
Executive Committee

Meeting No.	30 (Special)	Contact	Merle MacDonald, Acting Committee Administrator
Meeting Date	Tuesday, March 24, 2009	Phone	416-392-7340
Start Time	9:30 AM	E-mail	exc@toronto.ca
Location	Committee Room 1, City Hall	Chair	Mayor David Miller

EX30.1d	ACTION			
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2009 Property Tax Rates and Implementing Enhancing Toronto's Business Climate Strategy

Origin

(March 20, 2009) Report from the Deputy City Manager and Chief Financial Officer

Recommendations

The Deputy City Manager and Chief Financial Officer recommends to Council that:

1. To provide tax relief to small businesses, Council again elect to have the Residual Commercial property class apply for the 2009 tax year.
2. Subject to the necessary regulations being filed, Council again elect to raise the tax rates on the restricted property classes (commercial, industrial, and multi-residential) by one-third of the percentage tax rate increase on the unrestricted property classes (residential, new multi-residential, pipelines, farmlands, and managed forests) as adopted by Council as policy during consideration of the "Enhancing Toronto's Business Climate" initiative in October 2005, and in accordance with Provincial Regulation.
3. Council adopt the 2009 tax ratios shown in Column II (before budgetary levy increase) for each of the property classes set out below in Column I, so that the 2009 tax ratios, together with the 2009 municipal budgetary tax levy increase as recommended in Recommendation 5(b), and reflecting an acceleration of commercial and industrial tax ratio reductions, will result in the 2009 ending tax ratios shown in Column III, which exceed Council's tax ratio reduction targets for 2009, shown in Column IV, set out in the "Enhancing Toronto's Business Climate" initiative adopted in October 2005.

Column I	Column II	Column III	Column IV
Property Class	2009 Recommended Tax Ratios (before levy increase)	2009 Ending Ratios (after levy increase)	2009 Maximum Tax Ratio Targets under 'Enhancing Toronto's Business Climate – October 2005'
Residential	1.000000	1.000000	1.00
Multi-Residential	3.468850	3.379905	3.46
New Multi-Residential	1.000000	1.000000	1.00
Commercial General - Unbanded	3.462000	3.373231	3.46
Residual Commercial – Lowest Band	3.405000	3.264991	3.28
Residual Commercial – Highest Band	3.405000	3.373231	3.46
Industrial	3.640000	3.546667	3.56
Pipeline	1.923564	1.923564	n/a
Farmlands	0.250000	0.250000	0.25
Managed Forests	0.250000	0.250000	0.25

4. Council enact a by-law to establish two bands of assessment of property in the Residual Commercial property class, for the purposes of facilitating graduated tax rates for the Residual Commercial property class in 2009, and setting such bands of assessment for each band shown in Column II at the amount shown in Column III, and setting the ratio of the tax rates for each band in relation to each other at the ratio shown in Column IV.

Column I	Column II	Column III	Column IV
Property Class	Bands	Portion of Assessment	Ratio of Tax Rate to Each Other
Residual Commercial	Lowest Band	Less than or equal to \$1,000,000	0.9679122
Residual Commercial	Highest Band	Greater than \$1,000,000	1.000000

5. Council adopt:
- a. the tax rates set out below in Column III, which rates will raise a local municipal general tax levy for 2009 of \$3,355,189,120.
 - b. the tax rates set out below in Column IV, which rates represent a 4.00% increase on the unrestricted property classes (residential, new multi-residential, pipelines, farmlands, and managed forests) and a 1.33% increase on the restricted property classes (commercial, industrial, and multi-residential) and which rates will raise an additional local municipal tax levy for 2009 of \$83,097,715 to fund the 2009 operating budget tax levy increase, as determined in accordance with legislative requirements.

Executive Committee – March 24, 2009, Supplementary Agenda

Column I	Column II	Column III	Column IV	Column V
Property Class	2009 Tax Rate for Base General Local Municipal Levy Before Graduated Tax rates	2009 Tax Rate for General Local Municipal Levy After Graduated Tax Rates	2009 Additional Tax Rate to Fund Budgetary Levy Increase)	2009 Ending Municipal Tax Rate (excluding Charity rebates)
Residential	0.5795968%	0.5795968%	0.0231839%	0.6027807%
Multi-Residential	2.0105347%	2.0105347%	0.0268071%	2.0373418%
New Multi-Residential	0.5795968%	0.5795968%	0.0231839%	0.6027807%
Commercial General - Unbanded	2.0065643%	2.0065643%	0.0267542%	2.0333185%
Residual Commercial - Lowest Band	1.9735273%	1.9421781%	0.0258957%	1.9680738%
Residual Commercial - Highest Band	1.9735273%	2.0065643%	0.0267542%	2.0333185%
Industrial	2.1097325%	2.1097325%	0.0281298%	2.1378623%
Pipelines	1.1148917%	1.1148917%	0.0445957%	1.1594874%
Farmlands	0.1448992%	0.1448992%	0.0057960%	0.1506952%
Managed Forests	0.1448992%	0.1448992%	0.0057960%	0.1506952%

6. A technical adjustment be made to the 2009 Non-Program Tax Account in the amount of \$6,609,693 to fund the mandatory 2009 property tax rebates to registered charities in the commercial and industrial property classes, which adjustment is to be funded, for a net impact on the 2009 operating budget of zero, by the following:
- a. The additional tax rates set out below in Column III be levied as part of the general local municipal levy on the commercial classes set out in Column I and Column II to raise a further additional local municipal tax levy of \$5,946,219 to fund the total estimated rebates to registered charities for properties in the commercial classes in 2009.

