

**A Guide to
Brownfields
Financial
Tax
Incentive
Program**

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Introduction

The Government of Ontario is introducing the Brownfields Financial Tax Incentive Program that allows municipalities to give tax assistance for the purposes of environmental rehabilitation of brownfields properties within an approved Community Improvement Plan (CIP).

The program is part of the Province's overall commitment to protect and maintain safe, clean, liveable communities.

Announced in the 2004 Ontario Budget, this new financing tool allocates up to \$5 million annually in matching education property tax assistance for the rehabilitation of brownfields properties. The goal of this new program is to attract third-party funding and encourage clean-up and revitalization of brownfields properties by providing tax assistance at the beginning of the clean-up process.

Brownfields properties are typically lands on which industrial or commercial activity has taken place. These lands may be vacant, underused or abandoned. Often the soil or water may be contaminated as a result of past practices or uses. Undeveloped areas may also become brownfields sites through environmental contamination.

The Brownfields Financial Tax Incentive Program is part of the Province's *Places to Grow* initiative that encourages investment and development of existing urban areas in order to reduce urban sprawl. Growth is encouraged (e.g., through intensification and compact development) in those areas that can best accommodate it, thereby steering growth pressures away from the places and systems in need of protection.

The new financing tool complements existing initiatives being delivered through the Ministry of the Environment (MOE) to promote cleaner communities and smarter development by removing key concerns about broad environmental liability, and through the Ministry of Municipal Affairs and Housing (MMAH) to provide authority for CIPs allowing for environmental, social or community economic development initiatives.

How Does this Guide Work?

This guide is provided to developers, landowners and municipalities to explain how the Brownfields Financial Tax Incentive Program may provide tax assistance for eligible properties in need of environmental remediation. The guide also includes details on the program's application form and legislative and regulatory requirements as well as operational program requirements.

Ministry of Finance (MOF) staff have also begun a series of education and training sessions in partnership with other ministries and municipalities to better inform municipal staff about the potential of this new financing tool.

Additional program information and sample tax calculations are included in this guide.

What is Brownfields Remediation?

Environmental rehabilitation and development of brownfields properties encourages investment and development in existing urban areas. This type of development is therefore in keeping with the Province's larger commitment to plan for growth management, by promoting intensification and compact development, thereby making more efficient use of existing infrastructure. Green spaces that would have otherwise been consumed by urban sprawl are preserved to enhance the quality of life for current and future generations.

To address the historical underutilization of these lands, the Government of Ontario passed the *Brownfields Statute Law Amendment Act, 2001*, which received Royal Assent on November 2, 2001. On October 1, 2004, outstanding legislative provisions were proclaimed into force, and regulations related to environmental liability (Ontario Regulation 153/04) and the new financing tool (Ontario Regulation 274/04) are now in force.

By amending various existing Acts, the *Brownfields Statute Law Amendment Act, 2001* addresses three key challenges to brownfields remediation highlighted during two years of consultations:

- clarifying environmental liability to reduce the risks of redevelopment;
- streamlining planning processes to facilitate redevelopment; and
- providing a new financing tool to provide an incentive for environmental site remediation.

How Does the Brownfields Financial Tax Incentive Program Work?

Section 365.1 of the *Municipal Act, 2001* allows municipalities to provide municipal property tax assistance for eligible properties. The Minister of Finance may match the municipal contribution with education property tax assistance to parties that want to rehabilitate brownfields properties and that meet eligibility criteria under the Brownfields Financial Tax Incentive Program. To match property tax assistance contributions from municipalities, \$5 million per annum has been set aside by MOF.

Tax assistance under the Brownfields Financial Tax Incentive Program is applied to the costs of site remediation and is available during the rehabilitation and development periods of eligible properties. The maximum amount of tax assistance available is the cost of rehabilitating a property. The host municipality is responsible for establishing and administering the program and will set the eligibility criteria for tax assistance for the municipal portion of the property tax.

Applications by municipalities to the Minister of Finance for matching education property tax assistance for specific properties that satisfy eligibility requirements will be considered on a case-by-case basis.

Legislative, Operational and Regulatory Program Requirements

The new financing tool for municipalities under the Brownfields Financial Tax Incentive Program is outlined in section 365.1 of the *Municipal Act, 2001*. Ontario Regulation 274/04 under subsection 365.1(11) of the *Municipal Act, 2001* outlines additional information requirements for municipalities applying for matching education property tax assistance from the Minister of Finance. These information requirements generally include confirmation of eligibility, description of the project and estimates of cost.

