TORONTO

REPORT FOR ACTION

# 2021 Property Tax Rates and Related Matters

**Date:** January 25, 2021
**To:** Budget Committee
**From:** Chief Financial Officer and Treasurer
**Wards:** All

## SUMMARY

This report recommends the 2021 municipal tax ratios and tax rates arising from the concurrent adoption of the City of Toronto's 2021 tax supported Operating and Capital Budgets.

The 2021 tax rate increases arising from the 2021 tax supported Operating and Capital Budgets and the tax policy decisions recommended by the Budget Committee are as follows:

Table 1 - 2021 Recommended Property Tax Rate Increases

| Property Class | 2021 Tax Rate Increase for Operating Budget | 2021 City Building Fund Tax Rate Increase | 2021 Total Tax Rate Increase |
|---|---|---|---|
| Residential, New Multi-Residential, Farmland, Managed Forest, and Pipelines | 0.70% | 1.50% | 2.20% |
| Multi- Residential | 0.00% | 0.00% | 0.00% |
| Commercial | 0.35% | 0.75% | 1.10% |
| Industrial | 0.23% | 0.50% | 0.73% |
| Total Tax Rate Increase | 0.51% | 1.08% | 1.59% |

## RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. In respect of calculations to establish 2021 tax rates and tax ratios, City Council elect the following in order to determine the notional tax rates to raise the previous year's levies:

    (a) to adjust the total assessment for property in a property class so that the assessment excludes changes to the tax roll for the previous year resulting from eligible assessment-related losses from prior years, in accordance with an election under subsection 19 (4) of O. Reg. 121/07 to make subsections 19 (4.2), (4.3) and (4.4) apply.

2. City Council adopt the 2021 tax ratios shown in Column II for each of the property classes set out below in Column I:

| Column I | Column II (to be adopted) | Column III (for information only) |
|---|---|---|
| Property Class | 2021 Recommended Tax Ratios (before Graduated Tax Rates) | 2021 Ending Ratios (after Graduated Tax Rates and Levy Increases) |
| Residential | 1.000000 | 1.000000 |
| Multi-Residential | 2.098351 | 2.053182 |
| New Multi-Residential | 1.000000 | 1.000000 |
| Commercial General | 2.640000 | 2.611585 |
| Residual Commercial –Band 1 | 2.574300 | 2.431112 |
| Residual Commercial –Band 2 | 2.574300 | 2.611585 |
| Industrial | 2.623305 | 2.585658 |
| Pipeline | 1.923560 | 1.923561 |
| Farmlands | 0.250000 | 0.250000 |
| Managed Forests | 0.250000 | 0.250000 |

3. Subject to receiving the necessary amendment to O.Reg. 121/07 for the 2021 taxation year, City Council elect to raise the tax rates as follows:

    A. on the restricted property classes:

(i) on the Commercial Property Classes, by one-half of the percentage tax rate increase on the residential (and new multi-residential, pipelines, farmlands, and managed forests) property class,

(iii) on the Multi-Residential Property Classes, no tax increase.

B. on the Industrial Property Classes, by one-third of the percentage tax rate increase on the residential (and new multi-residential, pipelines, farmlands, and managed forests) property class.

4. City 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 2021 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 1 | Less than or equal to $1,000,000 | 0.930895 |
| Residual Commercial | Highest Band 2 | Greater than $1,000,000 | 1.000000 |

5. City Council adopt:

(a) the tax rates set out below in Column V, which rates will raise a local municipal general tax levy for 2021 of $4,621,345,185 inclusive of a 0.7% residential, new multi-residential, pipeline, farmlands and managed forest tax rate increase, a 0.35% commercial tax rate increase, and a 0.23% industrial tax rate increase.

