2025
PROPERTY TAX AND TAX POLICY STUDY

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THE CITY OF STRATFORD

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INTRODUCTION

Each year, Ontario municipalities face crucial decisions regarding their local property tax regime. These decisions shape both the total amount of revenue to be raised as well as the distribution of the tax burden. Municipalities are not, however, making these decisions in a vacuum. Due to the complexities of the Province's tax and assessment system, and the constantly changing landscape of the local tax base, even a choice to rely on last year's decisions will come with new implications. In the realm of municipal property tax in Ontario, a true "status-quo" does not exist. To navigate these challenges effectively, municipalities must understand their options and choices within a comprehensive framework, aligning them with local priorities, objectives, and goals.

This study aims to present a detailed and accurate overview of the 2025 assessment and tax landscape. In doing this we will document how the tax and assessment circumstances have changed since taxes were levied for 2024 and also consider the various tax policy options and choices that can be used to influence final tax outcomes for 2025.

The overall goal is to provide municipal Staff and decision makers with the core insight and analysis needed to consider 2025 property tax decisions in an informed and strategic manner. This in turn will maximize the attainment of municipal priorities and objectives.

Assessment and Property Tax in 2025

This new taxation year promises to be uniquely challenging in the realm of property taxation, influenced by a multitude of factors. In addition to the fact that reassessment has been paused for another year, the municipal policy landscape is changing rapidly. Municipal tax levies are subject to a host of unprecedented impact including the highest inflationary pressures in two decades and an economic climate that has spurred increased demand for a range of supports and services. At the same time, many municipalities are compelled to rely more heavily on property tax as a counterbalance to stresses and declines in other revenue streams.

To further complicate the transition to 2025, municipalities must consider the implications of, and their reactions to two recent changes in provincial property tax policy in addition to the existing slate of property tax considerations. Mainly:

- The introduction of a new **multi-residential subclass**, which allows municipalities to provide a further reduction to newly built or substantially renovated multi-residential properties, beyond that already conveyed under the new multi-residential property class; and
- A new **Aggregate Extraction** property class, that will capture most gravel pits and quarries and will drive material tax shifts for 2025 in those jurisdictions with significant assessment being moved from the industrial class to this new stand-alone class.

Other adjustments and implications for Ontario's property tax regime could come in a variety of forms and from a variety of sources.

Recognizing these challenges and uncertainty, MTE has continued to ensure our Property Tax and Tax Policy Study provides a measure of clarity as to what this all means for how we interpret and explain tax and assessment matters.

PART ONE: ASSESSMENT AND REVENUE GROWTH ANALYSIS

2024 Assessment Growth

The ongoing reassessment pause does not have any independent implications for growth related assessment and tax change. As such, a restated 2025 revenue limit and starting tax position must be established in order to make informed decisions in respect of the new taxation year.

Table 1 compares the CVA values contained on the roll as returned and the roll as revised for 2024, summarizing the net in-year changes to property within the municipality, as reflected for assessment and taxation purposes.

Growth vs. Loss

The municipality's overall growth component will be made up of both positive and negative growth. Positive growth will be reflective of things such as new construction, additions, improvements, etc. The drivers of negative growth may include demolitions, Minutes of Settlement, and/or decisions of the Assessment Review Board.

While it is ultimately this net figure that will inform taxation and revenue models as we move into the new taxation year, considering the differential patterns and impacts of growth and loss can be a valuable exercise.

Considering loss patterns independently can reveal areas of concern, such as fluctuations in property valuations within a class, tax erosion due to appeals, and economic pressures in specific sectors, industries, or geographic areas. Similarly, isolating and examining positive growth can shed light on the effects of new developments, improvements, and expansions on the assessment base.

When these change patterns are broken out as seen in Table 2, it is possible to see trends and movement within the assessment base that may otherwise be obscured or skewed when only the net impact is being considered. For instance, robust growth in a particular subset of a class might be less noticeable if it is counterbalanced (and camouflaged) by losses in another subset.

While the results in these tables do not offer a comprehensive insight into the municipality's assessment and economic dynamics, they represent a crucial initial step towards identifying significant trends.

Table 1
2024 Assessment Growth Resulting from Changes in the State and/or Use of Property

Realty Tax Class	*CVA As Returned*	*CVA As Revised*	*$ Growth*	*% Growth*
Taxable				
Residential	3,571,570,927	3,627,470,894	55,899,967	1.57%
Farm	23,371,761	22,096,461	-1,275,300	-5.46%
New Multi-Residential	46,627,500	50,235,000	3,607,500	7.74%
Multi-Residential	191,053,900	191,183,600	129,700	0.07%
Commercial	517,564,170	522,505,104	4,940,934	0.95%
Industrial	150,881,433	151,853,633	972,200	0.64%
Pipeline	9,726,000	9,945,000	219,000	2.25%
Sub-Total Taxable	**4,510,795,691**	**4,575,289,692**	**64,494,001**	**1.43%**
Payment in Lieu				
Residential	103,000	103,000	0	0.00%
Commercial	15,399,608	15,522,608	123,000	0.80%
Industrial	1,172,000	1,172,000	0	0.00%
Landfill	2,227,292	2,227,292	0	0.00%
Sub-Total PIL	**18,901,900**	**19,024,900**	**123,000**	**0.65%**
Total (Tax + PIL)	**4,529,697,591**	**4,594,314,592**	**64,617,001**	**1.43%**

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Table 2
2024 Assessment Growth and Loss Patterns

Realty Tax Class	***Positive CVA Growth***	***Positive %***	***Negative CVA Growth***	***Negative %***	***Net CVA Growth***	***Net %***
Taxable						
Residential	61,904,567	1.73%	-6,004,600	-0.17%	55,899,967	1.57%
Farm	490,800	2.10%	-1,766,100	-7.56%	-1,275,300	-5.46%
New Multi-Residential	4,055,500	8.70%	-448,000	-0.96%	3,607,500	7.74%
Multi-Residential	654,200	0.34%	-524,500	-0.27%	129,700	0.07%
Commercial	6,155,834	1.19%	-1,214,900	-0.23%	4,940,934	0.95%
Industrial	1,213,600	0.80%	-241,400	-0.16%	972,200	0.64%
Pipeline	219,000	2.25%	0	0.00%	219,000	2.25%
Sub-Total Taxable	**74,693,501**	**1.66%**	**-10,199,500**	**-0.23%**	**64,494,001**	**1.43%**
Payment in Lieu						
Residential	0	0.00%	0	0.00%	0	0.00%
Commercial	123,000	0.80%	0	0.00%	123,000	0.80%
Industrial	0	0.00%	0	0.00%	0	0.00%
Landfill	0	0.00%	0	0.00%	0	0.00%
Sub-Total PIL	**123,000**	**0.65%**	**0**	**0.00%**	**123,000**	**0.65%**
Total (Tax + PIL)	**74,816,501**	**1.65%**	**-10,199,500**	**-0.23%**	**64,617,001**	**1.43%**

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Historic Growth Patterns

Table 3 has been prepared to provide the reader with a measure of context within which to consider the current year's assessment growth. Table 3 provides a comparison between the full CVA growth realized during 2023, to the current year's final growth figures.

Table 3
Year-To-Year Assessment Growth Comparison

Realty Tax Class	*2023 CVA Growth*	*2003 %*	*2024 CVA Growth*	*2024 %*
Taxable				
Residential	50,193,400	1.43%	55,899,967	1.57%
Farm	358,000	1.56%	-1,275,300	-5.46%
New Multi-Residential	4,179,700	9.85%	3,607,500	7.74%
Multi-Residential	700,000	0.37%	129,700	0.07%
Commercial	5,655,700	1.10%	4,940,934	0.95%
Industrial	-746,800	-0.49%	972,200	0.64%
Pipeline	55,000	0.57%	219,000	2.25%
Sub-Total Taxable	**60,395,000**	**1.36%**	**64,494,001**	**1.43%**
Payment in Lieu				
Residential	0	0.00%	0	0.00%
Commercial	266,000	1.76%	123,000	0.80%
Industrial	0	0.00%	0	0.00%
Landfill	0	0.00%	0	0.00%
Sub-Total PIL	**266,000**	**1.43%**	**123,000**	**0.65%**
Total (Tax + PIL)	**60,661,000**	**1.36%**	**64,617,001**	**1.43%**

Revenue Growth

On an annualized basis, the net growth-related gain or loss in taxation is the difference between the total tax amount as determined against the returned roll and the total tax as determined against the roll as revised. Not all of this value will, however, have been realized in the form of additional revenue during the year. Some changes would not have been effective for the full tax year, while others may have been made for multiple years.

The net annualized revenue growth in general levy dollars is summarized by class in Table 4. Table 5 compares the municipality's current year revenue growth against the final growth figures calculated as of roll return for 2025.

