



A Review of Large Industrial Class Tax Ratio

## How Taxes are Calculated

Municipal property taxes are calculated using a formula of assessment X tax rate/ratio. Municipal Property Assessment Corporation determines the assessment amounts. This is an estimate of the properties value if sold. The tax ratio is set by municipal governments and varies based on the use of the property. Tax ratios allow municipalities to shift the tax burden among different property classes, subject to ranges of fairness established by the Province.

Tax ratios have been the subject of much discussion and debate. It is common in Ontario for property taxes to favour single-family residential properties over commercial and industrial properties. Some have argued that every dollar of assessment should be taxed at the same rate, that it is unfair to tax a dollar of assessment differently depending on the property class. The proponents of this argument also typically put forward that the large discrepancies that exist between residential classes and commercial and industrial taxes are because there are more votes to be obtained by lowering taxes for those with properties in the residential classes than can be obtained by doing the same for commercial or industrial classes. This review will not investigate whether all classes should be taxed the same but rather will examine the competitiveness of Fort Frances' tax ratio for its Large Industrial class.

The Harris government in Ontario established new policies that set a range of fairness that municipalities were required to move towards. As a result of this policy change many municipalities have moved closer towards those ranges of fairness.

Taxes are one important factor that influence the location decisions of new and expanding firms. But it is not the only factor. Location decisions are typically complex and include such considerations as:

- Proximity to clients, vendors and resources
- Accessibility and transportation
- Rent, maintenance and utility costs
- Cost of suitable land
- Cost of labour
- Property taxes
- Desirability of community for employees/ability to recruit

Ensuring competitive property taxes alone is not enough to attract and retain businesses. A municipality must be competitive in all the factors above and have a positive business climate.

## The Fort Frances Situation in Context

According to the most recent Financial Information Review filed with the Ministry of Finance (2019) the tax ratios for the Town of Fort Frances for Commercial, Industrial and Large Industrial are as follows.

<b>Local</b>	<b>Tax Ratios</b>		
	<b>Commercial</b>	<b>Industrial</b>	<b>Large Indust.</b>
<b>Fort Frances</b>	<b>1.967217</b>	<b>2.823341</b>	<b>7.240504</b>

Using the same source and year, here are the same tax ratios for a list of comparable municipalities in southern Ontario.

<b>Ontario Comparables</b>	<b>Tax Ratios</b>		
	<b>Commercial</b>	<b>Industrial</b>	<b>Large Indust.</b>
Gravenhurst	1.100000	1.100000	1.100000
Guelph Eramosa Township	1.491000	2.400000	2.400000
Kincardine	1.233100	1.747700	1.747700
Leeds and the Thousand Islands	1.346400	1.811400	1.811400
Meaford	1.306940	1.858187	1.858187
Minto	1.491000	2.400000	2.400000
South Stormont	1.634027	2.063433	4.143248
Tay	1.252100	1.347567	1.347567
The Municipality of Grey Highlands	1.306940	1.858187	1.858187
Wellington North	1.491000	2.400000	2.400000
<b>AVERAGE</b>	<b>1.365251</b>	<b>1.898647</b>	<b>2.106629</b>

There are two important things to note. First, all but one of these comparable communities (South Stormont) has the same tax ratio for Large Industrial as it does for Industrial. Of those with the same tax ratio, four of them have not created a Large Industrial property class. This is an optional class that these municipalities have opted not to have.

Second, comparing Fort Frances with these Ontario municipalities shows that the average tax ratios for all three of these classes in Fort Frances are significantly higher than the average of these comparable communities. In the case of the Commercial class, Fort Frances has a tax ratio that is 44.1% higher. The Industrial class is similar, with a ratio in Fort Frances that is 48.7% higher. While both are significantly higher, the greatest difference is with the Large Industrial class. The Large Industrial class tax ratio is 243.7% higher in Fort Frances than in these comparators.

Historically, communities in Northern Ontario that had employers in the Large Industrial class such as paper mills, steel mills or mines and mining facilities also had high tax ratios for Large Industrial. Part of the thinking was that these companies were very profitable and had outside owners, sometimes even outside of Ontario. A higher tax ratio on these properties meant more of the revenues from Northern Ontario's resources would be kept local. In many ways, when employees unionized in these facilities and collectively bargained for wages significantly higher than the average wage, they were also attempting to retain some of those resource revenues, in this case for the employees.

Through the early 2000's the Town of Fort Frances reduced the Large Industrial ratio, but the impact of significant assessment changes prompted some municipalities to reverse these gains to level revenue.