Landowners wishing to apply for possible tax assistance for their property should contact their local municipality for more information. Program requirements will vary among municipalities.

The host municipality will determine which properties are considered for tax assistance under section 365.1 of the Act based on circumstances specific to local economic conditions and priorities. The Province recognizes that municipalities are in the best position to understand their own local economic conditions and therefore coordinate the delivery of tax assistance from the Minister of Finance.

Step 1: Drafting the Community Improvement Plan

To qualify for this program, a property must be in a designated community improvement project area that is covered by a provincially approved CIP under the *Planning Act*. The CIP must contain provisions for tax assistance under section 365.1 of the *Municipal Act, 2001*.

Many existing municipal economic development programs for brownfields properties and abandoned properties created through CIPs under section 28 of the *Planning Act* require that rehabilitation and development activities have been completed before funds are provided. Municipalities have adopted this practice to ensure accountability from landowners.

Municipalities are free to continue this practice. However, matching education property tax assistance granted by the Minister of Finance will be awarded annually each taxation year at the start of the rehabilitation period, for a maximum of three years except in some cases with exceptional circumstances.

Consequently, matching education property tax assistance may be delivered on a different timetable from tax assistance offered by the municipality for a given property.

Due to the potential differences in municipal practices and the provincial delivery of matching education property tax assistance, any municipality developing a CIP should provide recognition in the CIP that conditions imposed by the Minister of Finance for matching education property tax assistance under section 365.1 of the *Municipal Act, 2001* may differ from those outlined by the host municipality’s CIP.

Other requirements may be identified on a case-by-case basis during the circulation of the draft CIP and its approval process.

Step 2: Drafting the Municipal By-Law

Municipalities are required to draft a by-law (or by-laws) that authorize the provision of tax assistance for an eligible property under section 365.1 of the *Municipal Act, 2001*. Such properties must be within the municipality’s CIP during the rehabilitation and development periods.

Tip:
While an individual application form is required for each subject property being considered for matching education property tax assistance, multiple eligible properties may be listed in the draft by-law.

The subject property must be specifically identified in the draft by-law with its assessment roll number, street address and landowner.

To be considered for matching education property tax assistance by the Minister of Finance, the draft by-law must contain the following conditions for the provision of matching education property tax assistance:

- a clause that states all tax assistance for a subject property will be suspended in cases where a landowner has not paid all of the taxes on a subject property for the previous years in the rehabilitation and development periods (subject to any specific exceptions provided for in the by-law or in an agreement under the by-law);
- a clause that states all matching education property tax assistance granted during the rehabilitation and development periods for the property becomes liable for payment in full, with interest, in cases where the landowner defaults on by-law or agreement requirements; and
- a clause that requires an annual update of the reporting on environmental contamination, remediation activities, expected costs and time estimates outlined under Ontario Regulation 274/04, and that it be forwarded to the Minister of Finance within 30 days of the anniversary of the start date of the tax assistance.

The draft by-law must also provide for termination of matching education property tax assistance for the subject property at the earliest of the following dates:

- the point of severance or subdivision;
- Tax assistance to provide incentives for environmental rehabilitation is based on the subject property specified in the draft by-law.

Tip:
Copies of any agreements or other supporting documents required by the municipality are required to be submitted with the application for matching education property tax assistance. Such documents may become public under the *Freedom of Information and Protection of Privacy Act*.

In the case of a severance, the subject property specifically approved for tax assistance under a by-law no longer exists as such. The Brownfields Financial Tax Incentive Program does not allow for the automatic roll-over of tax assistance approved in the original by-law to another property. Also, tax assistance cannot be assigned under the program.

In the draft by-law, the tax assistance should be terminated specifically on the conveyance of any portion of the property following a severance, or at the date of registration of a final plan of subdivision.

- the point of sale or conveyance;

The Brownfields Financial Tax Incentive Program does not allow for the portability of tax assistance from one landowner to another, nor does it allow for a lump-sum payment to a landowner who sells the property during the rehabilitation and development periods.

There is no grant authority under section 365.1 of the Act.

