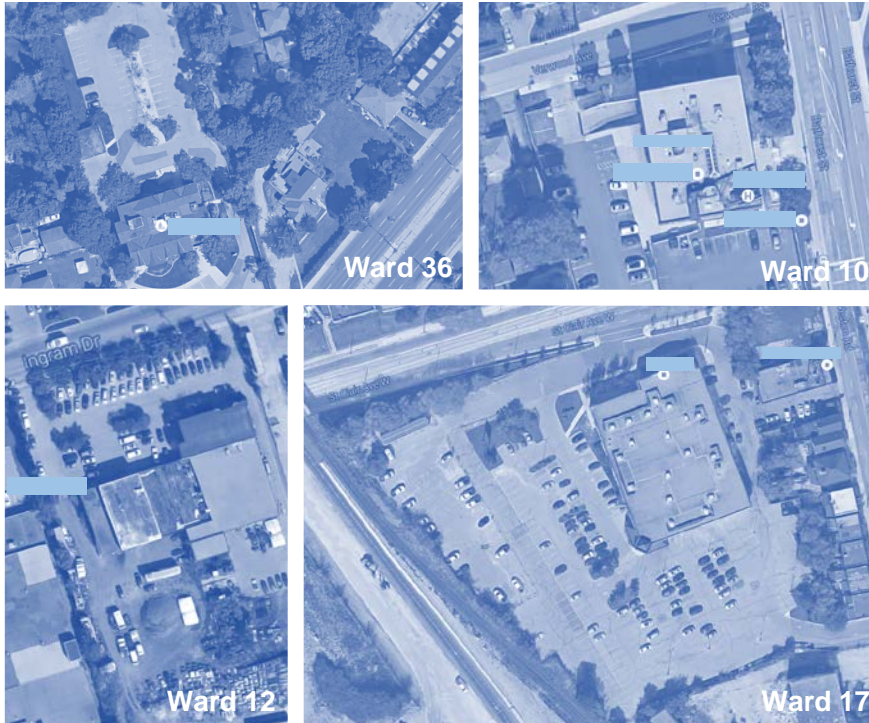


REAL ESTATE INDUSTRY RESPONSE TO REVENUE TOOL OPTIONS REPORT

Prepared by the Real Estate Industry Coalition
June 28, 2016



ABOUT THE REAL ESTATE INDUSTRY COALITION



The Real Property Association of Canada (REALPac) brings together the industry's Chief Executives to collectively influence public policy, to educate government and the public, to ensure stable and beneficial real estate property and capital markets and to promote the performance of the real property sector in Canada.

www.REALPac.ca



The Building Industry and Land Development Association (BILD) is the voice of the land development, home building and professional renovation industry in the Greater Toronto Area and Simcoe. The organization's goal is to improve communication between the industry and government, provide enhanced opportunities for its members, promote the welfare of the industry and protect the interests of new neighbours and businesses.

www.BILDGTA.ca



NAIOP is the Commercial Real Estate Development Association. The Greater Toronto Chapter has become the premier "meeting place" for a developers, owners, investors and related professionals in office, industrial, retail and mixed-use real estate. NAIOP provides advocacy, education and business opportunities while connecting its members through a powerful local and North American network.

www.TorontoNAIOP.org



The Toronto Financial District Business Improvement Area (BIA) represents Canada's premier business centre, an area where 200,000 work each day. Initiatives include public realm improvements, highlighting daily activity in the Financial District and PATH online, and policy and advocacy to ensure the area remains well-maintained, integrated, connected and accessible.

www.MyTOFD.com



The International Council of Shopping Centers (ICSC) is the premier global trade association of the commercial retail real estate industry with more than 70,000 members in 90 countries including owners, developers, managers, marketing specialists, investors, retailers and brokers as well as academic and public officials. In Ontario in 2014, 1270 shopping centres supported 1.7 million jobs and produced in excess of \$22.8 billion in provincial sales tax.

www.ICSC.org



The Building Owners and Managers Association (BOMA) of the Greater Toronto Area includes more than 600 members including property and facility managers representing 80% of all commercial and industrial real estate companies in the GTA. Initiatives include developing, promoting and advancing best management practices in the real estate industry through advocacy, education and networking.

