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Staff Report

Finance

Report To: **COW- Admin, Corp and Finance, SI, Comm. Services**
Meeting Date: March 17, 2025
Report Number: CFS.25.015
Title: Resort Condominium Tax Classification Follow Up
Prepared by: Amy Moore, Manager of Revenue, Corporate and Financial Services

A. Recommendations

THAT Council receive Staff Report CFS.25.015, entitled "Resort Condominium Tax Classification Follow Up";

AND THAT Council provide direction to staff on whether they wish to bring forward the discussion to repeal the Resort Condominium Tax Class with County Council.

B. Overview

This report is in response to the council motion from the December 16, 2024 council meeting stating:

"THAT Council direct staff to work with MTE and Grey County to complete a thorough review of the properties and the consequences to the Town/County and property owners."

C. Background

Certain rental properties within the Blue Mountain Village had their property tax class updated in 2004 from Residential to Commercial based on the Municipal Property Assessment Corporation's (MPAC) reclassification due to an update to the Hotel Assessment legislation.

The optional tax class, Resort Condominium was then introduced in 2005 by provincial legislation, following that Grey County (with support from the Town of the Blue Mountains) adopted the optional tax class and has maintained the optional Resort Condominium tax class as part of its property tax framework. Noting that this tax class has tax ratio of 1.0; meaning that properties are taxed at the same rate as a residential property.

In recent months, there has been growing scrutiny regarding the use and relevance of this class, including discussions about its continued applicability. Additionally, the population criteria outlined in the legislation will likely be reconsidered following the next census, as the Town of Blue Mountains is expected to surpass a population of 10,000.

The criteria for a property to be included in the Resort Condominium tax class is outlined in the legislation *O. Reg 282/98 section 14.2(2)* as shown below.

> **14.2** (1) The resort condominium property class applies within a single-tier or upper-tier municipality only if the council has passed a by-law opting to have the resort condominium property class apply within the municipality. O. Reg. 211/05, s. 1; O. Reg. 384/18, s. 7 (1).
>
> (2) The resort condominium property class shall include land in respect of which all of the following criteria are satisfied:
>
> 1. The land is a unit or proposed unit in a condominium.
>
> 2. The unit is self-contained and furnished and is operated or managed in a manner to provide transient living accommodation for a fee or charge for minimum periods of less than 30 days.
>
> 3. The unit is located in a local municipality with a population of 10,000 or less, as reported by Statistics Canada in the most recent official census.
>
> 4. The unit is located within the boundaries of a resort which is operated year-round and which contains, or is adjacent to, a downhill ski complex and an 18-hole golf course.
>
> 5. A special Act requires the owner of the unit to be a member of a non-profit corporation without share capital that is established or continued by the special Act. One of the corporation's objects is the maintenance and management of the resort land for which, pursuant to the special Act and the corporation's by-laws, the corporation has responsibility. Under the special Act, the corporation has the power to pass by-laws controlling the use of that resort land. O. Reg. 211/05, s. 1.

On December 9, 2024, staff report FAF.24.141 confirmed that any authority to adopt or collapse an optional property class rests with the County and not the local Municipality, noting that the County will likely align with the Town's direction given that it is the only Town that is impacted. The staff report resulted in the following motion being passed at the December 16, 2024 council meeting:

"THAT Council direct staff to work with MTE and Grey County to complete a thorough review of the properties and the consequences to the Town/County and property owners."

D. Analysis

Staff have consulted with MPAC, BMVA, County staff and the County's tax consultant at length to discuss the tax class and the legislation. Peter Frise, Vice President – Policy and Consulting Services, Municipal Tax Equity Consultants Inc (Tax Policy Advisors for the County/Town) has provided a detailed analysis (Resort Condominium Property Class: Policy Considerations and Sensitivity Modelling Appendix #1). The report outlines the shift in taxation that would occur should the properties in the Resort Condominium tax class revert to the Commercial tax class.

