

Consideration for Implementing a New Multi-Residential Property (Municipal Reduction) Tax Subclass

Presented To: City Council

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Type: Managers' Reports

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Taxation

Recommended by: General Manager of
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Report Summary

This report provides a recommendation regarding the implementation of the new optional new multi-residential property (municipal reduction) tax subclass and the requirements for the City to adopt a subclass.

Resolution

THAT the City of Greater Sudbury direct staff to present a bylaw to adopt the new multi-residential property (municipal reduction) subclass with a reduction rate of 0% as outlined in the report entitled "Consideration for Implementing a New Multi-Residential Property (Municipal Reduction) Tax Subclass", from the General Manager of Corporate Services, presented at the City Council Meeting on March 25, 2025.

Relationship to the Strategic Plan, Health Impact Assessment and Climate Action Plans

The recommendations in the report support Council's 2019-2027 Strategic Plan to Expand Affordable and Attainable Housing Options

This report has no relationship to the Community Energy and Emission Plan.

Financial Implications

There are no direct financial implications associated with this report. Should Council approve a reduction factor for the new multi-residential subclass, there will be shifting of tax burden in the future which will be reviewed annually as part of the property tax policy.

Background

As part of the [2024 Ontario Budget](#), the Provincial government announced its commitment to support the development of purpose-built rental housing and that municipalities now have the ability to offer an optional reduced municipal property tax rate. This optional reduced municipal property tax rate is specifically for new multi-residential developments, where units are built or converted from a non-residential use. The measure

is mainly intended to support the development of much needed purpose-built rental housing and is part of a broader provincial strategy aimed at increasing the availability of rental housing and enhancing affordability for residents.

City Council has recognized the need to support the development of a range of rental homes within the city. The City has taken measures towards developing a Housing Supply Strategy, Affordable Housing Strategy and implementing a moratorium on development charges for certain residential properties. The new multi-residential (municipal reduction) subclass, if adopted, will complement the City's existing measures and will further contribute to improving housing affordability for City of Greater Sudbury residents and is aligned with the City of Greater Sudbury's efforts to promote affordable housing options.

[Ontario Regulation 140/24](#) and [Ontario Regulation 141/24](#) were filed to create the optional New Multi-Residential Property (Municipal Reduction) Subclass. Should the subclass be adopted, it would not apply to existing new multi-residential class properties, those currently under construction, or those with pre-existing permits. Future purpose-built properties could receive a property tax discount of up to 35% of the municipal portion of the existing new multi-residential property class rate. Currently the City of Greater Sudbury's new multi-residential rate is the same as the residential property tax rate.

Consistent with provincial regulation, the City of Greater Sudbury currently has two property tax classes pertaining to multi-residential properties, taxed at two different rates:

Class	2024 Municipal Tax Rate (Sudbury Rate)	2024 Tax Ratio
Multi-Residential	3.123450%	1.965000
New Multi-Residential	1.589542%	1.000000

Both existing classes pertain to land used for residential purposes that have seven (7) or more self-contained units including bachelorettes, row housing, low-rise and medium/high rise apartment buildings.

The difference between the two classes, multi-residential and new multi-residential are the applicable tax ratios and resulting tax rates applied to the property. The new multi-residential tax class was adopted by the City of Greater Sudbury in 2003 through by-law 2003-102F. From April 24, 2003, forward, any land that would have been otherwise classified as multi-residential, but that had units on the land built or converted from a non-residential use pursuant to a building permit issued after that date were classified as new multi-residential for a period of 35 years and taxed at a rate the same as a residential property. After 35 years of taxation the property is included in the multi-residential class going forward.

Current and Historical Trends

Currently within the City there are 57 properties classified as new multi-residential with a total of current value assessment (CVA) of \$148 million.

At the beginning of 2024, the current value assessment for new multi-residential properties was \$139 million and total municipal tax levy was \$2.1 million. Over the last five years, the number of additional new multi-residential properties per year varied between 1 and 5, with an average of 2 new properties. These new properties contributed varying amounts of additional CVA each year ranging between \$1.8 and \$8.1 million. The below table outlines the increase in CVA over the last 5 year.

