
Enhancing Toronto's Business Climate

It's Everybody's Business

Presentation to Policy & Finance Committee

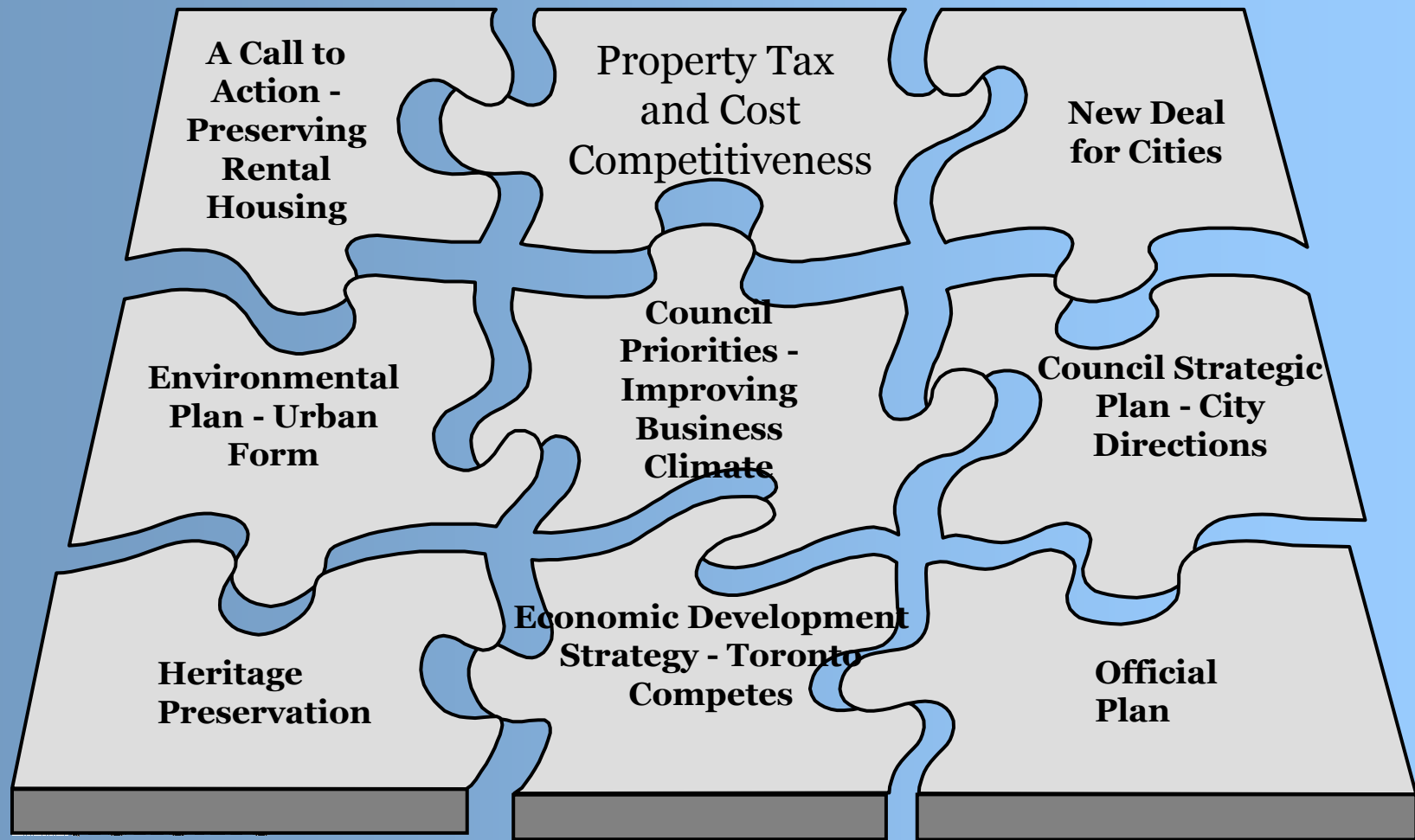
July 7, 2005

Presentation Overview

- Review of Toronto's Competitiveness
- Proposed Action Plan:
 - Property Tax Initiatives
 - Other Initiatives
- Next Steps

Toronto - Making it a Better Place to Live, Work & Play

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Toronto: A good place to do business