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Revenue Limit and Zero Per Cent Levy Change

For tax policy and tax levy purposes, the net annualized growth is a critical measure as it serves to inform the municipality's "revenue limit" for the coming year. This revenue limit represents the tax dollars that can be raised for the current year under a zero percent levy change scenario.

Table 4
2024 Annualized Revenue Growth by Property Class

Realty Tax Class	*2024 Start Levy*	*2024 Year-End*	*$ Levy Growth*	*% Levy Growth*
Taxable				
Residential	$52,340,349	$53,159,645	$819,296	1.57%
Farm	$85,637	$80,964	-$4,673	-5.46%
New Multi-Residential	$683,395	$736,268	$52,873	7.74%
Multi-Residential	$5,600,353	$5,604,155	$3,802	0.07%
Commercial	$14,988,798	$15,131,889	$143,091	0.95%
Industrial	$5,621,425	$5,657,647	$36,222	0.64%
Pipeline	$215,106	$219,950	$4,844	2.25%
Sub-Total Taxable	**$79,535,063**	**$80,590,518**	**$1,055,455**	**1.33%**
Payment in Lieu				
Residential	$1,510	$1,510	$0	0.00%
Commercial	$445,977	$449,539	$3,562	0.80%
Industrial	$43,665	$43,665	$0	0.00%
Landfill	$64,146	$64,146	$0	0.00%
Sub-Total PIL	**$555,298**	**$558,860**	**$3,562**	**0.64%**
Total (Tax + PIL)	**$80,090,361**	**$81,149,378**	**$1,059,017**	**1.32%**

Table 5
Year-To-Year Revenue Growth Comparison

Realty Tax Class	*2023 Levy Growth*	*2003 %*	*2024 Levy Growth*	*2024 %*
Taxable				
Residential	$678,597	1.42%	$819,296	1.57%
Farm	$1,210	1.55%	-$4,673	-5.46%
New Multi-Residential	$56,535	9.85%	$52,873	7.74%
Multi-Residential	$18,936	0.37%	$3,802	0.07%
Commercial	$151,158	1.10%	$143,091	0.95%
Industrial	-$25,677	-0.49%	$36,222	0.64%
Pipeline	$1,122	0.57%	$4,844	2.25%
Sub-Total Taxable	**$881,881**	**1.22%**	**$1,055,455**	**1.33%**
Payment in Lieu				
Residential	$0	0.00%	$0	0.00%
Commercial	$7,109	1.76%	$3,562	0.80%
Industrial	$0	0.00%	$0	0.00%
Landfill	$0	0.00%	$0	0.00%
Sub-Total PIL	**$7,109**	**1.41%**	**$3,562**	**0.64%**
Total (Tax + PIL)	**$888,990**	**1.22%**	**$1,059,017**	**1.32%**

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PART TWO: 2025 BASE-LINE TAX LANDSCAPE

Establishing 2025 Starting Taxes with Precision and Accuracy

To accurately assess the tax impacts stemming from market value changes (reassessment), tax policy adjustments, and levy changes, it is essential to calculate and use revenue-neutral tax rates. While there is no reassessment for 2025, establishing these rates and a precise starting position remains critical for measuring and reporting all other factors affecting taxation.

For 2025, a reliable notional baseline will enable municipalities to:

1. **Quantify Year-Over-Year Taxation Shifts**
   Identify the implications of provincially prescribed recalculation protocols on the balance of taxation.
2. **Measure the Impact of the New Aggregate Extraction Property Class**
   Evaluate and report how this newly introduced class affects the municipal tax base.
3. **Assess Municipal Levy and Tax Policy Adjustments**
   Accurately calculate and communicate the effects of any changes to the municipal levy or local tax policies.

By establishing this solid foundation, municipalities can ensure transparency, accountability, and informed decision-making in their fiscal management.

Notional vs. Revenue Neutral Tax Rates

While there is no statutory distinction between Notional and Revenue Neutral tax rates, the differentiation is conceptually useful in property tax analysis. Both represent revenue-neutral positions, but we may need multiple sets of revenue-neutral rates to measure distinct forces affecting taxation.

Notional Tax Rates are a specific set of tax rates designed to generate the municipality's revenue limit (previous year levy + growth) using the current year's assessment roll and starting tax policy parameters as dictated by provincial statutes and regulations.

These rates isolate the impact of changes **external to municipal policy and spending decisions** and serve as the municipality's baseline starting position each year. Any local policy or levy changes will be measured against this notional baseline.

Alternate Revenue Neutral Tax Rates are those that raise the same baseline revenue but are recalibrated to account for any contemplated changes in tax policy or class structure. If adjustments are made, the levy impact for that year is measured by comparing taxes raised under these revised revenue-neutral rates with those generated by the final tax rates for the year.

By leveraging these distinctions, municipalities can precisely analyze and report the financial impacts of both market-driven changes and policy decisions within their tax systems.

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2025 Start Ratios and Notional Tax Rates

Table 6 outlines the municipality's 2025 starting tax ratios, notional tax rates and notional levy, established to ensure overall revenue neutrality on a year-over-year basis. For most property classes, the actual 2024 tax ratios have been carried forward as the 2025 start ratios.

Table 6
Starting Ratios, Notional Tax Rates and Notional Levy

Realty Tax Class	Start Ratios	*Notional Rate*	*Notional Levy*	*Class Share*
Taxable				
Residential	1.000000	0.01465647	$53,159,645	65.51%
Farm	0.250000	0.00366412	$80,964	0.10%
New Multi-Residential	1.000000	0.01465647	$736,268	0.91%
Multi-Residential	2.000000	0.02931295	$5,604,155	6.91%
Commercial	1.975937	0.02896027	$15,131,889	18.65%
Industrial	2.542033	0.03725724	$5,657,647	6.97%
Pipeline	1.509000	0.02211662	$219,950	0.27%
Sub-Total Taxable			**$80,590,518**	**99.31%**
Payment in Lieu				
Residential	1.000000	0.01465647	$1,510	0.00%
Commercial	1.975937	0.02896027	$449,539	0.55%
Industrial	2.542033	0.03725724	$43,665	0.05%
Landfill	1.965003	0.02880002	$64,146	0.08%
Sub-Total PIL			**$558,860**	**0.69%**
Total (Tax + PIL)			**$81,149,378**	**100.00%**

Treatment of PIL Assessment and Revenue

For municipalities that do not include the assessment and revenues associated with Payment in Lieu of Tax (PIL) properties in the calculation of tax rates, the amount of PIL revenue is dictated by, or dependant on the rates calculated using the municipality's taxable assessment base. As such, municipalities that have directed MTE to calculate their rates exclusive of PIL revenue and assessment will see that their revenue neutral levy amounts balance with the *Taxable Sub-Total* for 2024. In contrast, where a municipality includes both taxable and PIL revenue and assessment in their tax rate calculations, the total levy (Taxable + PIL) will balance on a year-over-year basis. Where the former approach has been applied, and a loss of PIL revenue is anticipated, the municipality may wish to consider an alternate calculation protocol.

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Business, Non-Business and Public Sector Revenue

Although some groups or categories of taxpayers are not specifically defined by the *Municipal* or *Assessment Acts*, it is possible to make distinctions between various types of taxpayers to support informative, interesting, and useful analysis.

For many, the distinction between revenue that comes from non-business, business and public sector property owners is of significant interest. Figures 1 and 2 have been prepared to show how the relative burden of assessment and CVA tax is shared amongst various groups. For the purposes of this report, these categories incorporate the following assessment elements:

Residential	Taxable Residential
Farm and Forest	Taxable Farm and Managed Forest
Multi-Residential	Taxable Multi-Residential and New Multi-Residential
Business	Taxable Commercial, Industrial, Aggregate Extraction and Pipeline
PIL	Properties from any class subject to a Payment in Lieu of taxes