Tip:

In the case where a property is severed and a portion of the lands is still contaminated, the municipality is free to submit a new application for continued matching education property tax assistance under the Brownfields Financial Tax Incentive Program.

The decision by the Minister of Finance to approve matching education property tax assistance under the Brownfields Financial Tax Incentive Program is based not only on the property being eligible under this section of the Act, but also on the Minister's comfort that the landowner of the eligible property is capable and willing to undertake the required remediation. These decisions are made on a case-by-case basis. Municipalities may require agreements securing the landowner's obligations, and these agreements are personally binding on the landowner.

In the event of a sale to a new landowner during the rehabilitation period, the Minister of Finance must be satisfied that the new landowner is capable and willing to undertake the required remediation. If so satisfied, matching education property tax assistance could be granted under the program as part of a new application, and new agreements could be entered into if necessary.

Where a sale occurs after rehabilitation activities have been completed and a record of site condition has been filed, no further matching education property tax assistance will be available under the program. The Brownfields Financial Tax Incentive Program is not intended to provide matching education property tax assistance to a landowner that was not responsible for environmental rehabilitation activities.

Municipalities may continue providing tax assistance for municipal property taxes to an eligible property beyond the period authorized for matching education property tax assistance approved by the Minister of Finance.

- the date that tax assistance equals accumulated costs of contaminant reduction action taken to permit the filing of a Record of Site Condition for the property; or
- the date ending three consecutive years of matching education property tax assistance or such earlier period otherwise stipulated in the municipal by-law.

The Minister of Finance is prepared to authorize municipal applications for matching education property tax assistance under the Brownfields Financial Tax Incentive Program with a development period of up to 18 months. Combined with the 18-month rehabilitation period outlined in subsection 365.1(1) of the *Municipal Act, 2001*, this policy means that municipal applications under the program will be accepted and considered for approval with up to **three years** of matching education property tax assistance from the starting date of the rehabilitation period.

Applications with longer development periods will not be approved by the Minister of Finance under the program unless there are exceptional circumstances. Although legislative discretion exists for approval of a longer development period, a host municipality should present a business case explaining its exceptional circumstances to MOF staff and outlining its case that an extended development period is necessary to offset higher-than-average estimated eligible expenses for the rehabilitation and development periods and that the extension is the only reasonable way to achieve successful rehabilitation of the subject property.

Host municipalities are expected to work closely with MOF staff in bringing such an application forward for approval. Municipal representatives are invited to contact ministry staff for additional information on any points of clarification required for the Brownfields Financial Tax Incentive Program. Contact information for the program is included with this guide.

Host municipalities providing tax assistance under a CIP may have additional program administration and reporting requirements that complement their various programs, including specific conditions for the termination of tax assistance. Provincial requirements for the draft by-law may also be subject to change at a later date.

Once the draft by-law has been completed, it should be provided to MOF staff as part of the application form for matching education property tax assistance.

Tip:
The municipality should also include any clauses or provisions in the draft by-law that it feels appropriate for its own business purposes and local economic conditions.

Step 3: Completing the Application Form

The Brownfields Financial Tax Incentive Program application form must be completed by the host municipality offering tax assistance to a landowner. The application form is available through the MOF website and Municipal Services Offices (MSOs) of MMAH.

The host municipality should designate a primary contact (and a secondary contact as required) who will be responsible for communication with MOF staff on particulars of the application process, environmental records, program administration, subject property and tax assistance.

The host municipality should also designate its primary contact for the subject property landowner (or agent as applicable).

The host municipality should clearly identify the subject property on the application form with its assessment value,¹ roll number, tax rate² and landowner.

Where applicable, the host municipality should designate a primary contact at the upper-tier municipality who will be responsible for communication with the host municipality on particulars for the application process, program administration, subject property and tax assistance.

1 Use the assessment value and tax rate for the current taxation year at the time of application. If the assessment value is under a request for reconsideration or appeal to the Assessment Review Board, use the assessment value that was last reported by MPAC.

2 For lower-tier municipalities, the tax rate provided for the subject property should only include the municipal and education tax rates of the lower-tier municipality. In the case where an upper-tier municipality has agreed to participate in the program by way of a council resolution, the upper-tier municipal tax rate for the subject property should be identified in the space provided on the second page of the application form.

