If this information is required in an accessible format, please contact 1-800-372-1102 ext. 2303

The Regional Municipality of Durham Report

To:	Committee of the Whole
From:	Commissioner of Finance
Report:	#2025-COW-44
Date:	December 11, 2025

Subject:

2026 Strategic Property Tax Study

Recommendation:

That the Committee of the Whole Committee recommends to Regional Council that:

A) For the 2026 property taxation year, the municipal tax ratios for the following property classes and subclasses for the Regional Municipality of Durham and its local area municipalities be set as follows, consistent with the 2025 ratios and the requisite by-law be prepared, and approval be granted;

Multi-Residential	1.866500
New Multi-Residential	1.100000
Landfill	1.100000
Pipelines	1.229400
Farmland	0.200000
Managed Forests	0.250000

Commercial Broad Class

(Including Shopping Centres, Office Buildings, Parking Lots and Commercial Residual)

Occupied	1.450000
Vacant Land	1.450000
Excess Land	1.450000
On Farm	1.450000

Industrial Broad Class

(Including Large Industrial, Industrial Residual and Aggregate Extraction)

Occupied	2.023500
Vacant Land	2.023500
Excess Land	2.023500
On Farm	2.023500
Aggregate Extraction	1.646535

B) To achieve greater fairness and equity in the Current Value Assessment (CVA) system and property taxation policy, the province be requested to:

- update the provincial statutory rate applicable to nuclear generating facilities;
- institute an annual mechanism to ensure the future rate updates, and;
- redirect proxy property tax payments currently paid by the Region's two nuclear generating facilities to the Ontario Electricity Financial Corporation (OEFC) for the Ontario Hydro stranded debt to the host municipalities and the Region following retirement of the stranded debt.

Report:

1. Purpose

1.1 The annual Strategic Property Tax Study accompanies the annual property tax supported business plans and budgets and provides an update on various property assessment and taxation items. As one of the Region's primary revenue sources, it is important, where possible, to ensure a stable, sustainable property tax assessment base and to maintain an equitable, understandable and transparent property tax policy structure. To achieve this, property tax policy decisions must consider the long-term impacts on both the assessment base and on all Regional property taxpayers.

1.2 The 2026 Strategic Property Tax Study provides information and analyses on several assessment and property tax items, including:

- assessment growth and trends including the anticipated continued decline in the non-residential share of municipal taxes which places upward pressure on the municipal residential property tax rates;
- an update on assessment and corresponding property tax at risk in assessment/classification disputes;
- an update on the provincial review of the assessment and property taxation system;
- the provincial postponement of the reassessment until at least the 2027 property taxation year and real estate market developments;
- an update on provincial policy initiatives including provincial property class and subclass initiatives focusing on multi-residential properties;
- a review and comparison of Durham's municipal tax ratios;
- a review of Durham's average residential home and non-residential property taxes compared to other municipalities; and
- looking forward and next steps.

1.3 There are no recommended changes to Durham's municipal tax ratios for the 2026 taxation year and no recommendations with respect to optional classes and subclasses until such time as the impacts of the next reassessment are known.

2. Previous Reports and Decisions

2.1 Strategic Property Tax Studies have been prepared and presented to Regional Council annually, with the 2025 study (Report #2024-COW-52) approved by Council on December 18, 2024.

2.2 The Region's Property Tax Reference Guide, included in the 2023 Strategic Property Tax Study, provides additional background on assessment and property taxes including information on key terms, roles and responsibilities, historical information and various tax policy items.

3. Background

3.1 Property taxation is the single largest source of funding for the Region, averaging approximately half of the annual funding required to deliver the property tax supported services. In 2025, budgeted Regional property tax revenue was $985.5 million, or 47.5 per cent, of the total budgeted $2.07 billion gross expenditures for Regional property tax supported services.

3.2 When evaluating potential property tax policy options or changes, staff evaluate and consider taxpayer equity, market effects, competitiveness, and financial implications for all property owners.

3.3 The Strategic Property Tax Study is produced annually to ensure key stakeholders, including Regional Council, are kept informed on both recent developments as well as long-term trends, risks, and financial impacts.

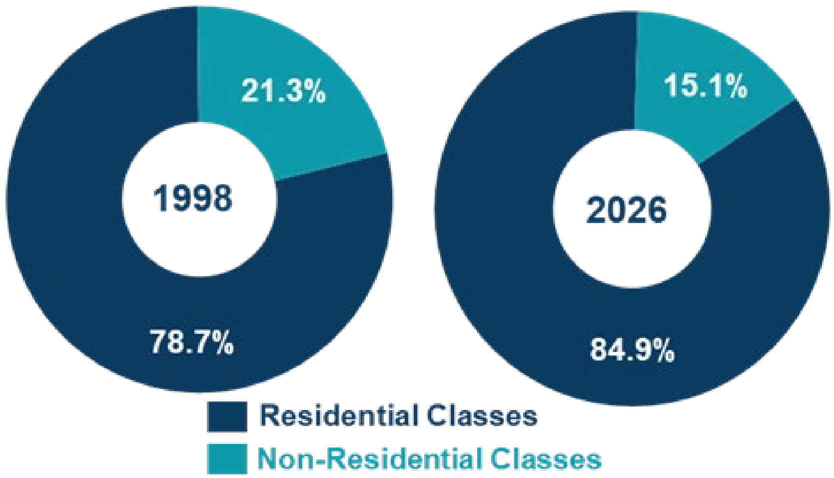
3.4 To align with best practice, the submission of the 2026 Strategic Property Tax Study coincides with the submission of the 2026 Property Tax Supported Business Plans and Budget to the Committee of the Whole and Regional Council in December 2025. A December 2025 submission prior to the Municipal Property Assessment Corporation (MPAC) delivery of the assessment roll results in certain taxation analyses and estimates reported here and used for the annual budget process having some degree of variability risk.

4. The Assessment Base

Assessment Growth and Trends

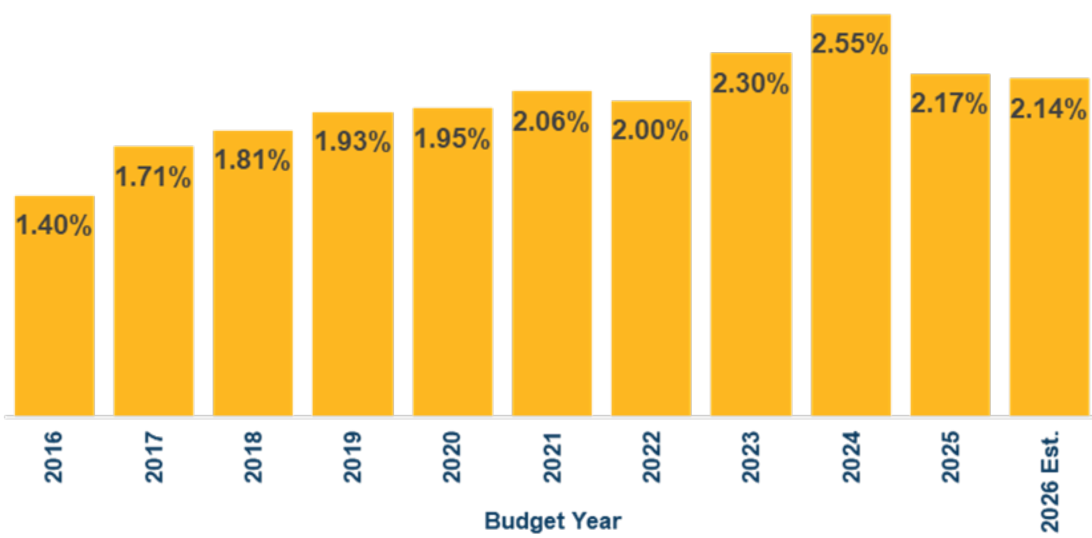
4.1 Historically, Durham Region's residential growth and reassessment valuation changes have been higher than non-residential, contributing to a continual decrease in the proportionate share of non-residential assessment in the assessment base as shown in Figure 1. The postponement of the reassessment has temporarily slowed this decline. The non-residential sector share is projected to have decreased by 0.1 per cent in 2025 as a result of assessment dispute settlements and proportionate growth of the various property tax classes.

Figure 1
<u>Weighted Taxable Assessment Base Composition</u>



4.2 For the 2026 budget, the estimated budgetary growth is 2.14 per cent, slightly lower than 2025. There has been a trend towards lower growth since 2024 which is reflective of a general slowdown in economic activity and lower housing starts across the province.