(b) the additional tax rates set out below in Column VI, which rates will raise an additional special general tax levy of $49,826,401 dedicated for priority transit and housing capital projects (the "City's Building Fund levy"), in accordance with Council adopted Recommendation 6 of Executive Committee Report EX22.2 (February 15, 2017) and Item EX11.26 (December 17, 2019).

| Column I | Column II | Column III | Column IV | Column V | Column VI | Column VII |
|---|---|---|---|---|---|---|
| Property Class | 2021 Tax Rate for General Local Municipal Levy before Graduated Tax Rates | 2021 Tax Rate for General Local Municipal Levy After Graduated Tax Rates | 2021 Additional Tax Rate to Fund Budgetary Levy Increase | 2021 Municipal Tax Rate | 2021 Additional Tax Rate to Fund City Building | 2021 Municipal Tax Rate Inclusive of City Building Fund Rate |
| | | | | (excluding Charity rebates) | | (excluding Charity rebates) |
| | | | | (Column III+IV) | | (Column V+VI) |
| Residential | 0.448154% | 0.448154% | 0.003137% | 0.451291% | 0.006722% | 0.458013% |
| Multi-Residential | 0.940384% | 0.940384% | 0.000000% | 0.940384% | 0.000000% | 0.940384% |
| New Multi-Residential | 0.448154% | 0.448154% | 0.003137% | 0.451291% | 0.006722% | 0.458013% |
| Commercial General | 1.183126% | 1.183126% | 0.004141% | 1.187267% | 0.008873% | 1.196140% |
| Residual Commercial – Band 1 | 1.153682% | 1.101366% | 0.003855% | 1.105221% | 0.008260% | 1.113481% |
| Residual Commercial – Band 2 | 1.153682% | 1.183126% | 0.004141% | 1.187267% | 0.008873% | 1.196140% |
| Industrial | 1.175644% | 1.175644% | 0.002743% | 1.178387% | 0.005878% | 1.184265% |
| Pipelines | 0.862051% | 0.862051% | 0.006034% | 0.868085% | 0.012931% | 0.881016% |
| Farmlands | 0.112038% | 0.112038% | 0.000784% | 0.112823% | 0.001681% | 0.114504% |
| Managed Forests | 0.112038% | 0.112038% | 0.000784% | 0.112823% | 0.001681% | 0.114504% |

6. City Council determine that the 2021 Non-Program Tax Account for Rebates to Charities in the Commercial and Industrial Property Classes be set in the amount of $5,099,803 to fund the mandatory 2021 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 2021 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 $5,007,559 to fund the total estimated rebates to registered charities for properties in the commercial classes in 2021.

| Column I | Column II | Column III |
|---|---|---|
| Commercial Property Classes | Bands | Additional Tax Rate to Fund Rebates to Eligible Charities |
| Commercial General | Unbanded | 0.004046% |
| Residual Commercial | Lowest Band | 0.003767% |
| Residual Commercial | Highest Band | 0.004046% |

(b) An additional tax rate of 0.001081% be levied as part of the general local municipal levy on the industrial class to raise a further additional local municipal tax levy of $92,244 to fund the total estimated rebates to registered charities for properties in the industrial class in 2021.

7. Allocate $2,725,395 to the SmartTrack Funding Reserve Fund XR173, in accordance with Council adopted Recommendation 19 (e) of Executive Committee Report EX33.1 (April 24, 2018). This figure is comprised of the accumulated base of $1,813,702 plus $911,693, equivalent to 15 percent of all incremental municipal tax revenue arising from commercial and residential assessment growth in the Tax Increment Financing Zones for 2020, net of any Imagination, Manufacturing, Innovation and Technology (IMIT) Grants attributable to this assessment growth.

8. City Council direct the Chief Financial Officer and Treasurer to report to Executive Committee, or directly to Council or a special meeting of Council if necessary, on the 2021 tax rates for school purposes, and the 2021 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 2021 'clawback' rates).

9. City Council determine that:

(a) the instalment dates for the 2021 final tax bills be set as follows:

(i) The regular instalment dates be July 2, August 3, and September 1 of 2021.

(ii) For taxpayers who are enrolled in the monthly pre-authorized property tax payment program, the instalment dates be July 15, August 16, September 15, October 15, November 15 and December 15 of 2021.

(iii) For taxpayers who are enrolled in the two installment program, the final instalment date be July 2, 2021.

(b) The collection of taxes for 2021, other than those levied under By-law No. 1038-2020 (the interim levy by-law) be authorized.

10. City Council adopt the application of the Creative Co-location Facilities subclasses for the Commercial, Commercial Residual and Industrial property classes for 2021.

