realty Tax Class	City General Levy		Levy Change	
	Status Quo	Scenario 1	\$	%
<i>Taxable</i>				
Residential	\$20,633,753	\$20,852,812	\$219,059	1.06%
Farm	\$10,856	\$10,972	\$116	1.07%
Managed Forest	\$235	\$237	\$2	0.85%
New Multi-Residential	\$245,221	\$247,824	\$2,603	1.06%
Multi-Residential	\$3,402,101	\$3,090,945	-\$311,156	-9.15%
Commercial	\$7,344,055	\$7,422,023	\$77,968	1.06%
Industrial	\$756,191	\$764,220	\$8,029	1.06%
Pipeline	\$234,014	\$236,499	\$2,485	1.06%
Sub-Total (Taxable)	\$32,626,426	\$32,625,532	-\$894	0.00%
<i>Payment in Lieu</i>				
Residential	\$87	\$88	\$1	1.15%
Multi-Residential	\$44,537	\$40,464	-\$4,073	-9.15%
Commercial	\$453,064	\$457,874	\$4,810	1.06%
Industrial	\$13,926	\$14,074	\$148	1.06%
Sub-Total (PIL)	\$511,614	\$512,500	\$886	0.17%
Total (Taxable + PIL)	\$33,138,040	\$33,138,032	-\$8	0.00%

Table 6-C
County Levy Sensitivity

Realty Tax Class	County General Levy		Difference	
	Status Quo	Scenario 1	\$	%
<i>Taxable</i>				
Residential	\$5,479,175	\$5,537,357	\$58,182	1.06%
Farm	\$2,883	\$2,913	\$30	1.04%
Managed Forest	\$62	\$63	\$1	1.61%
New Multi-Residential	\$65,117	\$65,808	\$691	1.06%
Multi-Residential	\$903,409	\$820,784	-\$82,625	-9.15%
Commercial	\$1,950,171	\$1,970,879	\$20,708	1.06%
Industrial	\$200,802	\$202,935	\$2,133	1.06%
Pipeline	\$62,141	\$62,801	\$660	1.06%
Sub-Total (Taxable)	\$8,663,760	\$8,663,540	-\$220	0.00%
<i>Payment in Lieu</i>				
Residential	\$23	\$23	\$0	0.00%
Multi-Residential	\$11,827	\$10,745	-\$1,082	-9.15%
Commercial	\$120,309	\$121,586	\$1,277	1.06%
Industrial	\$3,698	\$3,737	\$39	1.05%
Sub-Total (PIL)	\$135,857	\$136,091	\$234	0.17%
Total (Taxable + PIL)	\$8,799,617	\$8,799,631	\$14	0.00%

Table 6-D
Total Year-Over-Year Change Under Scenario 1
 (2022 Year-End vs. Scenario 1 – Inclusive of Levy Change)

Realty Tax Class	All (Mun + Ed) Levies		Difference	
	2022 Year-End	2023 Scenario 1	\$	%
<i>Taxable</i>				
Residential	\$28,364,122	\$28,783,143	\$419,021	1.48%
Farm	\$14,923	\$15,144	\$221	1.48%
Managed Forest	\$322	\$327	\$5	1.55%
New Multi-Residential	\$337,092	\$342,071	\$4,979	1.48%
Multi-Residential	\$4,517,281	\$4,146,877	-\$370,404	-8.20%
Commercial	\$12,099,490	\$12,248,627	\$149,137	1.23%
Industrial	\$1,227,211	\$1,242,568	\$15,357	1.25%
Pipeline	\$347,285	\$352,038	\$4,753	1.37%
Sub-Total (Taxable)	\$46,907,726	\$47,130,795	\$223,069	0.48%
<i>Payment in Lieu</i>				
Residential	\$110	\$111	\$1	0.91%
Multi-Residential	\$59,136	\$54,287	-\$4,849	-8.20%
Commercial	\$679,701	\$688,901	\$9,200	1.35%
Industrial	\$24,734	\$25,017	\$283	1.14%
Sub-Total (PIL)	\$763,681	\$768,316	\$4,635	0.61%
Total (Taxable + PIL)	\$47,671,407	\$47,899,111	\$227,704	0.48%

This table compares the City's year-end-taxes by class to the 2023 levy under Scenario 1. This includes taxes for City, County and Provincial Education purposes.

