



**STAFF REPORT  
ACTION REQUIRED**

**2014 Property Tax Rates – Executive Committee  
Recommended Budget**

<b>Date:</b>	January 28, 2014
<b>To:</b>	City Council
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All Wards
<b>Reference Number:</b>	P:\2014\Internal Services\Cf\Cc14003Cf (AFS #19016)

**SUMMARY**

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To present the revised 2014 property tax rates reflecting Executive Committee's recommendations for a 1.25% budgetary levy increase for residential and 0.42% for non-residential, and a 0.5% levy increase for the Scarborough Subway.

**RECOMMENDATIONS**

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**The Deputy City Manager and Chief Financial Officer recommends that:**

1. Council adopt the 2014 tax ratios shown in Column II for each of the property classes set out below in Column I.

Column I	Column II
Property Class	2014 Recommended Tax Ratios(before Graduated Tax Rates)
Residential	1.000000
Multi-Residential	3.118468
New Multi-Residential	1.000000
Commercial General - Unbanded	3.118468
Residual Commercial – Lowest Band	2.921800
Residual Commercial – Highest Band	2.921800
Industrial	3.118468
Pipeline	1.923564
Farmlands	0.250000
Managed Forests	0.250000

2. Council continue the previous adoption of 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 2014 as set out in the Enhancing Toronto's Business Climate initiative, 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	0.8556474
Residual Commercial	Highest Band	Greater than \$1,000,000	1.00000000

- 3.
- a. Council adopt the tax rates set out below in Column IV, which rates will raise a local municipal general tax levy for 2014 of \$3,750,288,867, inclusive of an approximate 1.25% residential, new multi-residential, pipeline, farmlands and managed forest tax rate increase, and an approximate 0.42% commercial, industrial, and multi-residential tax rate increase; and
- b. Council adopt the additional tax rates set out below in Column V, which rates will raise an an additional local municipal general tax levy of \$12,206,673 for the purposes of funding the City's share of the cost of construction of the Scarborough Corridor Subway, in accordance with Council's direction through Clause CC39.5 adopted by City Council on October 8, 2013.

Column I	Column II	Column III	Column IV	Column V	Column VI
Property Class	2014 Tax Rate for General Local Municipal Levy After Graduated Tax Rates	2014 Additional Tax Rate to Fund Budgetary Levy Increase	2014 Municipal Tax Rate (excluding Charity rebates) (Column II+III)	2014 Additional Tax Rate to Fund Scarborough Subway	2014 Municipal Tax Rate Inclusive of Subway Rate (excluding Charity rebates) (Column IV+V)
Residential	0.5086660%	0.0063406%	0.5150066%	0.0025433%	0.5175499%
Multi-Residential	1.5862587%	0.0065909%	1.5928496%	0.0026438%	1.5954934%
New Multi-Residential	0.5086660%	0.0063406%	0.5150066%	0.0025433%	0.5175499%
Commercial	1.5862587%	0.0065909%	1.5928496%	0.0026438%	1.5954934%
Residual Commercial – Band 1	1.3572782%	0.0056396%	1.3629178%	0.0022621%	1.3651799%
Residual	1.5862587%	0.0065909%	1.5928496%	0.0026438%	1.5954934%

Column I	Column II	Column III	Column IV	Column V	Column VI
Property Class	2014 Tax Rate for General Local Municipal Levy After Graduated Tax Rates	2014 Additional Tax Rate to Fund Budgetary Levy Increase	2014 Municipal Tax Rate (excluding Charity rebates) (Column II+III)	2014 Additional Tax Rate to Fund Scarborough Subway	2014 Municipal Tax Rate Inclusive of Subway Rate (excluding Charity rebates) (Column IV+V)
Commercial – Band 2					
Industrial	1.5862587%	0.0065909%	1.5928496%	0.0026438%	1.5954934%
Pipelines	0.9784515%	0.0121964%	0.9906479%	0.0048923%	0.9955402%
Farmlands	0.1271665%	0.0015852%	0.1287517%	0.0006358%	0.1293875%
Managed Forests	0.1271665%	0.0015852%	0.1287517%	0.0006358%	0.1293875%

4. Council determine that the 2014 Non-Program Tax Account for Rebates to Charities in the Commercial and Industrial Property Classes be set in the amount of \$6,579,482 to fund the mandatory 2014 property tax rebates to registered charities in the commercial and industrial property classes, which provision is to be funded, for a net impact on the 2014 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 \$6,381,597 to fund the total estimated rebates to registered charities for properties in the commercial classes in 2014.

