Staff Report

Report To: City Council

Report From: Kate Allan, Director of Corporate Services

Meeting Date: March 24, 2025

Report Code: CR-25-027

Subject: 2025 Multi-Residential Tax Rate Reduction – Third Phase of a Four-Year Plan

Recommendations:

THAT in consideration of Staff Report CR-25-027 respecting 2025 Multi-Residential Tax Rate Reduction – Third Phase of a Four-Year Plan, City Council directs staff to:

1. Reduce the multi-residential ratio to 1.169475, representing the third increment in the City's four-year phased approach to achieving a ratio of 1.0; and
2. Bring forward a by-law to authorize the collection of 2025 property taxes based on the approved tax ratios and rates.

Highlights:

- **Continued Progress Toward Fairer Taxation** – This is the third step in a four-year plan to gradually reduce the multi-residential tax ratio, ensuring that rental properties are taxed more equitably.
- **Supporting Housing Affordability** – Lower property taxes for landlords helps ease financial pressure on rental properties, which may stabilize rent increases.
- **Balanced Approach with Modest Tax Shift** – The City's phased approach prevents sudden tax hikes and aligns with anticipated provincial changes.

Strategic Plan Alignment:

Strategic Plan Priority: Prosperous City.

Climate and Environmental Implications:

This supports the objectives of the City's Corporate Climate Change Adaptation Plan by considering climate adaptation in the development of the City's strategies, plans and policies.

A lower tax burden for rental property owners may free up capital for landlords to reinvest in energy-efficient upgrades. These investments can lower carbon footprints and contribute to the City's broader climate goals.

Previous Report/Authority:

2025 Municipal Levy Approval

Background:

The City of Owen Sound is unique in the province as it maintains authority over its own tax policy, whereas other lower-tier municipalities in Grey County rely on the upper-tier government to establish tax ratios. As part of a strategic initiative to align with provincial objectives and promote housing affordability, Council adopted a four-year plan to gradually reduce the multi-residential tax ratio to parity with the residential class (1.0).

For 2025, the proposed reduction brings the multi-residential tax ratio from **1.338950 to 1.169475**, in alignment with a similar decrease at the Grey County level. This ensures that the benefits of the ratio reduction are passed on to the multi-residential sector.

The City's revenue-neutral and full levy tax outcomes have been analyzed under two tax policy models:

1. **Status Quo Tax Ratios** – Maintaining existing ratios without adjustment.
2. **Adjusted Multi-Residential Ratio** (1.169475) – Implementing the third phased reduction.

Tax ratios and subclass discounts dictate the tax rate for each property class relative to the residential class. Beyond setting proportional tax burdens, tax ratios serve as a tool to influence the **balance of taxation** among property classes. A higher ratio results in a disproportionate tax burden on that class. Adjustments to tax ratios modify this distribution and affect the overall equity of taxation.

Typically, this report would be presented to the Corporate Services Committee. However, due to the length of the March Corporate Services Committee agenda and the timing constraints of the April meeting, this report is being presented directly to Council to ensure that the recommendations within can be actioned in time to meet final billing deadlines.

Analysis:

Outcomes of Reducing the Multi-Residential Tax Ratio

- Affordability for Tenants
  - Reduced property taxes for landlords may ease pressure on rental costs.
  - Helps mitigate high cost increases for other external pressures that landlords are exposed to.
- Fairness and Equity Among Property Classes
- Reducing the ratio brings tax equity between homeowners and renters as well as between other newer multi-residential properties already benefitting from ratio equal to 1.
- Economic Competitiveness
- Resulting competitive tax rates encourage investment and reinvestment in purpose-built rentals.
- Alignment with Provincial Policy Goals
- Supports anticipated provincial direction to standardize multi-residential and residential tax treatment.
- Revenue Impact on the Municipality
- Tax rates will adjust on all property tax classes to maintain revenue neutrality.
- Reducing the multi-residential ratio will shift a portion of the tax burden onto the residential, commercial and industrial classes.

Why is this change recommended?

The City is in year three of a four-year plan to gradually reduce the tax rate for rental housing to make taxation fairer for renters and landlords.

Currently, multi-residential buildings (rental apartments) built prior to 2010 are taxed at a higher rate than newer multi-residential buildings and all single-family homes.

The goal is to reduce this disparity over time so that the burden of taxation more accurately reflects the distribution of property values.

How does this change impact renters?

Lower property taxes for landlords could help stabilize rent increases — especially important in a tight rental market.

This reduction does not mean rent automatically decreases, but it helps prevent landlords from raising rents due to higher tax costs.

Some tenants in larger buildings (7+ units) may see small rent reductions due to provincial rent reduction rules when taxes decrease.

How does this change impact homeowners?

Homeowners will see a small increase in property taxes to balance the shift.

This is because the City must collect the same amount of total taxes but is adjusting who pays what share.

For the average homeowner, the increase as a result of the tax shift is modest—around $36 per year or $3 per month.

The total tax bill increase from the combined levies and the impact of ratio adjustments combined is 3.25%; still at the lower end of the mandate provided by Council in November 2024.

Why is the City considering this now?

The Province has signaled a push towards equalizing rental and homeowner tax rates—this proactive, phased-in approach prevents a sudden large change in the future.

A gradual shift is fairer for everyone and avoids unexpected tax shocks to homeowners.

Rental Housing affordability is a strategic priority now.

What happens next:

This is not the final step—next year will be the last phase of the plan to fully align multi-residential tax rates with homeowners.

The City will continue monitoring impacts to ensure fairness and sustainability.

Once adjustments to the multi residential ratio are complete, the City may consider further adjustments to commercial and industrial tax classes or implementing further discounts to multi residential tax classes.

Financial Implications:

The multi residential tax ratio reduction is modeled to ensure the overall levy remains balanced. If both the City and the County implement the recommended reductions, the shift in the tax burden will be moderated across all property tax classes. For a household assessed at $232,150, the total tax bill is estimated to be $4,579, an increase of $144 over 2024 or $12 per month. This combines the impacts of all three levies (City, County and Education) and the changing ratios at the City and County levels.

Communication Strategy:

Tax Rates are published on the City's website.

Consultation:

Grey County Treasurer

Voxtur Analytics (formerly MTE Tax Consultants)

Attachments:

Owen Sound 2025 Sensitivity Analysis, prepared by Voxtur Analytics

Recommended by:
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Submission approved by:
Tim Simmonds, City Manager

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