

**REPORT OF THE DIRECTOR OF FINANCE & TREASURER  
RE. PROPERTY TAX POLICY, RATES AND LEVY  
FOR THE CONSIDERATION OF COUNCIL**

### OBJECTIVE

To provide for the final levying and collection of the 2021 property tax requirements for the City of Elliot Lake, based upon estimates contained in By-Law 21-02 of the City and to ensure compliance with statutory tax policies pursuant to the Municipal Act Part VIII by setting tax rates, ratios and other mandatory parameters for the current taxation year.

### RECOMMENDATION

**That** the report of the Director of Finance & Treasurer re: Property Tax Policy, Rates and Levy; be received;

**And that** the report be forwarded to Council;

**And that** the proportional split between the General Municipal and Urban Service Area (USA) levies be maintained at the same level as 2020 (92.50% General, 7.50% USA)

**And that** Council eliminate tax rate discounts for Vacant and Excess land in the Commercial and Industrial classes and reduce the tax ratios for other classes so as to maintain the general balance of taxation on a class-by-class basis.

**And that** the tax ratios outlined in this report be included in the appropriate By-law to levy and collect property taxes for the 2021 taxation year.

Respectfully Submitted



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Amy Sonnenburg  
Director of Finance & Treasurer

Approved



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Daniel Gagnon  
Chief Administrative Officer

## BACKGROUND

The Municipal Act requires single-tier municipalities to establish own-purpose property tax estimates and tax rates to raise those estimates each year. The tax rates set to raise these amounts must be established in accordance with compliant tax ratios and subclass reductions, which will govern the distribution of the burden among the different property tax classes.

The balance of taxation in the City of Elliot Lake is also impacted by the use of the City's Urban Service Area (USA) levy, which alters the amount of municipal tax generally raised for a dollar of Current Value Assessment (CVA) in the City's urban and rural zones.

The Municipality must also define its levying and collection protocols for the year including installment due dates and penalties and interest that will be imposed for late or non-payment of taxes. All of these must be set annually via By-Law.

The City's "2021 Property Tax and Tax Policy Study" (appendix one) was prepared by Municipal Tax Equity Consultants Inc. (MTE) to assist Council and staff in understanding the local assessment and taxation landscape and to provide a background context for considering these decisions within a locally sensitive context.

## ANALYSIS

The 2021 municipal taxable levy requirement is \$12,681,804 per the approved 2021 Budget Bylaw 21-02. When the status quo proportional split between the City's General and USA levies is applied, the target amount for the calculation of each levy is as follows:

General Municipal Levy	\$11,591,919
Urban Service Area Levy	\$939,885
Central Commercial SAR	\$150,000

The MTE reports assist us in considering how these amounts will be shared amongst property in different class and subclasses. "2021 Tax Levy and Tax Policy Sensitivity Analysis," (appendix two) compares the distribution of these tax amounts under two separate policy models.

**Scenario 1** is based on a status quo policy model, with no changes to tax ratios, subclass treatment or class structure.

**Scenario 2** is based on eliminating tax rate discounts for Vacant and Excess land in the Commercial and Industrial classes and reducing the tax ratios for those classes so as to maintain the general balance of taxation on a class-by-class basis. (Recommended)

Scenario 2 effectively results in a portion of the commercial/industrial tax burden being shifted from improved/occupied business properties to vacant and unimproved land. In essence, this

model shifts taxes from occupied/improved business properties to vacant, excess and unimproved business lands, including but not limited to mine tailing sites. There is no material impact on taxpayers in other classes.

Tables 4-A and 4-B from appendix two document the changes made to tax ratios and discounts as well as the impact on tax rates in comparison to Scenario 1.

**General Levy Tax Rate Sensitivity Table 4-A**

Realty Tax Class	Ratios and Discounts			Tax Rates with Levy Change		
	<i>Status Quo</i>	<i>Scenario 2</i>	<i>Difference</i>	<i>Scenario 1</i>	<i>Scenario 2</i>	<i>Difference</i>
Residential	1.000000	1.000000	0.00%	0.01824007	0.01823593	-0.02%
Managed Forest	0.250000	0.250000	0.00%	0.00456002	0.00455898	-0.02%
Multi-Residential	1.863000	1.863000	0.00%	0.03398125	0.03397354	-0.02%
Commercial	1.511100	1.475000	-2.39%	0.02756257	0.02689800	-2.41%
<i>Excess/Vacant</i>	0.65	1.00	53.85%	0.01791567	0.02689800	50.14%
Industrial	1.511100	1.475000	-2.39%	0.02756257	0.02689800	-2.41%
<i>Excess Vacant</i>	0.65	1.00	53.85%	0.01791567	0.02689800	50.14%
Landfill	1.000000	1.000000	0.00%	0.01824007	0.01823593	-0.02%
Pipeline	0.700000	0.700000	0.00%	0.01276805	0.01276515	-0.02%

