

STRATEGIC POLICIES AND PRIORITIES COMMITTEE

A G E N D A

Date of Meeting:	Tuesday, July 14, 1998	Enquiry:	Christine Dodds
Time:	2:00 p.m.		Interim Contact
Location:	Committee Room A		392-7031
	2nd Floor - Metro Hall		E-mail address of
	55 John Street, Toronto		cdodds@city.toronto.on.ca

DECLARATIONS OF INTEREST PURSUANT TO THE MUNICIPAL CONFLICT OF INTEREST ACT.

NON-DEPUTATIONS COMMUNICATIONS/REPORTS.

1. RESIDENTIAL PROPERTY CLASS - PHASE-IN POLICY

Assessment and Tax Policy Task Force
(July 13, 1998)

Recommending that:

- (1) in order to allow individuals time to adjust their financial affairs the increases and decreases related to property tax reform with respect to residential property tax reform be phased in over a seven and a half year period; and
- (2) in considering the phase-in periods for increases and decreases related to residential property tax reform, that Council be requested to vote in the order of degree with the highest phase-in placed first, such votes to include using thresholds or not using thresholds.

And advising that it has requested the Chief Financial Officer and Treasurer to report directly to Council on July 21, 998, on the following motion of Councillor Walker:

Whereas the Provincial Government is responsible for:

- (i) authoring and implementing the legislation which imposed Current Value Assessment;
- (ii) the assessment of all properties in Ontario;
- (iii) the quality and accuracy of the assessments; and

Whereas the City of Toronto was not consulted as to the assessment of properties and had no part in designing the Current Value Assessment system; and

Whereas the City of Toronto has repeatedly requested from the Province, impact studies and verification, independent or otherwise, as to the accuracy of the assessments, to no avail; and

Whereas there are currently over 50,000 independent assessment appeals pending; and

Whereas an administration fee of \$20.00 per residential appeal and \$25.00 per commercial/industrial appeal is being charged by the Province to pay for the costs of these appeals; and

Whereas the City of Toronto will assume responsibility for all assessment related costs, including re-assessment, appeal, and administrative costs, after August 31, 1998;

Therefore Be It Resolved that:

- (1) the City of Toronto refuse to assume any costs related to the implementation or operation of the Current Value Assessment system until the Province has carried out a study which verifies the accuracy of their assessment data; and
 - (2) the City of Toronto refuse to assume any costs related to the implementation or operation of the Current Value Assessment system until the assessment roll has been finalized and all appeals and re-assessments related to this year's assessments have been processed and settled by the Provincial Government.
- (A) **Assessment and Tax Policy Task Force**
(May 4, 1998)

Submitting a phase-in policy respecting the Residential Property Class, without recommendation, as a result of its meeting held on May 4, 1998.

The reports which were before the Assessment and Tax Policy Task Force were previously circulated to all Members of Council.

2. MULTI-RESIDENTIAL PROPERTY CLASS - TAX POLICY OPTIONS

Assessment and Tax Policy Task Force
(July 12, 1998)

Recommending that:

- (1) property tax increases due to reassessment for all multi-residential properties be capped at 2.5 percent in each of the tax years 1998, 1999 and 2000 and be funded by proportionately reducing tax decreases within the multi-residential property class;
- (2) Council pass a by-law to create a property class for newly constructed rental buildings at the residential/farm tax rate and that the Province be requested to make this a permanent tax policy tool;
- (3) the Province be requested to amend the legislation to provide that the landlords be required to pass on any decreases in taxation to tenants, with detailed deadlines for passing on any decreases and providing for mandatory fines or penalties should the deadlines not be met;
- (4) all tenants be informed of any tax increases and decreases due to reassessment or tax policy changes by the City and that a plan for such notification be developed by the Chief Financial Office and Treasurer and that a budget for this undertaking be produced and submitted to Council through the Budget Committee and the Strategic Policies and Priorities Committee, following consultations with the Federation of Metro Tenants Associations;
- (5) given that consultations have not provided a guaranteed strategy for ensuring that tax reductions will go to tenants:
 - (a) the City continue to lobby the Provincial Government to achieve legislative and regulatory reform which will guarantee that tenants receive the benefit of tax reductions over the long term, including the removal of loopholes that now exist;
 - (b) City staff develop detailed proposals to achieve these objectives; and
 - (c) there be no equalization tax shifts of the municipal share of property taxes between the multi-residential class and the residential class until there are guarantees that the tenants will receive the benefits;
- (6) because, under the current legislation, tax increases will be absorbed by tenants while tax decreases will largely go to landlords, and because tenants are the most unfairly taxed group of residents in the City, Council should adopt a strategy which minimizes the tax changes effecting tenants;
- (7) a workplan be developed to formulate comprehensive tax policies, including development of a permanent solution to ensure property tax equity between

