TORONTO

STAFF REPORT
ACTION REQUIRED

2009 Property Tax Rates and Implementing Enhancing Toronto's Business Climate Strategy

Date:	March 20, 2009
To:	Executive Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All Wards
Reference Number:	P:\2009\Internal Services\Cf\Ec09004Cf – et (AFS #8878)

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.

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.

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 installment 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.

Implementation Points

In accordance with various legislative requirements, Council must annually adopt the following three by-laws: (i) the municipal levy by-law; (ii) the education levy by-law; and (iii) the claw-back rate by-law. These three by-laws are required to enable the City to issue the final property tax bills for the year, for both municipal and school purposes.

Council will be considering the City's 2009 Operating Budget at a Special Meeting of Council scheduled to be held on March 31, 2009. Upon conclusion of that meeting and adoption of the City's 2009 Operating Budget, the Deputy City Manager and Chief Financial Officer will report on the levy and tax rate requirements for municipal purposes, as reflected in this report, and the necessary Bills will be introduced in Council.

The education levy by-law and the claw-back rate by-law cannot be finalized until the Province makes the necessary regulation prescribing the 2009 education tax rates for the City of Toronto. Staff will report on these by-laws at the April meeting of Council.

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.

DECISION HISTORY

The "2008 Property Tax Levy and Related Matters" Report can be viewed at:
http://www.toronto.ca/legdocs/mmis/2008/ex/reports/2008-03-25-ex18-cr.pdf

Council's policy decisions in respect of "Enhancing Toronto's Business Climate – It's Everybody's Business (October 2005)", and as updated in October 2007, can be viewed at:
http://www.toronto.ca/legdocs/2005/agendas/council/cc051026/pofedp2rpt/cl001.pdf
http://www.toronto.ca/legdocs/mmis/2007/ex/reports/2007-06-25-ex10-cc-dit2.pdf

COMMENTS

Legislative and Regulatory Changes

The assessment of all property in Ontario is carried out by the Municipal Property Assessment Corporation (MPAC), under the Province's *Assessment Act*. For 2009, properties have been reassessed to reflect a January 1, 2008 valuation date. This updates assessed values from the previous base of January 1, 2005, following a moratorium on reassessments that arose from a critical review of the property assessment process by the Provincial Ombudsman in 2006. An outcome of this review has resulted in amendments to the *Act*, most significantly providing for a four-year reassessment cycle with Current Value Assessment (CVA) increases being phased-in between the four-year periods. This means that any increase in CVA from this reassessment will be phased-in at incremental increases of one-quarter of the total increase, spread over the 2009 to 2012 taxation years. Any CVA decreases are not subject to phase-in and will be applied immediately.

The next assessment update will take place for taxation years 2013-2016, with the valuation basis being January 1, 2012. Table 1 below provides the valuation dates used for each taxation year from 1998 through 2016.

Table 1: Modified Assessment Cycle

Taxation Year	Valuation Date		
1998, 1999, 2000	June 30, 1996		
2001, 2002	June 30, 1999		
2003	June 30, 2001		
2004,2005	June 30, 2003		
2006, 2007, 2008	January 1, 2005		
2009, 2010, 2011, 2012	January 1, 2008	✓	Increases phased in over 4 years
2013, 2014, 2015, 2016	January 1, 2012		

2009 Assessment Changes:

As noted previously, 2009 is a reassessment year, with any increase in CVA being phased-in over four years. Reassessment is revenue-neutral to the City. Legislation requires municipalities to reduce their tax rates in proportion to the increase in total assessed value arising from reassessment.

In reassessments, tax shifts between properties within a property class will occur – a property which appreciates at a rate greater than the class average will experience an increase in tax burden, and conversely, a property which appreciates at a rate less than the class average will experience a decrease in tax burden.

The residential property class has appreciated by 22.0% between the January 1, 2005 valuation date to the January 1, 2008 valuation date. The average assessed value for all residential property types is now $448,831, up from $367,802 from the older base (January 1, 2005 base).

For the 2009 tax year, one-quarter of the CVA change will be reflected in a property's assessment for 2009 taxation purposes. The phased-in average CVA increase for 2009 will be 5.4%. The 2009 average phased-in assessed value for all residential property types is $387,680.

Table 2(a) summarizes the average CVA values for single family detached property types and all residential property types.