Figure 2
<u>Historic Budgetary Growth</u>



4.3 Below is a brief summary of the estimated 2026 budgetary growth impacts:

- growth in the residential property tax class was slightly higher at 2.09 per cent compared to the previous year (1.92 per cent);
- the multi-residential property tax classes growth was stronger than the residential class at 2.20 per cent, though lower when compared to the previous year (4.97 per cent);
- growth in the broad commercial property tax class was also higher at 2.28 per cent compared to last year (1.79 per cent); and

- stagnant growth continued in the industrial property tax class (0.83 per cent), while the large industrial property class decreased over 4.0 per cent due to assessment dispute settlements related to auto sector properties and a reclassification of two properties to the commercial class.

4.4 Of the 2.14 per cent taxable weighted assessment growth for the 2026 budget, 0.43 per cent is attributable to the Seaton community. Continuing Council's direction (Report #2018-COW-19), the growth attributable to the Seaton community has been deferred and will be brought into the annual budget in alignment with annual operating expenditures related to the Seaton development. The resulting budgetary growth is 1.71 per cent for 2026.

4.5 Given the significant budgetary pressures facing the Region in 2026 and to minimize the budget impact on residents and businesses, staff is not proposing to increase the deferral to compensate for the adjustment that was made to the Seaton deferral to achieve the 2025 budget guideline. Staff will continue to look for opportunities to adjust the deferral in future years.

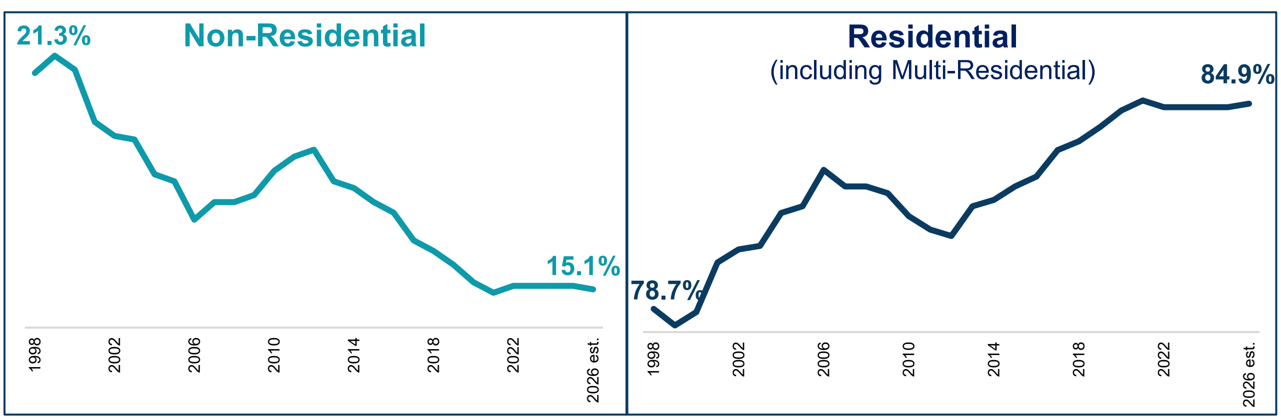
4.6 This strategy of deferring weighted assessment growth in Seaton promotes long-term financial sustainability by better matching growth and the related property tax revenue from the Seaton community with the budgeted Regional operating costs to service this community. This treatment is unique due to the large scale of the Seaton community and the intense planned development that will have a measurable impact on Regional expenditures in the near term.

Non-Residential Share of Regional Assessment and Taxation Base

4.7 Figure 3 shows the significant decline in the non-residential share of the Region's property tax base since 1998.

Figure 3

Share of Regional Property Taxes 1998-2026



4.8 As illustrated in Figure 3, the decline in the non-residential share of Regional property taxes has been continuous over the past 25 years with the following exceptions:

- Between 2006 and 2012 non-residential properties experienced higher valuation increases due to reassessments compared to residential properties. This resulted in an increase in the non-residential share of Regional property taxes.

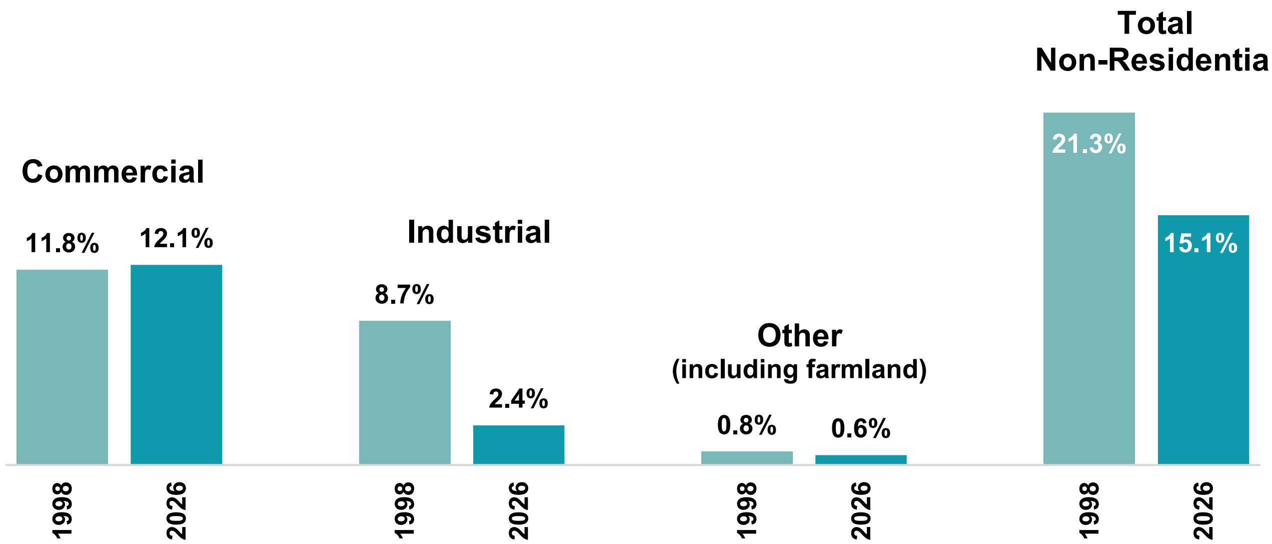
- A large number of non-residential property owners successfully appealed these increased assessments to the Assessment Review Board (ARB) which then contributed to the continued decreasing share from 2012 onward.
- This resulted in the increased Regional tax losses experienced for the 2008 and 2012 reassessment cycles as shown in Figure 7 (Section 5).

4.9 The postponement of the 2020 reassessment has resulted in a relatively stable share of non-residential property taxes for the past five years, but it is anticipated the decline will continue after the next reassessment.

4.10 The decrease in the non-residential share of Regional property taxes over the past 28 years is primarily the result of declines in the industrial property class share as shown in Figure 4. The share of the “Other” category decreased between 1998 and 2026 largely as a result of Regional Council’s decision to decrease the farmland municipal tax ratio by 20 per cent between 2005 and 2007.

Figure 4

Non-Residential Share of Regional Property Taxes 1998-2026



4.11 The decrease in the non-residential share places upward pressure on the residential municipal property tax rate and has a direct impact when comparing relative property taxes as illustrated in Section 9 (Municipal Property Tax Comparisons).

4.12 The changes in Regional property class taxation shares are the result of:

- differences in assessment growth across the property classes;
- different valuation changes across the property classes from reassessments;
- ARB assessment appeal decisions; and
- changes to municipal tax ratios.

5. Assessment and Regional Property Taxes at Risk Update

5.1 The calculation of individual property taxes requires a property's current value assessment (CVA) which is included in the returned assessment roll provided by the MPAC under the authority of the *Assessment Act* and the *Municipal Act, 2001*. MPAC is responsible for both the classification and valuation of all properties in Ontario.

5.2 Municipal staff use the CVA, and property classification set by MPAC along with the annual budgetary requirements and municipal tax ratios approved by Regional Council to calculate municipal annual property tax rates applicable to individual property tax classifications.

5.3 At any given point in time, a material share of the Region's assessment base can be involved in an assessment or classification dispute. This can represent a significant financial risk to the municipal sector.