Figure 1:
2025 Full CVA

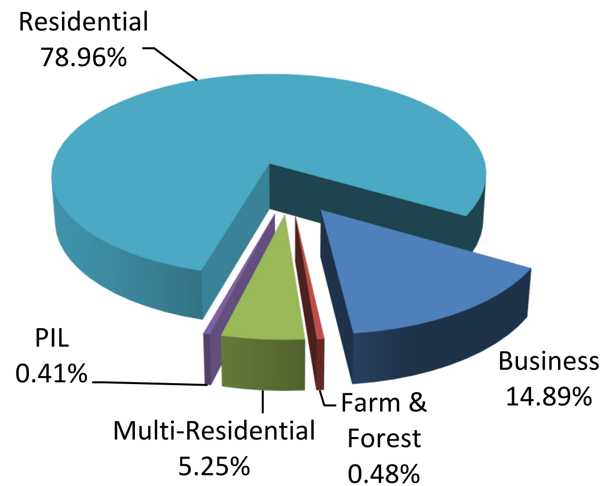
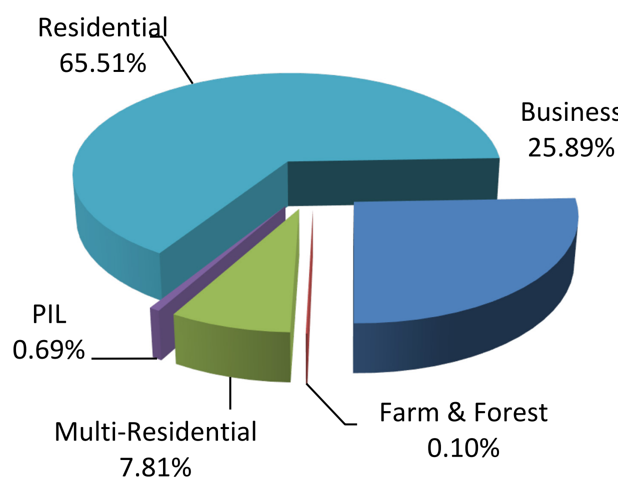


Figure 2:
2025 General Levy



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Typical Properties

It is also important to consider taxes at the property level. While the taxes carried by each ratepayer can vary widely within a class, or sub-set of properties, considering the taxes for a typical or average property can be very helpful in placing the broader trends in an understandable perspective.

To this end, we have prepared Table 7 to illustrate the potential impact on various "typical" taxable properties within the jurisdiction, including:

- Single Detached Residential;
- Freehold Townhouse/Semi Detached;
- Condominium;
- All Residential;
- Farm;
- Occupied Multi-Residential;
- Commercial Occupied (CT); and
- Industrial Occupied (IT).

Table 7
Average CVA Tax for Typical Properties
(2025)

Category	*Average CVA*	*Average Tax*	*City Tax*	*City Share*	*Education Tax*	*Education Share*
Single Detached Residential	315,838	$5,112	$4,629	91%	$483	9%
Townhouse/Semi Detached	230,422	$3,730	$3,377	91%	$353	9%
Condominium	244,149	$3,952	$3,578	91%	$374	9%
All Residential	**294,977**	**$4,774**	**$4,323**	**91%**	**$451**	**9%**
Farm	649,896	$2,630	$2,381	91%	$249	9%
Improved Multi-Residential	2,274,236	$70,145	$66,665	95%	$3,480	5%
Commercial Occupied	719,212	$27,158	$20,829	77%	$6,329	23%
Industrial Occupied	975,649	$44,936	$36,350	81%	$8,586	19%

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PART THREE: OTHER REVENUE AND LEVIES

Provincial Education Taxes

Municipalities levy and collect the education portion of property taxes; however, they have no authority over the rates set for this purpose. Since 1998, education tax rates have been regulated annually by the Minister of Finance. Uniform education tax rates are prescribed for properties in the residential, multi-residential, new multi-residential, farm, and managed forest property classes and apply across the Province.

Traditionally, the uniform residential education rate is adjusted annually to maintain approximate revenue neutrality on a Province-wide basis. In reassessment years, these adjustments inevitably influence overall tax levels within each municipality, depending on how property values in each area compare to Province-wide phase-in change averages.

For 2025, with no reassessment or phase-in change, the uniform education rates will remain unchanged from 2024 levels, ensuring no year-over-year shifts in education taxes for municipalities.

Business Education Tax

The Province also prescribes Business Education Tax (BET) rates, which historically varied by municipality and still may where special circumstances or optional property classes apply.

From 1998 to 2007, the Province maintained approximate revenue neutrality at the single- and upper-tier municipal level when setting BET rates. In 2008, they initiated a transition toward uniform BET rates through a two-fold process:

1. **New Construction Classes**: Newly built or newly classified commercial and industrial properties were assigned to special New Construction classes, attracting uniform rates province-wide.
2. **Rate Migration**: Municipality-specific rates for traditional business classes were gradually reduced.

Significant reductions occurred between 2008 and 2010. However, from 2011 through 2020, adjustments were limited to revenue-neutral restatements, with annual rates reset to reflect phase-in changes but no substantial levy reductions implemented.

In the 2020 Budget, the Province introduced a uniform BET rate of 0.88% across all business classes. This adjustment provided most business properties with education tax reductions of up to 30% and eliminated the rate differential between standard and New Construction education classes.

Aggregate Extraction Class

In mid-2024 the Province introduced a special, temporary industrial subclass that captured the industrial component of gravel pits and quarries. This subclass maintained existing industrial rates for all municipal purposes, but attracted a special discounted education rate that was a set at 5% of the regular industrial rate (0.000440 vs. 0.008800)

The properties captured by this temporary subclass for 2024, have all been returned under the new stand-alone aggregate extraction class for 2025. The education rate for this new class has been set at 0.00511, which results in an education tax increase of over 1,000% for captured property in comparison to their 2024 final, adjusted levy.

2025 Education Rates and Levy

Table 8 documents the municipality's 2025 education rates and starting levy by class.

Table 8
2025 Education Rates and Start Levy

Realty Tax Class	2025 Rates	Start Levy
Taxable		
Residential	0.00153000	$5,550,031
Farm	0.00038250	$8,452
New Multi-Residential	0.00153000	$76,860
Multi-Residential	0.00153000	$292,511
Commercial	0.00880000	$4,598,044
Industrial	0.00880000	$1,336,312
Pipeline	0.00880000	$87,516
Sub-Total Taxable		**$11,949,726**
Payment in Lieu		
Residential	0.00153000	$158
Sub-Total PIL		**$158**
Retained Payment in Lieu		
Commercial	0.01250000	$139,891
Industrial	0.01250000	$14,650
Landfill	0.01250000	$27,841
Sub-Total Retained PIL		**$182,382**
Total (Tax + PIL)		**$12,132,266**

Important Notes:

This is an unofficial listing of the education rates, the municipality should refer to Ontario Regulation 400/98 as amended or official Ministry of Finance documentation.

The Education Payment In Lieu (PIL) of Tax amounts summarized in this table have been calculated using different rates depending on whether the amount is to be shared with School Boards or retained by the local municipality. This is discussed in greater detail later in this section.

Linear Properties

Unlike the types of properties discussed in preceding elements of this report, railway and power utility lands (commonly known as linear properties) are taxed on the basis of area rather than market value. To facilitate this from an assessment perspective, linear properties are returned on the roll with an acreage area rather than a CVA. The tax liability of each property is calculated by applying Provincially-regulated rates per acre by the reported area.

The rates per acre prescribed for municipal and education purposes are set out by geographic region in *Ontario Regulations 387/98* and *392/98* respectively as only a single municipal rate is prescribed, municipalities within two-tier jurisdictions must calculate the Upper-Tier and local shares of the revenue within the context of their broader "banking" function. In its simplest form, the sharing formula relies on the proportional share each tier collects from the commercial property class.

The treatment of these properties for education purposes, and the manner in which the education portion raised is shared, varies depending on the ownership and tax status of each specific property. The education portion is remitted to the school boards unless local retention is explicitly provided for. Properties coded with an RTQ of "G" do not attract an education rate.

A summary of the current rates for each property type and levy is contained in Table 9. It is not expected that these rates will be updated for 2025. Table 10 provides a summary of the linear properties in the municipality.

Table 9
Regulated Rate per Acre Summary[1]

Linear Property Type	*Municipal Rate*	*Education Rate*
Utility Corridors	19.94	34.39
Railway Right-of-Way	110.00	74.12
Shortline Railway Right-of-Way	54.18	74.12

Table 10
Linear Property Summary

RTC RTQ	Category	*Property Count*	*Acreage*	*Municipal Tax*	*Education Tax*
BT	Shortline Railway	2	66.91	$3,625	$4,959
UH	Utility	1	42.06	$839	$1,446
Total		**3**	**108.97**	**$4,464**	**$6,405**

[1] It is the responsibility of each local municipality to confirm final rates against the actual regulation prior to billing.

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Retained Education Levies for Certain Payment in Lieu (PIL) Properties

Federal and Provincially owned and occupied properties are exempt from both municipal and Provincial (education) property taxes. Both levels of government do, however, maintain programs whereby payments are made to local governments in lieu of the taxes that would otherwise be applicable to property that they own and occupy.

PIL payments are made and administered under a variety of Federal and Provincial statutes and regulations, including the federal *Payment in Lieu of Taxes Act,* and Ontario's *Municipal Tax Assistance Act, Municipal Act, 2001, Assessment Act,* and various supporting regulations. This collection of statutes and regulations prescribe not only the circumstances and amounts of PILs that are made, but also the manner in which the payments are shared and distributed.