www.BOMAToronto.org



Retail Council of Canada speaks for an industry that touches the daily lives of Canadians in every corner of the country – by providing jobs, career opportunities and by investing in the communities we serve. RCC is the Voice of Retail in Canada and represents more than 17,000 Ontario store fronts of all retail formats, including department, specialty, discount, and independent stores, and online merchants in general merchandise, grocery and pharmacy. Our membership represents over 70% of core retail sales in Canada. WWW.RETAILCOUNCIL.ORG

REAL ESTATE INDUSTRY COALITION SUGGESTED NEW TAX EVALUATION CRITERIA

The coalition is strongly opposed to new revenue tools that are inequitable or will have a negative impact on jobs and business health in the City.

KEY PRINCIPLE

ECONOMIC COMPETITIVENESS

Benefits, risks and impact on regional and sectoral economy must be studied and considered.

KEY QUESTION: "Do proposed revenue tools improve our ability to maintain and grow jobs in the City?"

CORE ELEMENTS

DEDICATED

Tools must be dedicated to their intended purpose and committed long-term.

- *Is revenue dedicated to a purpose that can be proven to have a positive impact on a jobs and business in the City?*

EQUITABLE

Costs must be shared across taxpayer groups who benefit from services.

- *Are elements of "double taxation" evident in the structure of the revenue tool?*
- *Are the costs of the revenue tool unfairly borne by one user group or economic sector?*

TRANSPARENT

Tools should be limited in number and easily understood by public and key stakeholders.

- *Are revenue tool administration and collection clearly understood by the public?*
- *Is the structure of the revenue tool simple enough to avoid administration and legal review challenges from depleting net revenues?*

CRITERIA AND CONSIDERATIONS FOR EVALUATION

Results of analysis through these lenses will form the opinion of the business community toward a particular revenue tool.

PRELIMINARY EVALUATION OF THE PARKING LEVY PROPOSAL

The coalition is strongly opposed to a new parking levy.

KEY PRINCIPLE

ECONOMIC COMPETITIVENESS

KEY FINDING: A Parking Levy of the scale imagined by KPMG would amount to an up to 44% commercial property tax hike in the City. It is unfair and administratively cumbersome, with a very poor track record elsewhere.

CORE ELEMENTS

DEDICATED

Tools must be dedicated to their intended purpose and committed long-term.

- *Unclear at this time.*

EQUITABLE

Costs must be shared across taxpayer groups who benefit from services.

- *Parking Levy grossly inequitable: residents aren't the ones being asked to pay for transit.*
- *Parking Levy would disproportionately burden small business in the City*
- *Parking Levy will NOT impact driver behaviour*

TRANSPARENT

Tools should be limited in number and easily understood by public and key stakeholders.

- *Are revenue tool administration and collection clearly understood by the public? Unclear at this time.*
- *Is the structure of the revenue tool simple enough to avoid administration and legal review challenges from depleting net revenues? A Parking Levy will be opposed by the commercial sector and a high number of appeals likely*

EVALUATION

A Parking Levy is a poor tax policy choice

REVENUE TOOLS OPTIONS REPORT- REAL ESTATE COALITION PERSPECTIVES

1) Parking Levy poses potential negative impacts on business competitiveness and economic development in a City currently **considered by industry to be 'high-cost' and 'high-burden'**

"There should be close examination of how the parking levy would affect businesses especially small businesses." (KPMG, Pg. 64)

2) KPMG Report admits that its parking levy revenue **projections are not based on accurate information.**

"Data pertaining to parking inventory in the City of Toronto is quite limited." (KPMG, Pg. 53)

"There is not a precise listing of commercial paid/unpaid parking lots within Toronto and no estimate of spaces by district within Toronto at this time." (KPMG, Pg. 54)

3) Parking levy (as well as tax) projections would contradict **Toronto's commitment to improving business competitiveness** through commercial-to-residential tax ratio reductions.

KPMG-City projects it can raise as much as \$575 million from a parking levy. With commercial property now contributing \$1.3 billion to the City of Toronto each year, this would be a **44% increase in taxes paid by Toronto businesses.**

The parking levy is an increase in the commercial tax rate, reversing City policy aimed at making our commercial rates competitive with surrounding municipalities.