Step 4: Verifying Program Requirements on the Application Form

Applications under the Brownfields Financial Tax Incentive Program must satisfy legislative and other program requirements. Each box on the application form should be checked as appropriate.

The host municipality must satisfy the following legislative and regulatory program requirements:

1. The municipality has verified that the subject property meets the definition of an “eligible property” under subsection 365.1(1) of the *Municipal Act, 2001*.

1a. The property is located within a community improvement project area in an approved Community Improvement Plan (CIP) containing provisions for tax assistance under section 365.1 of the Act. Include the name of the CIP, its designating CI project area by-law number and its date of approval.

1b. The subject property has a completed phase two environmental site assessment and is in need of environmental rehabilitation, as described in subparagraph 4i of subsection 168.4(1) of the *Environmental Protection Act*, on or before the submission date of the application.

2. Attach a copy of the draft by-law (or by-laws) as described under subsections 365.1(2) and (3) of the *Municipal Act*, 2001.

The provisions that must be contained in a draft by-law, in addition to any conditions or restrictions imposed by agreement with the host municipality, are listed in “Step 2: Drafting the Municipal By-Law” (q.v.).

3. Attach a copy of the landowner’s application and program information submitted to the municipality.

The host municipality must include a copy of any completed application form or program information supplied by the landowner as part of the municipality’s own program requirements.

Tip:

The Minister of Finance is prepared to authorize municipal applications for matching education property tax assistance under the Brownfields Financial Tax Incentive Program with a development period of up to 18 months. Any municipality wanting to enact a by-law providing matching education property tax assistance with a longer development period should present a business case to MOF staff outlining their case that an extended development period is necessary. Municipal staff should contact ministry staff directly for more information.

4. Attach a copy of any proposed agreement or undertaking required by the municipality from the landowner as a condition of matching education property tax assistance.

In addition to a landowner’s application and program information, some municipalities may require a landowner to enter into a legal agreement with the host municipality or provide an undertaking to receive tax assistance. As part of an application under the Brownfields Financial Tax Incentive Program, the host municipality must include a copy of any completed or proposed agreement or undertaking.

5. If the upper-tier municipality is participating, attach a copy of its council resolution.

A lower-tier municipality wishing to provide tax assistance under section 365.1 of the Act may petition its upper-tier municipality to participate in the program by way of council resolution.

Where the upper-tier municipality agrees to participate in the Brownfields Financial Tax Incentive Program, the lower-tier municipality must include the upper-tier municipality’s council resolution to that effect as part of its application to MOF.

6. Attach a description (approximately one page in length) that details the nature of the subject property's contamination and a brief description of proposed remediation activities and technologies to be used during the rehabilitation period.

The host municipality must provide a brief summary of the project that details the project undertaking, property information and remediation technologies in plain language for use by MOF staff in a review of the application form.

Municipal applications from host municipalities will be considered by the Minister of Finance, although MOF staff may work with staff from MOE and MMAH to provide supporting information as required.

Additional information needs for selected municipal applications and their eligible properties will be gathered by MOF staff from the primary contact for the host municipality.

7. Attach an outline (approximately one page in length) of expected costs that will be incurred during the rehabilitation and development periods.

8. Attach a time estimate for completion of the rehabilitation and development periods.

The host municipality must provide an estimate and summary of the expected costs over the course of the project undertaking, as well as a timeline for those expected costs, using best available information at the time of application.

The host municipality must satisfy the following operational program requirements:

9. The municipality further agrees, as stated in its draft by-law, that the information described in the three previous paragraphs³ shall be updated on an annual basis during the provision of matching education property tax assistance by the Minister of Finance.

10. The municipality understands that the annual reporting requirements must be forwarded to the Ministry of Finance within 30 days of the start-date anniversary for matching education property tax assistance.

The annual reporting requirement is a required component of the draft by-law for acceptance and consideration by the Minister of Finance under the Brownfields Financial Tax Incentive Program. The provision of such annual updates is a condition of continued matching education property tax assistance.

³ The reference refers to the three previous paragraphs on the application form for the Brownfields Financial Tax Incentive Program.

11. The municipality is satisfied with all business materials, financial information and property records from the property landowner as required by council.

MOF staff have taken steps through program design to ensure accountability for matching education property tax assistance awarded to landowners in partnership with municipalities.

