

January 26, 2020

Submission to Ontario's
2020 Budget Consultations

Subject:
Property Taxation in TWOMO areas

Submitted by DoKURA
The District of Kenora
Unincorporated Areas Ratepayers Association

1/

Property taxation in TWOMO areas (Territory Without Municipal Organization) is a complex subject. Unlike municipalities where a single entity (a municipal council) sets the rate and collects taxes to fund local services, in TWOMO or non-municipal areas, property related taxes are levied by the province, Local Services Boards and Local Roads Boards, and paid by the property owners to a third party contracted by the government, currently the City of Thunder Bay.

The system has undergone significant change over the past two decades further complicating understanding of how the system works, which services are funded and to what degree. As the system has evolved it has improved and become more equitable, but issues remain.

The first is an awareness of the value of the dollars now paid to support services. The province began levying a Provincial Land Tax in the 1920s to help offset the costs of local services delivered by the province – primarily roads and policing at the time.

In the 1990s the system underwent a major shift, as did property taxation in municipalities with education taxes reduced and local service taxes increased. In 2008 further changes came to the system with the use of Current Market Value assessment for the PLT portion of the various taxes levied, and in 2013 a major review was undertaken involving extensive consultation with rural property owners, boards and other groups. As a result, a significant phased-in increase for all classes of property paying the PLT and a move to universal rates in the tax — \$250 per \$100,000 of assessed value for residential and \$300 for commercial/industrial property — was instituted to bring the level of property tax support for local services more in line with property tax contributions to local costs experienced by municipal property owners.

Province-wide, in 2013, non-municipal property owners contributed some \$25 million towards total local service costs estimated at \$85 million, of this, the Provincial Land Tax accounted for some \$12 million towards \$65 million in PLT supported service costs.

Those services include:

- OPP Policing
- Land Ambulance
- Social Assistance
- Social Housing
- Child Care
- Public Health

In addition, property owners contribute to local roads, firefighting and other services delivered through Local Service Boards and Local Roads Boards.

By 2021, when the phased-in PLT increases are completed, non-municipal property owners will be contributing some \$60 million in property taxes towards approximately \$100 million in local and regional service costs, a level of contribution on par with most municipalities. In the case of services delivered through the Kenora District Services Board and the Northwestern Health unit TWOMO contributions are a significant portion of overall local contributions.

2/

Our main concern is with the fixed PLT rates that will be in place as of 2021.

Municipalities, Local Services Boards, Local Roads Boards and the province itself with its universal education rate, can and usually do, adjust property tax rates downward annually to reflect average assessment increases to ensure total tax revenues are in line with inflationary changes in service costs. From 1998 to 2013 the province followed a similar practice, lowering the PLT rate in line with the average assessment increase for TWOMO areas. However there was no mechanism included in the revamping of the PLT to do this post-2021, and from discussions with Ministry of Finance PLT staff, no plans to do so.

This is of particular concern in this area where highly valued waterfront property – both seasonal recreational and year-round residential – represents a significant portion of properties and has historically increased at a much greater rate than non-waterfront properties.

Approximately 25% - 11,000 out of 43,000 residential PLT properties across Northern Ontario - are located in the Kenora District, with the greatest concentration, some 6,100, in the Lake of the Woods area followed by the Dryden area with some 3,400 properties. Approximately 80% of Lake of the Woods properties are classified as residential or seasonal waterfront and 90% of the Dryden area properties. Higher than average assessment ranges for these properties — \$300,000 to \$450,000 per property compared to a northern Ontario average of \$150,000 to 200,000 — means district property owners already contribute close to 50% of residential PLT collections province-wide.

This same disconnect – assessment-based tax revenue vs cost of local services delivered – occurs with the universal Provincial Education Tax rate.

With a new assessment cycle starting in 2021, if past increases of 10% or more annually occur for waterfront properties compared to past provincial average increases in the 5% range, this disparity in PLT collections vs service cost support will grow.