- Leading corporate business address
- Third largest financial services centre on the continent
- KPMG study - lowest cost of major North American and Global cities studied
- Sophisticated telecommunications and transportation infrastructure
- Highly skilled, educated and multi-lingual workforce



Action has Already Begun - Improving the business climate is a Council Priority

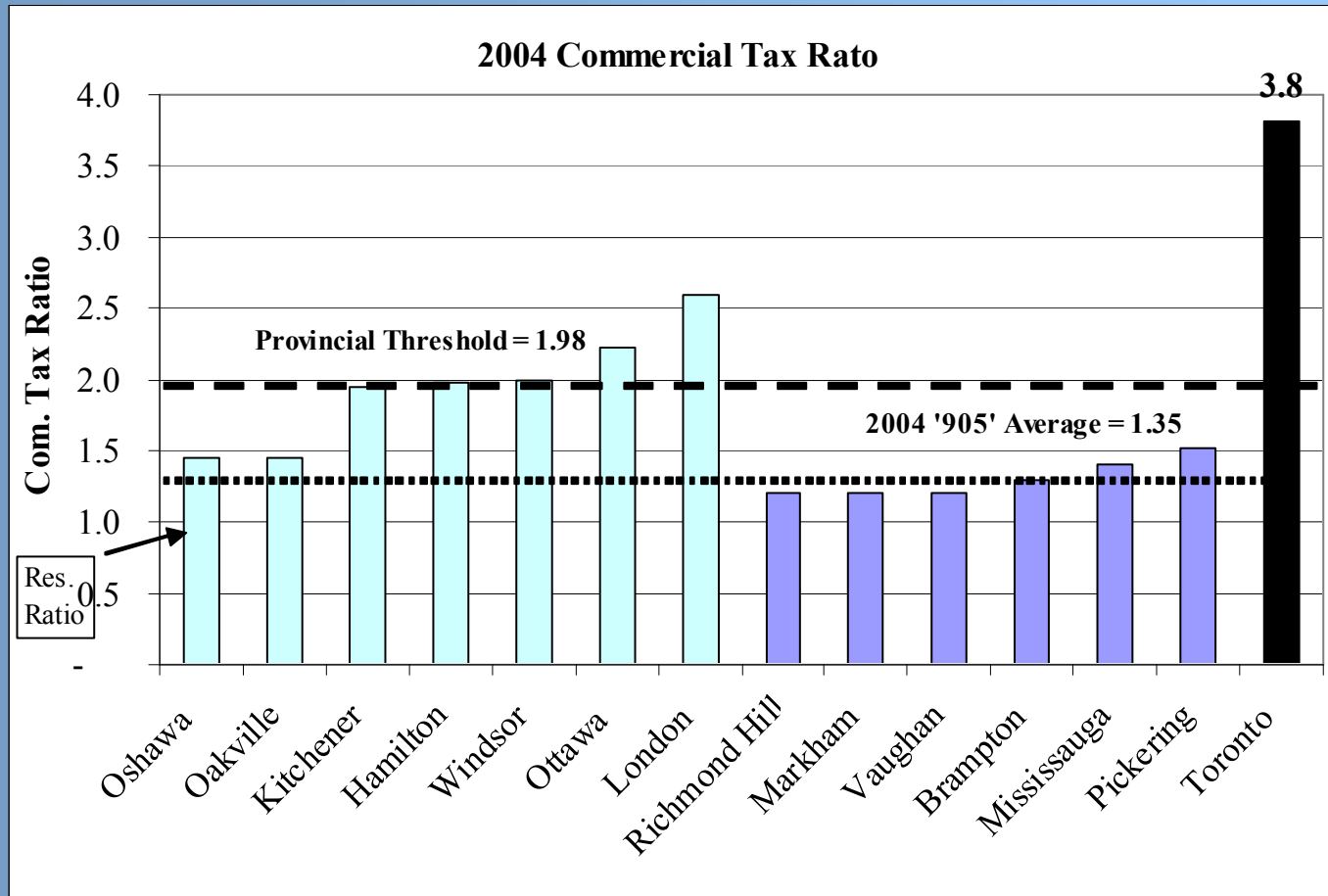
- 2000 Economic Development Strategy:
 - Film Board,
 - Toronto Financial Services Alliance (TFSA)
 - Toronto Biotechnology Initiative (TBI)
 - Fashion, Design Industry/Advisory Liaison Committee (FILC)
 - MaRS (Medical and Related Sciences)
- STARS – Streamlining development approvals process
- Development charges – exemption for new non-retail commercial and industrial

But...Once decision made to locate in GTA, property tax competitiveness becomes key locational factor...