Of particular interest regarding the sharing of revenues raised against PIL properties is the fact that in certain circumstances the local municipality retains the education portion of the levy as local revenue. This is provided for under section 2 of *Ontario Regulation 392/98,* which state that in the case of payments made under a number of specific authorities, the "education" portion is ultimately retained by the local municipality. The eligible payments captured by these rules, are those made in accordance with:

- Subsection 27 (3) of the *Assessment Act*;
- The *Municipal Grants Act* (Canada), which may be referenced as the *Payment in Lieu of Taxes Act*; and
- Subsections 84(2), (3) or (5) of the *Electricity Act*.

All education amounts raised against residential, multi-residential and new multi-residential property must be remitted to the school boards.

Potential Risks Related to Retained Education Payments

The Province's decision to reduce Business Education Tax (BET) rates in 2021 introduced potential risks for municipalities that depend on retained education amounts as part of their annual revenue stream. To address municipal concerns, the Province assured municipalities that status quo education rates would be used to calculate payments in lieu of taxes (PILs) for properties where municipalities were entitled to retain the education portion. Despite the Provincial Government's attempt to maintain inflated education rates for certain PIL properties, Federal payment rules still require the taxable rate to be used.

Although the *Education Act* grants the Minister of Finance authority to prescribe rates for calculating payments in lieu of taxes (PILs), the statutory provisions governing these payments mandate alignment with the tax rates for taxable properties. While the *Education Act* allows for separately identified rates for PILs, the regulations governing the payments require that they match the rates applicable to taxable properties.

The requirement that Federal—and, technically, all other—PILs be calculated using the lower taxable rates is neither new nor a response to current circumstances in Ontario. This approach is long-standing, deliberate, and fundamental to the design of the relevant statutes. By legislative intent, PILs are calculated using the same rates as taxable properties, ensuring that no special or dedicated rates are

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established to target government properties. These statutes are intentionally crafted to prevent the use of alternative rates in calculating payments, reinforcing their reliance on uniformity with taxable property rates.

Budgeting for Risks

Since the introduction of the rate differentials, many municipalities have received reduced payments based on the taxable rather than the inflated special rates regulated by the Province. The most consistent short-payments have been those made under the Federal *Payment in Lieu of Taxes Act* and this is generally expected to continue on a go-forward basis. As such, MTE recommends that the municipality consider budgeting for the lower retained education amounts based on taxable rates rather than the full amounts calculated using the specially regulated *Retained PIL Education Rates*.

Table 11 provides a summary of retained education payment amounts that would be raised using the special regulated rates and the lower alternate amounts calculated using preliminary 2025 taxable education rates.

Municipalities with significant Federal properties should undertake further analysis to specifically identify and stratify these discrepancies and risks by property owner and/or payee.

Table 11
Retained Education Levy Amounts

RTC / RTQ	Retained Rates	Taxable Rates	Difference $	Difference %
CF	$108,348	$76,277	-$32,071	-29.60%
CH	$28,725	$20,222	-$8,503	-29.60%
CJ	$1,006	$708	-$298	-29.62%
CY	$1,812	$1,276	-$536	-29.58%
IH	$14,650	$10,314	-$4,336	-29.60%
HF	$27,841	$19,600	-$8,241	-29.60%
UH	$1,446	$1,446	$0	0.00%
Total	**$183,828**	**$129,843**	**-$53,985**	**-29.37%**

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PART FOUR: MUNICIPAL TAX POLICY SENSITIVITY ANALYSIS

For 2025, the *Municipal Act* continues to provide Upper and Single-Tier municipalities with a range of tax policy tools that may be used to alter the distribution of the tax burden both within and between tax classes. The following tools may be used to change or achieve local tax policy objectives, target the benefits of growth, or redistribute the impacts of assessment change. [2]

1. Tax ratios may be adjusted to affect the level of taxation on different tax classes;
2. Optional business property classes may be employed or collapsed to alter taxation within broad commercial or industrial tax classes;
3. Subclass discounts for vacant and excess land may be adjusted;
4. Graduated taxation schemes for the business classes can be used to impose higher rates of taxation on properties with higher current value assessment in order to provide tax relief on properties with lower assessed values.

A comprehensive examination of tax ratios and a relevant sensitivity analysis should be undertaken each year. Specific examination of the use of optional tax classes and graduated taxation are generally only required if these options are being actively considered. After considering the contents of this report Council may wish to further explore the utility and application of these alternate apportionment and mitigation strategies.

Moving Tax Ratios

Both Upper-Tier and Single-Tier municipalities are required to establish tax ratios for the multi-residential, commercial, industrial, aggregate extraction, landfill and pipeline classes prior to finalizing tax rates for the current year's tax cycle. Established ratios will ultimately govern the relationship between the rate of taxation for each affected class and the tax rate for the Residential property class.

The tax ratio for the residential class is legislated at 1.0, while the farm and managed forest classes have a prescribed tax ratio of 0.25. Municipalities do have the flexibility to set a tax ratio for the farm class that is below 0.25, however, this reduction would only apply to the municipal portion of the property tax bill.

In setting tax ratios for all other property classes, municipalities must do so within the guidelines prescribed by the Province. Council may choose to adopt: (1) either the current tax ratio for any class (2024 adopted or 2025 starting ratio where levy restriction and/or optional classes applied in 2024), (2) establish a new tax ratio for the year that is closer to or within the Range of Fairness, as shown in Table 12; or (3) utilize restated revenue neutral transition ratios to mitigate reassessment related tax shifts between classes in accordance with the regulated calculations.

[2] The by-law deadline for many tax policy decisions is December 31st of the subject taxation year.

Table 12
Tax Ratio Summary

Realty Tax Class	2024 Actual Ratios	2025 Start Ratios	Lower Range of Flexibility	Upper Range of Flexibility	Threshold	Subject to Levy Restriction
Residential	1.000000	1.000000	1.00	1.00	-	N/A
Farm	0.250000	0.250000	0.00	0.25	-	N/A
New Multi-Residential	1.000000	1.000000	1.00	1.10	-	N/A
Multi-Residential	2.000000	2.000000	1.00	1.10	2.00	No
Commercial	1.975937	1.975937	0.60	1.10	1.98	No
Industrial	2.542033	2.542033	0.60	1.10	2.63	No
Landfill	1.965003	1.965003	0.60	1.10	25.00	No
Pipeline	1.509000	1.509000	0.60	0.70	-	N/A

Where Optional Classes Apply

Where a municipality has elected to use optional tax classes, changes to tax ratios are regulated based on the relationship of the municipality's broad class ratios (the weighted average of commercial, shopping centre, office, and parking lot is equivalent to the broad commercial class, and industrial and large industrial are deemed to be the broad Industrial class).

Council must ensure that the weighted average broad class ratio for the current year does not exceed the broad class ratio for the prior year. To strictly comply with the provisions of Section 308 of the *Municipal Act*, adjustments to tax ratios may be required for the commercial and industrial tax classes.

The legislated deadline that previously applied to the creation of new, or the collapsing of existing optional classes, has now been eliminated; however, municipalities that intend to make a change to the class structure need to make this decision before any tax rate or ratio by-laws can be passed. It is also critical to provide the Province with as much advanced notice of any such change, as it could impact the manner in which education tax rates are calculated and/or regulated for the taxation year.

Subclass Discounts

There are a number of different subclasses that apply to different property types depending on use, zoning, nature of improvements and nature of enterprise. These include:

- Commercial and Industrial ***Vacant Land***, which applies to properties that are included in one of these classes as a result of zoning or planning details, but which have no assessable improvement (buildings).
- Commercial and Industrial ***Excess Land*** subclasses capture portions of improved property that are in excess of the amount of land required to support the improved portions of the land under municipal planning rules.
- Properties coded as ***Farmland Awaiting Development (FAD)*** are properties being actively farmed, but for which a plan of subdivision has been registered ***(FAD1)*** or building permits have

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been issued ***(FAD2)***. Properties will fall into one of the residential, multi-residential, commercial, or industrial subclasses, depending on the future intended use of the land.

- The **Small Scale-On Farm Business** (SSOFB) subclasses were introduced in 2018 with one subclass under each of the commercial and industrial classes. As of 2022, we have two separate SSOFB subclasses for each class with a total eligible CVA per property being increased from 50,000 to 100,000. Eligible improvements must be primarily used to process, manufacture, sell or market something produced by or derived from farming on the land.

Table 13 displays the range of flexibility of these discount factors, as well as their status quo value expressed as a percent of the full class rate.