REVENUE TOOLS OPTIONS REPORT- REAL ESTATE COALITION PERSPECTIVES

4) Various factors that will reduce either total number of applicable spaces, or the total revenue potential, not considered.

- Exemptions of paid spaces (public/government, hospital, charity, university etc.)
- Exemptions of unpaid parking (public/government, hospital, charity, certain commercial classes etc.)
- Possible geographic fluctuation of rates and prices, graduated rate system
- Avoidance reduction
- Administrative costs
 - Assessments, appeals, legal challenges

5) Report does not address high impact of a parking levy on smaller retail in outlying areas of Toronto.

A parking levy increases commercial taxes on a limited number of retail enterprises with a big impact on retail strip malls in suburban Toronto. Tenants in those malls (i.e. grocery and hardware stores, convenience and variety stores, beauty parlours, restaurants) will bear the brunt of the costs.

Average Toronto mall tenant would be required to pay \$10,000 more per year (and generate \$167,000 in additional sales revenue to cover the cost) at \$1/day/stall for 2,000 sq. ft. retail space – *from International Council of Shopping Centres, 2016.*

REVENUE TOOLS OPTIONS REPORT- REAL ESTATE COALITION PERSPECTIVES

6) Confusion between parking levies and sales taxes on paid parking create unrealistic expectations of revenue windfalls.

PARKING LEVY

Extremely high revenue projections

All examples in report had a much smaller total tax take, and were rejected or quickly repealed (ex. Vancouver)

“Double tax” on commercial properties that happen to have parking spaces (triple tax when factoring stormwater fee)

Allowed under COTA

PARKING SALES TAX

Moderate revenue projections

All examples in report are sales taxes on paid parking only

Tool used by many cities to alter transit behaviour away from vehicles

Requires provincial permission

REVENUE TOOLS OPTIONS REPORT- REAL ESTATE COALITION PERSPECTIVES

7) Report does not address conditions that led to quick repeal or rejection of parking levies in Toronto and Vancouver.

In 2006, Vancouver generated 29,600 parking lot assessments and 5,100 were appealed in the first year. The recurring cost of complexity resulting from administration of both of these elements is not mentioned in KPMG report. The 2013 Altus Report on parking taxes that led to the parking levy not being selected by the province for the GTHA is not mentioned in the report.

8) Report does not address that a significant impact of a parking levy is felt by retail and office tenants (i.e. business). And apartments, medical office and seniors housing, and corporate owned buildings.

Its not the big retail and office landlords who are hit – these asset classes are structured with net leases so a parking levy on parking spots would be a pass through to tenants of all sizes.

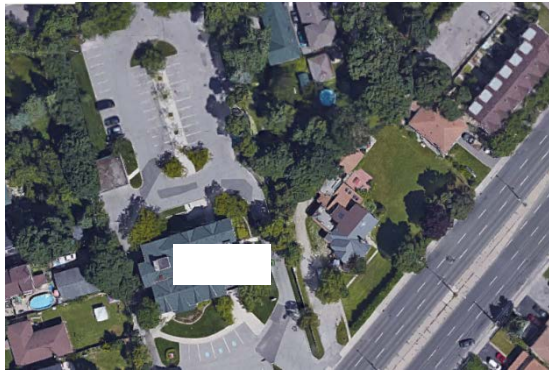
It would hit smaller family investors in apartments, medical offices, and seniors building who have gross leases so cannot pass the parking levy costs on. And corporate owned offices of all sizes. Its an absolute loss to them.

Big Tax hit: Apartments, Seniors, Medical office, company owned and occupied space.

CASE STUDIES (1): Who is impacted by a parking levy?

Ward 36 – Scarborough Southwest

Funeral home on Eglinton



64
parking spaces

\$35,040
annual cost
of \$1.50/space
parking levy (on top
of property taxes)

Ward 33 – Don Valley East

Small mall on Victoria Park



686
parking spaces

\$375,585
annual cost
of \$1.50/space
parking levy (on top
of property taxes)

Tenant mix includes specialty food
retailers (2), bank branch, clothing
retailer and a restaurant

CASE STUDIES (2): Who is impacted by a parking levy?