1. Multi-residential, commercial & industrial property taxes highest in GTA
2. High property tax rates contributing factor to the stagnant growth of commercial and industrial assessment and employment
3. Commercial & industrial property taxes provide a fiscal benefit to residents of Toronto
4. Lowering tax ratios has been shown to increase development activity - ie. New Multi-Residential Class
5. Toronto's businesses important to provincial & national economy

Toronto's Commercial Tax Ratio

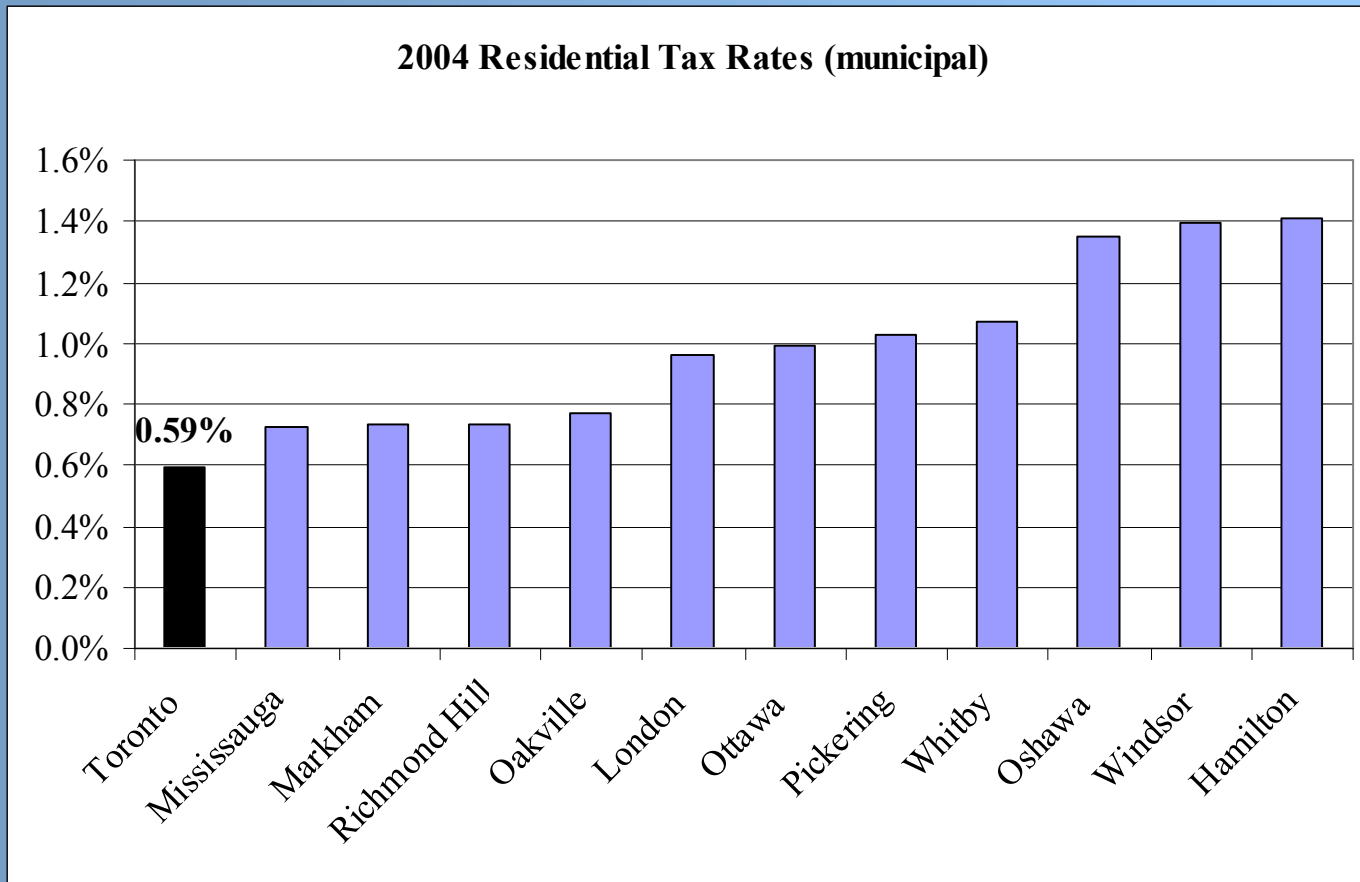
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...and Toronto's Residential Tax Rate