Table 13
Subclass Discount Factors
(Expressed as % of Full Class Rate)

Tax Classes and Subclass	Status Quo Discount Factors	Lower Limit	Upper Limit
Residential			
FAD First Subclass	0.75	0.75	0.75
FAD Second Subclass	1.00	0.75	1.00
Multi-Residential			
FAD Second Subclass	1.00	0.75	1.00
Commercial			
Vacant Land	1.00	0.65	1.00
Excess Land	1.00	0.65	1.00
Small Scale OFB	1.00	0.25	1.00
FAD Second Subclass	1.00	0.75	1.00
Industrial			
Vacant Land	1.00	0.65	1.00
Excess Land	1.00	0.65	1.00
Small Scale OFB	1.00	0.25	1.00
FAD Second Subclass	1.00	0.75	1.00

Adjusting Subclass Discounts

The following rules and limitations apply to the setting, application, and movement of subclass discounts:

- FAD 1 rates for all classes (Residential, Multi-Residential, Commercial, and Industrial) are all uniform and represent a discounted residential rate;
- The FAD 1 discount may not be moved more than 10 points in any year (e.g., 0.25 to 0.35); and
- If adopted, the discount factor for Small Scale On-Farm Business subclass is fixed at 0.25.

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Tax Policy and Budget Change Sensitivity Analysis

To assist staff and Council in evaluating the potential impact of various tax policy and levy change scenarios, MTE has modelled the effects of the following on the City general levy:

- A target levy of $86,038,828 under status quo tax policy;
- Reducing the multi-residential ratio by 50% to 1.0 with a target levy of $86,038,828; and
- Reducing the multi-residential ratio by 10% to 1.8 with a target levy of $86,038,828.

Table 14 below provides the scenario parameters and impacts at a glance.

Table 14
Sensitivity Scenario Outline

Realty Tax Class	Status Quo	Scenario 1 *Parameter*	*Change*	Scenario 2 *Parameter*	*Change*	Scenario 3 *Parameter*	*Change*
Residential	1.000000	1.000000	0.00%	1.000000	0.00%	1.000000	0.00%
Farm	0.250000	0.250000	0.00%	0.250000	0.00%	0.250000	0.00%
New Multi-Res.	1.000000	1.000000	0.00%	1.000000	0.00%	1.000000	0.00%
Multi-Residential	2.000000	2.000000	0.00%	1.000000	-50.00%	1.800000	-10.00%
Commercial	1.975937	1.975937	0.00%	1.975937	0.00%	1.975937	0.00%
Industrial	2.542033	2.542033	0.00%	2.542033	0.00%	2.542033	0.00%
Landfill	1.965003	1.965003	0.00%	1.965003	0.00%	1.965003	0.00%
Pipeline	1.509000	1.509000	0.00%	1.509000	0.00%	1.509000	0.00%
Levy Target	**$81,149,378**	**$86,038,828**	**6.03%**	**$86,038,828**	**6.03%**	**$86,038,828**	**6.03%**

Tax Ratios, Subclass Discounts 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 15 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. By changing tax ratios, the municipality can influence and alter this balance.

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Table 15
Balance of Taxation

Realty Tax Class	2025 CVA	CVA Share	Status Quo Share	Scenario 1 Share	Scenario 2 Share	Scenario 3 Share
Taxable						
Residential	3,627,470,894	78.96%	65.51%	65.51%	67.85%	65.96%
Farm	22,096,461	0.48%	0.10%	0.10%	0.10%	0.10%
New Multi-Residential	50,235,000	1.09%	0.91%	0.91%	0.94%	0.91%
Multi-Residential	191,183,600	4.16%	6.91%	6.91%	3.58%	6.26%
Commercial	522,505,104	11.37%	18.65%	18.65%	19.31%	18.78%
Industrial	151,853,633	3.31%	6.97%	6.97%	7.22%	7.02%
Pipeline	9,945,000	0.22%	0.27%	0.27%	0.28%	0.27%
Sub-Total Taxable	**4,575,289,692**	**99.59%**	**99.31%**	**99.31%**	**99.29%**	**99.31%**
Payment in Lieu						
Residential	103,000	0.00%	0.00%	0.00%	0.00%	0.00%
Commercial	15,522,608	0.34%	0.55%	0.55%	0.57%	0.56%
Industrial	1,172,000	0.03%	0.05%	0.05%	0.06%	0.05%
Landfill	2,227,292	0.05%	0.08%	0.08%	0.08%	0.08%
Sub-Total PIL	**19,024,900**	**0.41%**	**0.69%**	**0.69%**	**0.71%**	**0.69%**
Total (Tax + PIL)	**4,594,314,592**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Sensitivity Model Outcomes

The detailed results for these models are set out in Tables 16, 17-A through C and 18-A through C respectively.

Scenario 1: A target levy of $86,038,828 under status quo tax policy.

Table 16
General Levy Sensitivity: Levy Change

Realty Tax Class	*Notional Levy*	*Scenario 1*	*Difference $*	*Difference %*
Taxable				
Residential	$53,159,645	$56,362,651	$3,203,006	6.03%
Farm	$80,964	$85,842	$4,878	6.02%
New Multi-Residential	$736,268	$780,630	$44,362	6.03%
Multi-Residential	$5,604,155	$5,941,818	$337,663	6.03%
Commercial	$15,131,889	$16,043,618	$911,729	6.03%
Industrial	$5,657,647	$5,998,533	$340,886	6.03%
Pipeline	$219,950	$233,202	$13,252	6.03%
Sub-Total Taxable	**$80,590,518**	**$85,446,294**	**$4,855,776**	**6.03%**
Payment in Lieu				
Residential	$1,510	$1,601	$91	6.03%
Commercial	$449,539	$476,625	$27,086	6.03%
Industrial	$43,665	$46,296	$2,631	6.03%
Landfill	$64,146	$68,011	$3,865	6.03%
Sub-Total PIL	**$558,860**	**$592,533**	**$33,673**	**6.03%**
Total (Tax + PIL)	**$81,149,378**	**$86,038,827**	**$4,889,449**	**6.03%**

Interpretation Notes:
This table summarizes the City's proposed 2025 levy and levy change by class in comparison to the revenue neutral starting levy documented earlier in this report.

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Scenario 2: Reducing the multi-residential ratio to 1.00.

Table 17-A
General Levy Sensitivity: Inter-Class Shifts
(Revenue Neutral)

Realty Tax Class	*Notional Levy*	*Scenario 2*	Difference $	Difference %
Taxable				
Residential	$53,159,645	$55,060,905	$1,901,260	3.58%
Farm	$80,964	$83,860	$2,896	3.58%
New Multi-Residential	$736,268	$762,600	$26,332	3.58%
Multi-Residential	$5,604,155	$2,902,293	-$2,701,862	-48.21%
Commercial	$15,131,889	$15,673,079	$541,190	3.58%
Industrial	$5,657,647	$5,859,993	$202,346	3.58%
Pipeline	$219,950	$227,816	$7,866	3.58%
Sub-Total Taxable	**$80,590,518**	**$80,570,546**	**-$19,972**	**-0.02%**
Payment in Lieu				
Residential	$1,510	$1,564	$54	3.58%
Commercial	$449,539	$465,617	$16,078	3.58%
Industrial	$43,665	$45,227	$1,562	3.58%
Landfill	$64,146	$66,440	$2,294	3.58%
Sub-Total PIL	**$558,860**	**$578,848**	**$19,988**	**3.58%**
Total (Tax + PIL)	**$81,149,378**	**$81,149,394**	**$16**	**0.00%**

Interpretation Notes:
This table sets out the isolated impacts of reducing the multi-residential tax ratio to 1.00 in the absence of any revenue increase for the year (revenue neutral, net of 2024 growth).

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Scenario 2: Reducing the multi-residential ratio to 1.00.

Table 17-B
General Levy Sensitivity: Inter-Class Shifts
(Target Levy)

Realty Tax Class	*Scenario 1*	*Scenario 2*	Difference $	Difference %
Taxable				
Residential	$56,362,651	$58,378,452	$2,015,801	3.58%
Farm	$85,842	$88,912	$3,070	3.58%
New Multi-Residential	$780,630	$808,549	$27,919	3.58%
Multi-Residential	$5,941,818	$3,077,163	-$2,864,655	-48.21%
Commercial	$16,043,618	$16,617,418	$573,800	3.58%
Industrial	$5,998,533	$6,213,070	$214,537	3.58%
Pipeline	$233,202	$241,543	$8,341	3.58%
Sub-Total Taxable	**$85,446,294**	**$85,425,107**	**-$21,187**	**-0.02%**
Payment in Lieu				
Residential	$1,601	$1,658	$57	3.56%
Commercial	$476,625	$493,671	$17,046	3.58%
Industrial	$46,296	$47,952	$1,656	3.58%
Landfill	$68,011	$70,443	$2,432	3.58%
Sub-Total PIL	**$592,533**	**$613,724**	**$21,191**	**3.58%**
Total (Tax + PIL)	**$86,038,827**	**$86,038,831**	**$4**	**0.00%**

Interpretation Notes:
This table summarizes the difference in total levy using a multi-residential tax ratio of 1.00 in comparison to raising the City's 2025 levy requirement under status quo tax policy.