The municipality must be in a position to indicate its satisfaction with its own due diligence in respect of eligible properties and landowners, as well as with all conditions imposed by the municipality. The municipality should confirm which of the conditions, if any, have been satisfied.

12. The municipality agrees that a completed Record of Site Condition for the subject property will be provided to the Minister of Finance after it is filed in the Environmental Site Registry.

This program requirement is further to the notice provision under subsection 365.1(23) of the *Municipal Act, 2001*.

13. The CIP that applies to the subject property includes a provision that states written approvals of matching education property tax assistance from the Minister of Finance may result in conditions for the provision of matching education property tax assistance that are different from those described in a municipality's CIP.

This section is discussed in "Step 1: Drafting the Community Improvement Plan."

14. The municipality has included a copy of its designated CIP as approved by the Minister of Municipal Affairs and Housing and listed in point 1a of this application form.

15. The municipality grants Ministry of Finance staff the right at all times to inspect the financial records collected or produced by the municipality for matching education property tax assistance purposes under section 365.1 of the *Municipal Act, 2001*.

16. The municipality understands that the information contained in this application and all attachments are subject to the *Freedom of Information and Protection of Privacy Act* and has communicated this point to the landowner. As such, the application form and its attachments may be shared with the Ministries of the Environment and Municipal Affairs and Housing as part of normal business operations, as well as with legal counsel and other person(s) connected with the landowner as necessary for the purposes of accountability and reporting requirements related to the Brownfields Financial Tax Incentive Program.

As part of the Province's larger commitment to accountability and transparency, MOF staff may be called upon to review any of the subject properties, environmental conditions and financial records collected or produced by a host municipality under agreement with a landowner or the ministry.

Staff from MOE, MMAH, legal counsel and other person(s) connected with the landowner as necessary for the purposes of accountability and reporting requirements related to the program may also be included in such a review.

The findings of any such review are also subject to the *Freedom of Information and Protection of Privacy Act*.

17. The municipality has dated and signed this form as an application for matching education property tax assistance beginning January 1 of the following year, with a mailing date on or before September 1 of the current year.

A standard application deadline of September 1 each year allows municipalities to rank various business proposals within a host municipality against one another on a predictable timeline, which allows a host municipality to select subject properties that best match local economic conditions and planning guidelines. Landowners seeking tax assistance from their host municipality will also have a firm understanding of the timing necessary to meet approval requirements created by municipal administration.

However, it is important to note that program flexibility and special consideration will be granted to applications and projects with significant biophysical and socio-economic impacts. Additional flexibility for this requirement will also be considered during the first years of the program.

Host municipalities would be expected to work closely with MOF staff in bringing an application forward for approval outside of the September 1 application deadline. Municipal representatives are invited to contact ministry staff for additional information on this point. Contact information for the program is provided as part of this guide.

Modification of this operational requirement may be required at a later date.

Step 5: Forwarding an Application Package to the Ministry of Finance

Completed application forms under the Brownfields Financial Tax Incentive Program will only be accepted from lower-tier and single-tier municipalities. Upper-tier municipalities may participate in the program by means of a council resolution as described in subsection 365.1(4) of the *Municipal Act, 2001*.

Host municipalities should consider the application deadline of September 1 each year for applications under the Brownfields Financial Tax Incentive Program.

Upon submission of an application to MOF staff, municipal applications under the Brownfields Financial Tax Incentive Program will be considered by the Minister of Finance within 30 days; written notification of the ministry's decision will be provided shortly thereafter.

Step 6: Enacting the Draft By-law

A host municipality notified of a successful application may then enact its draft by-law, thereby enabling the provision of tax assistance for a subject property under section 365.1 of the *Municipal Act, 2001*.

A copy of the approved by-law shall, within 30 days, also be provided to the landowner and the Minister of Finance as described in subsection 365.1(7).

Tip:

Approval from the Minister of Finance is not required if the application does not include a provision to provide tax assistance using the education portion of the property tax. However, there are still information and reporting requirements under section 365.1 of the *Municipal Act, 2001* and Ontario Regulation 274/04.

Step 7: Providing Tax Assistance to a Subject Property

Matching education property tax assistance granted by the Minister of Finance is provided on an annual basis at the start of the rehabilitation period. The total value of matching education property tax assistance is based on a percentage value of the tax assistance awarded by the host municipality on an annual basis during each taxation year for the total length of the rehabilitation and development periods, regardless of its status as a lower-tier or single-tier municipality.