5.4 There are two avenues by which taxpayers can pursue assessment disputes.

- The first avenue (mandatory initial step for residential properties) is the Request for Reconsideration (RfR) process where approximately 50 per cent of all disputes are either settled or withdrawn.
    - This is an informal process whereby the property owner requests MPAC to review the property's current assessment and/or classification to ensure that MPAC has the correct and current property information.
    - Through this review, one of the following two outcomes could occur. MPAC may revise the returned assessment based on more current or accurate information or alternatively MPAC may confirm that the returned assessment is accurate and therefore no adjustments to the assessment or classification are made.
    - If a change in the assessment is proposed by MPAC, a Minutes of Settlement Offer is provided to the owner and, if it is agreed to by the owner, then the assessment is adjusted, and the local municipality will make a corresponding change to the property taxation. The owner has 90 days to accept the Minutes of Settlement Offer or advance to the second step in the dispute resolution process.
- The second avenue is an appeal to the ARB, which is an independent adjudicative tribunal established under the *Assessment Act* that decides assessment and property classification complaints in Ontario.
    - It can take several years for disputes to reach settlement at the ARB, with many of the more complex commercial and industrial complaints stretching beyond the four-year assessment phase-in cycle.
    - Although less than half of disputes are settled at the ARB, almost 90 per cent of the property taxation losses are the result of ARB decisions.

Overview of Regional Assessment at Risk

5.5 Over the 21-year period (2006 - 2026), there have been four reassessment cycles as detailed in Figure 5.

Figure 5
Reassessment Cycles (2006 – 2026)

Valuation Date	Property Taxation Years	Cycle Length
2005 January 1st	2006 to 2008	3 Years
2008 January 1st	2009 to 2012	4 Years
2012 January 1st	2013 to 2016	4 Years
2016 January 1st	2017 to 2026	10 Years

5.6 MPAC and the ARB, due to both rule and procedural changes and the postponement of the 2020 reassessment, have almost cleared the previous backlog of assessment appeals at the ARB. The current volume of property disputes in Durham Region and across the province before the ARB is slightly higher than this time last year but is still at very low levels.

5.7 Over the 2006 to 2025 period there have been 46,244 assessment and/or classification disputes for properties in Durham Region. Of these disputes, 50 per cent have had the assessment confirmed or the dispute withdrawn. As illustrated in Figure 6, only 2.3 per cent remain outstanding.

Figure 6
Number Assessment Disputes from 2006 to 2025

	Request for Reconsideration (RfR)	Assessment Review Board (ARB)	Total	
CVA confirmed or dispute withdrawn	12,498	10,615	23,113	50.0%
Dispute settled	12,014	10,059	22,073	47.7%
Dispute outstanding	257	801	1,058	2.3%
Total	**24,769**	**21,475**	**46,244**	

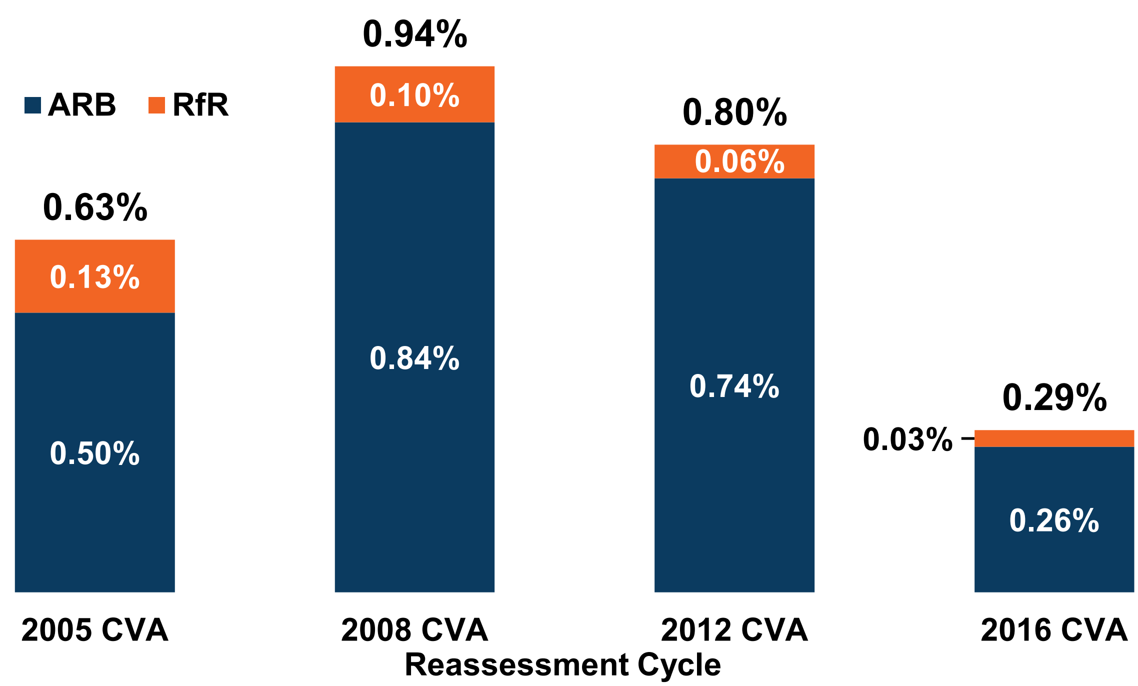
5.8 The 22,073 settled assessment disputes between 2006 to 2025 have resulted in Regional property tax losses of $69.1 million.

- Over half of these disputes (54.5 per cent) were settled through the informal RfR process which account for only 11.0 per cent or $7.6 million of the total Regional property tax losses.

- The more complex, primarily non-residential disputes which were settled at the ARB account for $61.5 million or 89.0 per cent of Regional property tax losses over the same period.

5.9 Figure 7 illustrates the per cent of total Regional property taxes that were lost due to the settlement of assessment disputes for each reassessment cycle. There are no outstanding assessment disputes for the 2005 and 2008 reassessment cycle and an immaterial amount of disputed CVA remains under appeal from the 2012 reassessment cycle.

Figure 7
Portion of the Region's Total Property Taxes that were Lost due to Settled Assessment Disputes



5.10 As noted previously in this report, the higher settlements in the 2008 and 2012 reassessment cycles were the result of a significant increase in non-residential property owners disputing their high valuation changes that resulted from the reassessments in those periods. This is reflected in the increase and then decrease of the non-residential share of property taxes over the period 2008 to 2016 as shown in Figure 3 of this report.

5.11 The 2016 CVA cycle is abnormally low due to the longer duration (10 years) included in the cycle as a result of the province's postponement of the 2020 reassessment. The 2008 and 2012 CVA cycles were four years in length.

Current Regional Risk in Outstanding Assessment Disputes

5.12 As of October 28, 2025, there were 347 properties with 1,058 outstanding assessment disputes in the Region of Durham for the taxation years 2017 to 2025.

- These disputes involve $4.3 billion in total CVA and $43.6 million in Regional property taxes as detailed in Figure 8.
- The majority of this assessment at risk (85.5 per cent) is for City of Pickering, Town of Ajax, Town of Whitby, and City of Oshawa properties.

Figure 8
Outstanding Assessment Disputes by Local Municipality from the 2016 Reassessment Cycle (2017 to 2025)

	Properties		CVA		Regional Taxes	
	#	**%**	**$m**	**%**	**$m**	**%**
Pickering	60	17.2%	$1,234.6	28.9%	$12.1	27.9%
Ajax	29	8.4%	$1,114.2	26.0%	$13.0	29.7%
Whitby	71	20.4%	$543.8	12.7%	$5.3	12.2%
Oshawa	45	13.0%	$766.7	18.0%	$8.0	18.3%
Clarington	41	11.8%	$155.1	3.6%	$1.5	3.4%
Scugog	19	5.5%	$69.2	1.6%	$0.6	1.3%
Uxbridge	63	18.2%	$318.5	7.4%	$2.5	5.7%
Brock	19	5.5%	$78.6	1.8%	$0.7	1.5%
Region	**347**	**100.0%**	**$4,280.7**	**100.0%**	**$43.7**	**100.0%**

5.13 Each year another taxation year is added to the 2016 reassessment cycle so it is not surprising that the number of disputes can increase, even though the system is operating efficiently. In 2025, there was an increase in both properties from (271 to 347) and Regional taxes at risk (from $37.9 million to $43.7 million).

5.14 In 2025, there were 182 properties with disputes outstanding in the RfR process and 165 properties in the ARB process. Only $3.5 million in Region taxation is at risk with the 182 properties going through the RfR process, while $40.2 million is at risk with properties going through the ARB process.

5.15 Excluding aggregate extraction properties, which are anticipated to have assessment/tax gains as a result of the ARB process, 82 per cent of the estimated Regional property tax risk is concentrated in the following three property types: large retail (30 per cent); multi-residential and associated land (29 per cent); and vacant land (23 per cent).

5.16 The Region's modelling suggests that, under a medium-risk scenario, the Region could see a net reduction of $1.6 million in Regional property taxes representing an average CVA loss of 4 per cent on the outstanding disputes. Under a low-risk scenario, this net loss is reduced to an estimated $1.2 million and increases to $2.0 million under a high-risk scenario.