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Scenario 2: Reducing the multi-residential ratio to 1.00.

Table 17-C
General Levy Sensitivity: Year-Over-Year Shifts
(Target Levy)

Realty Tax Class	*2024 Year End*	*Scenario 2*	Difference $	Difference %
Taxable				
Residential	$53,159,645	$58,378,452	$5,218,807	9.82%
Farm	$80,964	$88,912	$7,948	9.82%
New Multi-Residential	$736,268	$808,549	$72,281	9.82%
Multi-Residential	$5,604,155	$3,077,163	-$2,526,992	-45.09%
Commercial	$15,131,889	$16,617,418	$1,485,529	9.82%
Industrial	$5,657,647	$6,213,070	$555,423	9.82%
Pipeline	$219,950	$241,543	$21,593	9.82%
Sub-Total Taxable	**$80,590,518**	**$85,425,107**	**$4,834,589**	**6.00%**
Payment in Lieu				
Residential	$1,510	$1,658	$148	9.80%
Commercial	$449,539	$493,671	$44,132	9.82%
Industrial	$43,665	$47,952	$4,287	9.82%
Landfill	$64,146	$70,443	$6,297	9.82%
Sub-Total PIL	**$558,860**	**$613,724**	**$54,864**	**9.82%**
Total (Tax + PIL)	**$81,149,378**	**$86,038,831**	**$4,889,453**	**6.03%**

Interpretation Notes:
This table documents the combined/cumulative impact of:
- *The City's 2025 levy requirement; and*
- *Reducing the multi-residential tax ratio to 1.0000*

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Scenario 3: Reducing the multi-residential ratio by 10% to 1.80.

Table 18-A
General Levy Sensitivity: Inter-Class Shifts
(Revenue Neutral)

Realty Tax Class	*Notional Levy*	*Scenario 3*	Difference $	Difference %
Taxable				
Residential	$53,159,645	$53,529,314	$369,669	0.70%
Farm	$80,964	$81,527	$563	0.70%
New Multi-Residential	$736,268	$741,388	$5,120	0.70%
Multi-Residential	$5,604,155	$5,078,811	-$525,344	-9.37%
Commercial	$15,131,889	$15,237,111	$105,222	0.70%
Industrial	$5,657,647	$5,696,987	$39,340	0.70%
Pipeline	$219,950	$221,479	$1,529	0.70%
Sub-Total Taxable	**$80,590,518**	**$80,586,617**	**-$3,901**	**0.00%**
Payment in Lieu				
Residential	$1,510	$1,520	$10	0.66%
Commercial	$449,539	$452,665	$3,126	0.70%
Industrial	$43,665	$43,969	$304	0.70%
Landfill	$64,146	$64,592	$446	0.70%
Sub-Total PIL	**$558,860**	**$562,746**	**$3,886**	**0.70%**
Total (Tax + PIL)	**$81,149,378**	**$81,149,363**	**-$15**	**0.00%**

Interpretation Notes:
This table set out the isolated impacts of reducing the multi-residential tax ratio to 1.80 in the absence of any revenue increase for the year (revenue neutral, net of 2024 growth).

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Scenario 3: Reducing the multi-residential ratio by 10% to 1.80.

Table 18-B
General Levy Sensitivity: Inter-Class Shifts
(Target Levy)

Realty Tax Class	*Scenario 1*	*Scenario 3*	Difference $	Difference %
Taxable				
Residential	$56,362,651	$56,754,589	$391,938	0.70%
Farm	$85,842	$86,439	$597	0.70%
New Multi-Residential	$780,630	$786,058	$5,428	0.70%
Multi-Residential	$5,941,818	$5,384,824	-$556,994	-9.37%
Commercial	$16,043,618	$16,155,184	$111,566	0.70%
Industrial	$5,998,533	$6,040,247	$41,714	0.70%
Pipeline	$233,202	$234,824	$1,622	0.70%
Sub-Total Taxable	**$85,446,294**	**$85,442,165**	**-$4,129**	**0.00%**
Payment in Lieu				
Residential	$1,601	$1,612	$11	0.69%
Commercial	$476,625	$479,939	$3,314	0.70%
Industrial	$46,296	$46,618	$322	0.70%
Landfill	$68,011	$68,484	$473	0.70%
Sub-Total PIL	**$592,533**	**$596,653**	**$4,120**	**0.70%**
Total (Tax + PIL)	**$86,038,827**	**$86,038,818**	**-$9**	**0.00%**

Interpretation Notes:
This table summarizes the difference in total levy using a multi-residential tax ratio of 1.80 in comparison to raising the City's 2025 levy requirement under status quo tax policy.

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Scenario 3: Reducing the multi-residential ratio by 10% to 1.80.

Table 18-C
General Levy Sensitivity: Year-Over-Year Shifts
(Target Levy)

Realty Tax Class	*2024 Year End*	*Scenario 3*	Difference $	Difference %
Taxable				
Residential	$53,159,645	$56,754,589	$3,594,944	6.76%
Farm	$80,964	$86,439	$5,475	6.76%
New Multi-Residential	$736,268	$786,058	$49,790	6.76%
Multi-Residential	$5,604,155	$5,384,824	-$219,331	-3.91%
Commercial	$15,131,889	$16,155,184	$1,023,295	6.76%
Industrial	$5,657,647	$6,040,247	$382,600	6.76%
Pipeline	$219,950	$234,824	$14,874	6.76%
Sub-Total Taxable	**$80,590,518**	**$85,442,165**	**$4,851,647**	**6.02%**
Payment in Lieu				
Residential	$1,510	$1,612	$102	6.75%
Commercial	$449,539	$479,939	$30,400	6.76%
Industrial	$43,665	$46,618	$2,953	6.76%
Landfill	$64,146	$68,484	$4,338	6.76%
Sub-Total PIL	**$558,860**	**$596,653**	**$37,793**	**6.76%**
Total (Tax + PIL)	**$81,149,378**	**$86,038,818**	**$4,889,440**	**6.03%**

Interpretation Notes:
This table documents the combined/cumulative impact of:
- *The City's 2025 levy requirement; and*
- *Reducing the multi-residential tax ratio to 1.8000*
- *Under this model, the typical residential property taxpayer would see an increase of approximately 6.76% in comparison to 2024.*

PART FIVE: GENERAL SUMMARY AND NEXT STEPS

As discussed in the introduction, the qualitative and quantitative content of this study is intended to provide the municipality with a clear and comprehensive overview of the 2025 assessment and tax landscape. Establishing an accurate and precise foundation such as that set out here is the essential first step in making informed decisions for the coming tax year.

The ultimate aim of this analysis is to support municipalities in making choices that are not only informed by the most current data and trends but also aligned with their unique local priorities and objectives. Based on this foundation, municipalities can make effective, locally sensitive decisions that meet both their revenue needs and their preferences regarding the distribution of the tax burden among their residents and business.

Beyond the simple translation of assessment data to tax outcomes, this study offers a strategic framework for understanding the local tax landscape in a manner that is thoughtful, responsible, and forward-looking. Thus, this study is not just an end in and of itself, but a starting point for informed, and strategic planning and decision making.

Based on this foundation, the municipality is encouraged to consider any and all local priorities, challenges and preferences that will or may influence the tax landscape for the coming year. While the scope and nature of further enquiry will vary by municipality, it is generally recommended that some consideration be given to each of the following.

1. If any of the alternate tax policy models contained herein, or any other model that may deviate from the status quo is being considered, additional analysis should be undertaken. At a minimum, models should be prepared to document how any options under consideration will impact each local area municipality as the implications could vary significantly.
2. Whether or not tax policy changes (ratio, class structure, discounts, etc.) are being considered, the municipality should prepare complimentary models to document the specific implications of budgetary change if the 2025 total levy is going to differ from the revenue neutral position.
3. It is recommended that specific tax policy options be modelled and considered with care before any annual decisions are made. For 2025 we also recommend that no final decisions be put before Council prior to receiving formal word from the Province with regards to their 2025 tax policy intentions.
4. Where specific tax policy challenges or pressures are anticipated, early attention should be devoted in order to effectively address and understand any potential challenges, opportunities and/or tax implications.
5. In light of the fact that we continue to tax on values that are far removed from the actual market value of properties, MTE encourages all of our clients to undertake deliberate market analysis in order to build an understanding as to the potential assessment and tax changes that could be expected once reassessment is restarted.

Staff are also encouraged to take steps necessary to ensure that both Council and the public are well informed regarding base line tax impacts and any implications related to potential policy change. MTE would be pleased to provide any level or type of support that may be deemed appropriate and/or necessary in this regard.