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Proposed Action Plan – Improving the City’s Competitiveness

1. Correcting the Imbalance in Tax Ratios
2. Business Education Tax Fairness
3. Making Progress to CVA (Capping & Clawback
4. Protection for Neighbourhood Retail
5. Tax Rebate Program for Heritage Properties

6. Lower Tax Rate for New Construction
7. Tax Abatement for Vacant Portions

Proposed Action Plan – Improving the City’s Competitiveness

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8. New Tenant Business Tax Credit
9. Expand TIEG Program
10. Waiving Building Permit fees

11. Programs to Anchor Existing Jobs and Businesses
12. Programs to Stimulate New Investment
13. Promotion of Toronto ‘Brand’
14. Business focused Outreach

Property Tax Initiatives

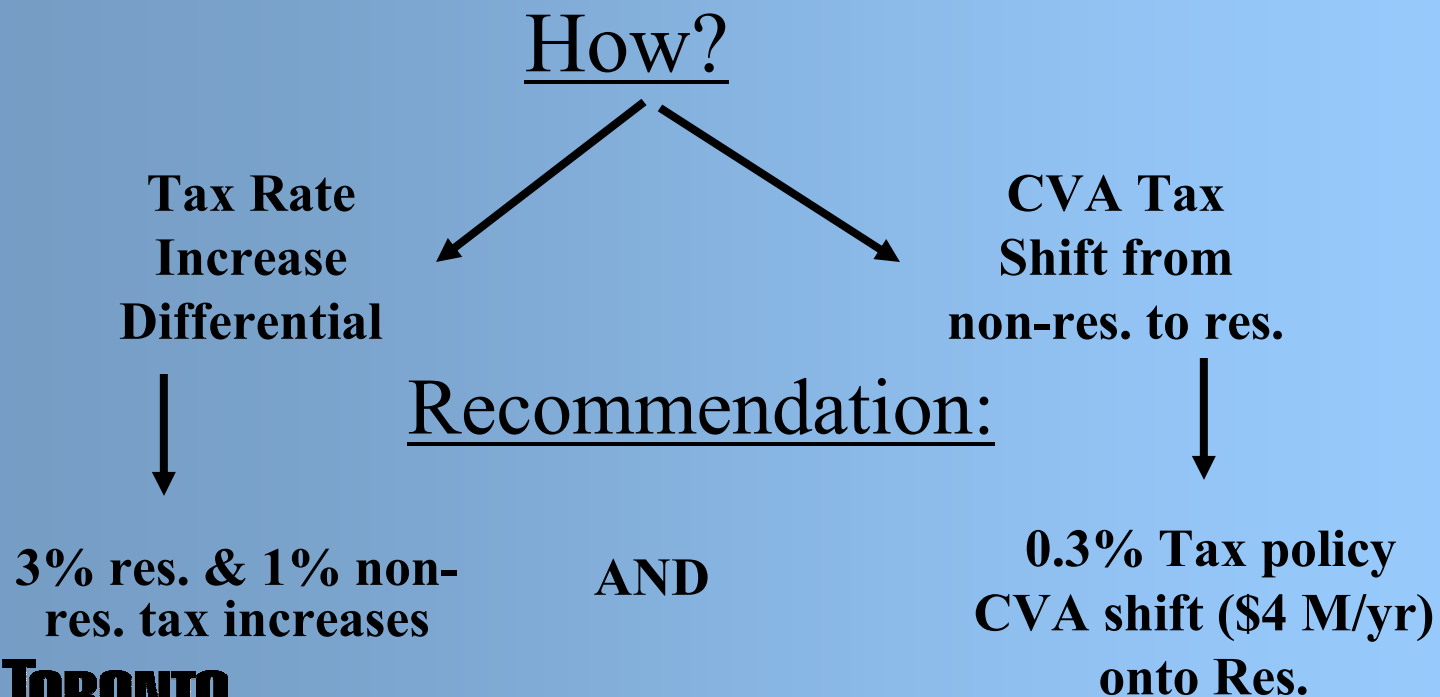
Action Plan Items 1-10

1. Addressing imbalance in tax ratios

	Toronto Current	2004 '905' Average	2004 Estimated Provincial Average	Provincial Threshold (established in 2001)
Commercial	3.80	1.35	1.75	1.98
Industrial	4.27	1.79	2.39	2.63
Multi-Residential	3.76	1.67	2.05	2.74