Table 7-A
Municipal Tax Rate Sensitivity
(Scenario 2 vs. Status Quo – Inclusive of Levy Change)

Realty Tax Class	City Rates			County Rates		
	Status Quo	Scenario 2	Difference	Status Quo	Scenario 2	Difference
Residential	0.01319264	0.01333270	1.06%	0.00348303	0.00352001	1.06%
Farm	0.00329816	0.00333318	1.06%	0.00087076	0.00088000	1.06%
Managed Forest	0.00329816	0.00333318	1.06%	0.00087076	0.00088000	1.06%
New Multi-Residential	0.01319264	0.01333270	1.06%	0.00348303	0.00352001	1.06%
Multi-Residential	0.02213593	0.02011138	-9.15%	0.00584418	0.00530967	-9.15%
Commercial	0.02263092	0.02287118	1.06%	0.00597486	0.00603830	1.06%
Industrial	0.02415572	0.02441217	1.06%	0.00637743	0.00644514	1.06%
Pipeline	0.03904791	0.03946246	1.06%	0.01030916	0.01041861	1.06%

Table 7-B
City Levy Sensitivity

Realty Tax Class	City General Levy		Difference	
	Status Quo	Scenario 2	\$	%
<i>Taxable</i>				
Residential	\$20,633,753	\$20,852,812	\$219,059	1.06%
Farm	\$10,856	\$10,972	\$116	1.07%
Managed Forest	\$235	\$237	\$2	0.85%
New Multi-Residential	\$245,221	\$247,824	\$2,603	1.06%
Multi-Residential	\$3,402,101	\$3,090,945	-\$311,156	-9.15%
Commercial	\$7,344,055	\$7,422,023	\$77,968	1.06%
Industrial	\$756,191	\$764,220	\$8,029	1.06%
Pipeline	\$234,014	\$236,499	\$2,485	1.06%
Sub-Total (Taxable)	\$32,626,426	\$32,625,532	-\$894	0.00%
<i>Payment in Lieu</i>				
Residential	\$87	\$88	\$1	1.15%
Multi-Residential	\$44,537	\$40,464	-\$4,073	-9.15%
Commercial	\$453,064	\$457,874	\$4,810	1.06%
Industrial	\$13,926	\$14,074	\$148	1.06%
Sub-Total (PIL)	\$511,614	\$512,500	\$886	0.17%
Total (Taxable + PIL)	\$33,138,040	\$33,138,032	-\$8	0.00%

Table 7-C
County Levy Sensitivity

Realty Tax Class	County General Levy		Difference	
	Status Quo	Scenario 2	\$	%
<i>Taxable</i>				
Residential	\$5,447,581	\$5,505,420	\$57,839	1.06%
Farm	\$2,866	\$2,897	\$31	1.08%
Managed Forest	\$62	\$63	\$1	1.61%
New Multi-Residential	\$64,742	\$65,429	\$687	1.06%
Multi-Residential	\$898,200	\$816,050	-\$82,150	-9.15%
Commercial	\$1,938,927	\$1,959,514	\$20,587	1.06%
Industrial	\$199,645	\$201,764	\$2,119	1.06%
Pipeline	\$61,783	\$62,439	\$656	1.06%
Sub-Total (Taxable)	\$8,613,806	\$8,613,576	-\$230	0.00%
<i>Payment in Lieu</i>				
Residential	\$23	\$23	\$0	0.00%
Multi-Residential	\$11,758	\$10,683	-\$1,075	-9.14%
Commercial	\$119,615	\$120,885	\$1,270	1.06%
Industrial	\$3,677	\$3,716	\$39	1.06%
Sub-Total (PIL)	\$135,073	\$135,307	\$234	0.17%
Total (Taxable + PIL)	\$8,748,879	\$8,748,883	\$4	0.00%

Table 7-D
Total Year-Over-Year Change Under Scenario 2
 (2022 Year-End vs. Scenario 2 – Inclusive of Levy Change)

Realty Tax Class	All (Mun + Ed) Levies		Difference	
	2022 Year-End	2023 Scenario 2	\$	%
<i>Taxable</i>				
Residential	\$28,364,122	\$28,751,206	\$387,084	1.36%
Farm	\$14,923	\$15,128	\$205	1.37%
Managed Forest	\$322	\$327	\$5	1.55%
New Multi-Residential	\$337,092	\$341,692	\$4,600	1.36%
Multi-Residential	\$4,517,281	\$4,142,143	-\$375,138	-8.30%
Commercial	\$12,099,490	\$12,237,262	\$137,772	1.14%
Industrial	\$1,227,211	\$1,241,397	\$14,186	1.16%
Pipeline	\$347,285	\$351,676	\$4,391	1.26%
Sub-Total (Taxable)	\$46,907,726	\$47,080,831	\$173,105	0.37%
<i>Payment in Lieu</i>				
Residential	\$110	\$111	\$1	0.91%
Multi-Residential	\$59,136	\$54,225	-\$4,911	-8.30%
Commercial	\$679,701	\$688,200	\$8,499	1.25%
Industrial	\$24,734	\$24,996	\$262	1.06%
Sub-Total (PIL)	\$763,681	\$767,532	\$3,851	0.50%
Total (Taxable + PIL)	\$47,671,407	\$47,848,363	\$176,956	0.37%

Summary Rate Tables

Tables 8-A and 8-B have been prepared to summarize the underlying rates related to the tax models set out above. These rates appear in Tables 1, 6-A and 7-A of this report but have been re-organized for ease of reference and comparison. Table 8-A sets out the rates for the City’s own levy, Table 8-B contains estimated County rates.