Column I	Column II	Column III
Commercial Property Classes	Bands	Additional Tax Rate to Fund Rebates to Eligible Charities
Commercial General	Unbanded	0.0076199%
Residual Commercial	Lowest Band	0.0065200%
Residual Commercial	Highest Band	0.0076199%

- b. An additional tax rate of 0.0025536% be levied as part of the general local municipal levy on the industrial class to raise a further additional local municipal tax levy of \$197,885 to fund the total estimated rebates to registered charities for properties in the industrial class in 2014.
5. Council determine that for the purposes of the Capping and Clawback of taxes in the commercial, industrial and multi-residential property classes:
- a. Council adopt the continued limiting of reassessment-related tax increases for the commercial, industrial, and multi-residential property classes at a cap of 5% of the preceding year's current value assessment taxes for the 2014 taxation year.

- b. Council adopt the continued removal of properties from the capping and clawback system once they have reached their full CVA-level of taxation for the 2014 tax year.
6. Council direct the Deputy City Manager and Chief Financial Officer to report to Executive Committee at its meeting scheduled for April 23, 2014, on the 2014 tax rates for school purposes, and the 2014 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 2014 ‘clawback’ rates).
7. Council determine that for the purposes of the comparable property tax treatment for new construction in the commercial, industrial and multi-residential classes the minimum property taxes for new construction be set at 100% of the full uncapped CVA level of taxes for 2014 and future years.
8. Council determine that:
  - a. the instalment dates for the 2014 final tax bills be set as follows:
    - i) The regular instalment dates be the first business days of July, August and September.
    - ii) 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.
    - iii) For taxpayers who are enrolled in the two installment program, the final instalment date be July 2, 2014.
  - b. The collection of taxes for 2014, other than those levied under By-law No. 1483-2013 (the interim levy by-law) be authorized; and
  - c. 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.
9. 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.

### **Decision History/Implementation Points**

Executive Committee recommend a 1.25% budgetary tax rate increase for residential and a 0.42% tax rate increase for non-residential, in addition to a 0.5% levy increase for the Scarborough Subway, which is lower than the 1.67% budgetary tax rate increase for

residential and a 0.56% tax rate increase for non-residential (and a 0.5% levy increase for the Scarborough Subway) recommended by Budget Committee in report EX37.3. This report revises the required 2014 municipal tax rates to reflect Executive Committee's recommendation. Executive Committee's decision can be viewed at: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX37.3>

Should City Council's final recommendation regarding the 2014 Operation Budget and tax increase differ than Executive Committee's recommendation, then an amendment to recommendation number 3 will have to be moved and adopted at the conclusion of Council's deliberation of the 2014 Operation Budget.

### **Financial impact**

The 2014 Operating Budget recommended by Executive Committee is predicated on a 0.82% property tax levy increase (\$30.432 million) exclusive of any increase required to fund the construction of the Scarborough corridor subway. 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 not later than 2020. As such, adoption of the 2014 Operating Budget will necessitate a 1.25% tax rate increase on the residential property class, and a 0.42% tax rate increase on the non-residential classes, which will raise the required amount of \$30.432 million (\$22.359 million from residential, and \$8.073 million from non-residential).