1. Addressing imbalance in tax ratios

- Tax Ratio Target → 2.5x residential rate
- Time Frame → 15 years



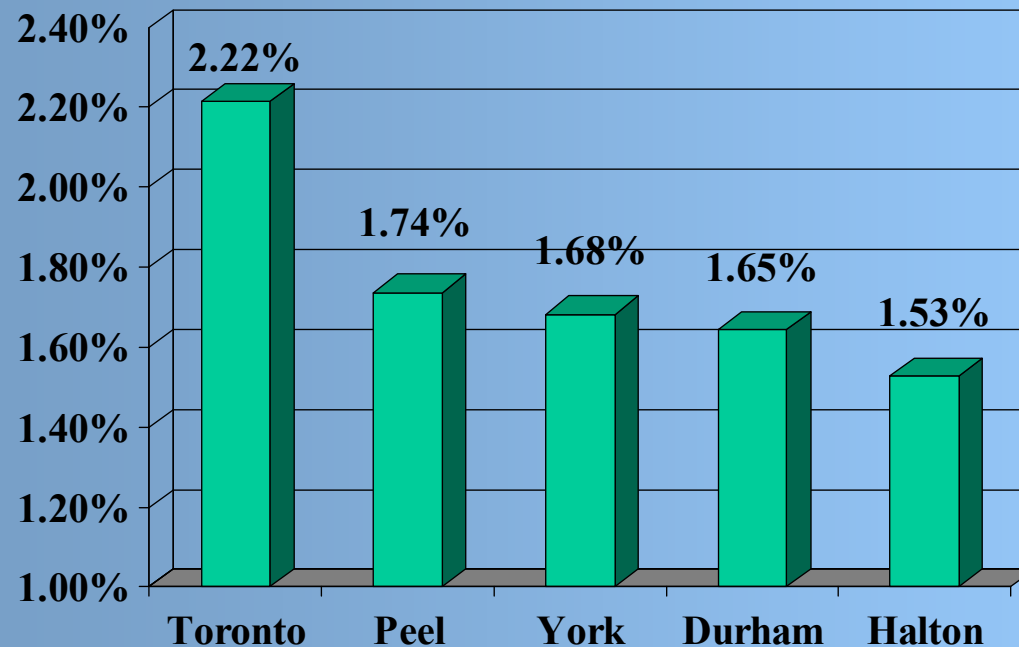
Tax Ratio Reduction Plan – 15 Years

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<u>Year</u>	<u>Plan</u>	<u>Max. Tax Ratio</u>
2005		3.8 – 4.2 x
2010	Equalize C,I,MR tax ratios in 1 st 5 years	3.38 x
2015	Maximum target 3.0x next 5 years	3.0 x
2020	Maximum target 2.5x next 5 years	2.5 x

2. Business Education Tax Fairness

- Province sets education tax rates annually:
(2004/05 Education tax rates)