**Urban Service Area Tax Rate Sensitivity Table 4-B**

Realty Tax Class	Ratios and Discounts			Tax Rates with Levy Change		
	<i>Status Quo</i>	<i>Scenario 2</i>	<i>Difference</i>	<i>Scenario 1</i>	<i>Scenario 2</i>	<i>Difference</i>
Residential	1.000000	1.000000	0.00%	0.00168578	0.00168932	0.21%
Multi-Residential	1.863000	1.863000	0.00%	0.00314061	0.00314720	0.21%
Commercial	1.511100	1.475000	-2.39%	0.00254738	0.00249175	-2.18%
<i>Excess/Vacant</i>	0.65	1.00	53.85%	0.00165580	0.00249175	50.49%
Industrial	1.511100	1.475000	-2.39%	0.00254738	0.00249175	-2.18%
<i>Excess Vacant</i>	0.65	1.00	53.85%	0.00165580	0.00249175	50.49%
Pipeline	0.700000	0.700000	0.00%	0.00118005	0.00118252	0.21%
Residential	1.000000	1.000000	0.00%	0.00168578	0.00168932	0.21%

#### LEVY CHANGE INCLUDED IN SCENARIO 1 AND SCENARIO 2 TAX RATES

The difference in the tax rate between Scenario 1 and Scenario 2 as shown in these tables is a direct result of the tax policy changes being modelled.

Table 5-C the balance of taxation for the City. For the purpose of decision making, only the Municipal Taxable portion of the table is presented below; the impact to payments in lieu (PIL) can be found in appendix two.

**Municipal (General + USA) Levy Sensitivity Table 5-C**

<i>Taxable</i>	General + USA		Difference	
	<i>Scenario 1</i>	<i>Scenario 2</i>	\$	%
Residential	\$8,892,613	\$8,892,080	-\$533	-0.01%
Managed Forest	\$225	\$225	\$0	0.00%
Multi-Residential	\$1,887,874	\$1,887,816	-\$58	0.00%

*Note: The Central Commercial Area \$150K balances the levy requirement to \$12,681,804 per the approved 2021 Budget Bylaw 21-02*

Commercial	\$1,564,969	\$1,527,527	-\$37,442	-2.39%
<i>Excess Land</i>	\$9,818	\$14,742	<b>\$4,924</b>	50.15%
<i>Vacant Land</i>	\$49,559	\$74,408	<b>\$24,849</b>	50.14%
Industrial	\$46,824	\$45,703	-\$1,121	-2.39%
<i>Excess Land</i>	\$638	\$958	<b>\$320</b>	50.16%
<i>Vacant Land</i>	\$18,058	\$27,114	<b>\$9,056</b>	50.15%
Pipeline	\$61,232	\$61,230	-\$2	0.00%
<b>Sub-Total Taxable</b>	<b>\$12,531,810</b>	<b>\$12,531,803</b>	<b>-\$7</b>	<b>0.00%</b>

From Table 5C we see that that tax policy change shifts the balance of taxation from occupied commercial and occupied industrial to excess and vacant land. The shift in taxation on excess and vacant industrial and commercial properties is estimated in table 5C to be **(\$4,924 + \$24,849 + \$320 + \$9,056 = \$39,149)** \$40,000.

From appendix two, Table 7 evaluates the potential impact of eliminating subclass discounts for excess and vacant commercial and industrial properties. Table 7 offers details on the breakdown of levy between municipal and education and also provides the global total. For the purpose of analysis, the global total levy is isolated

**Excerpt from Table 7**  
**Typical Vacant and Excess Land Sensitivity**

Property Type	Count	Average CVA	Scenario 1 Average Levy	Scenario 2 Average Levy	Impact	%
<b>URBAN</b>						
Commercial Excess	10	50,160	\$1,450	\$1,880	\$430	22.87%
Industrial Excess	1	32,600	\$942	\$1,222	\$280	22.91%
Commercial Excess	9	57,222	\$1,654	\$2,145	\$491	22.89%
Industrial Excess	8	48,688	\$1,407	\$1,825	\$418	22.90%
<b>RURAL</b>						
Commercial Excess	2	29,950	\$817	\$1,050	\$233	22.19%
Industrial Excess	2	19,920	\$544	\$698	\$154	22.06%
Mine Lands	422	9,095	\$248	\$319	\$71	22.26%

Property Type	Count	Increase due to Policy Change	Estimated Shift
<b>URBAN</b>			
Commercial Excess	10	\$430	\$4,300
Industrial Excess	1	\$280	\$280
Commercial Excess	9	\$491	\$4,419
Industrial Excess	8	\$418	\$3,344
<b>RURAL</b>			
Commercial Excess	2	\$233	\$466
Industrial Excess	2	\$154	\$308
Mine Lands	422	\$71	\$29,962
<b>Total</b>			<b>\$43,079</b>

Using the estimated impact provided above the shift in taxation is verified to be in approximately \$40,000.

## FINANCIAL IMPACT

The 2021 municipal taxable levy requirement is \$12,681,804 per the approved 2021 Budget Bylaw 21-02. This report addresses tax policy for tax ratios, and the implications thereof. There is no impact to the operational budget

## SUMMARY

It is recommended that Council adopt Scenario 2 as proposed and outlined in appendix two eliminating tax rate discounts for Vacant and Excess land in the Commercial and Industrial classes and reducing the tax ratios for those classes so as to maintain the general balance of taxation on a class-by-class basis. All other ratios would remain unchanged over 2020.

It is also recommended that the City maintain the status quo balance between the General and USA levies with a 92.50% / 7.50% split.