**Table 8-A
City Levy Rates by Model**

City Rates	Notional	Status Quo Policy		Scenario 1		Scenario 2	
		Full Rate	Vs. Notional	Full Rate	Vs. Notional	Full Rate	Vs. Notional
Residential	0.01314860	0.01319264	0.33%	0.01333270	1.40%	0.01333270	1.40%
Farm	0.00328715	0.00329816	0.33%	0.00333318	1.40%	0.00333318	1.40%
Managed Forest	0.00328715	0.00329816	0.33%	0.00333318	1.40%	0.00333318	1.40%
New Multi-Res.	0.01314860	0.01319264	0.33%	0.01333270	1.40%	0.01333270	1.40%
Multi-Residential	0.02206204	0.02213593	0.33%	0.02011138	-8.84%	0.02011138	-8.84%
Commercial	0.02255537	0.02263092	0.33%	0.02287118	1.40%	0.02287118	1.40%
Industrial	0.02407509	0.02415572	0.33%	0.02441217	1.40%	0.02441217	1.40%
Pipeline	0.03891755	0.03904791	0.33%	0.03946246	1.40%	0.03946246	1.40%

**Table 8-B
Estimated County Requisition Rates by Model**

County Rates	Notional	Status Quo Policy		Scenario 1		Scenario 2	
		Full Rate	Vs. Notional	Full Rate	Vs. Notional	Full Rate	Vs. Notional
Residential	0.00345260	0.00350323	1.47%	0.00354043	2.54%	0.00352001	1.95%
Farm	0.00086315	0.00087581	1.47%	0.00088511	2.54%	0.00088000	1.95%
Managed Forest	0.00086315	0.00087581	1.47%	0.00088511	2.54%	0.00088000	1.95%
New Multi-Res.	0.00345260	0.00350323	1.47%	0.00354043	2.54%	0.00352001	1.95%
Multi-Residential	0.00579312	0.00587807	1.47%	0.00534047	-7.81%	0.00530967	-8.35%
Commercial	0.00592266	0.00600951	1.47%	0.00607332	2.54%	0.00603830	1.95%
Industrial	0.00632171	0.00641441	1.47%	0.00648253	2.54%	0.00644514	1.95%
Pipeline	0.01021909	0.01036895	1.47%	0.01047905	2.54%	0.01041861	1.95%

Automatic Rent Reductions

Under the *Residential Tenancies Act (RTA)*, rent for a residential unit is *automatically* reduced if the municipal property taxes for the complex have decreased more than 2.49% in comparison to the previous year's taxes. These mandatory reductions apply to all residential tenancies covered by the RTA rent rules regardless of the size of the complex. Specific applicability of the RTA are set out in that Act, but the main types of housing that are not subject to rent rules under the legislation include:

- Public housing and non-profit housing projects;
- Vacation homes, recreational properties and short-term accommodations;
- Most housing owned by educational institutions (dormitories, etc.);
- Nursing/care homes and institutional residences and group homes;
- Employee housing; and
- Properties excluded from rent rules including buildings that were not occupied for residential purposes prior to November 2018.

Rent reduction factors are calculated by multiplying the Tax Decrease percentage by:

- 20% for properties classified as Multi-Residential, and
- 15% for all other properties, including New Multi-Residential.

These percentages have been established based on a general assumption that property tax makes up 20% of a tenant's rent in a multi-residential building and 15% in those taxed the residential rate. The actual dollar amount of any rent reduction will be based on the actual unit rent and may only be part of the year-to-year rent adjustment. A mandatory tax related rent reduction does not preclude allowable increases from being applied.

Municipal Notice Requirements

Local municipalities are required to provide notice of mandatory rent reductions for residential complexes containing seven or more units for any year in which a qualifying tax reduction occurs.

Both the landlord and the tenants of a building where an eligible reduction exists must be notified by the municipality. Notices must be issued in a format approved by the Tribunal and within the following timeframes:

- Landlords are to be notified between the dates of June 1st to September 15th of the tax year for which a reduction has occurred; and
- The specific tenants and/or occupants are to be notified between October 1st and December 15th of the year in question.

Preliminary 2023 Rent Reduction Factors

If the City were to reduce its multi-residential tax ratio for 2023, this should be expected to trigger automatic rent reductions for all multi-residential class buildings with eligible units². The rent reduction factors would be 1.64% under Scenario 1 and 1.66% under Scenario 2.

² Units to which the RTA rent rules apply.