- This net loss includes anticipated gains from the 2021 to 2023 aggregate extraction disputes that are currently at the ARB.
- The estimated net loss decreased considerably over the past year due to a recent Ontario Divisional Court decision supporting the Town of Ajax and setting aside a 2024 ARB decision in a multi-residential appeal as well as the settlement of the auto sector appeal in 2024.

Aggregate Extraction Assessment Dispute

5.17 The 2025 Strategic Property Tax Study provided a fulsome history and summary of the aggregate extraction assessment dispute which began in March 2021 and culminated in material 2023 year-end CVA adjustments by MPAC followed by the provincially mandated creation of the aggregate extraction class within the Industrial broad property tax class for the 2025 property tax year.

5.18 It is estimated that the 2025 provincially mandated ratio reduction for the aggregate extraction property class resulted in a loss of approximately one quarter of the property tax increases from the 2023 year-end adjustments which total $0.65 million for the Region and $0.37 million for Durham local area municipalities. It should also be noted that the provincial education tax rate for the aggregate extraction class is lower than the common industrial education tax rate across the province.

5.19 More than 3,000 properties across the province are impacted by these changes so the formal appeal process with the ARB will take some time to complete.

Multi-Residential Classification Dispute in the Town of Ajax

5.20 In 2017, the province mandated a new multi-residential property class across Ontario with a maximum municipal tax ratio of 1.1 for 35 years to incentivize the development of new multi-residential buildings. Durham Region's existing multi-residential ratio is 1.8665 (approximately 40 per cent higher).

5.21 On January 5, 2024, the ARB rendered a decision on the classification of several large multi-residential buildings in the Town of Ajax which were in the existing multi-residential property tax class. The decision spanned multiple years and, if upheld, would have resulted in an estimated $2.0 million loss in Regional property taxes.

5.22 On September 29, 2025, the Ontario Divisional Court set aside the decision of the ARB and returned the matter for a new hearing as well as awarding costs to the Town of Ajax and MPAC. It is understood that the property owner has sought leave to appeal this recent decision of the Ontario Divisional Court.

5.23 The Regional financial risk inherent in outstanding assessment disputes is adequately covered by the Region's Assessment Appeal Reserve. Regional staff continue to work with local area municipalities on assessment appeals and protecting the assessment base.

6. Provincial Review of Ontario Property Assessment and Taxation Systems

6.1 In the 2025 Ontario Budget (May 2025), the province stated that it is continuing the property assessment and taxation review it began in August 2023, focusing on fairness, affordability, business competitiveness, and modernized administration tools.

6.2 In addition, the provincial budget reported that the government had been exploring opportunities to enhance access to property assessment information and would be:

- introducing legislation that would enable MPAC to deliver assessment notices to property owners electronically;
- introducing legislation that would create regulatory authority to facilitate expanded municipal uses of MPAC's property assessment information, such as for research or operational needs;
- continuing to evaluate potential tools to help municipalities manage their assessment base; and
- working with MPAC to enable the provision of centralized online access to assessment roll information rather than requiring on-site viewing in municipal locations.

6.3 Additional information on these priority areas and possible policy options are needed before Regional staff can advise Council on the impacts for the residents and businesses in the region. Regional staff will continue to monitor provincial property tax initiatives and will update Regional Council on any further significant developments.

6.4 The 2025 Ontario Economic Outlook and Fiscal Review in early November provided no new information on the province's review of the assessment and property taxation systems.

7. Provincial Reassessment Postponement

7.1 The province's decision to postpone the 2020 MPAC reassessment was due in part to the pandemic and additional concerns in the later years with respect to the volatility of the residential housing market.

7.2 In the 2024 Ontario Budget, the province indicated that, *to maintain stability for taxpayers*, the property reassessment will continue to be deferred until its review of the assessment and taxation systems is complete (see Section 6). This position was reiterated in the 2024 Fall Economic Outlook, but there was no mention of the reassessment in the 2025 Ontario Budget or in the 2025 Ontario Economic Outlook and Fiscal Review.

7.3 2026 will be the tenth year using the 2016 valuation for the calculation of municipal and education property taxation.

7.4 It is important that the province return to regularly scheduled reassessments to ensure the assessment base remains up to date, to minimize material property tax shifts amongst taxpayers and to maintain fairness to property owners on a comparative basis given the changes to the market.

7.5 The Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO), the Association of Municipalities in Ontario (AMO) and various business associations continue to advocate for a return to the reassessment cycle while ensuring municipalities are provided with adequate time to plan, analyze, implement, and prepare communications on the impact of the reassessment for property taxpayers.

Real Estate Market Developments and Potential Reassessment Impacts

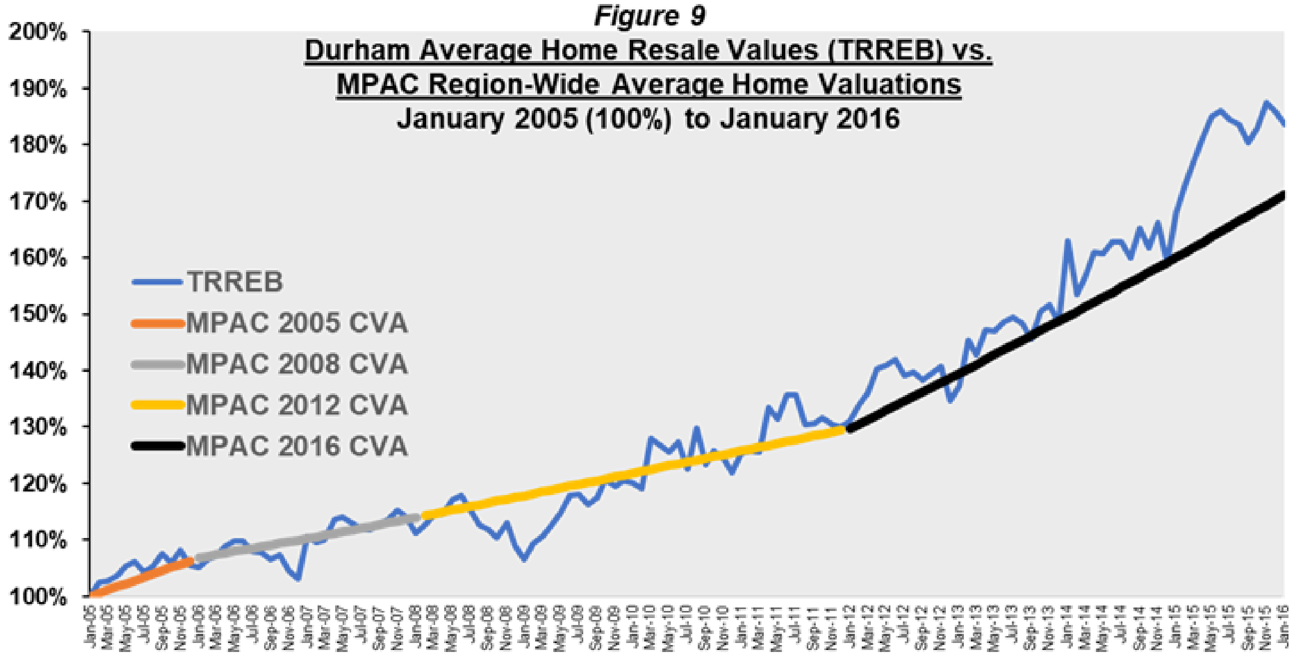
7.6 The CVA set by MPAC is meant to represent the value of the property in an arm's length sales transaction on the valuation date. The CVA is therefore closely related to the general real estate market. The next reassessment, when announced, will bring the current valuation date (January 1, 2016) up to whatever current date is set by the province.

7.7 Several interrelated factors have impacted the real estate market over the past decade and will likely continue to impact it going forward. These factors include but are not limited to:

- senior governmental initiatives to address housing availability and affordability;
- federal introduction of a ban on non-Canadian residential property purchases and the Ontario government foreign homebuyers' tax of 25 per cent;
- federal immigration changes that could affect demand;
- changes in the borrowing rates by the Bank of Canada;
- residual impacts of the pandemic and associated recovery/adjustment;
- shifts in household income;
- significant inflation followed by an economic slowdown caused in part by international trade disputes; and
- current and potential future impacts of a shift away from in-person towards on-line activity, that can decrease demand for certain non-residential properties ("the new e-conomy").

7.8 Figure 9 provides the Toronto Region Real Estate Board (TRREB) monthly average home resale values in Durham Region and the Region's average MPAC CVA increase over the period 2005 to mid-2015. It should be noted that the TRREB data is a relatively small sample size and shows significant volatility, while the MPAC data is based on the average of all single detached family residential homes in the Region.

