

Jan 6, 2020

Presentation to Greg Rickford
MPP Kenora-Rainy River
Minister of Energy
Minister of Northern Development and Mines
Minister of Indigenous Affairs

Property Taxation in TWOMO areas

On behalf of DoKURA
The District of Kenora
Unincorporated Areas Ratepayers Association

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 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 that are a concern.

The first is an awareness of the value of the dollars 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 of the review, a major 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 small municipalities.

One result of these multiple changes has been lack of awareness of the dollar contribution of rural residents to local and regional services.

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

The services funded 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 part of overall local level contributions.

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OPP policing, which many still believe is provided at no cost to TWOMO areas because PLT revenues flow to the Province's General Revenue Fund and are then dispersed, is in fact one of

the largest draws on PLT revenue. The province funds TWOMO policing costs on a full-cost recovery basis and the annual billing – some \$25 million - represents over one-third of total PLT collections. Most rural residents also pay the same universal Provincial Education Tax rate as their municipal counter parts.

Despite these changes many municipal officials remain convinced TWOMO area residents pay little or no property taxes, often citing decades old taxation data.

The reality is that TWOMO residents in this area pay an average \$1,500 in annual service related property levies and a further \$600 in provincial education taxes. While still less in total on a per property average than municipalities in the area, it is considerably more than the few hundred dollars or less often referenced by municipal officials.

We realize that you as an MPP and a minister you can do little to address this awareness issue, however we hope you aware of it and will work to correct any mis-information on TWOMO contributions to local services when they come up.

Our main concern has to do with the residential/commercial universal 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 changes in service costs and inflationary increases. From 1998 to 2013 the province followed a similar practice, lowering the PLT rate in line with the provincial 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 officials, 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 – has historically increased at a much higher rate than non-waterfront property and represents a significant portion of the properties.

Approximately 25% - 11,000 out of 43,000 residential PLT properties - are located throughout 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 provincial average of \$150,000 to 200,000 — means district property owners already contribute close to 50% of residential PLT collections province-wide.

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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 a provincial average in the 5% range, this disparity in PLT collections vs service cost support will grow.

We are asking you as the local MPP and as a member of the Provincial Cabinet to advocate during the current round of budget consultations and discussions for a continuation of the provincial practice of reducing the Provincial Education Tax rate to at least 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.

Provincial Land Tax rates – Ontario Regulations 25/18

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.

| | Overall Residential Change | Typical Residential Property | 2016 Median Residential | Typical Waterfront Property | 2016 Median Waterfront | 2016 tax value | annual change | four-year change | 8-year % | 2020 value |
|------------------------------------------------------|---------------------------------------------------------------------------------|------------------------------|-------------------------|----------------------------------------------------------|------------------------|----------------|---------------|------------------|----------|------------|
| | All residential property types including residential vacant land and waterfront | Single-family dwellings only | | Year-round and seasonal single-family dwellings on water | | | | | | |
| Municipality | | | | | | | | | | |
| 6098 PROVINCE OF ONTARIO - Ken-Noon Sch Township | 1.5% | 2.9% | \$117,000 | 3.2% | \$286,500 | 281,700 | 4,800 | 19,200 | 14.70% | 300,900 |
| 6099 PROVINCE OF ONTARIO - Ken-Noon Sch (Unsurveyed) | -0.2% | 0.0% | 549,500 | 0.0% | \$733,500 | 733,500 | 0 | 0 | 0 | 733,500 |
| 6007 PROVINCE OF ONTARIO - Kanora Sch Zone | 4.2% | 4.2% | \$176,000 | 4.1% | \$412,000 | 395,800 | 16,200 | 64,800 | 16 | 460,600 |
| 6096 PROVINCE OF ONTARIO - Dryden Sch Zone | 1.6% | 2.6% | \$115,000 | 5.5% | \$219,000 | 208,500 | 13,500 | 46,000 | 22.30% | 254,500 |

MPAC Property data (2012 re-assessment data)

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%)