Table 2(a) - Average CVA Values for Single Family Detached Homes and All Residential Property Types

	2008 CVA (Jan. 01/05 valuation base)	2009 Phased-in CVA (Jan. 01/08 valuation base phased-in)	2012 CVA (Jan. 01/08 valuation base)
Single Family Detached Home	$458,865	$486,270	$568,528
All Residential Properties (includes semi's, townhomes, condo's)	$367,802	$387,680	$448,831

Within the residential class, 57.4% of residential properties (365,803 properties) have appreciated at a rate less than 5.4%, and 42.6% of properties (272,005 properties) have appreciated at a rate greater than 5.4%. As shown in Table 2(b), the average tax decrease (estimated municipal and school taxes, and not including any levy changes) for those properties facing a CVA-related decrease is $61 for 2009 (a 2.2% CVA-relate tax decrease), and projected to total $197 (-7.1%) over the four-year phase-in. The average tax increase for those properties facing a CVA-related increase is $82 for 2009 (a 2.1% CVA-related tax increase), and projected to total $278 (+7.2%) over the four-year phase-in.

Table 2(b) - Estimated Average CVA Related Tax Impacts (City + School) – Residential Class (all property types)

	Tax Decreases				Tax Increases			
	No. of Properties	% of Properties	Average Tax Impact (%)	Average Tax Impact ($)	No. of Properties	% of Properties	Average Tax Impact (%)	Average Tax Impact ($)
2009 Phased-In	365,803	57.4%	-2.2%	($61)	272,005	42.6%	+2.1%	+$82
Estimated 2009 -2012 Total	373,604	58.6%	-7.1%	($197)	264,204	41.4%	+7.2%	+$278

Note: In-Class CVA impacts only; excludes any inter-class shifts and levy increases, or education levy changes

In a similar way, during reassessments, tax shifts between property classes will also occur – property classes that appreciate at a rate greater than the City-wide average will experience an increase in tax burden, and conversely, property classes that appreciate at a rate less than the City-wide average will experience a decrease in tax burden. Tax shifts between property classes, pursuant to Provincial regulation, are necessary to maintain tax ratios at the pre-reassessment level as the starting point for determining the general tax rates for the coming year. Municipalities have the option to adopt tax ratios for the commercial, industrial and multi-residential classes that are lower than these starting ratios.

In Toronto, for 2009, the City-wide CVA change is an increase in total assessed value of 5.71% across all property classes. The increase in CVA for the commercial property class as a whole (including small business, Residual Band 2 and Commercial General) is 8.5%, and for the industrial property class, 10.4%, which are above the City-wide average. Increases in CVA for the residential and multi-residential classes are 5.4% and 1.7%, respectively, which are below the City-wide average. As a result, there will be a shift in tax burden from the residential and multi-residential classes to the business classes in 2009, and because of the four-year phasing of the CVA changes, similar shifts may occur in 2010-2012.

For 2009, as a result of reassessment, the residential property class will experience a CVA-related tax decrease of -0.61%, or approximately a reduction of $8.7 million, which would otherwise translate to a reduction of $13.74 for the average residential household in 2009. The multi-residential property class will experience a CVA-related tax decrease of -4.1%, or $24.3 million. The commercial class, as a whole, will experience a +2.4% ($28.3 million) increase in tax burden, and the industrial class an increase of +3.8% ($5.0 million). These impacts are summarized in Table 3.

Table 3 - 2009 CVA Class Changes and Resulting Municipal Tax Shifts

		Resulting 2009 Average CVA Impact	
Property Class	2009 CVA Change %	$ M	%
Residential	5.4%	($8.76)	-0.61%
Multi-residential	1.7%	($24.32)	-4.08%
Commercial Residual Band 1 (Small Business)	4.9%	$0.86	0.29%
Commercial Residual Band 2 Blended	13.7%	$15.31	2.87%
Commercial General	8.1%	$12.10	1.93%
Commercial - Total	8.5%	$28.27	2.37%
Industrial	10.4%	$5.00	3.87%
City-Wide	5.7%	$0.00	0.00%

2009 Tax Ratio Options and Property Tax Assistance for Small Businesses, Commercial and Industrial

Council's adopted policy commencing in 2006 under the 'Enhancing Toronto's Business Climate' initiative is to reduce the tax ratios for the multi-residential class and the business classes to 2.5-times the residential tax rate by 2020 (a 15 year plan), and further, to provide for an accelerated reduction in tax rates for small businesses, with a target of 2.5-times the residential rate by 2015 (a 10 year plan, instead of 15 years for the rest of commercial).