New Multi-Residential Property Year by Year Comparison

Taxation Year	Cumulative Total of New Multi-Residential Properties	Cumulative Total CVA	Number of Properties Added to the Class	Annual Total Increase in CVA
2019	42	\$ 111,992,400	N/A	N/A
2020	44	\$ 120,183,400	2	\$ 8,191,000
2021	45	\$ 121,991,700	1	\$ 1,808,300
2022	48	\$ 129,769,300	3	\$ 7,777,600
2023	49	\$ 131,626,200	1	\$ 1,856,900
2024	54	\$ 139,060,800	5	\$ 7,434,600
Average Increase per Year			2	\$ 5,413,680.00

New Multi-Residential (Municipal Reduction) Tax Rate Reduction Options

Should a municipality look to adopt the new multi-residential (municipal reduction) subclass and introduce a municipal tax rate reduction of up to 35% through the enactment of a by-law the following criteria must be met:

1. The City of Greater Sudbury must have a by-law in effect to apply the subclass;
2. The property must be included in the new multi-residential property class; and
3. The property's first building permit must have been issued after the by-law's implementation.

Considering these criteria, as mentioned above the new optional subclass would not apply to existing new multi-residential class properties or those currently under construction or with pre-existing permits. The responsibility to identifying properties that meet these criteria lies with the Municipal Property Assessment Corporation (MPAC). Under the Assessment Act, MPAC is the authority to assess and assign property classification for all properties in the Province of Ontario.

Additional Considerations

- The new multi-residential subclass reduction applies only to the municipal tax rate and does not apply to the education portion. The Province has not proposed a matching reduction and the existing education rate for new multi-residential properties will continue to apply.
- Introducing a new multi-residential (municipal reduction) subclass would result in three (3) distinct multi-residential classifications, each assigned its own specific tax rate primarily based on timing of development. These varying classifications, may result in different tax rates for similar properties, potentially creating financial inequity for multi-residential property owners.

Other Municipalities

Upon review of reports completed by several municipalities across Ontario, any potential recommendations to introduce a subclass will be part of their annual tax policy / annual property tax related matters reports.

The City of Toronto provided an information report to Council in July 2024 indicating that staff's

recommendation should Council decided to implement the new optional subclass would at a rate reduction of 15%. This rate reduction was adopted through the 2025 Budget.

The Region of York has adopted the new optional subclass at a rate reduction of 0% as of May 23, 2024.

Financial Implications:

The introduction of this optional subclass does not result in any immediate financial impacts. The regulation only applies to new developments and therefore all existing multi-residential properties would not be eligible for inclusion in a potential new optional subclass.

If the new optional subclass is adopted and eligible multi-residential properties developed, the result would be assessment growth as new properties are added to the City’s assessment roll which is standard, but the new properties would be classified to a new tax class by MPAC. This would allow for these properties to be easily identified for review as part of the annual property tax policy process.

It is estimated that revenue generated from annual assessment growth could be reduced by \$0.00 to \$30,000 annually, subject to the level of development activity and the tax rate reduction percentage applied to a new optional subclass, as detailed in below table:

Average Annual Current Value Assessment (CVA) Increase	2024 Municipal Tax Rate for New Multi-Residential Property (Sudbury Rate)	Annual Municipal Levy	Municipal Tax Rate Reduction % Scenarios	Potential Annual Municipal Tax Levy to be Shifted to Other Tax Classes
\$ 5,413,680	1.58954%	\$ 86,052.72	35%	\$ 30,118.45
			30%	\$ 25,815.82
			25%	\$ 21,513.18
			20%	\$ 17,210.54
			15%	\$ 12,907.91
			0%	\$ 0.00

**Should the number of new developments decrease or increase in comparison to historic trends the annual impact would be adjusted accordingly.*

Should a reduction factor greater than 0% be implemented, once properties are included in the new multi-residential (municipal reduction) subclass, an ongoing rate reduction would impact the property tax revenue collected from these properties. Over time, the financial impact from the rate reduction is expected to gradually increase as new buildings are developed and added to the assessment roll. The impact of this would be an increase to other property classes. As the residential property class is the largest single property class, these property owners would bear most of the shift.

Summary

As part of the [2024 Ontario Budget](#), the Provincial government announced that municipalities now have the ability to offer an optional reduced municipal property tax rate specifically for new multi-residential developments, where units are built or converted from a non-residential use. [Ontario Regulation 140/24](#) and [Ontario Regulation 141/24](#) were filed to create the option New Multi-Residential Property (Municipal Reduction) Subclass. This option allows for future purpose-built properties to receive a property tax discount of up to 35% of the municipal portion of the existing new multi-residential property class rate should Council adopt the new optional subclass by way of by-law.

Staff are recommending that Council adopt the new optional subclass with a reduction rate of 0% and that staff be directed to prepare the necessary by-law and review the reduction rate on an annual basis as part of the property tax policy.

Resources Cited

[2024 Ontario Budget](#)

[Ontario Regulation 140/24](#)

[Ontario Regulation 141/24](#)

[Assessment Act](#)