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UNDERSTANDING REASSESSMENT, MARKET UPDATES AND REAL GROWTH

Although we are not dealing with reassessment, we are in a circumstance where the values we are taxing on are further away from the actual market than has been the case since the 1990's. As such, MTE suggests it remains critical for those in both administrative and decision-making positions to understand how market value updates impact the tax landscape when they do occur (and how they do not). We also feel that a clear understanding of these concepts is critical as we brace for and prepare for the inevitable implications of restarting reassessment after the longest pause in over two decades.

For the 2017 taxation year all properties in Ontario were reassessed based on their Current Value Assessment (CVA) as of January 1st, 2016. These updated CVA values, as adjusted under the Province's assessment phase-in program, were to form the basis of taxation through the 2020 taxation year. Those properties that experienced a CVA increase as of 2017 were taxed in accordance with a *phase-adjusted* CVA value through 2019, while all properties in the Province were subject to taxation based on their full, unmitigated CVA for 2020.

While 2021 should have been the first year of a new reassessment cycle, with all destination (Full CVA) values being updated to reflect January 1, 2019 market conditions, the Province put a pause on reassessment in the spring of 2020. This decision was made as part of a host of early measures in response to COVID-19. This pause was subsequently extended meaning that property taxes for 2025 will again rely on the full destination values based on the January 1, 2016 valuation date. This will be the fifth year in a row without any market driven valuation changes at the municipal level and we will be taxing on values that are further out of date than at any time since 1997.

Growth vs. Market Value Changes

The Assessment Roll is a living data set, which is continually evolving in response to real-world market and property changes. The assessed value of a property can and does change for a number of reasons; for the purposes of the property tax system in Ontario, all valuation changes must be considered in one of only two categories; Real Growth in the Tax Base and Market Value Updates (reassessment).

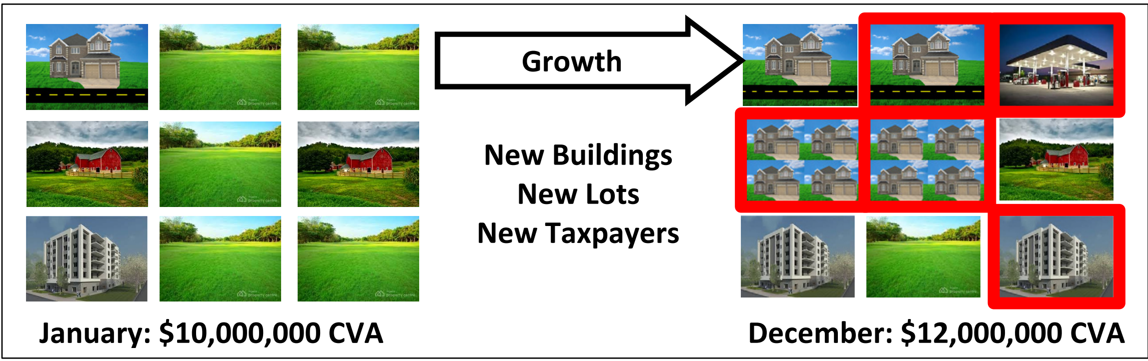
Growth (positive or negative) reflects the value increase or decrease associated with a change to a property's state, use or condition.

- Properties are developed, improved, or intensified;
- Involves actual changes in the size and intensity of the tax base;
- Positive growth means an increase in tax revenue supplied exclusively by taxpayers of new homes, businesses, buildings, etc.;
- Equate positive growth to increased income tax resulting from new or better paying jobs.

Reassessment change is simply a matter of revaluating what a property's market value would be at one point in time (2016) vs. an earlier point in time (2012) in the absence of any other changes.

- Reassessment (and annual phase-in adjustments) do not represent or reflect new property, improved or intensified property, and are not accompanied by new taxpayers;
- If additional revenue is raised from market updates (phase-in) those amounts represent a net tax increase on existing taxpayers;
- Equate to inflation; the product or job has not changed but the price/salary has been updated to reflect current market conditions.

The following illustrations can be helpful in considering the difference between **additional assessment** that comes from growth and the **restatement of values** for existing assessable property within the context of a reassessment or the annual phase-in of those changes.



Tax Implications of Growth

Real growth (and loss) within the municipality's assessment base has real and direct implications for the municipality's overall tax revenue. Positive growth means net-new revenue for the municipality, while negative growth reduces the municipality's revenue and future revenue capacity.

The property tax implications of growth materialize at the property level and do not have any immediate impact on other taxpayers. Growth related tax increases are carried solely by those taxpayers who improve, develop, or otherwise alter their property in a manner that results in additional assessment. Growth related decreases are enjoyed by those taxpayers whose property taxes are reduced.

That said, secondary implications of both positive and negative growth can and do impact the broader base. Significant and/or unanticipated losses resulting from assessment appeals, plant closures or other circumstances can alter the balance of taxation and create budgetary pressures that must be carried by other taxpayers. Material growth can ease the burden that might otherwise be carried by the pre-growth base, however, this is largely dependent on the nature of the growth and the increased budgetary requirements the growth brings.

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Tax Implications of Reassessment

When reassessment occurs, the tax base doesn't increase or grow, properties are simply assigned new values (CVA's) that reflect a more current market. Although this generally means that the overall "value" of the base increases, reassessment has no direct implications for municipal revenue, only the share each taxpayer will carry.

Ultimately, it is not the absolute value of a property that determines one's tax liability, it is the property's **relative value**, or more precisely, the **share of the total base** that the property's value represents. Hence, the actual tax implications of reassessment are driven by the **realignment of value shares** rather than the actual value changes.

CVA	**2,500,000**	300,000	300,000	550,000	600,000	750,000
Share of CVA	**100%**	12%	12%	22%	24%	30%
Tax	**$100,000**	$12,000	$12,000	$22,000	$24,000	$30,000
Share of Tax	**100%**	12%	12%	22%	24%	30%
Reassessment						
CVA	**3,750,000**	475,000	525,000	825,000	825,000	1,100,000
CVA Change	**50%**	58%	75%	50%	38%	47%
Change in CVA Share	**0%**	**6%**	**17%**	**0%**	**-8%**	**-2%**
New Tax	$100,000	$12,667	$14,000	$22,000	$22,000	$29,333
Reassessment Shift $	$0	$667	$2,000	$0	-$2,000	-$667
Reassessment Shift %	**0%**	**6%**	**17%**	**0%**	**-8%**	**-2%**

This simplified illustration shows that it is the change in CVA Share, not the change in absolute CVA that drives the reassessment related tax shifts. In this example the base as a whole is increasing by 50%; properties increasing at a greater rate experience reassessment related tax increase, while properties increasing at a lesser rate see tax decreases. The magnitude of tax change is based on the degree to which each property's rate of change varies from the overall.

What Is and Is Not Impacted by the Pause in Reassessment?

Understanding how reassessment impacts the tax landscape is an important prerequisite for understanding what the pause in reassessment means for municipalities in terms of the 2025 taxation and tax policy. The pause in reassessment will have no direct or independent implications for 2025 municipal revenue and there will be no market driven shifts among property, between classes or across local municipalities within two-tier jurisdictions.

The longer-term implications remain unknown, however, municipalities should be aware that the real-world market value changes that reassessment captures have not been paused. The longer reassessment is put off, the more dramatic and disruptive the update will be when finally made.

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NEW MULTI-RESIDENTIAL SUBCLASS – STRUCTURE AND GENERAL POLICY DISCUSSION

Multi-Residential Class in Brief

In simple terms, the Multi-Residential property class includes properties that:

1. Are improved with a building or complex containing **seven or more self-contained residential units**, all captured under a single roll number; or
2. **Vacant land** zoned for multi-unit residential use improvements.

Multi-residential class buildings can include traditional (vertical) apartment buildings, townhouse complexes, and even collections of detached homes, provided they are located on a single assessment parcel under unified ownership.

New Multi-Residential Class

Inclusion in the ***New Multi-Residential Class*** is purely a function of timing and includes any property that would otherwise qualify as multi-residential if the subject units were built, or converted from another use, under a building permit dated after:

- The date on which the host municipality opted to have the class apply; or
- April 20th, 2017, the date on which the class ceased to be an optional property class.

New Multi-Residential Subclass

The new multi-residential subclass introduced in 2024 is functionally similar to the New Multi-Residential class. It applies to any building or complex that would otherwise be classified as multi-residential, provided the building permit for its construction or conversion was issued after the municipality enacts a by-law to implement the subclass.

Class/Subclass Inclusion Based Solely on Building Permit Date

The only factor that distinguishes buildings classified as multi-residential, new multi-residential, or the new multi-residential subclass is the timing of the original building permit under which the building was built or converted to a multi-residential property.