The benefit of this contribution is illustrated in the following examples:

Example 1:
20 Percent Cancellation of Property Taxes

The Municipality of Smalltown is a single-tier municipality that has applied to the Brownfields Financial Tax Incentive Program for a property with a current value assessment (CVA) of \$250,000. The property has property tax arrears of \$5,000.

The total tax rate for the property is 5%, with Smalltown’s tax rate for the property at 2.5% and the education tax rate at 2.5%. The total annual property tax bill for the property is \$12,500, with the municipality and school boards each receiving \$6,250.

The Municipality of Smalltown has agreed to cancel 20% of its existing property tax revenue for the subject property during the rehabilitation and development periods based on the agreement that the landowner will in turn apply the tax assistance against the property tax arrears. This agreement is consistent with subsection 365.1(21) of the *Municipal Act, 2001*. During the rehabilitation and development periods of the project, this cancellation will represent \$1,250 in municipal tax assistance each year, calculated as follows:

Municipal Tax Assistance = [(CVA x Municipal Tax Rate) x Municipal Tax Rate Reduction]
 = [(\$250,000 x 2.5%) x 20%]
 = \$6,250 x 20%
 = \$1,250

The municipality’s application for matching education property tax assistance for the property meets the criteria set out by the Province under the Brownfields Financial Tax Incentive Program and is subsequently approved by the Minister of Finance. The Province agrees to provide tax assistance by making a matching 20% cancellation in the education portion of the property tax during the rehabilitation and development periods.

During the environmental remediation stage of the project, the provincial tax assistance will represent \$1,250 in education tax assistance each year, calculated as follows:

Education Tax Assistance = [(CVA x Education Tax Rate) x Education Tax Rate Reduction]
 = [(\$250,000 x 2.5%) x 20%]
 = \$6,250 x 20%
 = \$1,250

Combined municipal and education tax assistance provides \$2,500 (i.e., \$1,250 + \$1,250) in total annual tax assistance for the property. As per the agreement between the municipality and landowner, the tax assistance is applied against the property tax arrears, which settles the outstanding taxes in two years provided that property taxes continue to be paid during the rehabilitation and development periods.

Example 2:**100 Percent Property Tax Freeze**

The Municipality of Hill Park is a lower-tier municipality that has applied to the Brownfields Financial Tax Incentive Program for a property with a CVA of \$400,000. Hill Park's upper-tier municipality has declined to participate in the tax assistance program.

The total tax rate for the property is 5%, with Hill Park's tax rate for the property at 1% while the upper-tier and education tax rates are 1.5% and 2.5% respectively. The total annual property tax bill for the property is \$20,000, with the lower-tier municipality receiving \$4,000, the upper-tier municipality receiving \$6,000 and the school boards receiving \$10,000.

The Municipality of Hill Park has agreed to cancel 100% of the increase in property taxes resulting from increased assessment value associated with environmental rehabilitation and development.

Upon completion of the rehabilitation period, the property increases significantly in value. The land has now been selected as the site for a new manufacturing and processing centre. Now in its development period, the property has an assessed value of \$537,000. The property is now granted a property tax cancellation of 100% of the increase in lower-tier property taxes resulting from the increased assessment value. This tax assistance will continue until the conditions in the landowner's agreement with the Municipality of Hill Park under the Brownfields Financial Tax Incentive Program are met.

The municipality's application for matching education property tax assistance for the property meets the criteria set out by the Province under the Brownfields Financial Tax Incentive Program and is subsequently approved by the Minister of Finance.

The change in assessment value of the property means the landowner receives \$1,370 in municipal tax assistance from the Municipality of Hill Park. This tax assistance is calculated as follows:

$$\begin{aligned}
 &\text{Municipal} \\
 &\text{Tax} \\
 \text{Assistance} &= [(\text{New Assessment} - \text{Old Assessment}) \\
 &\quad \times \text{Municipal Tax Rate}] \\
 &= [(\$537,000 - 400,000) \times 1\%] \\
 &= [137,000 \times 1\%] \\
 &= \$1,370
 \end{aligned}$$

The municipal tax assistance is matched through the approval of the Province with a corresponding cancellation of \$3,425 in education tax revenue resulting from the increase in assessment. This tax assistance is calculated as follows:

$$\begin{aligned}
 &\text{Education} \\
 &\text{Tax} \\
 \text{Assistance} &= [(\text{New Assessment} - \text{Old Assessment}) \\
 &\quad \times \text{Education Tax Rate}] \\
 &= [(\$537,000 - 400,000) \times 2.5\%] \\
 &= [137,000 \times 2.5\%] \\
 &= \$3,425
 \end{aligned}$$

Combined municipal and education tax freezes provide \$4,795 (i.e., \$1,370 + \$3,425) in total annual tax assistance for the property.