<b>Fort Frances 2019</b>	<b>Tax Ratios</b>		
	<b>Commercial</b>	<b>Industrial</b>	<b>Large Indust.</b>
<b>AVERAGE</b>	<b>1.967217</b>	<b>2.823341</b>	<b>7.240504</b>

<b>Fort Frances 1999</b>	<b>Tax Ratios</b>		
	<b>Commercial</b>	<b>Industrial</b>	<b>Large Indust.</b>
<b>AVERAGE</b>	<b>2.990000</b>	<b>3.118200</b>	<b>5.238400</b>

The tax ratio for Commercial class properties in Fort Frances came down by 34.2% over the last two decades. The 2021 rate is 1.943520. The Industrial tax ratio has been reduced by 9.5%. However, this is still 31.7% higher than the average of the Ontario comparators. The biggest change over this period is with the Large Industrial class. In this class Fort Frances has raised its tax ratio by 38.2% and has a tax ratio that is almost four times as high as the Ontario comparators listed previously in this report.

Compared to Northwestern Ontario comparators the Fort Frances tax ratio for Large Industrial is also very high. The main outlier in these comparators is Dryden.

<b>Northwestern Ontario Comparables</b>	<b>Tax Ratios</b>		
<b>2019</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Large Indust.</b>
Dryden	1.8586800	1.5000000	7.9646020
Kenora	2.1521640	2.1297610	2.7702310
Red Lake	1.9800000	3.8557340	3.8557340
Sioux Lookout	1.7407000	2.6300000	2.6300000
<b>AVERAGE</b>	<b>1.9328860</b>	<b>2.5288738</b>	<b>4.3051418</b>

<b>Northwestern Ontario Comparables</b>	<b>Tax Ratios</b>		
<b>2000</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Large Indust.</b>
Dryden	1.8030000	2.4780000	4.4326000
Kenora	1.9928000	3.4727000	3.4727000
Red Lake	1.7690000	2.6346000	2.7460000
Sioux Lookout	1.7407000	3.0591000	3.0591000
<b>AVERAGE</b>	<b>1.8263750</b>	<b>2.9111000</b>	<b>3.4276000</b>

But this fits entirely with the historical reasons noted above for a high tax ratio for Large Industrial in many communities in Northern Ontario because Dryden has the Domtar mill. Factor out Dryden and the average is 3.0853217, less than half of the ratio in Fort Frances.

We can also see that Large Industrial tax ratios for comparable municipalities in Northwestern Ontario have gone down by 10.0% since 2000. Tax ratios for the Industrial class have gone down 13.1%. And Commercial class ratios have gone up by 5.8%.

<b>Municipality</b>	<b>Residential Tax Rate</b>	<b>Commercial Tax Ratio</b>
Winkler (12591)	0.0288100	1.3391184
St. Clements (10876)	0.0254700	1.3474676
Morden (8668)	0.0227800	1.0000000
Steinbach (15829)	0.0283200	1.3125000
Ritchot (6,679)	0.0307700	1.0000000
<b>AVERAGE</b>	<b>0.0272300</b>	<b>1.1998172</b>

Fort Frances is also uncompetitive when compared to Manitoba rates.

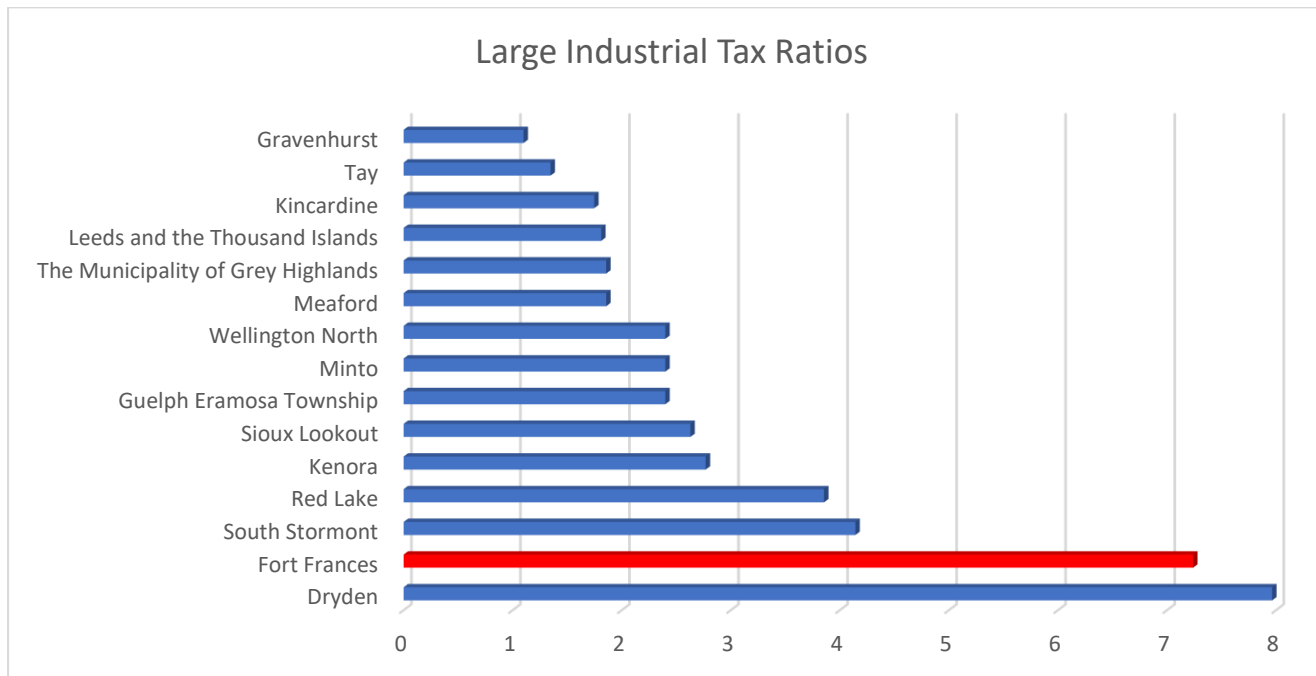
### Community Improvement Plan Incentive

