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## MANAGEMENT REPORT

**Date:** October 22, 2024  
**To:** Finance and Labour Relations Sub-committee  
**From:** Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer  
**Report Number:** FIN24-031  
**Attachments:** None

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**Title:** New Multi-Residential Property Subclass

**Objective:** To provide background information and preliminary analysis on the new Multi-Residential Property subclass.

**Background:** As part of the 2024 Ontario Budget, the Provincial government announced its commitment to support the development of purpose-built rental housing. It also announced that municipalities can now offer an optional reduced municipal property tax rate specifically for new multi-residential developments, where units are built or converted from a non-residential use. This initiative is part of a broader provincial strategy aimed at increasing the availability of rental housing and enhancing affordability for residents and the City of Stratford's efforts to support the creation of new purpose-built rental homes, including rent-controlled and affordable rental homes aligns with this commitment.

Ontario Regulation 140/24 creates an optional New Multi-Residential Property (Municipal Reduction) Subclass. It does not apply to existing new multi-residential class properties, those currently under construction, or those with pre-existing permits. Future purpose-built properties could receive a property tax discount of up to 35% of the municipal portion of the existing New Multi-Residential Property Class rate. In the City of Stratford, that rate is currently the same as the Residential Property tax rate.

This report provides information related to the newly proposed optional subclass and the requirements for the City to adopt a subclass. Any potential recommendations to introduce a subclass will be outlined for consideration in the annual Property Tax Related Matters report (after the approval of the 2025 budget).

Council should also be aware that properties that existed in the multi-residential class pre-2017 are currently paying a higher tax rate than residential properties, while those in the New Multi-Residential class are paying the same as the residential class. This was

intentional based on how they are valued. Multi-residential buildings use the Income Approach, whereas residential buildings use the Current Value Assessment (CVA) or Market Value Approach. When the New Multi-Residential class was created, the intent was that these properties would get the lower residential rate upon meeting certain requirements for 35 years, and then revert to the regular multi-residential class.

**Analysis:** The Province's introduction of this optional subclass does not result in any immediate financial impacts to the City. The Ontario Regulation 140/24 only applies to new developments and therefore all existing multi-residential properties would not be eligible for inclusion in a potential new subclass.

If the new subclass is adopted, future year operating budgets would be impacted as new properties are added to the City's assessment roll and are eligible for the reduced rate. The impact on revenue generated is dependent upon the number of properties of this nature, but per build, would be up to 35% of the residential rate multiplied by the assessed value of the property.

Once properties are in the New Multi- Residential subclass, an ongoing rate reduction would reduce the property tax revenue collected from these properties and shift any budgetary requirements to the other property classes. Over time, the financial impact on the other classes from the rate reduction would gradually increase, as new buildings are added to the assessment roll.

For further clarification, condominiums are in the Residential Property class.

## **Comments**

Council has recognized the need to take concrete action to support the development of a range of rental homes. The City has already taken measures towards this goal including investing in additional supportive housing units at 398 Erie and providing financial support to rent-geared-to-income (RGI), affordable rental and rent-controlled homes. The New Multi-Residential (Municipal Reduction) subclass, if adopted, would complement the City's existing measures, and will further contribute to improving housing affordability for Stratford residents.

Consistent with provincial regulations, the City of Stratford currently has two property tax classes pertaining to multi-residential properties:

1. Multi-Residential
2. New Multi-Residential

Both existing classes pertain to land used for residential purposes that have seven or more self-contained units including bachelorette apartments, row housing (with the complex under single ownership), low-rise and high-rise apartment buildings.

The new subclass would specifically apply to properties within the New Multi-Residential Property class, whether newly constructed or converted from non-residential use. Municipalities now have the authority to introduce a municipal tax rate reduction of up to 35% through the enactment of a by-law. The Province has not proposed any matching reductions and the existing education rate for New Multi-Residential properties will continue to apply.

