

REVIEW AND ANALYSIS OF ASSESSMENT-BASED MUNICIPAL REVENUE

BRUCE NUCLEAR GENERATING PROPERTIES

OVERVIEW AND KEY FINDINGS



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INTRODUCTION AND PURPOSE

The Bruce Nuclear generating facilities play an integral role in the Province's current and future energy and electrification plans.

These plants and broader industry have a profound impact on the local economy, local citizens, and the host municipalities of Bruce County and Kincardine.



While these installations remain significant contributors to the local property tax base, historic trends reveal a persistent decline in their relative tax contributions.

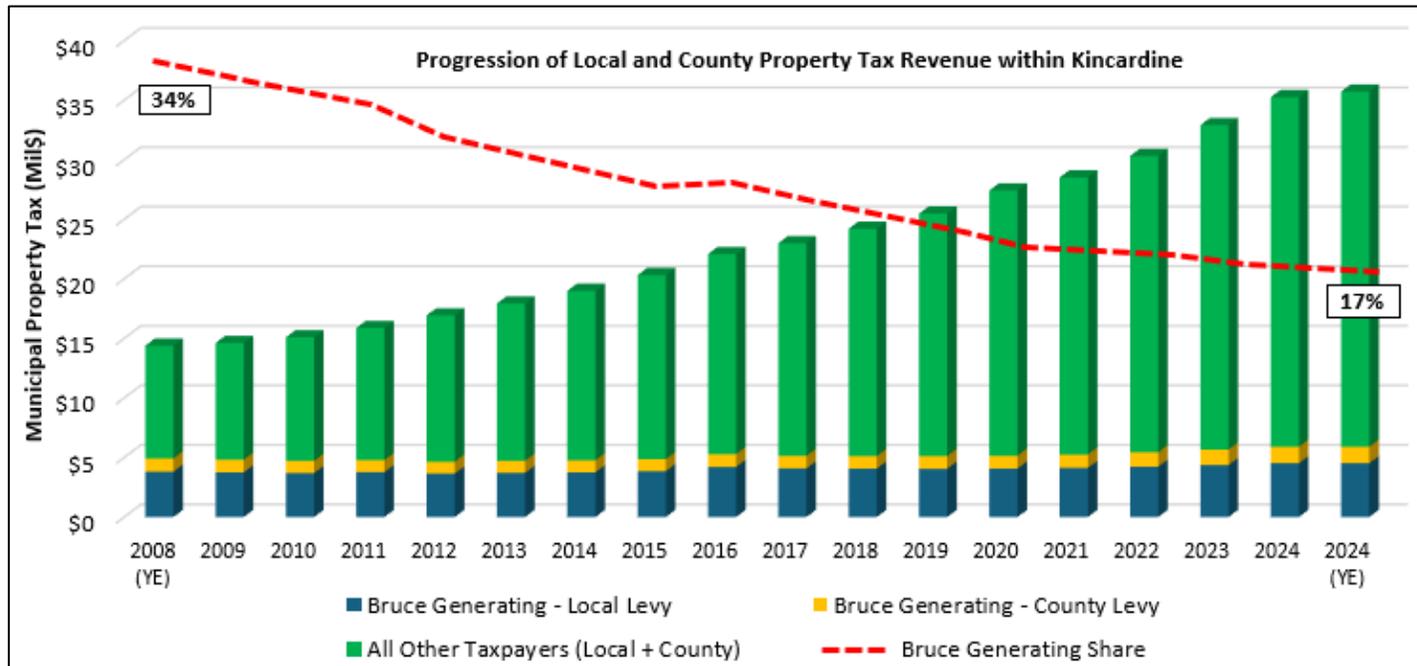
MTE was engaged to examine these trends and assess the underlying drivers.

Collectively, these efforts have culminated in the development of three key studies:

- A comprehensive study prepared for the Municipality of Kincardine (Summer of 2024);
- A similar study framed with the context of the County-Wide base and County levy (April 2025); and
- A joint Case Study Brief commissioned by the Canadian Association of Nuclear Host Communities (CANHC) (May 2025)

PERSISTENT TREND OF RELATIVE DECLINE

- Both the County and Kincardine studies examined assessment and tax change patterns dating back to 2008, covering 17 taxation years and four distinct reassessment cycles.
- The dominant trends observed revealed a persistent decline in the proportional contribution of these sites.



This erosion of revenue share is largely attributable to provincially prescribed valuation models applied to key components of nuclear and other electricity infrastructure, which that fail to reflect market conditions.

- While the subject properties represent a smaller share of the County-Wide tax base, the proportional decline in County-Wide tax share is similar.

CAUSE AND EFFECT

Prescribed Valuation Models in a Market-Oriented Property Tax System

Tax Burden Shifts are not only Evident, but Inherent and Assured.

They will arise as a Direct and Recurring Outcome of Each Reassessment.