The Town of Fort Frances has been innovative and was one of the first communities in Ontario to create a Community Improvement Plan with board planning powers that allow the municipality to partner with commercial and industrial development to encourage new investment. The Town utilized these tools to assist the pulp and paper mill in building the Biomass Generator. These tools allow for a short-term reduction in the taxes payable but don't address over all fairness.

### 2021 Current Tax Ratio Fort Frances

Industrial 2.644372  
Large Industrial 6.781534

## Cost Implications and the Path Forward



Two significant factors provide the community with an ideal opportunity to realign this property tax classification ratio.

- The closure and demolition of the Pulp and Paper Mill
- The need to attract new industry to the community.

In 2001 the municipal taxation achieved from large industrial was approx. \$1.7 million

Today the taxation achieved is \$215,609.

Leveling Large Industrial to the Industrial rate would result in a net loss of \$130,570 or a 1.14% general tax increase.

## Recommendations

The Economic Development Advisory Committee recommends that the Administration and Finance Committee review the current ratio and find a path in the 2022 tax year to level Industrial and Large Industrial Classes. Further the Committee encourages the Town to build a multi year plan to create a competitive Industrial ratio similar to that of Dryden.

## Reference Chart

Municipality	Population	Residential Property Tax Rates				Tax Ratios			
		Lower Tier	Upper	Education	Total		Commercial	Industrial	Large Indust.
Local									
Fort Frances		0.01682625		0.00161000	0.01843625		1.9672170	2.8233410	7.2405040
Northwestern Ontario Comparables									
Dryden	7749	0.01583049		0.00161000	0.01744049		1.8586800	1.5000000	7.9646020
Kenora	15096	0.01211057		0.00161000	0.01372057		2.1521640	2.1297610	2.7702310
Red Lake	4107	0.01346676		0.00161000	0.01507676		1.9800000	3.8557340	3.8557340
Sioux Lookout	5300	0.01904595		0.00161000	0.02065595		1.7407000	2.6300000	2.6300000
AVERAGE		0.01511344		0.00161000	0.01672344		1.9328860	2.5288738	4.3051418
Ontario Comparables									
Gravenhurst	12311	0.00453610	0.00285850	0.00161000	0.00900460		1.1000000	1.1000000	1.1000000
Guelph Eramosa Township	12854	0.00260652	0.00617506	0.00161000	0.01039158		1.4910000	2.4000000	2.4000000
Kincardine	11729	0.00677835	0.00389693	0.00161000	0.01228528		1.2331000	1.7477000	1.7477000
Leeds and the Thousand Islands	9465	0.00392731	0.00370869	0.00161000	0.00924600		1.3464000	1.8114000	1.8114000
Meaford	10991	0.00775870	0.00357933	0.00161000	0.01294803		1.3069400	1.8581870	1.8581870
Minto	8671	0.00544891	0.00617506	0.00161000	0.01323397		1.4910000	2.4000000	2.4000000
South Stormont	13110	0.00446871	0.00579000	0.00161000	0.01186871		1.6340270	2.0634330	4.1432480
Tay	10033	0.00664567	0.00278999	0.00161000	0.01104566		1.2521000	1.3475670	1.3475670
The Municipality of Grey Highlands	9804	0.00569505	0.00357933	0.00161000	0.01088438		1.3069400	1.8581870	1.8581870
Wellington North	11914	0.00481749	0.00617506	0.00161000	0.01260255		1.4910000	2.4000000	2.4000000
AVERAGE		0.00540673	0.00458360	0.00161000	0.01160033		1.3652507	1.8986474	2.1066289

This report was prepared with research by Northern Community Development Solutions, analysis by Derik Brandt Consulting and Tannis Drysdale Consulting.