To qualify for the new subclass, the following criteria exist:

1. The City must have a by-law in effect to apply the subclass;
2. The property must be in the New Multi-Residential Property class; and
3. The property's first building permit must have been issued after the by-law's implementation.

Therefore, the new subclass would not apply to existing New Multi-Residential class properties or those currently under construction or with pre-existing permits. The responsibility for identifying properties that meet the criteria lies with the Municipal Property Assessment Corporation (MPAC).

**Current and Historical Trends**

In 2024, there are twelve properties in the City classified as New Multi-Residential (NT) with a total CVA of \$52 million. The total municipal tax levy for these properties is approximately \$762,246. This includes the two new City-owned Britannia St buildings, the taxes for which are part of the general tax levy. Over the last five years, the number of additional New Multi-Residential properties per year varied between 0 and 3, with an average of two new properties added each year. On average, these new properties contributed an additional CVA of approximately \$7.5 million annually. This represents a 24% increase per year in New Multi-Residential CVA.

	At time of roll		Taxrate	Taxes based on roll	New additional CVA	
	# of Properties	CVA				
2024	12	46,627,500.00	0.014656	683,394.55	4,179,700.00	9%
2023	10	42,447,800.00	0.013526	574,153.61	-	0%
2022	10	42,447,800.00	0.012824	544,333.18	14,756,700.00	35%
2021	7	27,691,100.00	0.012144	336,269.37	4,487,000.00	16%
2020	4	23,204,100.00	0.011978	277,946.14	14,075,400.00	61%
2019	3	9,128,700.00	0.012026	109,781.20		
					7,499,760.00	24%

The New Multi-Residential and Residential tax classes are taxed at the same municipal rate, which for 2024 is 0.01465647. Properties in the regular Multi-Residential Tax Class (those pre-2017) are at a rate of 0.02931295.

## **New Multi-Residential Tax Rate Reduction Options**

Should the City introduce a New Multi-Residential Property subclass, rate reductions ranging up to 35% can be considered. If the new builds remained at historic development levels, impacts to the other property classes could be up to \$267,000 annually. As noted above, this measure supports the development of needed purpose-built rental housing and could further incentivize new rent controlled, affordable rental and RGI units. Should Council decide to implement a new subclass, it is staff's recommendation that a rate reduction cap also be implemented (example, 15%). Further analysis and recommendations will follow in the subsequent report.

### **Additional Considerations**

- The New Multi-Residential subclass reduction applies only to the municipal tax rate and does not apply to the education portion. The Province has not proposed a matching reduction, unlike the existing Small Business Property Tax subclass.
- Introducing a New Multi-Residential subclass would result in three distinct multi-residential classifications, each assigned its own specific tax rate primarily based on timing of the development. These varying classifications may result in different tax rates for similar properties, potentially creating further financial inequity for multi-residential property owners.
- Any potential recommendations to introduce a subclass in the City of Stratford will be part of the annual Property Tax Related Matters report.

### **Financial Implications:**

#### **Financial impact to current year operating budget:**

No impact as this report is for information.

#### **Financial impact on future year operating budget:**

There are no direct financial implications to the City regarding this potential policy choice. There would be a potential reduction of property taxes to affected properties in this new class, and this impact would be an increase to the other property classes. As the residential property class is the largest single property class, these property owners would bear most of the shift that results from the incentive program.

### **Alignment with Strategic Priorities:**

#### **Build Housing Stability**

This initiative aligns with this priority as it directly incentivizes the building of eligible housing units at a lower-than-market rate.

**Alignment with One Planet Principles:**

**Not applicable:** This report is for information only and does not directly align with the One Planet Principles.

**Staff Recommendation: THAT the Report titled, "New Multi-Residential Property Subclass" (FIN24-031), be received for information.**

**Prepared by:** Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer

**Recommended by:** Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer  
Joan Thomson, Chief Administrative Officer