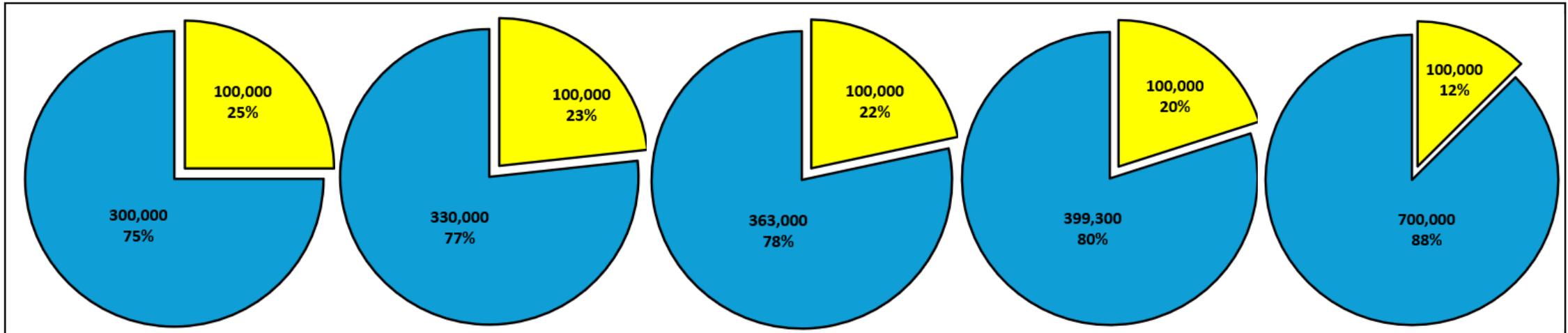


MARKET BASED VS. PRESCRIBED ASSESSMENT VALUATIONS

- For most properties, the Current Value Assessment (CVA) represents MPAC's estimate of market value as of a specific valuation date, forming the basis for each property's share of the tax levy.
- Many electricity-sector properties in general are treated outside these broad valuation norms.
- Nuclear generating facilities, in particular, are subject to a unique and highly regulated valuation framework, which includes:
 - The use of a fixed rate of \$8 per square foot for designated property components, rather than a recognized property valuation approach.
 - Area measured based on each building's footprint only, without consideration for vertical dimensions.
 - Prescriptive rules for property classification; and .
 - A regulated methodology for valuing the water intake and discharge systems
- These special, prescribed methodologies result in valuations that are entirely disconnected from prevailing market conditions, which govern the broader assessment base.
- More detrimental is the fact that the prescribed parameters have not been updated in decades.

CORE DRIVER OF DECLINE

- Setting aside the specific methodologies, the very nature of fixed valuations introduces a structural flaw.
- When static, non-market values are used in a market value property tax system, a fundamental disconnect is created.



- While the site's total assessment has increased by approximately 17% since 2008, the County's overall assessment base has grown by more than 110%.
- Consequently, Bruce Nuclear's relative share of the County's assessment base has declined by 44% over the same period.
- It is this decline in **Assessment Share** not absolute value that has shifted the burden from the Bruce Nuclear Properties to other Taxpayers

COUNTY LEVY: TAX SHARE CHANGE

- While the total amount the County has levied on the Bruce sites has increased over the observation period, the more telling measure is its share of the overall levy.

County General Levy	2008 Year-End	Share	2024 Year-End	Share	\$ Change	% Change	Share Change
Bruce Nuclear	\$1,116,564	3.4%	\$1,383,408	2.0%	\$266,844	23.9%	-40.6%
Non-Nuclear Base	\$31,749,484	96.6%	\$67,145,500	98.0%	\$35,396,016	111.5%	1.4%
County-Wide Levy	\$32,866,048	100.0%	\$68,528,908	100.0%	\$35,662,860	108.5%	0.0%

- Since 2008, the levy on non-nuclear properties has increased by over 110%, while the levy on Bruce Nuclear properties has increased by only 24%.
- The assessment treatment of these sites is not the only cause of this decline, but it is the most significant.
- Our studies controlled for growth, tax policy change and general levy increases to ensure we were making reliable cause and effect observations.

IMPACTS ARE MORE MATERIAL FOR KINCARDINE'S SMALLER TAX BASE

- This *relative decline* has had a far more significant impact on Kincardine's local tax base, due to the much larger role these properties play at the local level.
- Because the municipality relies heavily on the revenue from these properties, including a secondary entitlement derived from provincial education tax rates, any stagnation or decline is amplified.

Local Revenue*	2008 Year-End	Share	2024 Year-End	Share	\$ Change	% Change	Share Change
Bruce Nuclear	\$3,807,280	45.5%	\$4,521,690	19.4%	\$714,410	18.8%	-57.3%
Non-Nuclear Base	\$4,556,350	54.5%	\$18,726,240	80.6%	\$14,169,890	311.0%	47.9%
Total Local Revenue	\$8,363,630	100.0%	\$23,247,930	100.0%	\$14,884,300	178.0%	0.0%

- The assessment and assessment methodologies of the nuclear sites is not the only cause of this decline, but it is by far the most significant.
- Our studies controlled for growth, tax policy change and general levy increases to ensure we were making reliable cause and effect observations. practices for electricity infrastructure and Ontario's broader market value system is a primary driver of relative tax share decline, however, other contributing factors must also be acknowledged.