Column I	Column II	Column III
Commercial Property Classes	Bands	Additional Tax Rate to Fund Rebates to Eligible Charities
Commercial General	Unbanded	0.0098576%
Residual Commercial	Lowest Band	0.0095413%
Residual Commercial	Highest Band	0.0098576%

- b. An additional tax rate of 0.0106370% be levied as part of the general local municipal levy on the industrial class to raise a further additional local municipal tax levy of \$663,474 to fund the total estimated rebates to registered charities for properties in the industrial class in 2009.
7. With respect to the Capping and Clawback of taxes in the commercial, industrial and multi-residential property classes:
- a. Council enact the necessary by-law to continue to limit reassessment-related tax increases for the commercial, industrial, and multi-residential property classes, such a cap limit to be based on 5% of the preceding year's current value taxes, for the 2009 taxation year.

- b. Subject to the necessary regulation being filed, Council enact a by-law to remove properties from the capping and clawback system once they have reached their full CVA-level of taxation, commencing in the 2009 tax year.
8. The Deputy City Manager and Chief Financial Officer be directed to report directly, if necessary, to Council at its meeting scheduled for April 29 and 30, 2009, on the 2009 education tax rates and the percentage of the tax decreases required to recover the revenues foregone as a result of the cap limit on properties in the commercial, industrial and multi-residential property classes (the 2009 ‘clawback’ rates).
9. Council elect to have the New Multi-Residential property tax class apply for new multi-residential properties constructed in 2009, and that the applicable tax rate for this class be set at a tax rate equivalent to the 2009 residential tax rate.
10. The Province again be requested to grant the City the authority to establish lower municipal tax rates for a limited time period for new or expanded commercial and industrial properties, similar to that provided for education taxes under Ontario Regulation 400/98 as amended by O.Reg.315/08.
11. Council again enact a by-law to maintain the phase-out of the comparable property tax treatment for new construction in the commercial, industrial and multi-residential classes by maintaining the minimum property taxes for new construction at 100% of the full uncapped CVA level of taxes for 2009 and future years.
12. With respect to enhancing the City’s programs that provide property tax assistance to low-income seniors and low-income disabled persons,

Tax Increase Deferral Program:

- i. the household income criteria for eligibility in the City’s Tax Increase Deferral Program be increased to equal to or less than \$50,000 (from \$40,000), effective commencing for the 2009 tax year;

Tax Increase Cancellation Program;

- ii. the household income criteria for eligibility in the City’s Tax Increase Cancellation Program be increased to equal to or less than \$30,000 (from \$26,000), effective commencing for the 2009 tax year;
- iii. eligible persons be expanded to include a person aged 60 to 64 years of age who is in receipt of the GIS or Spousal Allowance;
- iv. the household assessed value criteria for eligibility in the City’s Tax Increase Cancellation Program be increased to equal to or less than \$525,000 (from \$454,000) for the 2009 and 2010 tax years, and to equal to or less than \$575,000 for the 2011 and 2012 tax years;

General Enhancements Applicable to Both Programs:

Application Deadline:

- v. for the 2009 taxation year and subsequent taxation years, staff be delegated the discretion to accept applications received past the annual deadline, provided the application is received by the end of the year for which the tax relief is being sought, and that the discretion to accept applications be limited to being exercisable on a one-time only basis per applicant;
- vi. in respect of applications for the 2008 taxation year, staff be delegated the discretion to accept late applications for the 2008 tax year until May 31, 2009;

Ownership on Title:

- vii. the senior/disabled person, his or her spouse, or both, must be the registered owner of the property and must have been so for at least one year prior to the August 31st application deadline;
- viii. where, due to death of the senior or disabled person, the property transfers to the estate of the property, if the surviving spouse is otherwise eligible as a senior or disabled person, the surviving spouse will remain eligible even if he or she is not the registered owner of the property, and that this provision be retroactive to the 2008 taxation year;

Cumulative Deferrals/Cancellations and Repayment of Deferred Taxes:

- ix. where an applicant had previously received a tax deferral or cancellation, and the applicant fails to apply for two consecutive taxation years, the applicant:
 - a. loses his or her eligibility for the continued cumulative cancellation or deferral of amounts payable in the current year of application and in all future years which were previously cancelled or deferred; and
 - b. the applicant becomes eligible only for a deferral or cancellation of a tax increase from the year in which the applicant recommenced applications;
- x. deferred taxes are payable only upon the transfer of title to the property to someone other than the senior/disabled person or his or her spouse;

Age of Eligible Persons:

- xi. For the purposes of determining the age of persons for the purposes of eligibility in either program, that the birthday at any point in the year for which relief is being sought be considered, notwithstanding the application date;

Consistency with Water Rebate Program for Low-Income Seniors and Low-Income Disabled Persons:

- xii. the City Solicitor be directed to amend the appropriate sections of 849-14 of the Toronto Municipal Code – Water Rebate Program for Low-income Seniors and Low-Income Disable Persons, to ensure consistency in eligibility criteria with the Tax Increase Deferral and Tax Increase Cancellation programs in respect of the changes to the eligibility criteria recommended in (i), (iii), (v), (vi), (vii), (viii), and (xi) above.
13. As in past years, the instalment dates for the 2009 final tax bills be set as follows:
- a. The regular instalment dates be the first business days of July, August and September.
 - b. For taxpayers who are enrolled in the monthly pre-authorized property tax payment program, the instalment dates be the 15th, or first business day thereafter, of each of the months of July to December.
 - c. For taxpayers who are enrolled in the two instalment program, the final instalment date be July 2.
- 14.
- a. The collection of taxes for 2009, other than those levied under By-law No. 1294-2008 (the interim levy by-law) be authorized;
 - b. A penalty charge for non-payment of taxes of 1.25 percent of taxes due and unpaid be added on the first day of default, and interest be charged at a rate of 1.25 percent per month on all outstanding taxes accruing from the first day of default.
15. The appropriate officials be authorized to take the necessary action to give effect thereto and authority be granted for the introduction of the necessary bills in Council.

Summary

This report recommends the establishment of the 2009 municipal tax ratios and 2009 municipal tax rates that result from Council's concurrent approval of the City of Toronto 2009 Operating Budget inclusive of a 2.48% budgetary-related tax increase.

This report also recommends the continuance of the City's Enhancing Toronto's Business Climate strategy that will result in:

- An average tax reduction of 2.21% for multi-residential (apartments) properties
- An average tax reduction of 0.91 % for small businesses
- Council's previously approved target tax ratio of 2.50 for small business will be reached by 2013 instead of 2015
- The target tax ratio of 2.50 for commercial, industrial and multi-residential will be reached by 2017 instead of 2020.

Finally, this report recommends enhancements to the existing property tax assistance programs for low-income seniors and low-income disabled persons that will:

- Increase the number of eligible homes for the tax increase cancellation program from 16,750 households to 19,150 households
- Increase the number of eligible homes for the tax increase deferral program from 62,000 households to 82,000 households.

Financial Impact

2009 Budgetary Impacts:

The 2009 Operating Budget submission is predicated on a 2.477% property tax levy increase (\$83.1 million). Council's adopted policy is that tax increases on the non-residential property classes be limited to one-third of the increase imposed on the residential class until non-residential tax rates reach the target of 2.5-times the residential rate in 2020. As such, adoption of the 2009 Operating Budget will necessitate a 4.00% tax rate increase on the residential property class, and a 1.33% tax rate increase on the non-residential classes, which will raise the required amount of \$83.1 million (\$57.5 million from residential, and \$25.6 million from non-residential). A 4.0% residential tax rate increase translates to an increase of \$89.88 for the average residential household assessed at \$387,680 in 2009.

Property Tax Assistance Program Enhancements for Low-Income Seniors and Disabled Persons:

Having regard for the anticipated property tax impacts for 2009 and beyond, and the current economic climate as it may pertain to persons on fixed incomes, this report recommends certain enhancements to the City's property tax assistance programs for low-income seniors and low-income disabled persons. These enhancements include:

1. increasing household income threshold to \$30,000 (from \$26,000) for the Tax Increase Cancellation Program;
2. increasing the property CVA threshold to \$525,000 (from \$454,000) for the Tax Increase Cancellation Program; and,
3. increasing household income threshold to \$50,000 (from \$40,000) for the Tax Increase Deferral Program.

A number of other administrative and process changes are also recommended to streamline and make it easier for applicants to receive assistance.

It is anticipated the enhancements to the Cancellation program will result in 20% (2,400) more households being eligible for the program. Staff project additional funding in the amount of \$200,000 will be required in 2009, which has been provided for in the 2009 Operating Budget Submission, and incremental additional funding of \$200,000 in 2010, 2011 and 2012, that will be incorporated in future budget submissions. With respect to enhancements to the Deferral Program, it is anticipated there will be 35% (20,000) more eligible households. It is projected that this will result in an additional \$200,000 being deferred in 2009, with the financial impact being foregone interest of \$6,000, which has also been provided for in the 2009 Operating Budget Submission.

Background Information

2009 Property Tax Rates and Implementing Enhancing Toronto's Business Climate Strategy
(<http://www.toronto.ca/legdocs/mmis/2009/ex/bgrd/backgroundfile-19857.pdf>)

Communications

(March 14, 2009) e-mail from George Milbrandt, Co-Chair, FoNTRA (EX.Supp.EX30.1.1)

(March 17, 2009) e-mail from Stephen Jack (EX.Supp.EX30.1.2)