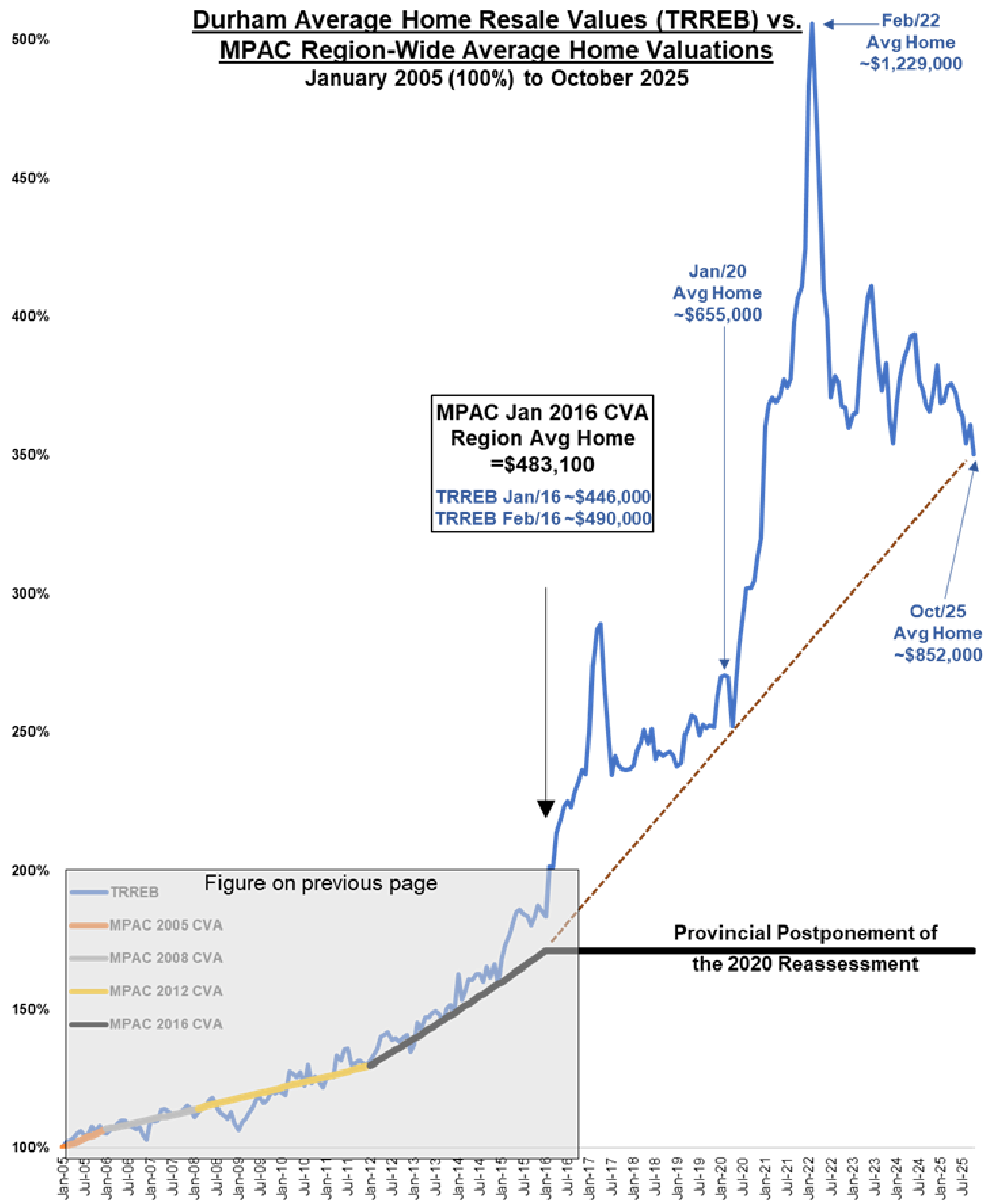
Figure 9



7.9 As expected, since CVA is intended to reflect market value, these two variables followed similar trajectories over the period decade 2005 through 2015.

7.10 As illustrated in Figure 10, beginning in 2016, Durham Region's average residential home resale values as reported by TRREB began showing increased acceleration and volatility. Meanwhile the MPAC CVA was held constant due to the provincial postponement of the reassessment update.

Figure 10



7.11 The TRREB-reported residential home resale values peaked in February 2022 and have since dropped by approximately 33 per cent. This reflects the volatility created in part by the factors outlined in Section 7.7.

7.12 Figure 10 also suggests that the next reassessment has the potential to create material property tax shifts amongst the property classes and individual taxpayers.

7.13 Given this volatility and risk, property tax policy changes including the implementation of new property tax classes/subclasses, ratio changes and/or creation of additional taxes (i.e. the vacant home tax) are not recommended until the impacts of the next reassessment are fully understood.

7.14 Regional staff will continue to provide updates on the reassessment timing and any changes to phase-in parameters when announced by the province. Once the reassessment is announced and information on the reassessment impacts are known, staff will provide extensive information to the Finance and Administration Committee and Regional Council on the impacts to property taxpayers and available tax policy options.

8. Maintaining a Simple and Transparent Property Tax Policy Structure

8.1 Municipal property taxes are intended to fund municipal services under the rules legislated by the Province of Ontario. The relative simplicity of the system (when compared to the complexity of senior government income and value added tax systems) ensures municipal transparency and accountability. The current system involves a small number of property classes with corresponding municipal tax ratios and rates.

8.2 This simple transparent system used to allocate the cost of municipal services across property owners also has inherent limitations. It is a very blunt tool lacking an effective ability to target specific individuals and/or groups within the broad system parameters defined by the province and outside of municipal control.

8.3 The system is also what is referred to as a zero-sum game, meaning that any benefit (tax reduction) delivered to one group must be funded by a corresponding increase for some other group. Similarly, a reassessment does not result in an increase in municipal taxation, rather the property taxes are redistributed amongst the various individual taxpayers and classes with the overall revenue to the municipality remaining the same.

8.4 In 1998, the single/upper tier municipalities in Ontario became responsible for property tax policy which primarily involves class/subclass and municipal tax ratio decisions under the framework set by the province. These decisions also apply to the upper tier local municipal constituents.

8.5 The Region considers the following factors when evaluating potential property tax policy options or changes:

- **Taxpayer Equity –** property tax policy should treat similar Regional taxpayers in a similar fashion regardless of geographic location or property tax class.
- **Market Effects** – property tax policy should not unduly affect or distort business decisions.
- **Property Tax Competitiveness** – consideration should be given to the impact property tax policy has on the Region's overall competitiveness with respect to other jurisdictions.
- **Impact on Property Owners** – prior to adopting any new policy or policy change, a complete understanding of the properties affected, and the extent of the impact must be understood and considered.

8.6 From 2000 to 2020, Regional Council made considerable efforts to create a simpler and more equitable taxation structure in Durham Region by reducing the number of property classes/subclasses from 14 to five. Further simplification such as ratio reductions would result in significant property tax shifts and are not recommended until the impacts of the next reassessment are known.

8.7 For example, reducing the multi-residential ratio (1.8665) to residential parity (1.0) would result in a Regional property tax increase of 1.85 per cent for all other classes or approximately $66 for the average Regional homeowner. In addition, the impact on the local levy varies with the lowest being approximately 0.75 per cent in the City of Pickering and the Township of Brock and a high of over 4 per cent in the City of Oshawa which has the dominant share of multi-residential assessment.

8.8 In recent years, the province has mandated the following additional new classes as well as created numerous optional subclasses for single/upper tier municipal consideration. These have been considered by Council through previous annual tax studies and are discussed in greater detail below:

- Landfill (provincially mandated 2017);
- New Multi-Residential class (provincially mandated 2017);
- Aggregate Extraction class (provincially mandated 2025);
- Newer Multi-Residential subclass (optional starting 2024); and
- Affordable Multi-Residential subclass (optional starting 2026).

8.9 In an effort to address housing and rental affordability, the province has provided municipalities with flexibility to adopt the “Newer Multi-Residential” subclass (introduced in the 2024 provincial budget for implementation starting in the 2024 property tax year) and the “Affordable Multi-Residential” subclass (introduced in 2025 for implementation starting in the 2026 property tax year). This flexibility allows single and upper tier municipalities to analyze the impacts of these optional subclasses and make a policy decision based on their unique local situation.

8.10 It is worth noting that these optional property tax classes only affect the local municipal and regional property tax rates – provincial education tax rates do not change.

8.11 These property tax decisions are long-term in nature (35 years) and result in a redistribution amongst taxpayers, so care must be taken to understand the impacts on the balance of the property taxpayers, to ensure that any property tax policy decisions have the potential to achieve the desired outcome.