A 1.25% residential tax rate increase translates to an increase of \$31.67 for the average residential household assessed at \$499,521 in 2014. Executive Committee has also recommended an additional 0.5% residential tax rate increase for the purposes of funding the City's share of the Scarborough Corridor Subway as directed by Council. This amounts to an additional \$12.70 for an average residential household. The combined tax impact on such a home, arising from the both the budgetary levy increase requirements and to fund the Scarborough Subway will be \$44.37, raising the municipal taxes from approximately \$2,529 in 2013 to \$2,573 in 2014. The non-residential tax rate increase for the Scarborough Corridor Subway will be one-third (0.167%) of the residential increase in accordance with existing policy.

Current value reassessment, however, may cause tax increases and tax decreases related to a property's relative change in value between 2013 and 2014, and Council's decisions on reducing tax ratios. The average house in Toronto will also experience an additional CVA-related and tax policy impact of 0.48% or \$11.93, while commercial, industrial and multi-residential properties will experience a slight reduction in taxes, as outlined in the body of this report. With the CVA impact together with the levy increases, the average house will experience an increase of \$56.30, bringing the 2014 municipal taxes on such a property to \$2,585.

## COMMENTS

The majority of the background respecting reassessment and CVA impacts is not affected by Executive Committee's change in the recommended budgetary tax rate increase. This background can be referenced at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX37.3>

The combined effect of the 2014 CVA impacts, together with: (i) the necessary adjustments in respect of Council's commitment to Enhancing Toronto's Business Climate as shown above, and (ii) the Executive Committee 2014 recommended budgetary levy increase of 1.15% inclusive of the Scarborough Corridor Subway are summarized in revised Chart 5. Council's action in respect of Enhancing Toronto's Business Climate, along with the recommended 1.75 percent budgetary property tax increase on residential class, and a 0.58 percent increase on the non-residential classes, inclusive of the 0.5% residential and 0.167% non-residential tax increase for the Scarborough Corridor Subway will result in:

- a. a 2.23% average tax increase on the residential class;
- b. a decrease of 0.79% for apartment buildings;
- c. a decrease of 0.69% for the industrial class;
- d. mitigation of the impacts small and larger businesses resulting in a slight offset of the budgetary levy increase; and,
- e. funding for the Scarborough corridor subway.

**Revised Chart 5 – 2014 CVA, Enhancing Business Climate, and Budgetary Impacts**

	Average CVA Impact	Average Enhancing Toronto's Business Climate Adjustment	Budgetary Levy Impact	Scarborough Corridor Subway	Average Total Impact
Residential	0.01%	0.47%	1.25%	0.50%	2.23%
Multi-Residential	0.16%	-1.54%	0.42%	0.17%	-0.79%
Commercial Residual	0.68%	-0.77%	0.42%	0.17%	0.49%
Commercial General	<u>-0.43%</u>	<u>0.46%</u>	<u>0.42%</u>	<u>0.17%</u>	<u>0.61%</u>
Commercial Total	0.09%	-0.12%	0.42%	0.17%	0.55%
Industrial	-1.71%	0.44%	0.42%	0.17%	-0.69%
City Average	0.00%	0.00%	0.82%	0.33%	1.15%

Revised Chart 6 below illustrates the plan to reduce multi-residential, commercial and industrial tax rates. The City is on track to reaching its Enhancing Toronto's Business Climate tax reduction targets of 2.5-times the residential rate for small businesses by 2015, and for the rest of commercial and the industrial and multi-residential properties by 2020.

**Revised Chart 6 – Projected Ending Tax Ratios of Recommended Action**

	Historic	Actual					Recom- mended	Projected	
	2006	2009	2010	2011	2012	2013	2014	2015 Target	2020 Target
Commercial	3.68	3.37	3.26	3.23	3.17	3.12	<b>3.08</b>	<b>3.00</b>	<b>2.50</b>
Industrial	4.09	3.55	3.26			(vs. 3.15 target)			
Multi-Residential	3.63	3.38	3.31	3.31	3.26	3.18			
Small Business	n/a	3.26	2.97	2.93	2.81	2.76	<b>2.63</b>	<b>2.50</b>	

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## SIGNATURE

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