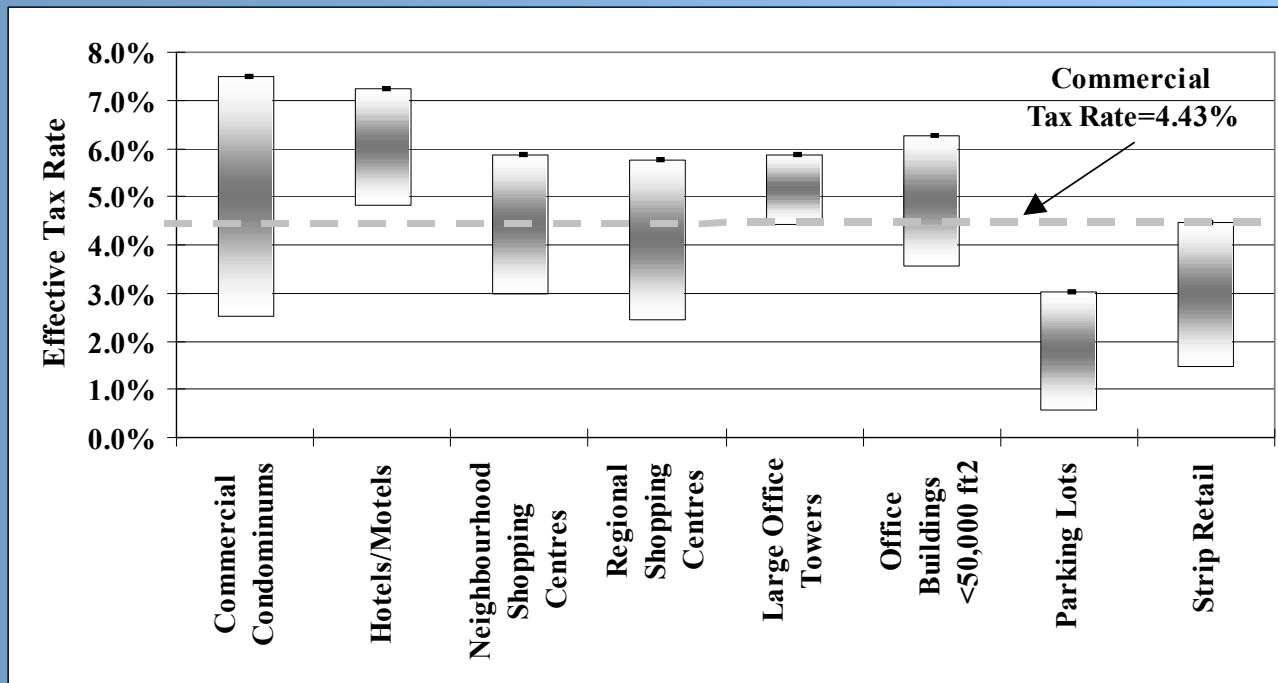


2. Business education tax fairness

- Toronto's business education taxes would be reduced by \$120 million if at GTA average tax rate
- City plan to reduce non-residential tax rates contingent on Provincial action as part of a Partnership
- Phase-In Options - need to negotiate with Province eg. over a 5-year period
- Does not provide "tax room" to increase municipal portion of commercial taxes

3. Making Progress to CVA-Taxation (Capping & Clawback)

Effective Tax Rates due to Capping
– Six years since CVA introduced



3. Making Progress to CVA-Taxation (Capping & Clawback)

Available Options:

- increasing the amount of the annual cap to 10% of previous year's taxes
- the option to base the cap of up to 5% on a property's full CVA-level taxes instead of the previous year's taxes.

➤ **Recommendation:**

5% cap on CVA taxes results in 15 yr phase-out

4. Protecting Neighbourhood Retail:

- Neighbourhood retail businesses are an important sector of the economy
- They contribute to the vitality and character, and hence, value of our communities
- Neighbourhood retail businesses are vulnerable and in need of property tax relief

Options for Consideration

Option	Description
1. Optional Class	Existing legislation defines five optional commercial classes: Large Office, Shopping Centres, Parking Lots, Large Theatres, and, Large Sports Facilities. Properties not in one of the above classes falls into the Residual Commercial Class. Most small retail would fall into the Residual Commercial Class
2. Separate Property Class	The Minister of Finance could be requested to make a regulation prescribing new classes of properties. The assessment roll provides property codes identifying the primary physical use of the property. Approximately 41% of properties in the Commercial class are included in the Retail property codes (471, 410, and 472)
3. Graduated Tax Rates	Existing legislation allows municipalities the option to adopt up to three 'bands' of assessment to which lower tax rates could apply to the lower portions of assessment.
4. Geographic Areas	Legislation would be required to prescribe new classes of properties based on geographic location and physical characteristics. Example: Within BIA, less than 15,000 sq. ft, not in office or shopping centre classes

Proposed Recommendation:

- Province create separate property class for neighbourhood retail;
- City to provide accelerated phase-in to tax ratio of 2.5x residential over 10 year;
- Funding for this relief is from general revenue

5. Heritage Property Tax Relief Proposed Recommendation:

- Program be initiated in 2006, initially limited to the eight National Historic Registered properties, at a cost of \$1.2 million annually
- Full roll-out for all eligible heritage properties (approximately 150 properties) in 2007 at an estimated cost of \$4 million annually
- Funding from general revenue