Class/Subclass	Building Permit Issued
Multi-Residential	**Before** the earlier of: April, 2017; or Municipal Opt-In Date[3]
New Multi-Residential	**After** the earlier of: April, 2017; or Municipal Opt-In Date
New Multi-Res. Subclass	**After:** Municipal Opt-In Date.

Theoretically, three identical buildings adjacent to one another could be classified and taxed differently based on the timing of their respective building permits.

[3] Municipal Opt-In Date is the date of passing a by-law to adopt the optional new multi-residential class prior to April 2017 or to adopt the optional new multi-residential subclass. By-law authority rests with upper and single tier councils.

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Duration of New Multi-Residential Classification

Properties classified as new multi-residential are transitioned to the standard multi-residential class after 35 years. For example, a property added to the New Multi-Residential class on December 31, 2010, will be reclassified to the standard multi-residential class as of January 1, 2045.

This rule also applies to properties within the new subclass, as they are considered part of the broader new multi-residential class and therefore follow the same inclusion and timing regulations.

Differential Tax Treatment

The range of flexibility for setting the multi-residential ratio varies based on the existing ratio level of each upper and single tier municipality. With this in mind, and considering provincially established parameters, the range of flexibility may be generally summarized as follows:

Multi-Residential Ratios Above 2.00 are subject to levy restriction, which will also trigger annual reduction calculations until the ratio is reduced to 2.00 or below.

Multi-Residential Ratios at or Below 2.00 may remain at the previous year's level or be reduced.

- Multi-residential ratios may be set freely between 1.00 and 1.10

New Multi-Residential Class ratio may be set anywhere between 1.00 and 1.10

New Multi-Residential subclass

- Municipalities that choose to adopt this subclass may set a discount of up to 35% pegged against the new multi-residential class.
- If the new multi-residential ratio is set at 1.00, the lowest effective rate for eligible properties would be 65% of the residential rate.

The net municipal tax rate incentive offered by the new multi-residential class or the subclass will depend on both the multi-residential ratio as well as the settings for the incentive classes.

The following table illustrates the incentive potential of the new multi-residential class, and the new multi-residential subclass depending on the municipality's multi-residential ratio.

Multi-Residential Class Ratio	Municipal Rate Discount vs. Multi-Residential[4]				
	New Multi-Residential	Subclass			
		10%	20%	30%	35%
2.00	50.0%	55.0%	60.0%	65.0%	67.5%

In a municipality with a multi-residential ratio of 2.00, and subclass discount of 35%, an eligible property coming on-line would enjoy a discount of 67.5% over property falling within the standard multi-residential class.

The uniform residential education rate applies to all multi-residential classes and subclasses. No reduction in education tax is applied to the new multi-residential class or subclass.

[4] Assumes a new multi-residential ratio of 1.00

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Considering the Policy Logic of Property Tax Incentives for New Multi-Residential Builds

Reducing the property tax burden on multi-residential properties sends a clear, housing-positive signal to landlords, tenants, and the broader public. Lowering tax rates can directly reduce rental costs for tenants and lessen expenses for municipally owned housing, enhancing overall sector viability.

Still, the actual effectiveness of the new multi-residential class in spurring additional rental construction remains uncertain. Most development decisions hinge on factors like land availability, infrastructure, financing, and market demand—variables that generally outweigh marginal tax incentives. Since this class has applied province-wide since 2017, it has likely had a limited direct influence on whether projects move forward, instead influencing only where they might be located.

The optional new subclass reintroduces some competitive differentiation among municipalities, potentially making those that adopt it more appealing to developers. However, this advantage is not guaranteed, as comparing tax treatments, rates, and property values across jurisdictions can be both complex and speculative.

Overall, policymakers should critically evaluate the extent to which these measures genuinely drive new development versus simply demonstrating municipal support for such projects. While the subclass may help reinforce a municipality's commitment to encouraging multi-residential growth, it should not be assumed that it will substantially increase the number of units built.

Policy Considerations for the New Multi-Residential Subclass

Below we have set out a series of policy considerations that may be helpful to the reader. We have deliberately avoided organizing these into "pros and cons" as those determinations are inherently subjective. Such judgments can only be made in light of locally defined objectives and preferences.

Housing and Rental Friendly Signaling: Lower tax rates for new multi-residential properties may send a positive signal to developers, landlords, and tenants, thereby reinforcing and even improving the municipality's image as being supportive of housing development.

Modest Impact on New Construction Decisions: While the subclass could influence where developers choose to locate, it is unlikely to decisively change whether they build. Fundamental factors like land availability, infrastructure, and market demand usually outweigh marginal tax incentives.

Competitive Advantage Between Municipalities: Offering the subclass may help a municipality stand out compared to those that do not, potentially tipping the scales for developers choosing between similar jurisdictions.

No Immediate Impact or Volatility: Unlike altering an existing tax ratio or discount, there will be no immediate impacts and no measurable *tax shifts* down the road.

The new subclass will emerge gradually as new qualifying buildings are constructed and each will be taxed at the lower rate from the start. While other classes may carry marginally more than they otherwise would this differential will be virtually imperceptible and no property will see a policy driven "spike" or "shift".

Equity and Perception Issues: Differential tax treatment based solely on the date a building permit is issued could raise questions about fairness. Existing properties will not benefit, potentially creating perceived inequities among property owners. This risk should be considered more closely by municipalities with higher multi-residential ratios and/or where no ratio reduction plan is in place.

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Revenue Trade-Offs: While an upper-tier government subject to local taxation may gain from enhanced development spurred by the subclass, the corresponding reduction in tax rates for new properties will decrease the local municipality's direct revenue from that growth.

Policy Intent vs. Practical Outcomes: Policymakers should be realistic about the subclass's ability to drive new housing supply. Any decision to implement it should balance the symbolic, competitive, and economic benefits against the fiscal and equity considerations it introduces.

Quantitative Modelling Protocols

Modelling future tax implications for properties where building permits have not yet been issued—let alone constructed—should be approached with extreme caution. As most appropriate solution can only be identified in consideration of local circumstances, objectives, and available data, we have not set out specific avenues of inquiry here. MTE is available to work with each client jurisdiction to assess the most appropriate modelling approach should such analysis be required.

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ONTARIO'S NEW AGGREGATE EXTRACTION PROPERTY CLASS

Background: Temporary 2024 Industrial Subclass

In July 2024, the Minister of Finance introduced a temporary property subclass specifically for the active industrial portions of aggregate-producing properties, including gravel pits and quarries. This subclass was designed to apply solely for the 2024 taxation year, targeting the education portion of the tax bill.

The impact of the subclass was significant: for every $100,000 in Current Value Assessment (CVA) captured by the subclass, the education portion of the tax bill was reduced from $880 to $44, representing a reduction of 95%. While the education tax rate was significantly lowered, the municipal portion of the levy remained unchanged and continued to be taxed at the standard industrial rate.

New Stand-Alone Aggregate Extraction Property Class

With the introduction of regulations in the fall of 2024, the temporary subclass will cease to exist after 2024, to be replaced by a new stand-alone Aggregate Extraction property class. This new class will initially capture the same assessment base as the temporary subclass, although some definitional differences may affect what is included in the class moving forward.

As a distinct class, the Aggregate Extraction property class will no longer form part of the industrial class as was the case with the temporary subclass. As such, it will be subject to its own tax ratio as well as class specific rules and limits governing how the ratio may be moved and adjusted.

For 2025, the most relevant factors that will determine the initial impact of this new class on the municipal balance of taxation are:

1) The municipal specific transition ratio regulated for each upper and single-tier jurisdiction with eligible properties appearing on the roll as returned for 2025; and
2) The regulated range of flexibility is 0.6000 to 1.1000, within which municipalities may freely set and adjust the ratio for this class.

These factors will guide how the tax burden shifts between the new class and other property classes.

Transition Ratios and Flexibility for 2025

The provincially regulated transition ratios vary by municipality, but analysis of a significant sample suggests that the ratios have generally been set by reducing each municipality's starting industrial ratio by 18.63%. The rationale behind this uniform reduction factor has not been explained, and there is no indication of the intent or reasoning for its indiscriminate application across municipalities.

Many transition ratios have been set below 1.00, however, the effective upper limit for any municipality is the higher of:

- The regulated transition ratio, or
- 1.10, which is the upper limit of the allowable range for this class.

Increases above these limits are not permitted, and in fact, have been explicitly prohibited for 2025.

Provincial Education Tax Rates

While regulating forced, across the board decreases in municipal tax for eligible properties, the province has increased the education portion of the tax bill for these properties in comparison to the special treatment they received under the temporary 2024 subclass.

- In 2024, the education rate for eligible properties was reduced by 95% in comparison to the industrial rate that originally applied for that year.
- The education rate is approximately 58% of the industrial education rate in 2025.

The City of Stratford has no properties captured by this class and as such is not impacted by this particular change in provincial policy.