The combined effect of the 2009 CVA impacts, together with the necessary adjustments in respect of Council's commitment to enhancing Toronto's business climate and the 2009 budgetary levy requirements, are summarized in Table 4. Council's action in respect of enhancing Toronto's business climate, which for 2009 reflects an acceleration in the City's tax ratio reduction plan, will result in:

(i) a 4.0% tax levy increase on the residential class;
(ii) enhanced assistance to small businesses (a 0.91% tax decrease)
(iii) mitigation of the impacts to larger businesses and industries by partially offsetting the CVA-related tax increase that would otherwise occur; and,
(iv) providing tax reductions for apartment buildings (a 2.21% tax decrease).

A 4.0% residential tax rate increase translates to an increase of $89.88 for the average residential household.

Table 4 – 2009 CVA, Enhancing Business Climate, and Budgetary Impacts

	Average CVA Impact	Average Enhancing Toronto's Business Climate Adjustment	Budgetary Levy Impact	Average Total Impact
Residential	-0.61%	0.61%	4.00%	4.00%
Multi-Residential	-4.08%	0.54%	1.33%	-2.21%
Small Business Band 1	0.29%	-2.53%	1.33%	-0.91%
Residual Commercial Band 2 Blended	2.87%	-0.92%	1.33%	3.28%
Commercial General	1.93%	-0.64%	1.33%	2.62%
Industrial	3.87%	-2.13%	1.33%	3.06%
City Average	0.00%	0.00%	2.48%	2.48%

Furthermore, due to reassessment and Council's action in regards to Enhancing Toronto's Business Climate, an acceleration in the commercial and industrial tax rate reductions is projected, which over the 4-year CVA phase-in, will result in the City reaching it's Enhancing Toronto's Business Climate tax reduction targets of 2.5-times the residential rate 2 years earlier for small businesses (2013 instead of 2015), and 3 years earlier for the rest of commercial and the industrial and multi-residential properties (2017 instead of 2020). These projections are shown in Table 5 below. It can be seen that the commercial, industrial and multi-residential tax ratios would be harmonized in 2010 at the ratio of 3.27, which is lower than the 2010 target of 3.38, and would reach 3.00-times residential in 2012, instead of the target of 2015, being three years earlier than expected.

Table 5 – Projected Ending Tax Ratios of Recommended Action

<table>
<tr><th></th><th>Historic</th><th>Target</th><th>Actual</th><th colspan="6">Projected</th></tr>
<tr><th></th><th>2006</th><th>2009</th><th>2009</th><th>2010</th><th>2011</th><th>2012</th><th>2013 (vs. 2015)</th><th>2017 (vs. 2020)</th></tr>
<tr><td>Commercial</td><td>3.68</td><td>3.46</td><td>3.37</td><td rowspan="3">3.27</td><td rowspan="3">3.14</td><td rowspan="3">3.00</td><td rowspan="3">2.90</td><td rowspan="4">2.50</td></tr>
<tr><td>Industrial</td><td>4.09</td><td>3.56</td><td>3.55</td></tr>
<tr><td>Multi-Residential</td><td>3.63</td><td>3.46</td><td>3.38</td></tr>
<tr><td>Small Business</td><td>n/a</td><td>3.28</td><td>3.26</td><td>2.96</td><td>2.81</td><td>2.68</td><td>2.50</td></tr>
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Tax Relief Options for Low-Income Seniors and Disabled Persons

Current Program:

The *City of Toronto Act, 2006*, requires Council to pass a by-law providing for deferrals, or cancellation of, or other relief in respect of, all or part of a tax increase for a year on property in the residential property class for persons assessed as owners who are, or whose spouses are, low-income seniors or low-income disabled persons. The form and extent of tax relief are entirely at Council's discretion.

The City provides both a Tax Increase Cancellation Program and a Tax Increase Deferral Program for taxpayers that meet certain eligibility criteria. In general terms, the current cancellation program provides for the cancellation of tax increases for eligible homeowners who are 65 years of age or older, and whose household income is less than $26,000. The current deferral program provides for the deferral of tax increases for eligible homeowners who are 50 years of age or older, and whose household income is less than $40,000.

Recommended Enhancements to the Cancellation and Deferral Program:

This report recommends increasing the household income threshold to $30,000 (from $26,000) for eligibility in the Cancellation Program, and to $50,000 (from $40,000) for eligibility in the Deferral Program. It is also recommended that the residential property CVA threshold be raised to more or less the current average single family detached household value for the Cancellation Program, more specifically, $525,000 for 2009 and 2010, and $575,000 for 2011 and 2012.

