



# COMMUNICATION UPDATE

|                          |  |
|--------------------------|--|
| <b>TO:</b>               | Mayor and Members<br>City Council  |
| <b>DATE:</b>             | July 19, 2021  |
| <b>SUBJECT:</b>          | Small Business Property Tax Class Update (City Wide)   |
| <b>WARD(S) AFFECTED:</b> | City Wide  |
| <b>SUBMITTED BY:</b>     | Brian McMullen<br>Director, Financial Planning, Administration and Policy<br>Corporate Services Department |
| <b>SIGNATURE:</b>        |  |

The 2020 Provincial Budget “Ontario’s Action Plan: Protect, Support, Recover from COVID-19 Act (Budget Measures) 2020”, proposed new authority for municipalities to adopt a new optional property subclass for small business properties that will allow for a lower rate of taxation to be applied to eligible properties.

The Mayor’s Task Force on Economic Recovery was established by Hamilton City Council to provide multi-sectoral advice to guide Hamilton’s sustainable and equitable recovery during and in the aftermath of the pandemic. One of the working groups of the Task Force was focussed on recovery solutions for small business. This tax policy tool may be one way to support local small business recovery.

In May 2021, Report FCS 21028, 2021 Tax Policies and Area Rating, provided Council with a brief update on this optional property tax class. At that time, regulations under the *Municipal Act, 2001* and *Assessment Act, 1990* related to this new measure had not been released by the Province. Subsequently, amendments to *Municipal Act, 2001* regulation O. Reg 73/03 and *Assessment Act, 1990* regulation O. Reg 282/98 have been enacted.

Staff has been reviewing the requirements of the program and plan to report back to Committee and Council with our analysis and recommendation in advance of the 2022 Taxation year.

Through the initial review staff has identified the following key program requirements:

- The program may only apply to properties in the commercial or industrial property classes
- Large industrial, parking lot and excess / vacant land property classes are excluded

- Must be revenue neutral (no additional taxes)
- Municipalities can specify that the subclass only applies to a portion of the municipality
- Requires an annual By-law
- By-law can stipulate that landlords must pass reduction on to tenants:
  - Public listing of eligible properties is required
  - Discounts can range from 5% to 35%

In considering the development of a proposed program to utilize this new tax policy tool, a number of local considerations will need to be addressed. These include:

- Source and availability of data
- The administrative burden that may result
- The City's current provincial policy restrictions on the Commercial, Multi-Residential and Industrial property classes may shift the impact of any discount applied to the Residential class

Of note, is that the Province has indicated that it will consider matching municipal property tax reductions with education property tax reductions. One of the conditions for this matching is that the municipality undertake consultations with stakeholders in developing the program. In order to meet this requirement and still meet planned reporting timelines, staff is co-ordinating virtual information sessions with local BIA's, Chamber of Commerce and Hamilton Business Centre this summer. The purpose will be to inform stakeholders of the provincial regulations and to seek input on the definition of "small business" to include in any proposed program. The results of this input will be included in the report back to Committee and Council and inform the development of any proposed program. Below is a brief summary of the timeline for completion of this work.

Timeline:



KW/GR/dt