11. City Council temporarily suspend the following eligibility criteria requirements for the Creative Co-Location Facilities Subclasses in the Toronto Municipal Code, Chapter 767, Taxation, Property Tax, in 2020 and 2021, in order to assist creative enterprises to remain in the subclass while the COVID-19 pandemic and public health emergency orders are obstructing them from meeting these criteria:

A. for the Tenant-Based Model

i) that a minimum of 51 percent of the tenants of the property be tenant creative enterprises;

ii that tenant creative enterprises must occupy at least 51 percent of the property's net rentable area; and

iii) that a minimum of 12 cultural programs be offered free of charge to the public at the property over a minimum of 10 months in each calendar year.

B. for the Membership-Based Model

i) that the operator must provide members access to and use of the following shared resources for a minimum of 8 hours per day, 5 days per week:

- work space consisting of office or production space;
- meeting or conference space;
- high-speed wireless internet access that meets minimum standards established by the Canadian Radio-Television and Telecommunication (CRTC); and
- office equipment

ii) that a minimum of 25 professional development programs, services or events must be offered to members, in the calendar year.

12. City Council amend the eligibility criteria requirements for the Creative Co-Location Facilities Subclasses in the Toronto Municipal Code, Chapter 767, Taxation, Property Tax, in 2021, to require that property owners pass on tax savings resulting from inclusion in the subclasses to their tenant operators of the live music venue within 12 months of each year's application deadline so as to remain eligible for future years.

13. City Council authorize the appropriate officials to take the necessary actions to give effect to Council's decision and authorize the introduction of the necessary bills in Council.

## FINANCIAL IMPACT

The tax ratios and rates recommended in this report reflect tax policy decisions previously adopted by City Council as permitted and/or mandated by recent or pending Provincial regulatory changes, including:

- allowing one-half of the tax rate increase on the Residential property class to be applied to the Commercial property class;
- continuing to apply one-third of the tax rate increase on the Residential property class to the Industrial property class;
- continuing the City's tax ratio reduction policy to achieve a business tax ratio target of 2.5-times the residential rate, with a target date of 2023 (i.e. policy impact)
- freezing of the tax burden on the Multi-Residential property class for 2021, as mandated by the Province
- making a property tax rate calculation adjustment to reflect the year-end assessment used in the notional property tax rate calculation to offset changes resulting from certain in-year assessment-related changes (i.e. adjustment for appeals)

The recommended local municipal general tax levy for 2021 is summarized as follows:

Table 2 - 2021 Municipal Tax Levy

| | Property Tax Levy $000's |
|---|---|
| 2020 Levy | 4,556.6 |
| Traditional Assessment Growth during 2020 | 32.2 |
| Adjustment for Appeals | 9.2 |
| 2021 General Levy | 4,598.1 |
| 2021 Budgetary Levy Increase (0.7%) | 23.3 |

| | Property Tax Levy $000's |
|---|---|
| 2021 Municipal Levy before CBF | 4,621.3 |
| 2021 City Building Fund (1.5%) | 49.8 |
| 2021 Total Municipal Tax Levy | 4.671.2 |

As a result of the postponement of the planned property tax reassessment for 2021 by the Province, assessments for the 2021 taxation year continue to be based on the same valuation date of January 1, 2016 that was in effect for the 2020 taxation year. Since 2020 was the last year of the reassessment phasing-in, 2021 taxation year is based on the same assessment values as 2020, without any assessment related changes. Correspondingly, the average residential property value for tax assessment purposes at the end of 2020 and for 2021 is $698,801.

A summary of the 2021 tax impacts on the average residential property, with the above noted adjustments and budgetary tax increases is as follows:

Table 3 - Average residential property tax impact in 2021 (home assessed at $698,801)

| | Impact on Average Residential Household | |
|---|---|---|
| 2020 Municipal Tax | $3,122 | % Impact |
| CVA Impact | ($0) | (0.0)% |
| Appeals Adjustment Impact | $6 | 0.20% |
| Policy Impact | $4 | 0.13% |
| Budgetary Levy Increase | $22 | 0.7% |
| City Building Fund | $47 | 1.50% |
| 2021 Municipal Tax | $ 3,201 | 2.53% |

The average 2021 impact on the various property classes are as follows:

Table 4 - 2021 average tax impact by property class

| | Appeals Impact | Average Policy Impact | Budgetary Increase | City Building Fund | Total |
|---|---|---|---|---|---|
| Residential | 0.20% | 0.13% | 0.70% | 1.50% | 2.53% |

| | Appeals Impact | Average Policy Impact | Budgetary Increase | City Building Fund | Total |
|---|---|---|---|---|---|
| Multi-Residential | 0.20% | -0.20% | 0.00% | 0.00% | 0.00% |
| Commercial Residual | 0.20% | 0.13% | 0.35% | 0.75% | 1.43% |
| Commercial Large | 0.20% | -0.42% | 0.35% | 0.75% | 0.88% |
| Industrial | 0.20% | 0.13% | 0.23% | 0.50% | 1.06% |
| City Average | 0.20% | 0.00% | 0.51% | 1.08% | 1.79% |

## DECISION HISTORY

In each year, Council must pass a by-law for the purposes of raising the general local municipal levy in an amount Council decides to raise in its budget for that year. The by-law shall establish the tax ratios for that year for the City, and shall specify a separate tax rate on the assessment in each property class in the City rateable for municipal purposes, determined in accordance with legislation and regulations.

The “2020 Property Tax Rates and Related Matters” Report can be viewed at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX13.1

On December 17, 2019 City Council adopted an increase to the City Building Levy by adding 1 percent in 2020 and 2021 to the existing 0.5 percent increment, and an additional 1.5 percent annually from 2022-2025, inclusively (Item EX11.26).
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX11.26

## COMMENTS

This report presents, on a preliminary basis as a result of the 2021 Operating Budget recommended to Budget Committee at its meeting of January 14, 2021, the City's 2021 Tax Ratios, Tax Rates and Levy for municipal purposes.

Council will be considering the City’s 2021 Operating Budget and 2021 Tax Levy at a Special Meeting of Council scheduled to be held on February 18, 2021. Upon conclusion of that meeting and adoption of the City’s 2021 Operating Budget, the City Solicitor will introduce a Bill in Council to enact the City's 2021 Tax Ratios, Tax Rates and Levy for City purposes.

The Province has indicated that it will maintain the freeze in municipal tax burden on the Multi-Residential property class for the 2021 tax year, for municipalities whose tax ratio for that class is above 2.0. Toronto's 2020 tax ratio for multi-residential is 2.10, therefore the freeze on multi-residential tax burden will apply in 2021.

The tax ratios and tax rates recommended in this report incorporate the permissible property tax rate calculation adjustments, an increase in the commercial tax rate of one-half of the residential tax rate increase, an increase in the industrial tax rate of one-third of the residential tax rate increase, and a freezing of the multi-residential tax burden. All of these measures still require amendments to provincial regulations to allow the City to implement them, as is the case with all other municipalities in Ontario. Accordingly, this Report recommends that these measures be approved subject to receiving the necessary regulatory amendments*.*

**Assessment Cycle**

The assessment of all property in Ontario is carried out by the Municipal Property Assessment Corporation (MPAC), under the Province's Assessment Act. Reassessments are conducted on a four-year cycle with Current Value Assessment (CVA) increases being phased-in in equal increments in each year of the four year phase-in period.

The next reassessment was anticipated for the 2021 tax year, however, in view of the unique and unforeseen challenges that all municipalities, residents, and businesses faced during 2020, the Provincial government postponed the reassessment. This means that assessments for the 2021 taxation year will continue to be based on the same valuation date of January 1, 2016 that was in effect for the 2020 taxation year.

Table 5 below provides the valuation dates used for each taxation year since the four-year cycle was introduced in 2008.

Given the uncertainty due to COVID-19, the Province has not yet announced the timing for the next reassessment cycle or the effective valuation date.

Table 5: Assessment Cycle

<table>
<tr><th>Taxation Year</th><th>Valuation Date</th><th></th><th></th></tr>
<tr><td>2009, 2010, 2011, 2012</td><td>January 1, 2008</td><td></td><td rowspan="3">Increases phased in over 4 years</td></tr>
<tr><td>2013, 2014, 2015, 2016</td><td>January 1, 2012</td><td></td></tr>
<tr><td>2017, 2018, 2019, 2020, 2021</td><td>January 1, 2016</td><td>✓</td></tr>
</table>

**2021 Assessment Changes and Tax shifts**

The current reassessment cycle, reflecting a January 1, 2016 valuation date, was intended to apply for the period 2017 - 2020, with increases phased-in over each year of the four-year cycle. 2020 was the last year of the phase-in, and prior to COVID-19, 2021 was intended to be the first year of the new reassessment cycle. Since the reassessment was postponed by the Province, property assessments in 2021 reflect the same assessment values as 2020, unless the property experienced changes in 2020 that affected the assessed value (e.g. renovations, improvements, or demolitions), with no assessment related changes and corresponding tax shifts in 2021.