homeowners and tenants and a mechanism that would ensure tenants receive the full benefit of any reduction in tax burden for the multi-residential class, including reports on the following:

- (i) a "de-linking" process which separates the tax bill from the rent bill and that City staff develop a programme which will allow this "de-linking" to take place and a complete set of provincial and/or municipal legislative, regulatory and administrative initiatives which will achieve this objective;
- (ii) the creation of subclasses or graduated tax rates in the multi-residential class for the purpose of creating progressive tax rates for multi-residential buildings;
- (iii) treating owner-occupied units in multi-residential class properties as residential/farm property in the same way the Federal and Provincial Governments treat such units as a principal residence;
- (iv) the number of multi-residential buildings with only seven or eight units and what options owners of such buildings have in converting units to uses other than housing and what powers the City has in protecting rental units from being converted to non-residential uses;
- (v) commencing in 1999, on how to better inform the taxpayers of the nature and type of services being paid for in the property tax bill, including education, services on property, services relating to people, i.e., "income redistribution"; and
- (vi) the appropriateness of clawing back the education equalization imposed by the Province, even recognizing the inability of the City to ensure that the tax reductions will benefit the tenants.

The reports which were before the Assessment and Tax Policy Task Force were previously circulated to all Members of Council.

3. PROPERTY TAX RELIEF FOR LOW-INCOME SENIORS AND DISABLED PERSONS

Assessment and Tax Policy Task Force
(July 12, 1998)

Recommending that:

- (1) a tax deferral program be approved to provide relief from assessment-related tax increases for eligible low-income seniors and low-income disabled persons, pursuant to the Fair Municipal Finance Act;
- (2) the following eligibility criteria for low-income seniors be adopted:

To be eligible as a low-income senior, a person:

- (i) must be 65 years of age or older, or in the case of a widowed person receiving the Spouse's Allowance, between the age of 60 and 64; and
 - (ii) must have owned and occupied the residential property for one year; and
 - (iii) must be receiving the Guaranteed Income Supplement (GIS) under the Old Age Security Act, and in the case of widowed person between the age of 60 and 64, receiving a Spouse's Allowance under the Old Age Security Act;
- (3) (a) the following eligibility criteria for low-income disabled be adopted:

To be eligible as a low-income disabled person, a person:

- (i) must have owned and occupied the residential property for one year; and
 - (ii) must be receiving disability benefits under: (a) the Ontario Disability Support Program (ODSP); or (b) the Family Benefits Act (FBA); or (c) the Guaranteed Annual Income System (GAINS);
- (b) the Chief Financial Officer and Treasurer and the Commissioner of Community and Neighbourhood Services strike a working group that includes staff and representatives from community organizations including ARCH to develop criteria for an enhanced residential property tax relief program in respect of all or part of assessment-related tax increases for low-income disabled persons and report back to the Task Force by September, 1998;
- (4) the Province be requested to enact special legislation with an effective date of January 1, 1998, to authorize the City to pass by-laws providing for residential tax deferrals whether or not a residential property's assessment increases as a result of the implementation of Current Value Assessment, and that such legislation provide for the amount of taxes paid by the City to the school board to be reduced accordingly;
- (5) eligible low-income seniors and low-income disabled persons be also permitted to apply for a deferral of up to \$600.00 per year of the owner's residential tax bill in the program described in Recommendation 4 above;
- (6) the amounts deferred be subject to simple interest at a rate not to exceed the market rate as determined by the City as authorized by the Fair Municipal Finance Act;
- (7) (i) the interest rate provided for the assessment-related deferral program in recommendation (1) be set at 0.0 percent for 1998;
- (ii) the interest rate provided for the non-assessment related \$600.00 tax deferral program in recommendations (4) and (5) be set at 0.0 percent for 1998;