New Multi-Residential Class (NT)

8.12 The first new multi-residential property tax class was mandated by the province in Ontario’s Fair Housing Plan in April 2017. The province set a maximum municipal tax ratio of 1.10 to ensure “*that property taxes for new multi-residential apartment buildings are charged at a similar rate as other residential properties*.”

8.13 As detailed in Report #2017-COW-162, this created a material inequity in Durham Region's property taxation policy. Classification has historically been based on property usage, but the province mandated a class based on structural age. As a result, multi-residential properties pre-2017 are paying 41 per cent more in municipal property taxes than multi-residential properties permitted post-2017. This inequity amongst multi-residential properties, owners and tenants is hard to justify and could potentially last 35 years.

8.14 Regional staff provided an analysis of potential changes to the multi-residential municipal tax ratio and associated impacts in Report #2021-F-28. This report recommended no changes to the existing ratios for several reasons, including the significant tax shifts that would result for residential property taxpayers and the disproportionate impact on certain local area municipalities.

Newer Multi-Residential Subclass (NT1)

8.15 In the 2024 provincial budget, the province announced an additional optional "newer" multi-residential subclass allowing a potential property tax rate discount of up to a maximum of 35 per cent. It is a subclass of the New Multi-Residential Class (NT) class with potential classification limited to 35 years. The maximum discount would result in an effective municipal tax ratio of approximately 0.7150 for this subclass.

8.16 The subclass can be created by upper and single tier municipalities only. To be eligible for the subclass the "permit" date must be subsequent to the municipal by-law date that implemented the subclass in that jurisdiction.

8.17 Similar to the pre-2017 NT class, this newer NT1 eligibility is based on 'permit date' which is unclear in provincial legislation and subject to interpretation as discussed in the continuing ARB appeal in the Town of Ajax (Section 5.20).

8.18 With respect to comparator municipalities, only the City of Toronto and the Region of York implemented this subclass in 2025.

Multi-Residential Affordable Subclasses (MT2 and NT2)

8.19 Announced by the province in the late fall of 2024 with the definition of affordable provided in the 2025 Ontario Budget, this optional subclass of the multi-residential (MT) and/or new multi-residential (NT) classes can provide up to a 35 per cent reduction in the municipal tax rates for eligible affordable units.

8.20 Eligible rental units must meet the definition of affordable in the *Development Charges Act, 1997*.

8.21 Adoption of the subclass is an upper or single tier decision and MPAC is responsible for the identification and classification of eligible affordable units which meet the requirements set out in Ontario Regulation 282/95 Section 22.1.1(5) of the *Assessment Act.*

8.22 Upper tier and single tier municipal councils can adopt the subclass for both existing and/or future units (units built/renovated after the by-law adoption date). Funding for the reduction in property taxes for eligible property owners can come from all other properties, or alternatively, from only the balance of properties within the existing multi-residential classes.

8.23 Through discussions with MPAC it is anticipated that the property identification and classification for eligible properties will not be available until later in 2026.

8.24 Regional staff met with the Community Housing Advisory Network in September 2025 to discuss this optional subclass. Identified next steps included:

- working with MPAC on identification and classification of eligible properties;
- modeling impacts of property tax shifts from subclass implementation;
- reviewing other considerations including agreement requirements, shifts/volatility in eligibility, current Regional property tax funding and impacts for existing providers; and
- continuing ongoing discussions across the sector.

8.25 Assuming that MPAC identifies and classifies eligible units before the fourth quarter of 2026, Regional staff will undertake a detailed financial analysis of impacts of this optional subclass for Regional Council's consideration for the 2027 property tax year.

8.26 There has been limited adoption of this subclass for 2026 due to its late introduction, current inability to identity eligible units, as well as potential overlap with municipalities who have already implemented the newer multi-residential subclass (NT).

9. Municipal Property Tax Comparisons

Municipal Tax Ratios

9.1 A municipal tax ratio is the degree to which an individual property tax class is taxed relative to the residential property tax class. If the commercial municipal tax ratio is 1.45, then its municipal property taxation rate will be 1.45 times the property tax rate for the residential property tax class.

9.2 Since municipal tax ratios show the degree to which the non-residential classes are taxed relative to the residential class, the municipal tax ratios have a direct impact on the competitiveness of municipal non-residential property taxes. Figure 11 provides a comparison of 2025 municipal tax ratios for upper and single tiers reflecting a very favourable positioning for Durham Region from a competitiveness perspective.

Figure 11
2025 Municipal Tax Ratio Comparison

	Multi-Residential		Commercial		Industrial		Farmland	
	Ratio	Rank	Ratio	Rank	Ratio	Rank	Ratio	Rank
Durham:	1.8665	5	1.4500	2	2.0235	4	0.2000	2
Toronto	1.7953	4	2.3906	10	2.5000	7	0.2500	5
Peel Region (Mississauga)	1.2656	2	1.5170	4	1.6150	1	0.2500	5
Halton Region	2.0000	8	1.4565	3	2.0907	5	0.2000	2
York Region	1.0000	1	1.3321	1	1.6432	2	0.2500	5
Ottawa *	1.3000	3	1.9700	6	2.2700	8	0.2000	2
Niagara Region	1.9700	7	1.7349	5	2.6300	9	0.2500	5
Waterloo Region	1.9500	6	1.9500	7	1.9500	3	0.2500	5
Hamilton **	2.0000	8	1.9800	8	2.9156	10	0.1767	1
Windsor ***	2.0000	8	2.0140	9	2.3158	6	0.2500	5
Average	1.7147		1.7795		2.1954		0.2277	

Ratios in Figure 11 have been rounded to four decimal places.
* Ottawa has special property tax classes for Office Buildings (2.39), Shopping Centres (1.55) and Large Industrial Properties (2.17)
** Hamilton has a Large Industrial property tax class (3.4189)
*** Windsor has a Large Industrial property tax class (2.9328)

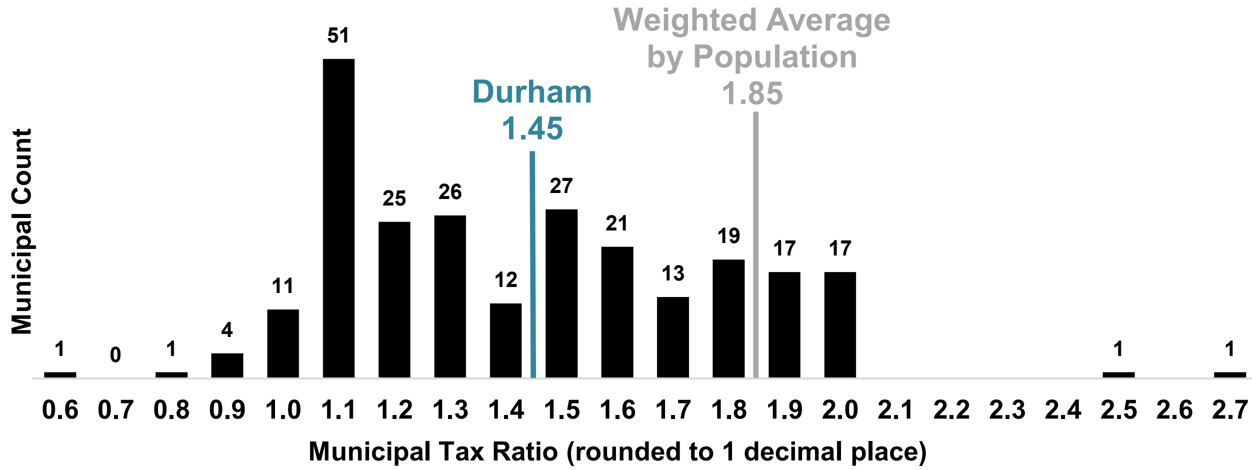
9.3 Durham Region's multi-residential municipal tax ratio of 1.87 is competitive and is marginally above the average of similar municipal comparators. There has been a trend in recent years with respect to ratio reductions provided to this class.

9.4 Durham Region has a very competitive commercial municipal tax ratio of 1.45 which is the second lowest and 18.5 per cent below the average.

9.5 Durham Region's 2025 industrial municipal tax ratio of 2.02 is 7.8 per cent below the average of the comparators and ranked fourth behind Peel (Mississauga), York Region, and Waterloo Region.