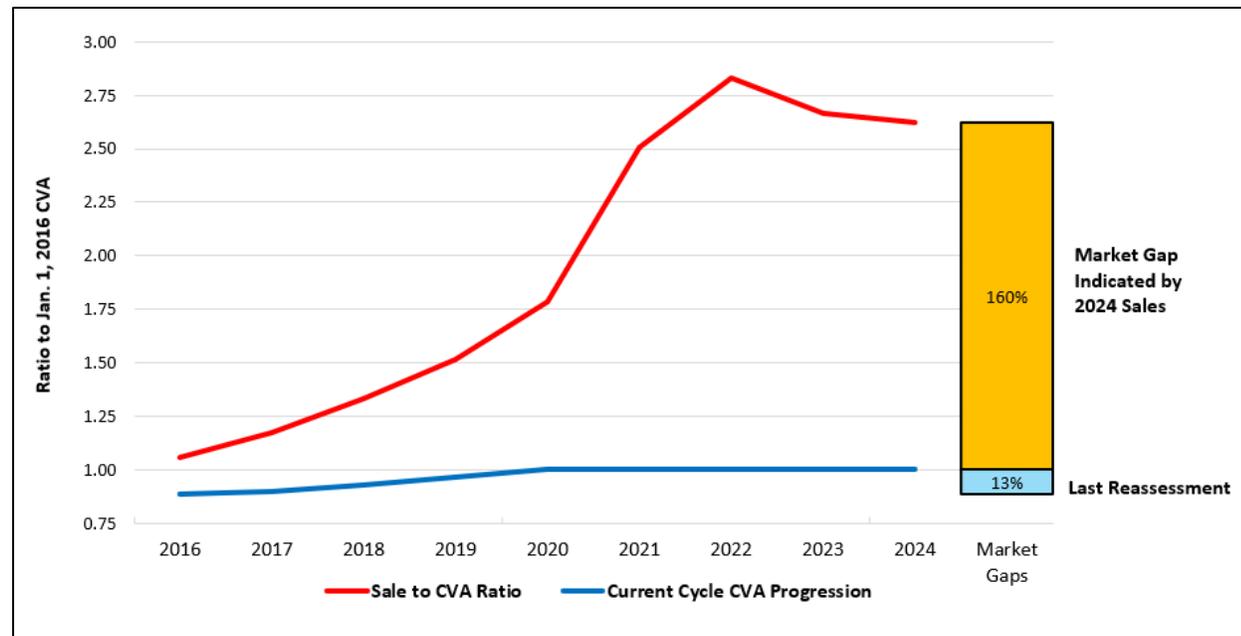
FORWARD LOOKING ISSUES

**Pending Risks and Exposure in relation to the Eventual Restarting of
Regular Reassessments in Ontario**



CONSIDERING THE MARKET GAP AND NEXT REASSESSMENT

- Although reassessments have been paused in Ontario since 2021, property values have continued to change and all indications suggest that the next reassessment will bring the largest value increases in decades.
- Property sales data indicates that actual market values may now be as much as 160% higher than the assessment values being used for taxation.



Interpretation Notes:

- The **Blue Line** documents the progression of CVA over the current reassessment cycle.
- The **Red Line & Gold Column** represent the gap between what properties are selling for in the real-world and what they are being taxed on.
- This observed Market Gap provides an indication as to the potential magnitude of the next reassessment.

- This growing market gap sets the stage for significant volatility when reassessments resumes.
- Preliminary modelling suggests that without meaningful reform, 40% or more of the revenue currently derived from the nuclear sites could be shifted to other County taxpayers with just few years.

SUMMARY OBSERVATIONS AND COMMENTS



KEY OBSERVATIONS AND CRITICAL TAKE-AWAYS

Persistent Tax Share Decline: Over three reassessment cycles, the share of the municipal tax burden carried by the Bruce Nuclear properties has been in constant decline.

Non-Market Valuation Models: These shifts have been driven in large part by the use of non-market valuation methods, particularly, but not exclusively the per-square-foot unit values.

Growth Driven Shifts: A proportion of observed shifts have simply occurred due to the growth and expansion of other tax base segments.

Market Value Gaps: Prolonged reliance on 2016 CVAs has created stark disparities between assessed and actual market values.

Future Disruptions: Without material reform to the valuation policies for these properties, the next reassessment cycle could trigger unprecedented tax shifts and disruptions.

Distinct County and Local Implications: While the County levies taxes against Kincardine's assessment, the County's overall tax circumstances are supported by a much larger and more diverse assessment base.

As a result, the County and Local Municipality are experiencing the same issues and outcomes in materially different ways, or at least at materially different levels.

QUESTIONS / DISCUSSION



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