TORONTO City Council Decision

Executive Committee – Item 10.2

Considered by City Council on October 22 and 23, 2007

EX10.2	AMENDED			Ward: All

Enhancing Toronto's Business Climate – Update

City Council Decision

City Council on October 22 and 23, 2007, adopted the following motions:

1. Recommendation (4) of the report "Enhancing Toronto's Business Climate – It's Everybody's Business" adopted by Council on October 26, 27, 28 and 31, 2005, be deleted and replaced by the following:

   (4) (i) Council approve a program, for the taxation years 2008 to 2015, to provide property tax relief for the residual commercial class (consisting of all commercial properties which are not in any other optional commercial property class), in accordance with the following:

   (a) Subject to the regulation requested by Recommendation (2) below being filed by the October, 2007 Council meeting, Council adopt the residual commercial class for the 2008 to 2015 taxation years;

   (b) If the regulation requested by Recommendation (2) below has not been filed by the October, 2007 Council meeting, Council adopt the Large Office Buildings property class, the Parking Lots property class, the Large Shopping Centres property class, and the Large Sports Facilities property class, resulting in the balance of commercial properties essentially being the residual commercial class;

   (ii) Council endorse two bands of assessment of property for the purposes of facilitating graduated tax rates for the residual commercial class;

   (iii) Council endorse an accelerated phase-in over a maximum 8-year period, commencing in 2008, to reduce the target tax ratio for the first band of assessed value in the residual commercial class to 2.5-times the municipal residential tax rate by 2015;

   (iv) The maximum tax ratios for the first band of assessment of the residual commercial class be as set out in Column II below, and the maximum tax ratio for the second band of assessment be as set out in Column III:

Column I	Column II	Column III
Tax Year	Maximum Tax Ratio – First Band of Assessment	Maximum Tax Ratio – Second Band of Assessment
2008	3.41	3.55
2009	3.28	3.46
2010	3.15	3.38
2015	2.5	3.0
2020	2.5	2.5

(v) The assessed value threshold for the bands of assessment for the residual commercial class be initially established for the 2008 taxation year at $1,000,000 assessed value, and that the Deputy City Manager and Chief Financial Officer be directed to report annually thereafter on the threshold for the bands of assessment as part of the annual tax levy report.

2. The Minister of Finance be requested to file a regulation to create the residual commercial class, as an optional class which municipalities may chose to adopt, and consisting of all commercial properties which are not in any other optional commercial property class.

3. Recommendation (6)(a) of the report "Enhancing Toronto's Business Climate – It's Everybody's Business", adopted by Council on October 26, 27, 28 and 31, 2005, be deleted and replaced by the following:

6(a)(i) Conditional upon the Province implementing new classes for all new commercial and industrial development for 2008, a City program be approved, commencing in 2008, to provide for a lower municipal tax rate to apply for all new non-retail office and hotel development, and expansions of 50% or more in gross floor area related to non-retail office and hotel uses, with such a lower tax rate being based on a tax ratio of 3.0 times the residential rate, and determined from the time the Occupancy Permit is issued, and that this target ratio be reviewed in five years time (2012);

(a)(ii) The Province be again requested to grant the City the authority to establish lower tax rates for a limited time period for new or expanded non-retail office, hotel and industrial properties described above.

4. The Province of Ontario be requested to accelerate the business education tax rate reductions for the City of Toronto announced as part of the March 22, 2007 Provincial Budget, by basing the reduction on the difference between Toronto's current commercial and industrial education tax rates and the target rate of 1.6% and by phasing in the reduction in equal instalments over seven years (2008-2014).

5. The Province of Ontario be again requested to grant the City the authority to exclude any commercial (including neighbourhood retail), industrial or multi-residential property from any capping or claw back of taxes once such a property reaches its full CVA level of taxation, regardless of any future reassessment.

6. The Province of Ontario be again requested to grant the City the authority provide a program to provide for the abatement of property taxes related to the vacant portion of new office construction during the initial lease-up period, for a period not to exceed two years on that portion that remains vacant from the time that the occupancy permit was issued.

7. Following a firm commitment from the Province of Ontario to upload the cost of social service/social housing programs and provide funding for the operating costs of public transit, City Council commit to an acceleration of the reduction of tax rates for non-residential properties by 2015.