### 2021 Multi-Residential Tax Burden Freeze

As part of the 2016 Economic Outlook and Fiscal Review, the Province of Ontario announced that they were undertaking a review of the taxation of multi-residential properties in response to concerns over the property tax burden borne by multi-residential apartment buildings and the potential effects on rental housing affordability.

The Province has been working in consultation with municipalities and other stakeholders to examine issues related to the tax inequity between multi-residential and other residential properties. As a result of the review, the Province has mandated a continuation of the freeze on property tax burdens on the multi-residential class where the multi-residential tax ratio is greater than 2.0. Since the multi-residential tax ratio in Toronto is 2.10, the full levy restriction applies. As such, the recommended 2021 tax rates and ratios for the multi-residential tax class will generate a total 2021 multi-residential tax levy equal to the 2020 year-end municipal tax levy on that class.

### Assessment Adjustments

*Appeal Loss Adjustments*
In 2016, the Province introduced regulatory amendments that allowed municipalities to include an adjustment for assessment appeal losses from the prior year in the determination of assessment that is used as a starting point to establish the annual maximum property tax levy amount (allowable revenue limit) for the following taxation year.

By recognizing increases in assessment growth occurring over the course of a year (from new construction, building improvements, etc.) plus actual assessment appeal losses during the year that reduce taxation revenues, the City more accurately captures the full effect of assessment changes that occurred during the year. Those assessment changes are used in calculating the notional rates and determining a municipality's allowable revenue limit for the following year.

Toronto City Council has elected to apply the adjustment for assessment appeal losses for the first time for the 2017 taxation year. For 2019, the total assessment value attributable to assessment appeal changes is $841.7 million, which, when factored in to the calculation of notional tax rates, will result in an adjustment totalling $9.24 million in the allowable starting revenue limit for 2021.

In order to use the assessment appeal loss adjustment in the calculation of Toronto's notional and final tax rates for 2021, Toronto Council must approve by resolution their intention to have the appeal loss adjustment apply, and the Minister of Finance must be notified.  This report recommends that Council approve the inclusion of an assessment appeal loss adjustment in the determination of the final tax rates for 2021.

### Property Tax Assistance for Multi-residential and Business Tax Classes

In 2005, Council adopted a policy under the ‘Enhancing Toronto’s Business Climate’ initiative to reduce the tax ratios for the commercial, industrial and multi-residential tax classes to 2.5-times the residential tax rate by 2020 (a 15-year plan). The plan also provided for an accelerated reduction in tax rates for small businesses, with a ratio target of 2.5-times the residential rate by 2015.

The policy of reducing tax ratios, implemented since 2006, was accomplished by: (i) limiting the annual budget-related tax increases on the business classes to 1/3 of that for the residential class (below the 1/2 mandated through Provincial legislation); and (ii) actively shifting part of the tax burden from these classes onto the residential class (i.e., a policy shift).

The planned shift in the tax burden from non-residential tax classes to the residential tax class continued from 2006 to 2016, as illustrated in Table 6. The small business target tax ratio of 2.5 was achieved in 2015, according to the plan, and has further slightly decreased over the next three years.

For 2017, the Province announced a freeze in municipal tax burdens on the multi-residential property class for municipalities whose tax ratio for that class was above 2.0, and subsequently extended this rule to apply for each following year, including 2021. Since 2017, City Council has adopted a commercial class tax rate increase of one-half of the residential tax rate increase (vs one-third in previous years). These actions resulted in a slowing down of the City's tax ratio reduction plan for the commercial and industrial property classes, with an estimated revised target date of 2023, instead of 2020, to achieve a ratio of 2.5-times the residential rate, as shown in Table 6.