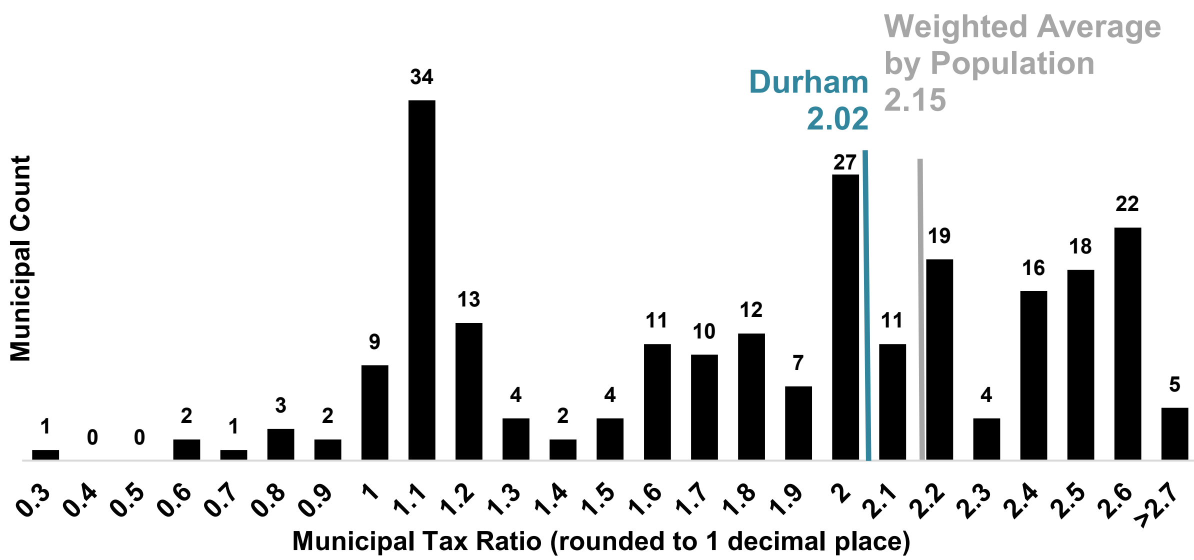
9.6 A review of the approximately 245 lower and single tier 2024 municipal tax ratios contained in the 2024 Municipal Financial Information Returns (FIRs) show that Durham's commercial ratio is significantly below the average ratio weighted by population as shown in Figure 12 below.

Figure 12
Provincial 2024 Commercial Municipal Tax Ratios



9.7 A similar review of the 2024 FIRs was done for the industrial class (Figure 13) which illustrates Durham's industrial municipal tax ratio is also below the weighted average ratio by population.

Figure 13
Provincial 2024 Industrial Municipal Tax Ratios



9.8 The province has mandated a maximum farmland municipal tax ratio of 0.25. Several Ontario municipalities, Durham included, have lowered their municipal tax ratio from this provincial maximum as a support to the agricultural industry within their jurisdiction.

9.9 Changes in municipal tax ratios are revenue neutral with respect to the overall property taxes of a municipality. Any adjustments to municipal tax ratios will result in a shift of the property tax burden between the other property tax classes. For example, lowering the municipal tax ratio for one property tax class will increase the property taxes for all other property tax classes. There are no recommended changes to the Region's municipal tax ratios for 2026.

9.10 The remainder of this section provides a summary of property tax comparisons across comparable municipalities adjusting for the varying CVA. This comparison highlights the degree to which CVA affects tax rates and represents a much better comparison than those typically reported in the general press.

9.11 Tax rates and assessments vary significantly between municipalities. In general, they are inversely related (higher property assessments allow for a lower tax rate to generate the same tax dollars). Additional information on this can be found in the Property Tax Reference Guide.

9.12 Caution should be used in interpreting the results of any municipal property tax comparison as these comparisons do not consider municipal services or service levels or the full range of other unique municipal characteristics (non-residential assessment levels, urban/rural compositions, geographical density and size, financial sustainability etc.).

Residential Home Comparison

9.13 The following residential home property tax comparison is based on 10 “average” homes from each of the local area municipalities in the Region. The homes were chosen to reflect, as closely as possible, the municipality’s average home in terms of assessment, age, size and building quality.

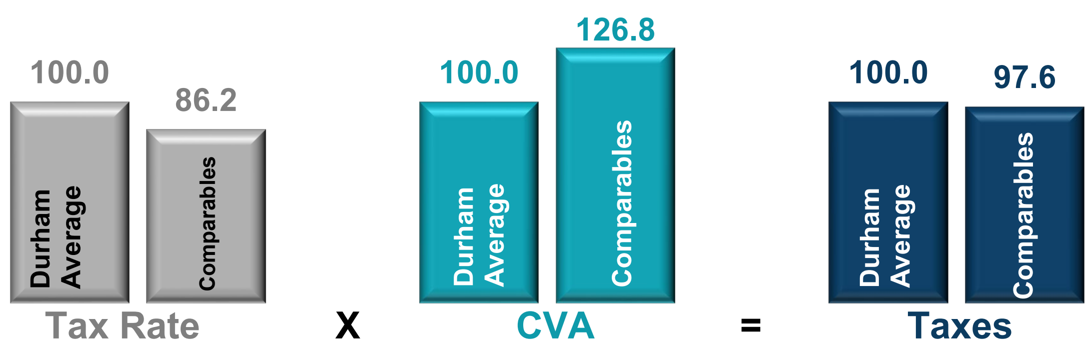
9.14 MPAC provided the CVAs for 27 comparator municipalities on which the following analysis is based. The comparison uses 2025 CVA and tax rates.

9.15 Since 2025 was not subject to a reassessment phase-in, the CVAs have not changed. As a result, this analysis is similar to last year’s study and only reflects the relative changes in the municipal budgets.

9.16 The residential home comparison found that the comparable municipal average residential tax rate was 13.8 per cent lower than Durham’s. However, assessment values for the comparators were 26.8 per cent higher. The resultant average property tax ($) difference between Durham and the comparator’s average is low, at approximately 2.4 per cent, as illustrated in Figure 14.

Figure 14

Residential Home Sample Average: Tax Rate, Assessment and Taxation



9.17 The majority of the large gap in tax rates can be explained by Durham’s much lower market values (assessments) compared to our comparator municipalities. The gap of 13.8 per cent in tax rates is reduced to 2.4 per cent in tax dollars when Durham’s lower assessments are considered.

Non-Residential Property Tax Comparisons

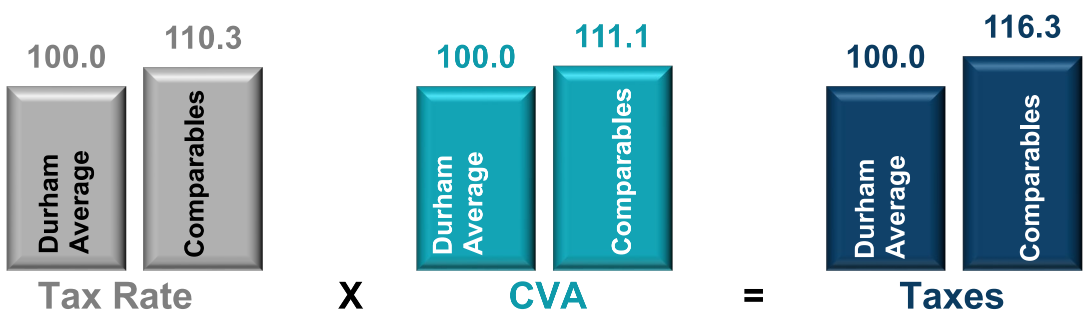
9.18 It is difficult to provide a valid non-residential property tax comparison. The primary issue is the uniqueness of the individual properties and the lack of robust sales transactions on which MPAC can base the assessments.

9.19 This difficulty has increased over the last decade, as a result of significant assessment appeals launched by the non-residential sector across Ontario for the previous three reassessment cycles and the resultant changes in both specific property assessments and MPAC methodology.

9.20 It is believed that municipal taxation is a lesser consideration in a commercial location decision when compared to factors such as customer density and affluence.

9.21 Similar to the residential comparison, a commercial comparison based on eighteen properties was conducted. As illustrated in Figure 15, tax rates and assessment vary significantly between municipalities.