The City's current Cancellation Program is restricted to properties with CVA values greater than $454,000 (2006 valuation base). With the 2009 reassessment, the average single family detached house value has increased to $568,500, with the value of $486,250 being returned as the 2009 phased-in value. While staff could have recommended the average single family detached house value of $486,250 as the eligibility criteria for 2009, escalating annually to $568,500 in 2012, staff feel it more appropriate instead to use a value of $525,000 for 2009 and 2010, and $575,000 for 2011 and 2012 in order to advance the assistance to more persons, to simplify the administration and avoid the need to change communications every year.

With respect to the income threshold, when the Seniors Tax assistance program was first initiated in 1998, the household Federal Guaranteed Income Supplement program (GIS) eligibility was approximately $20,000. The GIS is automatically indexed annually by a rate of inflation. In 2004, the City updated its program, including the addition of the Cancellation option, and increased the household income threshold to $26,000. Since then, the Government of Canada matrix for GIS eligibility has become more complex, and there is not one single value of household income that can be simply referred to. As such, having regard to furthering the assistance to low-income seniors, this report recommends increasing the household income threshold to $30,000 for the Cancellation program, being more or less the inflationary increase since the last update.

Staff estimate that the enhancements to the Cancellation Program will result in 20% (2,400) more eligible households. Additional funding in the amount of $200,000 for this enhancement has already been included in the 2009 Operating Budget Submission. Incremental additional funding in the amount of $200,000 in 2010, 2011 and 2012 will be included in those future budget submissions.

Staff estimate that the enhancement to the Deferral Program will result in 35% (20,000) more eligible households. It is projected an additional $200,000 will be deferred in 2009, with associated foregone City interest earnings of $6,000. This loss of interest has been factored into the 2009 Budget Submission. Incremental additional deferred amounts of $200,000 in 2010, 2011 and 2012 are also projected, with the corresponding foregone interest to be reflected in those future budget submissions.

The comparison of the existing programs and the enhanced programs is summarized in Table 6.

Table 6 – Comparison of Existing Tax Relief Program and Recommended Enhanced Program for the City's Low-Income Seniors and Low-Income Disabled Persons

Tax Increase Cancellation:

	Existing	Recommended
Seniors – Eligibility Criteria	Aged 65 years or older, or in receipt of GIS or Spousal Allowance Household income $26,000 or less Property CVA less than $454,000	Aged 65 years or older or aged 60-64 and be in receipt of a GIS or Spousal Allowance Household income **$30,000** or less Property CVA less than or equal to **$525,000** for 2009 and 2010, and **$575,0**00 for 2011 and 2012
Disabled – Eligibility Criteria	Receiving support from one or more specified disability programs Household income $26,000 or less Property CVA less than $454,000	Receiving support from one or more specified disability programs Household income **$30,000** or less Property CVA less than or equal to **$525,000** for 2009 and 2010, and **$575,0**00 for 2011 and 2012
Eligible Households	16,750	19,150
Expected Take Up	15%	15%
Annual Cost to City	$470,000 (2008)	$670,000 (2009 estimate)

Tax Increase Deferral:

	Existing	Recommended
Seniors – Eligibility Criteria	Aged 50 years or older (65 for certain types of pensions) Household income $40,000 or less, and in receipt of a pension	Aged 50 years or older (**60** or 65 for certain types of pensions) Household income **$50,000** or less and in receipt of a pension
Disabled – Eligibility Criteria	Receiving support from one or more specified disability programs Household income $40,000 or less	Receiving support from one or more specified disability programs Household income **$50,000** or less
Eligible Households	62,000	82,000
Expected Take Up	1% - 2%	1% - 2%
Loss of Interest to City	$15,000 (2008)	$21,000 (2009 estimate)

This report also recommends a number of administrative changes to make it easier for seniors and disabled persons to be eligible. These include:

a. extending the application deadline on a one time basis for eligible persons who miss the deadline;

b. if title to the property vests with the estate upon the death of the eligible senior or disabled person, allowing eligibility to continue for a surviving spouse who is not on title provided the spouse meets the eligibility criteria;

c. considering a birthday at any point in the year for the purposes of age eligibility;

d. expanding eligibility to include persons between the ages of 60 and 64 who are in receipt of the GIS or Spousal Allowance;

e. allowing either the senior/disabled person, his or her spouse, or both, to be the registered owner of the property;

f. allowing a one year grace period during which an applicant can have not filed an application, and still be eligible for the cumulative deferral or cancellation of taxes back to the initial year of application; and

g. requiring the repayment of deferred taxes only upon transfer of the property to someone other than the senior/disabled person or his or her spouse.