Example 3:
10 Percent Cancellation of Property Taxes and 100 Percent Property Tax Freeze

The Municipality of North Brownfield is a lower-tier municipality that has applied to the Brownfields Financial Tax Incentive Program for a property with a CVA of \$3,400,000. North Brownfield’s upper-tier municipality has declined to participate in the tax assistance program.

The total tax rate for the property is 5%, with North Brownfield’s tax rate for the property at 1% while the upper-tier and education tax rates are 1.5% and 2.5% respectively. The total annual property tax bill for the property is \$170,000, with the lower-tier municipality receiving \$34,000, the upper-tier municipality receiving \$51,000 and the school boards receiving \$85,000.

The Municipality of North Brownfield has agreed to cancel 10% of its existing property tax revenue for the subject property during both the rehabilitation and development periods and 100% of the increase in property taxes resulting from increased assessment value. During the environmental rehabilitation stage of the project, this agreement will represent \$3,400 in municipal tax assistance each year, calculated as follows:

Municipal Tax Assistance = [(CVA x Municipal Tax Rate) x Municipal Tax Rate Reduction]
 = [(\$3,400,000 x 1%) x 10%]
 = \$34,000 x 10%
 = \$3,400

The municipality’s application for matching education property tax assistance for the

property meets the criteria set out by the Province under the Brownfields Financial Tax Incentive Program and is subsequently approved by the Minister of Finance. The Province approves matching education property tax assistance with a 10% cancellation in the education portion of the property tax during both the rehabilitation and development periods and a 100% cancellation of the education taxes resulting from increased assessment value over the length of the assistance period.

During the environmental rehabilitation stage of the project, this agreement will represent \$8,500 in matching education property tax assistance, calculated as follows:

Education Tax Assistance = [(CVA x Education Tax Rate) x Education Tax Rate Reduction]
 = [(\$3,400,000 x 2.5%) x 10%]
 = \$85,000 x 10%
 = \$8,500

The total annual tax assistance for the property during its environmental rehabilitation equals \$11,900 (i.e., \$3,400 + \$8,500).

Upon completion of the rehabilitation period, the property raises significantly in value. The land has now been selected as the site for a new information technology company. The subject property, now in its development period, has an assessment value of \$5,200,000. The property is now granted a property tax cancellation of 100% of the increase in lower-tier property taxes, which is in addition to its annual 10% cancellation of \$11,900. This tax assistance will continue until the conditions in the landowner’s agreement with the Municipality of North Brownfield under the Brownfields Financial Tax Incentive Program are met.

Example continued on next page.

Example 3 continued:

The change in assessment value of the property means the landowner receives an additional \$18,000 in municipal tax assistance from the Municipality of North Brownfield. This tax assistance is calculated as follows:

**Municipal
Tax**

$$\begin{aligned} \text{Assistance} &= [(\text{New Assessment} - \text{Old Assessment}) \\ &\quad \times \text{Municipal Tax Rate}] \\ &= [(\$5,200,000 - 3,400,000) \times 1\%] \\ &= [1,800,000 \times 1\%] \\ &= \$18,000 \end{aligned}$$

The municipal tax assistance is matched through a corresponding cancellation of \$45,000 for education tax revenue resulting from the increase in assessment. This tax assistance is calculated as follows:

**Education
Tax**

$$\begin{aligned} \text{Assistance} &= [(\text{New Assessment} - \text{Old Assessment}) \\ &\quad \times \text{Education Tax Rate}] \\ &= [(\$5,200,000 - 3,400,000) \times 2.5\%] \\ &= [1,800,000 \times 2.5\%] \\ &= \$45,000 \end{aligned}$$

Combined municipal and education tax freezes provide \$63,000 (i.e., \$18,000 + \$45,000) in total annual tax assistance for the property.