6. Lower Tax Rate for New Office, Hotel & Industrial Construction

- Stimulate new construction
- Accelerated phase-in to target tax rates for new commercial/industrial buildings (eg. 2.5 x residential rate)
- Similar to neighbourhood retail proposal
- Requires Provincial legislation (bonusing issue)

7. Tax Abatement for Vacant Portions

- Modest incentive for new construction
- Increase vacancy allowance for new never-occupied office/industrial space
- Message: City is a partner in sharing risk (carrying cost during lease-up)
- Requires Provincial legislation (bonusing)

8. New Tenant Business Tax Credit

- Incentive for new tenants (vs. new buildings)
- For one year the office/hotel/industrial space occupied by a qualified new tenant would continue to be treated as if it were vacant
- No cost to City, if the space would have sat empty in the absence of the new business locating in Toronto
- Requires Provincial legislation (bonusing)

9. Expand TIEG Program

- Tax Increment Equivalent Grant (TIEG)
- Pilot program in South Etobicoke
- Part of a Community Improvement Plan
- Often used to revitalize “blighted” areas
- Grant calculated as a share of incremental tax revenue from site-cleanup/construction.

10. Waive Building Permit Fees

- Intended to reduce the upfront costs of constructing new non-residential buildings
- Office building permit = \$1.54 per sq ft
- Similar to existing Development Charges policy to waive charges for non-retail business development
- Revenue needs to be replaced
- Program could be expanded to other up-front municipal fees and charges

Other Initiatives

Action Plan Items 11-14

11. Programs to Anchor Existing Jobs and Business

Examples of possible Initiatives:

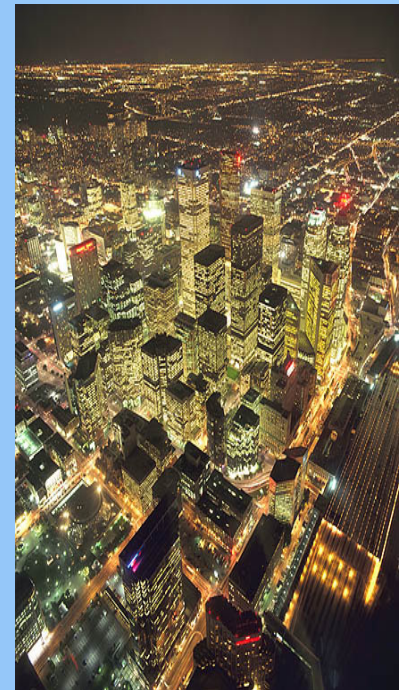
- Advocacy and strategies to strengthen key industry clusters (e.g. Aerospace, Film, Biotechnology, ICT)
- Enhanced marketing of our diverse, highly educated labour force (youth, new immigrants, existing labour force).
- Start-up and early years assistance for small & medium enterprises (SMEs) – 75% fail within first 3 years.
- Increased support for BIAs – façade improvement, marketing.
- Early warning and response program to minimize relocation out of Toronto.

12. Programs to Stimulate New Investment

- Streamline Development and Building Approval Process (make it easier to create jobs and increase assessment base)
- Enhance Quality of Place, identify improvements that can be leveraged to attract additional investment (e.g. Employment Revitalization Areas).
- Pursue partnerships with federal and provincial governments to improve services to business.

13. Promotion of Toronto 'Brand'

- Despite being the 5th largest city in North America - *and having a Top 4 North American ranking in Financial Services, ICT, Biotechnology, Food & Beverage, Film and Theatre* – Toronto is not as well known internationally as other smaller U.S. cities
- Aggressive marketing of Toronto as a unique, urban, business destination; in contrast to nature-based promotion of Ontario and Canada.
- Establish partnership and ambassador programs with business community to maximize Toronto's exposure worldwide.



14. Business focused Outreach

- Partnerships are essential to success.
- A Mayor's Business Roundtable would provide a forum for a two-way discussion about how best to improve the business climate and build a great city.
- An Interdivisional Economic Growth staff team would help to evolve a collaborative, integrated decision-making model.



NEXT STEPS

- July 7/05 - Councillor/Stakeholder Update:
 - P&F for information report - “results of consultation and tax policy options”
- July-September/05 - Stakeholder further consultation
- October 20/05 - Final Report P&F, Council consideration October 26-27/05