MARKHAM

Report to: General Committee

Date Report Authored: April 2, 2012

SUBJECT: Provincial Payments in Lieu of Taxes – Rates for Hospitals, Universities and Colleges and Correctional Institutions

PREPARED BY: Paul Wealleans, Director, Taxation

RECOMMENDATIONS:

1) THAT the report entitled "Provincial Payment in Lieu of Taxes - Rates for Hospitals, Universities and Colleges and Correctional Institutions " be received for information;

2) AND THAT Council request that the Government of Ontario meet with municipalities to review an increase in the rates set by the Province as payments in lieu of taxes for hospitals, universities and colleges and correctional institutions;

3) AND THAT, as part of the review, a mechanism be investigated to provide for regular updates to the rates on a go forward basis;

4) AND THAT this request be forwarded to the Premier of Ontario, Minister of Finance, the Minister of Municipal Affairs and Housing, the Large Urban Mayors Caucus of Ontario (LUMCO), the Association of Municipalities of Ontario (AMO), and the Ontario Municipal Tax and Revenue Association (OMTRA); and Ontario municipalities.

5) AND THAT staff be authorized and directed to do all the things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:
None.

PURPOSE:
This report recommends that Council support a resolution passed by the City of Kingston adopted February 21, 2012 requesting that the Province of Ontario increase the rates for Provincial payments in lieu of taxes for the hospitals, colleges and universities and correctional institutions in Ontario.

BACKGROUND:
The Province of Ontario sets a specific rate that Ontario municipalities may levy as a payment in lieu of property taxes for hospitals, colleges and universities, and correctional institutions. The rate is applied to the number of students attending a university or college; the number of Provincially rated hospital beds in a public hospital; and the number of residents in a correctional institution. These rates have not changed since 1987. About 65 Ontario municipalities have requested the Province to review the rate.

OPTIONS/ DISCUSSION:
The Province of Ontario currently sets a rate for annual payments in lieu of taxes of $75 for each Provincially rated public hospital bed; $75 for each full time student in post secondary colleges and universities; and, $75 for each resident in a correctional institution. For municipalities in which any of these facilities exist, the municipality submits a tax bill to the facility for payment based on the rate of $75 and the capacity of the facility as determined by the Province.

There are two facilities in the Town of Markham that are eligible for these payments: Markham Stouffville Hospital and Seneca College. In 2011, the Town levied the following amounts:

Markham Stouffville Hospital:	$18,375	($75 x 245 beds)
Seneca College:	$128,100	($75 x 1,708 students)
Total:	$146,475	

The Town shares this amount with the Region of York and in 2011, the Town retained $49,600. The school boards do not share in this levy. The share is determined by the proportion of the Town tax levy compared to total of the Town and Region tax levy. In 2011, the Town's share was 34%.

The City of Kingston investigated the history of these rates to determine how long it has been since they have been changed and did a comparison to the rate of inflation. In 1970 the rate for universities and colleges was $25 for each full time student. In 1973, it was doubled to $50 and extended to hospitals and correctional institutions. In 1987, the rate was increased to $75 which is the rate currently.

Since 1987, the rate has not increased and based on the City of Kingston's analysis, the rate for 2012 would require an almost doubling to $146 to take into account inflation since 1987. If the rates were increased to $146, the total increase for the two facilities in Markham would be:

Current ($75):	$146,475
Inflation ($146):	$285,368
Increase	$138,893

The Town's share would increase from $49,600 to $96,946, an increase of $47,346 or almost doubling (95%).

It is interesting to note that if hospitals, universities and colleges, and correctional facilities were taxed as other properties are – based on property assessment multiplied by the tax rate – the revenue generated would be much more than that achieved from the $75 levy. For example, in 2011, Markham Stouffville Hospital and Seneca College would have generated a total of approximately $2.104 million commercial taxes (Town share: $273,523) based on a property tax method compared to $146,475 (Town share: $49,600) as is the current situation. It may be that Province utilizes the $75 set rate because it already provides significant public funding to hospitals, universities and colleges, and jails in the form of direct grants that, in turn, benefit the municipalities in which the facilities are located.

However, municipalities must provide the necessary infrastructure and services to these facilities. Since the rates have not increased since 1987 and lag behind when compared to the increase in inflation, it is recommended that Council endorse the recommendations in

this report to request the Province to increase the rates for hospitals, universities and colleges, and correctional institutions.

FINANCIAL CONSIDERATIONS AND TEMPLATE: (external link)
An increase to the annual $75 levy applied to the number of public hospital beds, students at universities and colleges, and residents in correctional institutions would benefit all municipalities, including Markham. If the rate were to be increased by the rate of inflation since the last time they were changed in 1987, Markham's share would increase from $49,600 to $96,946.

HUMAN RESOURCES CONSIDERATIONS
None.

ALIGNMENT WITH STRATEGIC PRIORITIES:
None.

BUSINESS UNITS CONSULTED AND AFFECTED:
None.

RECOMMENDED

10/04/2012   4/10/2012

X _____   X _____

Joel Lustig   Nasir Kenea
Treasurer   Acting Commissioner, Corporate Services

ATTACHMENTS:
[Upload attachments into SharePoint and insert hyperlinks here to the attachments]