The total annual tax assistance after the increase in assessment value is calculated as follows:

**Total
Annual
Tax**

$$\begin{aligned} \text{Assistance} &= [10\% \text{ cancellation of original property} \\ &\quad \text{tax revenue}] + \\ &\quad [100\% \text{ cancellation of property tax} \\ &\quad \text{revenue resulting from increased} \\ &\quad \text{assessment}] \\ &= \$11,900 + \$63,000 \\ &= \$74,900 \end{aligned}$$

Lower-tier and matching education property tax assistance equals \$74,900 annually, which combines both the 10% cancellation of original property tax revenue and the combined municipal and education tax freeze.

As seen in these examples, the lower-tier municipality is in a better position to offer tax assistance on a level closer to single-tier municipalities in scenarios where the upper-tier municipality chooses not to participate in the Brownfields Financial Tax Incentive Program.

The matching of education property tax assistance based on a percentage value of the tax assistance offered by a lower-tier municipality recognizes that single-tier municipalities do not have to contend with subsection 365.1(4) of the Act and cooperation from another level of government as part of negotiations for landowners interested in the program.

Additional arrangements for the provision of tax assistance are possible. The examples provided are only suggestions.

Terms and provisions for the provision of tax assistance will vary among municipalities. Landowners wishing to apply for tax assistance should contact their local municipality for more information on possible tax assistance available for their property.

Step 8: Terminating Tax Assistance to a Subject Property

Program requirements for individual municipalities will vary, so municipalities are responsible for developing their own arrangements with landowners, any upper-tier municipality and the Province.

These municipalities will also have program administration and reporting requirements that complement their various programs, including the termination of tax assistance. In most cases, tax assistance will be terminated at a date specified in the by-law.

In cases where the municipality has provided for matching education property tax assistance, the by-law must also provide for termination of matching education property tax assistance for the subject property at the earliest of a series of conditions outlined by the Ministry of Finance.

Further Information

The Province can provide additional information on the Brownfields Financial Tax Incentive Program to interested municipalities with development opportunities and program inquiries. Please direct such inquiries to:

ATTN: Brownfields Financial Tax Incentive Program
Provincial-Local Finance Division
Ministry of Finance
10th Floor, 777 Bay Street
Toronto ON M5G 2C8

Telephone: 416 327-0274
Fax: 416 314-7670

Abbreviations and Glossary

Application Form

The abbreviated name given to the Application Form for Matching Education Property Tax Assistance under the Brownfields Financial Tax Incentive Program, which acts as a cover sheet for a municipal application for matching education property tax assistance under the program. The application is accompanied by additional required information.

Community Improvement Plan (CIP)

A CIP is adopted by a municipality under section 28 of the *Planning Act*. Where tax assistance is provided under the CIP, it must be approved by the Minister of Municipal Affairs and Housing.

Host Municipality

A term used for example and explanatory purposes in this program guide to describe lower-tier and single-tier municipalities administering the CIP and tax assistance program for an eligible property under section 365.1 of the *Municipal Act, 2001*.

MOE

Ministry of the Environment

MOF

Ministry of Finance

MMAH

Ministry of Municipal Affairs and Housing

Phase Two Environmental Site Assessment

Phase Two Environmental Site Assessment for this program has the same definition as listed under section 168.1 of the *Environmental Protection Act*:

“an assessment of property conducted in accordance with the regulations by or under the supervision of a qualified person to determine the location and concentration of one or more contaminants in the natural environment.”

Tax Assistance

Tax assistance for this program guide has the same definition as listed under section 365.1 of the *Municipal Act, 2001*:

“(a) if a by-law made under this section provides for the cancellation of taxes levied on eligible property, the taxes for municipal and school purposes that are cancelled on the property during the rehabilitation period and the development period of the property pursuant to the by-law, and

(b) if a by-law made under this section provides that the taxes shall not be increased on eligible property, the difference between,

(i) the amount of taxes for municipal and school purposes that would have been levied on the property during the rehabilitation period and the development period of the property in the absence of the by-law, and

(ii) the amount of taxes for municipal and school purposes that are levied on the property during the rehabilitation period and the development period of the property.”

For more information contact:

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Cette aussi disponible en français

© Queen's Printer for Ontario, 2004
Toronto, Ontario
09-04-1M
ISBN 0-7794-7032-X

