

Special Purpose Properties Taxation Reform (Auto Sector)

Update Presentation for Ontario Auto Mayors

November 3, 2023



Agenda

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1. Working Group Mandate
 2. Issue Overview
 3. Status Update
 4. Strategic Considerations
 5. Next Steps
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Working group mandate

Theme: Competitive Manufacturing Taxes

Lead: Mayor Brian Petrie, Town of Ingersoll

Focus:

- Review the Province of Ontario and Municipal Property Assessment Corporation's (MPAC) assessment methodology for large and special purpose properties and related impacts on competitiveness for manufacturing in Ontario.

Next Steps:

- Form a small working group led by one Auto Mayor to engage with owners of large and special purpose properties, the Ministry of Finance, and MPAC to:
 - Provide an update to Auto Mayors on the impacts of the current assessment methodology on competitiveness for new and retained investment.
 - Explore alternative options to large and special purpose taxation and assessment, such as regulated rates.
 - Advocate for a revised approach to taxation that provides a predictable and competitive solution for both property owners and municipalities.

Issue Overview

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- Special Purpose Property Taxation for the Auto Sector industry has been a challenging issue for some time – both for municipalities, as well as Auto Sector companies that have designated properties
 - Lengthy appeals and substantial costs for municipalities with these designated properties
 - Uncertainty of appeals (and timing) make it very difficult for municipal governments to be able to plan and forecast revenue, or undertake critical infrastructure investments
 - Typically a *significant* amount of tax revenue for many municipalities from a single property
 - For smaller municipalities, it can have a *large* impact on revenue, not just for one year, but multiple years in lengthy appeals
 - Uncertainty is also an issue for Automakers, both for operations and (potential) future investments
 - Cost uncertainty contributes to delays regarding potential new investments, new mandates
 - In Ontario, over 500 special purpose properties have been designated across the province
 - The Auto Sector – and typically just OEMs – are a subset of this group
 - Other sectors that are included under this designation include: aerospace, chemical manufacturing, food processing, mining, oil refineries, pharmaceutical manufacturing, pulp and paper, steel manufacturing, among others.

Status Update

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- Preliminary research to review other jurisdictions' best practices (Canada, US)
 - Preliminary discussions with some host municipalities with Auto Sector Special Purpose Properties
 - Introductory meeting with Ontario Minister of Finance and officials to discuss Special Purpose Properties taxation reform, implications for host municipalities (revenue implications) and auto sector taxpayers (uncertainty)

Strategic Considerations

- Recent (and substantial) investments in the Auto Sector by Canada and Ontario is very positive news... but the existing challenge of special purpose property taxation in the province will have implications for municipal host communities if this issue is not appropriately addressed
- Some Auto Sector leaders are supportive of finding a new approach
 - Resolving this issue would remove an existing uncertainty, which creates a disincentive for major project investments – as well as operational cost uncertainties for existing industry taxpayers
- While there are over 500 special purpose properties across multiple industries, this effort should focus exclusively (at least initially) on Auto Sector host municipalities
- Not every municipality that hosts an Auto Sector company will have this issue: this issue is limited to municipalities that host OEMs where the property is specifically designated as a special purpose property
- Engagement with Auto Sector manufacturers will be important to identify alignment opportunities, where possible
- Sustained and strategic engagement with the Province will be necessary, in addition to developing appropriate policy options for consideration

Next Steps

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1. Arranging one-to-one discussions with host municipalities that are impacted by this issue (ongoing)
 2. Arranging preliminary discussions with Auto Sector industry members
 3. Follow-up discussions with Ministry of Finance officials / MPAC
 4. Develop policy options and engagement plan

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