The Commercial tax rate for the Town and the County is 1.2969 times higher than the Residential class making the tax rate approximately 30% higher. **Note that the additional levies cannot be considered as increased revenue by the Town or the County, the levies are simply shifted between property classes and Grey County municipalities, albeit it could translate into more room in the residential property tax rate.** It is noted that the education rate for commercial properties is over 5 times higher than residential rate causing the tax bill for the resort condominium properties to double with most taxes allocated to the education levy. The province follows a funding model that is provincially prescribed and the extra funding in property taxes has no impact on local school funding. The financial impacts are outlined in the Financial Impacts section of the report.

Non-Quantitative Policy Considerations

Council has received over 100 written comments from property owners in the BMVA expressing their concerns over any potential changes to their property tax class. Other considerations around revoking the Resort Condominium tax class may include, but not be limited to:

- Whether the original policy rationale for the Resort Condominium class remains relevant today.
- How eliminating the class aligns (or conflicts) with broader taxation and economic development goals.
- The potential long-term effects on the local tax base, economic activity, and housing market.
- Resort condominium owners will face substantial tax increases—what are the potential political and economic consequences?
- How will local businesses and the tourism sector be affected if short-term accommodation becomes less financially viable?
- Will other property owners see the municipal tax shift as a meaningful benefit, or will it be viewed as a minor gain relative to the disruption caused?

Population Criteria

One of the defining eligibility criteria for the Resort Condominium tax class is that the unit(s) must be located in a local municipality with a population of 10,000 or less, based on the most recent official census.

The next Census of Population, scheduled for 2026, is expected to report a population in excess of 10,000 for The Blue Mountains. If this materializes, it is possible, if not probable, that MPAC would be required to eliminate the class on an administrative basis. While we cannot speak for MPAC's interpretation of the regulatory framework, nor speculate on their intentions or decisions, the potential for this involuntary reclassification should be considered a real possibility.

Stakeholders along with the Town and County could advocate to the Province for an update to the regulation that raises the population threshold beyond the current 10,000-resident limit.

This recommendation should not be interpreted as a recommendation to retain the class indefinitely, but rather as a strategic move to ensure local control over its future.

As next steps, it is advised that should Council want to further investigate revoking the Resort Condominium tax class that a request is made to County Council for discussion and consideration for the 2026 taxation year. Staff are also seeking direction to pursue communications with the province around the population criteria in the current legislation.

Communication with the stakeholders such as the BMVA, MPAC and the County will continue throughout the process.

E. Strategic Priorities

1. Communication and Engagement

We will enhance communications and engagement between Town Staff, Town residents and stakeholders

2. Organizational Excellence

We will continually seek out ways to improve the internal organization of Town Staff and the management of Town assets.

3. Community

We will protect and enhance the community feel and the character of the Town, while ensuring the responsible use of resources and restoration of nature.

4. Quality of Life

We will foster a high quality of life for full-time and part-time residents of all ages and stages, while welcoming visitors.

F. Environmental Impacts

None.

G. Financial Impacts

For the 2025 roll return, MPAC has classified 1,216 properties within the Resort Condominium tax class with a total assessment value for the class being $275,490,100. Based on the 2025 notional levies, the financial impact to the properties moving to the commercial class, **under the assumption that the assessment value remains the same**, would be $2.6 million in taxation with 76% of those levies going to the province for education taxes. Below is a breakdown of the shift of the taxes from the Resort Condominium tax rate to the Commercial tax rate broken down by the Town, County and School Boards. **The increased burden on resort condominium properties does not result in any net new or additional levy dollars for the Town or the**

County, it simply redistributes the same total burden. There will be a net increase in school taxes for these properties, with no impact on local school funding or revenue. Since local schools and school boards are funded through a provincially prescribed formula, changes in local education tax revenue have no impact on local school funding or the education system overall.

Below outlines the total levy collected from these properties using the current Resort Condominium tax rate vs. the Commercial tax rate.