Finally, in 2007, during consideration or the Water Rate Restructing Report, Council adopted a program to provide for a rebate on the water bill be adopted for low income seniors and low income disabled persons, homeowners who meet the eligibility criteria under the City's property tax relief programs for low income seniors and low income disabled persons (see http://www.toronto.ca/legdocs/mmis/2007/ex/reports/2007-05-28-ex09-cr.pdf). As a technical matter, this report recommends amendments to Chapter 819-14, respecting Water Rebates for Eligible Low-Income Seniors and Low-Income Disabled Persons, to be consistent with the changes to the eligibility criteria recommended in this report.

Capping and Clawback

The *City of Toronto Act, 2006* mandates capping protection which limits CVA-related tax increases on the commercial, industrial and multi-residential classes to 5% of prior years' taxes. The Act provides the City with two additional capping options in order to increase progress towards fully implementing CVA taxation. The additional options include: (i) increasing the amount of the annual cap up to 10% of previous year's taxes; and (ii) 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 (current year's taxes would be calculated by adding 5% of past year's CVA taxes to the past year's actual capped taxes). A by-law needs to be enacted in each year to have either of the alternate caps apply. Since 2006, as adopted under

‘Enhancing Toronto’s Business Climate’, the City has enacted by-laws in each year to have option (ii) above apply. As an administrative matter, Council must again adopt such a by-law for 2009.

The City funds the foregone revenue resulting from the 5% cap by reducing or ‘clawing back’ the decreases that properties facing decreases would otherwise experience.

For 2009, the province has announced that a regulatory change will give municipalities the option to remove properties from the capping and clawback system once they have reached their full CVA-level of taxation. City Council had previously supported this recommendation as part of the Enhancing Toronto’s Business Climate Initiative in 2005. Future assessment changes for properties that exit the capping/clawback system will be mitigated by the assessment phase-in under the new four-year assessment cycle. Subject to the necessary regulation being enacted, this report recommends Council adopt this option, with a moderate benefit of reducing the cost and easing the burden on properties paying higher taxes due to the clawback.

New Multi-Residential Property Class:

Council has had a policy in place since 1998 which allows a lower tax rate to be applied to newly constructed or converted multi-residential buildings in the first thirty-five years following construction. The purpose of providing a lower tax rate for a limited time period is to encourage the construction of multi-residential properties in Toronto. This report recommends that the City continue to opt to have the new multi-residential tax class apply for 2009, to continue to encourage the construction of new rental accommodation in Toronto. It is further recommended that the tax rate for the new multi-residential class be set at the same rate that applies to the residential class, including any municipal budgetary increases, as previously approved by Council. A by-law needs to be enacted such a class apply in any year, as recommended in this report.

Lower Tax Rate for New Commercial and Industrial Development

As part of the City’s Enhancing Toronto’s Business Climate Initiative, it was recommended that the Province establish a new property class for new commercial and industrial development for which the City could provide for a lower tax rate as a part of a “package” of business cost competitiveness initiatives to facilitate development of new business properties faster than they otherwise develop. The proposal with respect to new non-retail commercial and industrial was to provide the tax ratio target of 2.5-times the residential rate upon completion of development.

On March 22, 2007, as part of the 2007 Provincial Budget, the Minister of Finance announced that all new commercial and industrial development will be eligible as a new class for a lower education property tax rate of 1.6%, effective for properties constructed on or after March 22, 2007, compared with an education tax rate of approximately 2% for existing commercial and industrial properties. As a result of reassessment, the Province has reduced the new construction rate to 1.52% for 2009. However, the City does not have the ability to adopt such a new class for municipal tax purposes under its own Enhancing Toronto's Business Climate initiatives.

Given that such a property class for new commercial and industrial properties has been created for education taxes only, this report again recommends that the Province 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.

Comparable Treatment of New Construction:

In 2004, the Province introduced a legislative change related to the property tax treatment for new construction.

This legislative change was made at the request of Ontario municipalities to address the fact that new construction was being taxed at the level of six 'comparable' properties, the identification of which was subjective and challenged by many developers. In many instances, this approach resulted in a newly constructed property's taxes being set at a fraction of its full CVA-level of taxes, exacerbating and perpetuating inequities caused by the current capping system. Under this legislation, the City of Toronto phased-out the comparable treatment of new construction, and since 2008, the property taxes for new construction are set at the full uncapped (full CVA) taxes.

To implement this provision, Council must pass a by-law prior to April 30th in each year, as recommended in this report.

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SIGNATURE

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