- (8) the administrative terms and conditions set out in the report (June 30, 1998) from the Chief Financial Officer and Treasurer, as amended by the recommendations above be adopted;
- (9) authority be granted for the introduction of the necessary Bills in Council to give effect to the tax deferral program; and,
- (10) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

And advising that it has requested the Chief Financial Officer and Treasurer to report directly to City Council on July 21, 1998, providing an analysis of the cost implications to the City leading up to maturity of the tax relief programs noted above.

**(A) Budget Committee
(July 13, 1998)**

Advising that the Budget Committee is not making any recommendation of the recommendations in the transmittal letter (July 12, 1998) from the Assessment and Tax Policy Task Force.

The reports which were before the Assessment and Tax Policy Task Force were previously circulated to all Members of Council.

4. COMMERCIAL AND INDUSTRIAL PROPERTY: TAX POLICY OPTIONS

Assessment and Tax Policy Task Force
(July 12, 1998)

Recommending that:

- (1) because of the concerns in the valuation of commercial and industrial properties and for the need to provide protection to business tenants and to charities and similar organizations, and in order to limit the tax changes created by current value assessment, all commercial and industrial assessment-related property tax increases be capped at 2.5 percent of existing 1997 taxes (both realty and business occupancy taxes) per year for three years (1998-2000), and that these caps be funded by withholding a proportionate amount of tax decreases from properties with tax decreases;
- (2) the other tax policy measures available for the commercial and industrial property classes, including graduated tax rates, separate classes and tax rebates, not be implemented at this time;

- (3) prior to the full implementation of three-year averaging in 2006, the Province be requested to use a longer period of time (e.g., ten years) to average assessed values, especially for commercial properties; and
- (4) a work plan be developed to formulate comprehensive tax policies in advance of the return of 1999 current value assessment, including the establishment of a Business Reference Group to assist in the process.

And advising that it has requested the Chief Financial Officer and Treasurer to report directly to City Council on July 21, 1998, on the following:

- (1) any decisions of other major municipalities in Ontario on phase-ins, capping, etc.;
- (2) background information on the average tax burden and average income of tenants versus homeowners; and
- (3) an amendment to Table 7, attached to the report (June 26, 1998) from the Chief Financial Officer and Treasurer, to analyse the following proposal of Councillor Walker:

That City Council:

- (i) create a separate tax class for office buildings;
- (ii) create a separate class for shopping centres;
- (iii) adopt graduated tax rates for the residual commercial class being:
 - (a) 4.12 percent for the first \$400,000 of a property's assessed value
 - (b) 7.75 percent for the remainder of the property's assessed value;
- (iv) provide tax rebates for properties receiving tax increases over 150 percent, to be financed by a 3.3 percent mill rate increase for all commercial properties; and
- (v) adopt an eight year phase-in of all commercial tax changes.

The reports which were before the Assessment and Tax Policy Task Force were previously circulated to all Members of Council.

5. PROPERTY TAX REBATES FOR CHARITABLE AND SIMILAR ORGANIZATIONS

Assessment and Tax Policy Task Force

(July 13, 1998)

Recommending that:

- (A) Since the Assessment and Tax Policy Task Force has already recommended that Council adopt the capping provision, as contained in the Small Businesses and Charities Protection Act, for the commercial and industrial property classes, it recommends that:
- (1) no property tax rebate program be instituted for charitable and similar organizations in the industrial and commercial property classes for the duration of the capping period (1998-2000);
 - (2) options to protect charitable and similar organizations in the commercial and industrial property classes, including requesting from the Province the creation of a separate class for such organizations, be included as part of the workplan to review assessment and taxation changes prior to the next reassessment in 2001 in order to minimize any impact to charitable and similar organizations arising from assessment and tax reform.
 - (3) No property tax rebate program be instituted for charitable and similar organizations located in taxable properties in the residential or multi-residential property classes.
- (B) Should Council not adopt the capping option on tax increases for the commercial and industrial property classes the Assessment and Tax Policy Task Force recommends that:
- (1) funding in the amount of \$437.0 thousand be provided within Corporate Expenditures to provide for a mandatory 40 percent rebate on property taxes for registered charities in the commercial and industrial property classes; and
 - (2) funding in the amount of \$3.4 million be provided within Corporate Expenditures to provide for a 40 percent rebate on property taxes for similar organizations in the commercial and industrial property classes as shown in the Category 1(b) and 1(c) type organizations listed in Tables 3 and 4 of this report.
 - (3) the following preliminary eligibility criteria for similar organizations be referred to the Municipal Grants Review Committee to be considered as part of the development of a municipal grants policy, and that the Chief Financial Officer and Treasurer, after consultation with the Community Social Planning Council and the United Way of Greater Toronto, be requested to advise on the administration of the tax rebate program to that Committee:
- To be eligible as a similar organization under the tax rebate program, an organization(s):
- (a) must demonstrate a concern for the relief of poverty, or for people in emotional, physical or spiritual distress; or,

- (b) must provide a clear service or benefit to the community, in that it concerns itself with the advancement of science, education, philosophy, religion, art, sports and other causes beneficial to the community (human services, culture and heritage, public health, recreation, human rights and equity); and,
 - (c) must be operated on a not-for-profit basis (with no share capital) and be accountable to the community; and,
 - (d) services and activities must be accessible to the community as a whole or for an appreciable portion of it.
- (4) No property tax rebate program be instituted for charitable and similar organizations located in taxable properties in the residential or multi-residential property classes.

The reports which were before the Assessment and Tax Policy Task Force were previously circulated to all Members of Council.

6. TAX SHIFTS - EFFECT OF CHANGES TO TRANSITION RATIOS

Assessment and Tax Policy Task Force
(July 13, 1998)

Recommending that:

- (1) the report (June 30, 1998) from the Chief Financial Officer and Treasurer respecting tax shifts, be received;
- (2) Council not consider any tax shifts in 1998;
- (3) the Chief Financial Officer and Treasurer be requested to report to the Strategic Policies and Priorities Committee:
 - (i) once the 905 municipalities have set their final tax rates with an analysis of the difference in tax burdens with Toronto and that the Strategic Policies and Priorities Committee then recommend whether or not Council should consider a long-term plan to possibly reallocate property tax class burdens; and
 - (ii) on the advantages and disadvantages of different tax rates for the residential, multi-residential, commercial and industrial tax groups, such report to be submitted at the same as the previously requested report in Recommendation (3)(i) above; and
- (4) Council reiterate its request to the Province to develop a multi-year strategy to reduce the burden on property taxes caused by education and social service costs.

And advising that it has requested the Chief Financial Officer and Treasurer to provide to Council on July 21, 1998, a copy of the Ontario Tax Credit form.

The reports which were before the Assessment and Tax Policy Task Force were previously circulated to all Members of Council.

7. RESOLUTION FROM GTA MAYORS - PROPERTY ASSESSMENT AND TAX POLICY SYSTEM

Assessment and Tax Policy Task Force
(May 21, 1998)

Submitting, without recommendation, the Resolution from the GTA Mayors and Regional Chairs, the “Be it therefore resolved” portion of which reads as follows:

“Be it Therefore Resolved that the Province of Ontario be requested to grant to municipalities the option to limit property taxation increases to 2.5 percent per year for the next three years on all residential and other property tax classes for those taxation increases imposed as a result of changes to Provincial assessment/tax policy.”

8. IMPACT OF “OPEN” BUILDING PERMITS ON CURRENT VALUE ASSESSMENT

Assessment and Tax Policy Task Force
(July 13, 1998)

Submitting the report (June 10, 1998) from the Chief Financial Officer and Treasurer, without recommendation;

And reporting that it has requested the Chief Financial Officer and Treasurer and the Chief Building Official to report directly to City Council on July 21, 1998 on the following motion of Councillor Bossons:

That the Province of Ontario be requested to

- (1) partially assess residential and multi-residential property on the basis of the value of the building permit immediately after that value is communicated by the municipality to the Ministry of Finance; and
- (2) fully assess residential and multi-residential properties when the building permit is closed, or when two years have elapsed since the permit was issued, whichever occurs sooner.