Ward 38 – Scarborough Centre

Regional mall



3000
parking spaces

\$1,641,500
annual cost
of \$1.50/space parking
levy (on top of property
taxes)

Ward 9 – York Centre

Large retail complex on Wilson



1344
parking spaces

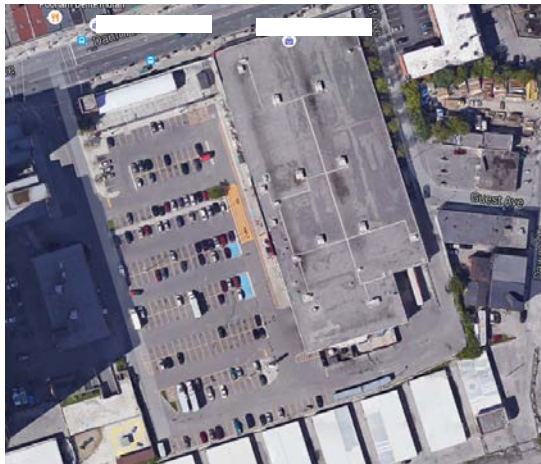
\$735,840
annual cost
of \$1.50/space
parking levy (on top
of property taxes)

Tenant mix includes a restaurant,
retailers (4) and bank branch.

CASE STUDIES (3): Who is impacted by a parking levy?

Ward 31 – Beaches-East York

Retailer on Danforth

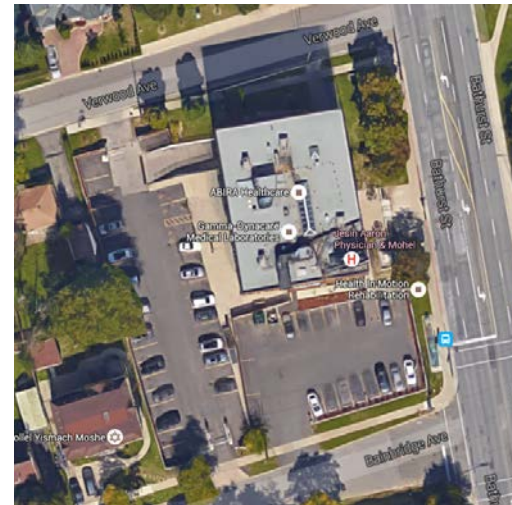


151
parking spaces

\$82,673
annual cost
of \$1.50/space
parking levy (on top
of property taxes)

Ward 10 – York Centre

Car service centre on Ingram



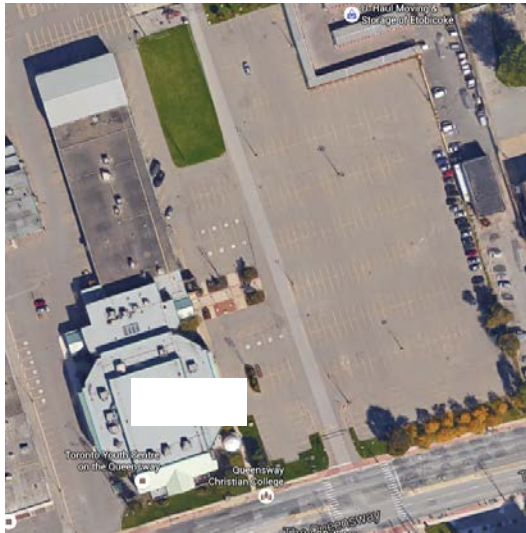
65
parking spaces

\$35,588
annual cost
of \$1.50/space
parking levy (on top
of property taxes)

CASE STUDIES (4): Who is impacted by a parking levy?

Ward 5 – Etobicoke Lakeshore

Church on Queensway



760
parking spaces

\$416,100
annual cost
of \$1.50/space
parking levy (on top
of property taxes)