8. The Deputy City Manager and Chief Financial Officer establish a working group of Councillors and staff to review the small business category and make recommendations in respect of Recommendation 2 of the Executive Committee.

City Council Decision – July 16, 17, 18 and 19, 2007

City Council on July 16, 17, 18 and 19, 2007, deferred consideration of this Item to the October 22, 2007 meeting of City Council, and directed that, in the interim, the Deputy City Manager and Chief Financial Officer review and report on:

1. the feasibility of excluding bank branches, as well as Money-Mart and other small cheque cashing institutions, and gas stations from the tax relief program; and

2. the feasibility of separating retail chains from this program, recognizing that some retail chains may be franchises and are really small businesses.

(June 7, 2007) Report from the Deputy City Manager and Chief Financial Officer

Committee Recommendations

The Executive Committee recommends to Council that:

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    (4) (i) Council approve a program, for the taxation years 2008 to 2015, to provide property tax relief for the residual commercial class (consisting

of all commercial properties which are not in any other optional commercial property class), in accordance with the following:

(b) Subject to the regulation requested by Recommendation (2) below being filed by the October, 2007 Council meeting, Council adopt the residual commercial class for the 2008 to 2015 taxation years;

(b) If the regulation requested by Recommendation (2) below has not been filed by the October, 2007 Council meeting, Council adopt the Large Office Buildings property class, the Parking Lots property class, the Large Shopping Centres property class, and the Large Sports Facilities property class, resulting in the balance of commercial properties essentially being the residual commercial class;

(ii) Council endorse two bands of assessment of property for the purposes of facilitating graduated tax rates for the residual commercial class;

(iii) Council endorse an accelerated phase-in over a maximum 8-year period, commencing in 2008, to reduce the target tax ratio for the first band of assessed value in the residual commercial class to 2.5-times the municipal residential tax rate by 2015;

(iv) The maximum tax ratios for the first band of assessment of the residual commercial class be as set out in Column II below, and the maximum tax ratio for the second band of assessment be as set out in Column III:

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5. The Province of Ontario be again requested to grant the City the authority to exclude any commercial (including neighbourhood retail), industrial, or multi-residential property from any capping or clawback of taxes once such a property reaches its full-CVA level of taxation, regardless of any future reassessment;

6. The Province of Ontario be again requested to grant the City the authority provide a program to provide for the abatement of property taxes related to the vacant portion of new office construction during the initial lease-up period, for a period not to exceed two years on that portion that remains vacant from the time that the occupancy permit was issued.

Financial Impact

There is no financial impact beyond what has already been approved by Council by adoption of the 2005 'Enhancing Toronto's Business Climate – It's Everybody's Business' initiative. That report indicated the property tax initiative to provide relief to a new neighbourhood retail property tax class would have an estimated budgetary impact estimated at $4 million in each of the years 2007-2015 inclusive. The amendment made by Recommendation (1) of this report would have an estimated budgetary impact in 2008 in the order of magnitude of $4 - $5 million.

Summary

At its meeting in October 2005, Council adopted a set of comprehensive incentives and initiatives intended to enhance the City's competitiveness over the long term. The core fairness

principles and the business cost competitiveness initiatives contained in the Plan headed "Enhancing Toronto's Business Climate – It's Everybody's Business" was intended to help to level the playing field with the surrounding municipalities and make Toronto's businesses more competitive globally. The recommendations were developed through extensive consultation with all stakeholders, together with extensive research and analysis by staff. Taken collectively as a package they will create the conditions to help maintain and expand the City's property assessment base, with a net positive impact on the City over the long term.

Many of these initiatives, which are within the City's sphere of responsibility, have commenced. One of the most significant initiatives is the measures that City Council adopted in October 2005 to reduce Toronto's commercial and industrial tax ratios. Other initiatives still require Provincial regulatory and legislative changes and have not been implemented. This report provides an update on the status of the initiatives adopted by Council under the City's "Enhancing Toronto's Business Climate – It's Everybody's Business" plan, and makes recommendations necessary to implement the remaining initiatives.

Background Information

Enhancing Toronto's Business Climate - Update
(http://www.toronto.ca/legdocs/mmis/2007/ex/bgrd/backgroundfile-5039.pdf)