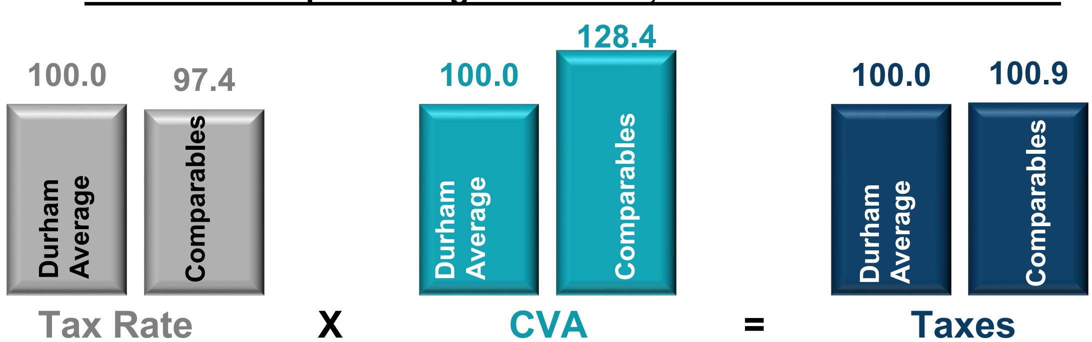
Figure 15
Commercial Sample Average: Tax Rate, Assessment and Taxation



9.22 Although the commercial sample showed a high degree of variability, the average comparator municipal tax rates were 10.3 per cent higher than Durham's, while the average CVA was also higher by 11.1 per cent. The resultant property tax average of the comparators is 16.3 per cent higher than in Durham Region.

9.23 An industrial comparison based on 12 properties was also conducted and the results are shown in Figure 16.

Figure 16
Industrial Sample Average: Tax Rate, Assessment and Taxation



9.24 A high degree of variability exists in the sample, however the averages show that the Durham Region tax rate is 2.6 per cent higher than the comparators', while the CVA is 28.4 per cent lower. The resultant property tax average on the comparators is approximately the same as Durham Region.

10. Provincial Business Education Tax (BET) Rate and Payment in Lieu (PIL) Properties

10.1 In 2021, the province took significant steps towards uniform province-wide Business Education Tax (BET) rates by instituting a common ceiling rate of 0.88 per cent for taxable properties.

10.2 The Ontario Ministry of Finance also confirmed that the BET reductions would not negatively impact single and lower tier municipalities, indicating that the province will maintain BET rates at the 2020 level for PIL properties where the education taxes are retained by single and lower tier municipalities.

- This different BET policy treatment is highlighted, as concerns have been raised that it may not be legislatively compliant.
- Despite efforts by the Ontario Ministry of Finance for the 2021 to 2025 property tax years, several federal organizations chose to pay the lower taxable education rate, rather than the higher PIL education rate.
- Federal commercial property presence in Durham Region is low and the resultant underpayment in education property taxes retained by the local area municipalities is minimal. In 2025 the Federal Court dismissed the City of Ottawa's attempt to recover the shortfall in education property taxes retained by the City as a result of the federal government paying based on the lower taxable education rate.

10.3 The Ontario Ministry of Finance has not yet provided information on the 2026 Provincial Education rates. Staff will advise Council once these have been released.

11. Property Tax Treatment of Nuclear Generating Stations

11.1 The two Ontario Power Generation (OPG) nuclear generating stations (NGS) provide a material amount of PIL revenue to the Region. In addition, the City of Pickering and the Municipality of Clarington also retain the education tax portion of these PIL payments.

11.2 In December of 2021, Regional Council approved Durham's Nuclear Sector Strategy 2022 - 2032 (Report #2021-COW-37) which recognizes the importance of this sector to the Region's economy and highlights the need for financial arrangements that sustain the fiscal and socioeconomic well-being of the Regional community.

Pickering Nuclear Generating Station (PNGS) Update

11.3 In October 2024, the Canadian Nuclear Safety Commission (CNSC) authorized the amendment of OPG's power reactor operating licence to operate units 5 through 8 through December 31, 2026, up to a maximum of 305,000 equivalent full-time hours. The amended licence includes a new condition requiring OPG to implement and maintain an enhanced fitness-for-service program.

11.4 While the Ontario government has approved OPG's plan to refurbish the four reactors, the CNSC will hold a 2-part public hearing on April 1, 2026, and the week of June 22, 2026, to consider the application from OPG to authorize the refurbishment of the PNGS, and to renew its power reactor operating licence and the waste facility operating licence for the Pickering Waste Management Facility.

Darlington Nuclear Generating Station (DNGS) Update

11.5 The Darlington New Nuclear Project (DNNP) is the first grid-scale Small Modular Reactor (SMR) project in North America with the federal government recently identifying it as a project of national significance and committing federal funding to support this project. Four SMRs are now planned at the Darlington site.

11.6 In April, 2025, the CNSC announced the Commission's decision to issue a power reactor construction licence to OPG to construct one General Electric Hitachi Vernova BWRX-300 reactor at the Darlington site. OPG plans to complete construction of the first SMR by 2028, with commercial operation beginning in 2029. OPG has not yet applied for a licence to construct the remaining three units.

11.7 Building the four BWRX-300 SMRs at Darlington would provide Ontario with a total of 1,200 MW of electricity generation capacity, providing enough electricity to power about 1.2 million homes.

11.8 Moving to a "fleet approach" for SMRs in Ontario (i.e., building multiple units of the same technology) will allow for shared infrastructure (e.g., cooling water intake) and the application of learnings from construction to subsequent units to reduce costs.

Provincial Statutory Rate on Generating Facilities

11.9 The province currently bases municipal PIL payments for nuclear generating facilities on legislated statutory rates as outlined in the *Assessment Act*, rather than current value assessment.

- The prescribed statutory rate set by the province for assessing nuclear generating facilities is $86.11/m^2 of inside ground floor area of the actual generating and transformer station buildings. This rate was set in 1968 and has never been updated.
- As such, the prescribed statutory rate does not consider increased Regional service costs, the time value of money or the reassessment valuation changes of all other properties since 1998.

11.10 Of all the provincial statutory rates, those that are applicable to nuclear generating facilities are particularly inequitable to Durham taxpayers due to the presence of the majority of the province's nuclear generating capacity. This particular statutory rate continues to represent a financial inequity to the Region and its local area municipalities.

11.11 For over two decades the annual property tax study has recommended an update to this provincial statutory rate. Over the past year, the Region, the City of Pickering and the Municipality of Clarington have been working collaboratively with the Municipality of Kincardine and Bruce County to seek more equitable treatment regarding the taxation of electrical generating facilities.

11.12 It is recommended that the province, in consultation with the municipal sector, review and update the nuclear generating facility statutory rate of $86.11/m^2 and institute a process by which this rate is annually updated in the future.

Nuclear Generating Facilities Proxy Property Taxes

11.13 An additional issue related to the nuclear generating facilities is the alternative assessment and proxy property taxes related to the payment of stranded debt.

- PIL payments on specific generating structures are based on a statutory assessment rate as defined per the *Assessment Act* and are paid to the host municipalities.
- Further proxy property taxes are levied and paid to the Ontario Electricity Financial Corporation (OEFC) and applied against the former Ontario Hydro stranded debt.
- Details of the alternative assessment are outlined in Ontario Regulation 423/11 under the *Electricity Act, 1998.* It is understood that proxy property taxes are the difference between the prescribed statutory rate for designated facilities and what would apply if taxed at a more appropriate CVA currently defined in the Regulation.

11.14 There is uncertainty around the future redirection of these proxy property tax payment streams assuming the eventual retirement of the stranded debt. This report recommends that the Region continue to seek confirmation from the province that all existing proxy property tax payments made to the OEFC will be redirected to local and upper tier host municipalities following retirement of the stranded debt.

12. Relationship to Strategic Plan

12.1 This report aligns with/addresses the following Strategic Directions and Pathways in Durham Region's 2025 – 2035 Strategic Plan:

- Strong Relationships
  - S4. Advocate to the federal and provincial government and agencies to advance regional priorities
  - S5. Ensure accountability and transparent decision-making to serve community needs, while responsibly managing available resources.

12.2 This report aligns with/addresses the following Foundation in Durham Region's 2025 – 2035 Strategic Plan:

- Processes: Continuously improving processes to ensure we are responsive to community needs.

13. Conclusion and Looking Forward

13.1 Following the success of the award-winning Value Stories videos which highlighted the details of the Region's Business Plans and Budget, Regional Finance and Communication and Engagement staff plan to develop a property tax video. It is anticipated that the video will be posted online and promoted through the Region's social media channels as part of a broader education campaign that will follow the announcement of the provincial reassessment update.

13.2 Staff will continue to monitor the following ongoing property taxation and assessment issues and will provide updates to Committee and Council as additional information becomes available:

- non-residential declining share of the assessment and taxation base and impacts of the "new e-conomy";
- future reassessment cycles;
- initiatives under *Ontario's Housing Supply Action Plan 2022-2023* including taxation of multi-residential apartment buildings and the assessment of affordable rental housing;
- the provincial review of the Ontario property assessment and taxation systems;
- assessment and classification disputes;
- 2026 provincial education property tax rates; and
- nuclear generating facilities property tax treatment.

Respectfully submitted,

Original Signed By

Nicole Pincombe, CPA, CMA
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed By

Elaine C. Baxter-Trahair
Chief Administrative Officer