REALpac
Real Property Association of Canada
Association des biens immobiliers du Canada

EX12.2.6

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February 8, 2015

Mayor John Tory and members of the Executive Committee
Office of the Mayor
City Hall, 2nd Floor
100 Queen Street West
Toronto, ON
M5H 2N2

RE: EX12.2: 2016 Capital and Operating Budgets
Request to Study Further Revenue Tools and Funding Mechanisms and the Need for Robust Stakeholder Consultation

Dear Mayor Tory and members of the Executive Committee,

On behalf of the Real Property Association of Canada (REALpac), the Building Owners and Managers Association Toronto (BOMA), NAIOP Greater Toronto, the International Council of Shopping Centres (ICSC), the Building Industry and Land Development Association (BILD) and the Toronto Financial District BIA, we would like to commend the City's Executive and Budget Committees on the thoughtful and transparent budget consultations which have occurred to date. Toronto's real estate industry is a key driver of the municipal, as well as provincial economy, and is collectively represented by the aforementioned industry associations. By way of background, this coalition of associations has been involved in past municipal and provincial funding discussions, and considers our industry an active partner in city-building.

At the 2016 budget launch, City finance staff identified a substantial preliminary operating budget shortfall of $57 million, a total unfunded capital requirement of $22 billion, and new budget requests that total $67 million. It is our understanding that on January 26th, the City's Budget Committee put forward a number of measures to address most of these fiscal pressures and included the following item as part of EX12.2: 2016 Capital and Operating Budgets:

> *"aa. City Council direct the City Manager and the Deputy City Manager and Chief Financial Officer to commission an external consultant's updated analysis of the City of Toronto Act revenue potential using the guidelines of the 2007 Hemson report, updated to include the impact of HST on collection and that the report add a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of obtaining permission and collecting a municipal sales tax and an income tax, and a range of best practice municipal funding models from North American cities that utilize diversified revenue models; and that the cost of the report, estimated at $125,000, be funded from the Corporate Studies Account (Corporate Finance) within the Non-Program Corporate Expenditures Budget."*

Should this motion be adopted by Council, it is our understanding that a report on further funding options would be forthcoming and it would resemble Hemson Consulting's earlier 2007 work. Several options were analyzed as part of the 2007 study, including many which have adverse effects on Toronto's real estate environment, such as a Municipal Land Transfer Tax (which was ultimately adopted), road tolls, and most severely; a 'Parking Tax'. If City Council ultimately adopts this measure within the 2016 Capital and Operating Budget, thus triggering another comprehensive analysis of possible further revenue tools (and their relative impacts on business), we would recommend the following suggestions as they pertain to the commercial real estate sector:

a. Toronto's real estate industry is a key economic driver, and will be affected by a number of possible revenue tools, and therefore should be considered a primary stakeholder in this process

The real estate industry is a significant contributor to Toronto's economy. The corporations represented by the above-mentioned coalition hold significant assets in the GTA, invest billions of dollars annually, employ thousands of GTA residents and make up a substantial percentage of the City's tax base. In our estimation, any number of potential revenue enhancements proposed through a Hemson-style study could adversely impact our industry. Some of these would include parking taxes, increases to Property Taxes, new or increased Development Levies, or increases to the Municipal Land Transfer Tax. Based on some of these options, the real estate industry would be the unjust target of a new tax structure. As such, we believe that this coalition should be consulted on any proposals and that these opinions be taken into account as this process unfolds.

b. The City should engage in a thoughtful, transparent, and fair stakeholder engagement process

In 2013, the coalition was involved in the provincial consultations for the proposed revenue tools to fund the provincial 'Big Move' Transit Plan. Our coalition was pleased to partner with provincial policy-makers in identifying fair, reasonable and effective funding options then, and we would be happy to work collaboratively with the City now. We would request that the City work transparently, and build an active stakeholder engagement program that fully explores all impacts (positive and negative) of the proposed options. We believe that this matter should closely resemble the public engagement process of the 2013 provincial effort and would suggest that the City examine that process for key lessons learnt. We believe that any report on funding tools should include clear and reasonable cost-benefit analyses, potential impact studies, and implementation calendars that will give municipal policy-makers an honest sense of what tools will be most effective. An active public engagement process should be threaded through any potential review.

c. The City should recognize that Toronto's real estate industry is over-burdened and under-served

The coalition believes that as the City undertakes a review of potential revenue tools, initiated by a request to update the 2007 Hemson study, it should acknowledge and remember that the real estate industry in Toronto is subject to significant financial and regulatory burdens as well as underserved by City services. Based on the REALpac 2015 Annual Property Tax Survey, produced by Altus, Toronto has a 4:1 commercial to residential property tax ratio, one of the highest ratios, as well as overall rates in Canada. Toronto's development industry is subject to application fees, development charges, 'Section 37' payments, parking and parkland cash-in-lieu schemes and a variety of other financial hurdles. Compounded with regulations, which add costs in terms of time and red tape, real estate investment is a 'high-cost, high-risk' endeavour. Any future conversations about revenue tools that may affect our over-burdened industry should be carefully considered and in conjunction with our industry representatives.

We affirm that new taxes, such as those under review, have the ability to change the behaviour of the City's residents, visitors and businesses, but it may not be for the betterment of the City and may send people or companies away if they feel, cumulatively, the overall costs are too high.

We hope that you will carefully consider this matter in advance of the City Council meeting on February 17th, and passage of the 2016 Capital and Operating Budgets. We look forward to working with City policy staff moving forward.

Respectfully submitted,

Michael Brooks
CEO
Real Property Association of Canada (REALpac)

cc: International Council of Shopping Centres
NAIOP Greater Toronto
Building Industry and Land Development Association
Building Owners and Managers Association Toronto
Toronto Financial District BIA
Toronto Association of Business Improvement Areas