	Town	County	Education	Total
Resort Condo Tax Levy	$1,100,801	$1,113,776	$421,500	$2,636,077
Commercial Tax Levy	$1,406,498	$1,438,193	$2,424,313	$5,269,004
Difference	$305,697	$324,417	$2,002,813	$2,632,927

Highlighting the key data from Attachment #1 will illustrate the changes in tax burden for the property owners in the Resort Condominium tax class and the shift of tax burden away from the Residential class.

Table 8 in Attachment #1, shown below, outlines how the additional $2.6M levied to resort condominium properties would be shifted to the other property classes in the Town of The Blue Mountains. The Residential tax class would only see a reduction of 0.8% to their total tax bill, with other tax classes having less of an impact.

Table 8
Cumulative Municipal Class Level Impacts: County, Local and Provincial Education Tax
(The Blue Mountains Only)

Realty Tax Class	2025 Municipal + Education		Tax Change	
	Status Quo	R.C. to Comm	$	%
Resort Condominium	***$2,636,077***	***$5,269,004***	***$2,632,927***	***99.88%***
Residential	$46,000,050	$45,631,221	-$368,829	-0.80%
Farm	$345,687	$342,981	-$2,706	-0.78%
Managed Forest	$47,982	$47,598	-$384	-0.80%
Multi-Residential	$53,681	$53,238	-$443	-0.83%
Commercial	$4,214,818	$4,193,015	-$21,803	-0.52%
Industrial	$235,143	$233,747	-$1,396	-0.59%
Aggregate Extraction	$23,065	$22,911	-$154	-0.67%
Landfill	$11,970	$11,925	-$45	-0.38%
Pipeline	$126,821	$126,272	-$549	-0.43%
Total	**$53,695,294**	**$55,931,912**	**$2,236,618**	**4.17%**

Table 9 in attachment #1, shown below, quantifies the tax burden to the average residential household.

Table 9
Typical (Average) Property Implications of Eliminating the Resort Condominium Class
(The Blue Mountains Only)

Property Type	Count	Average CVA	Average Tax	Modelled Impacts County	Town	Education	Total Change Revised Tax	$	%
Resort Condominium	***1,216***	***226,554***	***$2,168***	***$267***	***$252***	***$1,647***	***$4,334***	***$2,166***	***99.9%***
Single Detached	2,760	566,957	$5,424	-$10	-$33	$0	$5,381	-$43	-0.8%
Town/Semi Detached	527	470,509	$4,502	-$8	-$28	$0	$4,466	-$36	-0.8%
Condominium	1,262	288,276	$2,758	-$5	-$17	$0	$2,736	-$22	-0.8%
All Residential	9,087	527,132	$5,044	-$9	-$31	$0	$5,004	-$40	-0.8%

The affected property owners in the Resort Condominium tax class would see their property tax bill increase by $2,166, double the current levy. The average residential property owner would see a 0.8% decrease which translates to approximately $40 a year. Additionally, it is important to note that it is expected that another risk of this shift will be the appeals that may come from individual property owners.

H. In Consultation With

Monica Quinlan, Director of Corporate and Financial Services
Peter Frise, Vice President – Policy and Consulting Services, Municipal Tax Equity Consultants Inc.

I. Public Engagement

The topic of this Staff Report has not been the subject of a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. However, any comments regarding this report should be submitted to Monica Quinlan, Director of Corporate and Financial Services mquinlan@thebluemountains.ca.

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J. Attached

1. Resort Condominium Property Class: Policy Considerations and Sensitivity Modelling

Respectfully submitted,

Monica Quinlan
Director of Corporate and Financial Services

For more information, please contact:
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Report Approval Details

Document Title:	CFS.25.015 Resort Condominium Tax Class Follow Up.docx
Attachments:	- Att 1 Resort CondominiumProperty Class Policy Considerations and Sensitivity Modelling.pdf
Final Approval Date:	Mar 7, 2025

This report and all of its attachments were approved and signed as outlined below:

Monica Quinlan - Mar 7, 2025 - 11:18 AM