Ward 26 – Don Valley West

Mid-size office complex on Wynford Heights

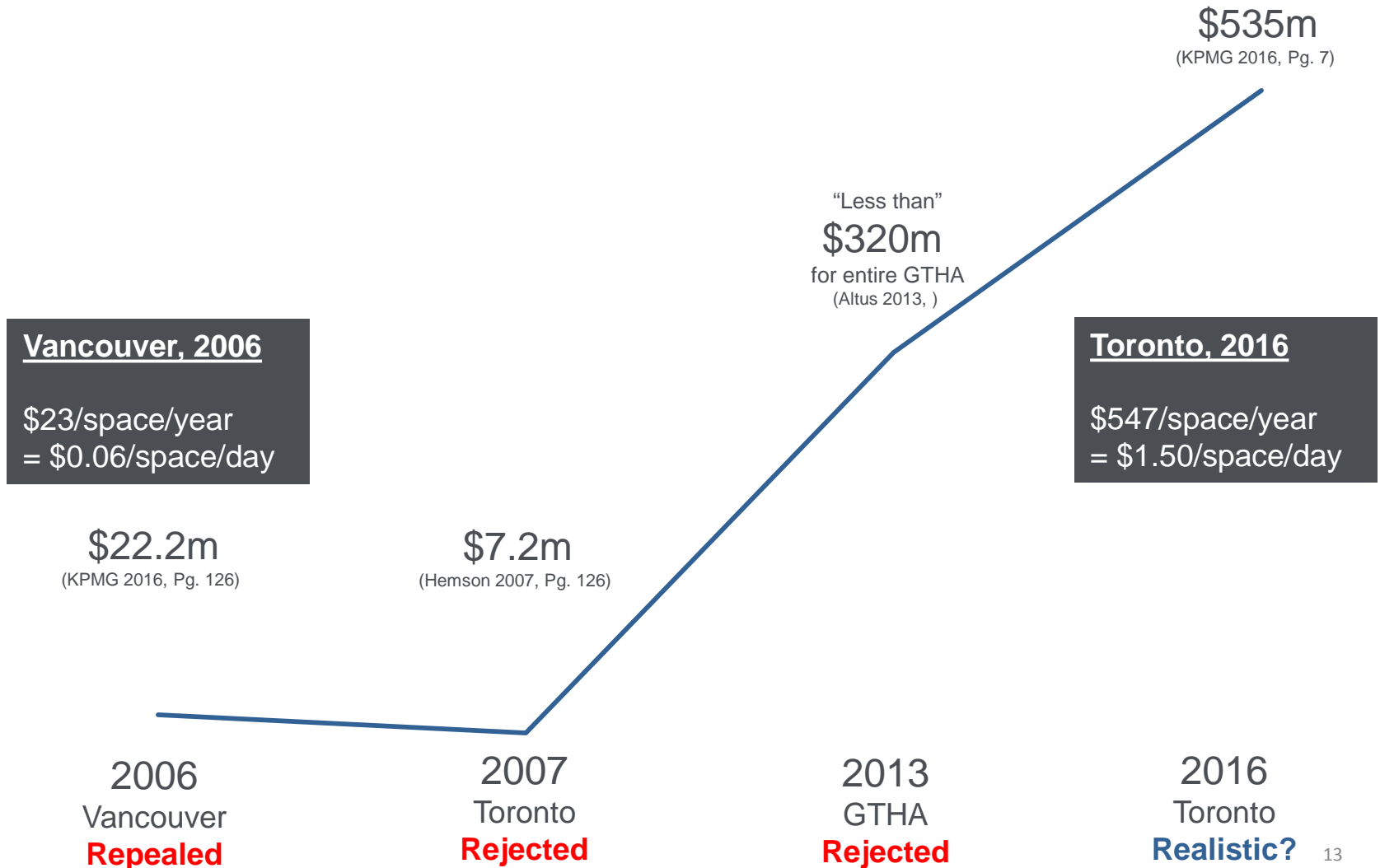


220
parking spaces

\$136,875
annual cost
of \$1.50/space
parking levy (on top
of property taxes)

GROWTH OF “PARKING TAX” REVENUE PROJECTIONS

How did \$7.2 million in 2007 Hemson Report become \$535 million now?



Recommendations

1. Instruct Staff to consider tax tools on basis of Impact on Economic Competitiveness, Equity, and ability to bear costs.
2. Find more innovative ways of delivering City services.
3. Reconsider the de facto “exemption” for residential taxpayers in the City.
4. Consider speed – which tools easiest and quickest to create given need in 2017-2018.
5. Consider ease of administration: no one wants new massive bureaucracy and consulting bills.
6. Spread costs over widest possible base – including residential taxpayers.
7. Widely consult during Staff analysis.

