



**STAFF REPORT  
ACTION REQUIRED  
with Confidential Attachment**

**Notification of Rent Reductions - Parkdale Pilot Project  
Rooming Houses**

<b>Date:</b>	May 28, 2009
<b>To:</b>	Community Development and Recreation Committee
<b>From:</b>	Acting Treasurer
<b>Wards:</b>	Ward 14 – Parkdale-High Park
<b>Reason for Confidential Information:</b>	This report is about litigation or potential litigation that affects the City or one of its Agencies, Boards, and Commissions.
<b>Reference Number:</b>	P:\2009\Internal Services\rev\cd09019rev (AFS# 10003)

**SUMMARY**

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Under the *Residential Tenancies Act*, tenants are permitted to reduce the rents they pay when the property taxes on the rental residential building they occupy decrease by more than 2.49 per cent from one year to the next. The Act requires that municipalities notify landlords and tenants of property tax decreases and the amount by which rents may be decreased. Tenants of certain rooming houses within the Parkdale Pilot Project assert that they were entitled to notifications of property tax decreases on the rental properties they occupied but that they did not receive such notices from the City. In the event that their landlord may not have reduced their rents as required, the tenants may have been unaware of their ability to reduce the rents they pay or to apply to the Landlord and Tenant Board for a rent reduction. This report outlines measures that can be taken to support tenant populations where rent reduction notices were not received.

**RECOMMENDATIONS**

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**The Acting Treasurer recommends that:**

1. Council adopt the confidential instructions to staff in Attachment 1;

2. the confidential recommendations and information contained in Attachment 1 remain confidential until such time as the City Solicitor advises that the information can be made public;
3. City Council adopt the recommendations contained in the staff report from the General Manager, Shelter, Support and Housing Administration entitled “Residential Tenancies Act (RTA): Changes to Notification of Tax Decreases and Rent Reductions for Residential Rental Properties” that is being submitted to the Community Development and Recreation Committee concurrently with this report, identifying recommended changes to the *Residential Tenancies Act* to improve the notification program for tax decreases and rent reductions;
4. information be published on the City’s website, beginning in 2009, identifying rental residential properties where the property taxes have decreased by more than 2.49 per cent and the corresponding rent reduction percentages permitted under the *Residential Tenancies Act*, and providing information on other rental residential buildings where the taxes have decreased by 2.49 per cent or less (non-automatic rent reductions) and how tenants can apply for rent reductions, subject to limits on disclosure established under the *Municipal Freedom of Information and Protection of Privacy Act*;
5. the Director of Revenue Services implement procedures in 2009 to issue notifications of property tax decreases and rent reduction percentages to landlords and tenants of eligible rental properties where property tax decreases result from assessment or taxation changes occurring after the legislated timeframe for issuing such notifications; and
6. the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

### **Implementation Points**

The City Solicitor has advised that on May 21, 2009, the City was served with an Application for Judicial Review with respect to the issue of the non-delivery of notices of property tax reductions to tenants of the Parkdale Pilot Project rooming houses, brought by the Parkdale Residents Association. The City Solicitor will be consulted prior to implementing Recommendations 4 and 5 above, to determine whether the judicial review process has any bearing on the timing or method of implementation of the recommendations.

## **Financial Impact**

The implementation of Recommendations 4 and 5 will require additional resources in terms of staff time and modest increases in printing and postage costs. The additional costs for these programs, which are anticipated to be minimal, can be absorbed within the Office of the Treasurer's 2009 Approved Operating Budget within the Revenue Services Division, with no additional impacts on current year budget allocations. Should the implementation of these programs result in higher than expected costs, additional amounts will be identified within the Office of the Treasurer's future year operating budget estimates for the Revenue Services Division.

Additional financial impacts are provided in Confidential Attachment 1.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

At its meeting on April 16, 2009, the Community Development and Recreation Committee considered a communication dated April 8, 2009 from Councillor Perks regarding the notification of rent reductions in Parkdale. The Committee requested the Acting Treasurer to report to the June 11, 2009, meeting of the Community Development and Recreation Committee with advice on how to provide supports to the tenant population who assert that they were affected by the City's alleged failure to provide rent reduction notice to Parkdale Pilot Project rooming houses. The decision document of the Community Development and Recreation Committee can be obtained at:

<http://www.toronto.ca/legdocs/mmis/2009/cd/decisions/2009-04-16-cd23-dd.htm>

## **ISSUE BACKGROUND**

In 2003, the definition of the residential property tax class under the *Assessment Act* was changed to include dwellings for which a municipality had issued a rooming house licence. As a result of this change, licensed rooming houses that had previously been classified within the multi-residential tax class became classified within the residential class. The change in classification also resulted in these properties being taxed at substantially reduced rates.

Where the property taxes on a rental residential building decrease by more than 2.49 per cent from one year to the next, the *Residential Tenancies Act* (RTA) permits tenants to automatically reduce the rent they pay by a prescribed percentage of the property tax decrease. The Act also provides that landlords and tenants of rental residential buildings be notified by the municipality when the property taxes have decreased more than 2.49 per cent in any year, and the applicable rent reduction percentage. Notices must be sent to property owners/landlords by September 15 and to tenants by December 15 of the year the taxes are reduced. The rent reduction takes effect December 31 of the same year.

The *Residential Tenancies Act* requires that landlords pass on rent reductions to tenants where the property taxes have decreased by more than 2.49 per cent from one year to the next, whether or not the landlord and/or tenants have received notices.

If the landlord does not voluntarily reduce tenant's rents, the *Residential Tenancies Act* provides a one-year period following the effective date of the tax decrease in which tenants may make an application to the Landlord and Tenant Board to have their rents reduced.

Some rental residential rental properties are exempt from automatic rent reductions. These include new rental housing (i.e. those built or occupied as rental after November 1, 1991), public housing, non-profit housing projects, non-profit co-operatives, rent supplement units in a privately owned rental building, and rental units in which the tenants share facilities (e.g. kitchen and bathroom) with the landlord.

## **COMMENTS**

This report recommends that in addition to mailing notices, information be provided on the City's website that identifies rental residential properties where the property taxes have decreased from year to year and the percentage by which the taxes have decreased. For properties where the taxes have decreased by more than 2.49%, the web-site will provide the corresponding percentages by which rents may be reduced. Where the decrease is 2.49% or less, the web-site will provide information on how tenants can apply for a rent reduction. This additional measure will enable tenants to better access information about the property taxes of their buildings and take appropriate action. Staff will be working with the City's Corporate Access and Privacy Office, Information & Technology Division and Shelter, Support and Housing Administration Division on this initiative with the aim of posting this information on the City's web-site at the time that this year's tenant notices are released in December 2009.

This report also recommends that procedures be implemented to ensure that notifications of property tax decreases and rent reduction percentages are sent to landlords and tenants of eligible rental properties where property tax decreases result from assessment or taxation changes that occur after the legislated timeframe for issuing notifications. Although it appears that this is not currently required under the *Residential Tenancies Act*, this will afford tenants of such properties an opportunity to seek to reduce their rents when the property taxes on their building have decreased.

On the advice of the City Solicitor, the balance of the information relating to this matter is confidential, as it relates to litigation or potential litigation that affects the City. Additional information and confidential recommendations are contained in Attachment 1 to this report.

## **CONTACT**

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## **SIGNATURE**

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Giuliana Carbone  
Acting Treasurer

## **ATTACHMENTS**

Attachment 1 (Confidential): Notification of Rent Reductions - Parkdale Pilot Project  
Rooming Houses