

Submission to the City of London

2024 Budget Process

February 12, 2024

Deferral of Property Taxes for Lower-Income Seniors

Overview – The City of London should undertake a study to determine the feasibility of introducing a property tax deferral program for seniors and persons with disabilities. Programs have been introduced in British Columbia and Ottawa and have proven to be successful in assisting seniors to avoid poverty and fulfill their desire to age in place.

Submitted by Navigating Retirement

Navigating Retirement is a London not-for-profit group that helps seniors navigate their retirement years. We believe the elimination of poverty, strategies to reduce elder abuse, access to proper health and ensuring seniors have the necessary support structure should be priorities for all levels of government. This will help ensure we maintain an age-friendly community.

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Property Tax Deferral Plan for Seniors

Many seniors are struggling to pay their bills. Lower-income seniors who own their homes find property taxes are one of their major expenses. The issue is not the increase in property taxes in any given year, although increases that exceed the consumer price index can be troubling. Seniors who own their homes but live on government pensions and modest investment income find that property taxes are one of their largest expenditures and present a major challenge to continue living in their homes.

Proposal

This recommendation is based on the program that is currently in effect in the City of Ottawa. The Property Tax Deferral Plan would work as follows:

- lower-income individuals apply for a deferral of their property tax on an annual basis.
- applicants are charged interest on the property taxes that have been deferred and the interest is added to their property tax account.
- the taxes, plus applicable interest, are paid to the City when the house is eventually sold.

Note – There is a similarity in concept to a reverse mortgage.

Eligibility – The cost to the City will be dependent upon the number of residents that qualify for the plan. We believe the eligibility criteria used by the City of Ottawa would be appropriate for consideration by London.

To be eligible for the program, the following conditions are applicable

- Property taxes must be current.
- If the property is owned by more than one person, then all owners must apply and qualify.
- It must be the principal residence of the applicant(s).
- Property is assessed at \$500,000 or less and is in the residential/farm property tax class.
- The applicant's total gross household income from all sources must be less than a pre-determined amount set annually by the City.

Who Qualifies

- Individuals aged 65 or over.
- A person 55 or older and receives pension or disability income.

Repayment

The deferred taxes shall become due at the earliest of the following dates:

- When the applicant(s) no longer meet eligibility criteria such as income.
- When the property is sold.
- Upon the death of the applicant, unless the applicant is survived by a spouse who continues to qualify for deferral.

Cost to the City of London

The City of London has multiple options for controlling the cost of this program. Variables would include:

- Adjusting the income level of qualifying homeowners.
- Adjusting the interest rate charged.
- Adjusting the value of the property that qualifies.

In the long term, this program could run as a break-even, as the City will eventually be reimbursed for deferred taxes plus applicable interest when the homes are eventually sold. There may be an initial cash flow issue as the program is implemented as there will be a period between the deferral of the property tax and the eventual sale of the home.

However, if the City can borrow funds equal to the amount deferred by seniors, the cost will be significantly reduced. The City may consider charging a rate of interest on the tax-deferred property tax account that is equivalent to their cost of borrowing.

Costs to the Homeowner

Although seniors will have more cash available on an annual basis, the equity in their homes will be reduced. This may impact the family, or the beneficiaries when the property is eventually sold.

Other Jurisdictions

Ottawa – The proposal in this submission is based on the program currently in effect in Ottawa.

British Columbia – They have a property tax deferral program, but it involves the provincial government which loans the money to pay the property taxes.

Conclusion - We believe the Ottawa model is the most appropriate for London as it can be independent of other levels of government.

Representatives from Navigating Retirement would be pleased to meet with any City official to discuss the submission.