We are asking for a continuation of the practice of reducing the residential Provincial Education Tax rate to reflect the average annual increase in assessment resulting from the next re-assessment cycle, and to apply that same policy to the Provincial Land Tax rate once universal rates are fully implemented in 2021.

5. OMITTED (PROVIDES FOR COMING INTO FORCE OF PROVISIONS OF THIS REGULATION). O. Reg. 224/09, s. 5.

TABLE 1
TAX RATES FOR LAND IN A LOCALITY

Item	Column 1 Property Class	Column 2 2018 Rate	Column 3 2019 Rate	Column 4 2020 Rate	Column 5 2021 and Subsequent Taxation Years Rate
1.	Residential Property Class	0.00237000	0.00242000	0.00247000	0.00250000
2.	Multi-Residential Property Class	0.00237000	0.00242000	0.00247000	0.00250000
3.	Farm Property Class	0.00059250	0.00060500	0.00061750	0.00062500
4.	Managed Forests Property Class	0.00059250	0.00060500	0.00061750	0.00062500
5.	Commercial Property Class	0.00215000	0.00247000	0.00279000	0.00300000
6.	Industrial Property Class	0.00215000	0.00247000	0.00279000	0.00300000
7.	Pipe Line Property Class	0.00661000	0.00726000	0.00791000	0.00850000
8.	Landfill Property Class	0.00215000	0.00247000	0.00279000	0.00300000

O. Reg. 25/18, s. 3.

TABLE 2
TAX RATES FOR LAND NOT IN A LOCALITY

Item	Column 1 Property Class	Column 2 2018 Rate	Column 3 2019 Rate	Column 4 2020 Rate	Column 5 2021 and Subsequent Taxation Years Rate
1.	Residential Property Class	0.00155000	0.00195000	0.00235000	0.00250000
2.	Multi-Residential Property Class	0.00155000	0.00195000	0.00235000	0.00250000
3.	Farm Property Class	0.00038750	0.00048750	0.00058750	0.00062500
4.	Managed Forests Property Class	0.00038750	0.00048750	0.00058750	0.00062500
5.	Commercial Property Class	0.00215000	0.00247000	0.00279000	0.00300000
6.	Industrial Property Class	0.00215000	0.00247000	0.00279000	0.00300000
7.	Pipe Line Property Class	0.00661000	0.00726000	0.00791000	0.00850000
8.	Landfill Property Class	0.00215000	0.00247000	0.00279000	0.00300000

O. Reg. 25/18, s. 3.

MPAC Market Trends – 2016 re-assessment

Municipality	Overall Residential Change <small>All residential property types including residential vacant land and waterfront</small>	Typical Residential Property <small>Single-family dwellings only</small>	2016 Median Residential	Typical Waterfront Property <small>Year-round and seasonal single family dwellings on water</small>	2016 Median Waterfront	2016 tax value	annual change	four-year change	6-year %	2020 value
6098 PROVINCE (OF ONTARIO) - East-Seaforth Township	1.5%	2.9%	\$117,000	1.7%	\$286,500	281,700	4,800	19,200	14.70%	300,900
6099 PROVINCE (OF ONTARIO) - East-Seaforth Township	-0.2%	3.8%	\$29,500	0.2%	\$113,500	233,500	0	0	0	233,500
6097 PROVINCE (OF ONTARIO) - Kawartha Lakes Zone	4.2%	4.3%	\$176,000	4.1%	\$412,000	395,800	16,200	64,800	16	460,000
6096 PROVINCE (OF ONTARIO) - Dryden Lake Zone	1.6%	2.4%	\$115,000	5.5%	\$129,000	208,500	13,500	46,000	22.30%	254,500

MPAC Property data (2012)

Single Family residential use properties – year-round and seasonal

Lake of the Woods area

Total of 6,125 properties

Waterfront – 4,865 properties (80%)

Non-Waterfront – 1,270 properties (10%)

Dryden Area

Total of 3,400 properties

Waterfront – 2,985 (90%)

Non-Waterfront – 415 (10%)