Table 6 –Tax Ratio Projections

<table>
<tr><th>Tax Class</th><th colspan="8">Actual</th><th>Projected</th><th>Original Target</th><th>Revised Projection</th></tr>
<tr><td></td><td>2013</td><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td><td>2019</td><td>2020</td><td>2021</td><td>2020</td><td>2023</td></tr>
<tr><td>Commercial</td><td rowspan="2">3.12</td><td rowspan="3">3.07</td><td rowspan="3">3.00</td><td rowspan="3">2.90</td><td>2.85</td><td>2.81</td><td>2.74</td><td>2.65</td><td>2.61</td><td rowspan="3">2.50</td><td rowspan="2">2.50</td></tr>
<tr><td>Industrial</td><td>2.83</td><td>2.76</td><td>2.71</td><td>2.62</td><td>2.59</td></tr>
<tr><td>Multi-Residential</td><td>3.18</td><td>2.66</td><td>2.46</td><td>2.28</td><td>2.10</td><td>2.05</td><td>2.0</td></tr>
<tr><td>Small Business</td><td>2.76</td><td>2.63</td><td>2.50</td><td>2.50</td><td>2.49</td><td>2.44</td><td>2.43</td><td>2.43</td><td>2.43</td><td>2.50</td><td>2.35</td></tr>
</table>

The multi-residential tax freeze policy since 2017 resulted in an accelerated ratio reduction for the multi-residential tax class from 2.9 in 2016 to 2.10 in 2020, shifting the tax burden to the remaining classes.

The recommended commercial and industrial class ratios for 2021 are set to achieve Council's objective of reaching a tax ratio of 2.5 times the residential rate by 2023, while the ratio reduction related tax increase on the residential class is kept at the minimum level.

**Property Tax Assistance for Low-Income Seniors and Disabled Persons**

The City provides both a Tax Increase Cancellation Program and a Tax Increase Deferral Program for low-income seniors and low-income disabled homeowners that meet certain eligibility criteria. Under the Tax Increase Cancellation program, eligible homeowners can have their annual tax increases cancelled. Under the Tax Increase Deferral program, eligible homeowners can have their tax increases deferred without interest, and only repayable once they are no longer the homeowner. Table 7 provides a summary of the eligibility criteria for these programs.

In 2015, City Council adopted a motion enhancing the seniors and disabled tax relief programs by adopting an automatic adjustment of the income criteria in future years based on the Consumer Price Index (CPI) annual change for all items for Toronto.

In addition, in June, 2020, City Council adopted an increase of the household income threshold from $41,228 to $45,000 for the Property Tax Increase Cancellation Program for 2020 and 2021. The threshold for household income for the deferral program remains at $50,000.

In February, 2017 City Council adopted the household CVA value threshold for 2017 and 2018 for the Tax Increase Cancellation Program to be $850,000, and to be $975,000 for 2019 and 2020. Since 2021 taxation year is based on the assessment values of 2020, the household CVA threshold will remain at $975,000. There is no household CVA value threshold for the Deferral Program.

Table 7 – Property Tax Assistance for Low-Income Seniors and Low-Income Persons with Disability

| | Tax Increase Deferral Program | Tax Increase Cancellation Program |
|---|---|---|
| Seniors | Age 65 years or older; or aged 60-64 years and receiving a Guaranteed Income Supplement (GIS) and/or Spousal Allowance; or aged 50 years or older and receiving either a registered pension or pension annuity. Household income $50,000 or less. | Aged 65 years or older or 60-64 years and receiving a Guaranteed Income Supplement(GIS) and/or Spousal Allowance Household income $45,000 or less Property CVA equal to or less than $975,000 for 2021. |
| Persons with Disability | No age requirement receiving support from one or more specified disability programs Household income $50,000 or less. | No age requirement Receiving support from one or more specified disability programs Household income $45,000 or less Property CVA equal to or less than $975,000 for 2021. |

Since the inception of these programs, the City has funded over $19.52 million from its operating budget for the Tax Increase Cancellation Program for the City portion of taxes (an additional $7.5 million in provincial education taxes were also cancelled), and deferred over $7.6 million in tax increases, of which the current receivable to the City is $3.4 million. There is no interest charged under the Deferral Program.

It should also be noted that Low-Income Seniors and Low-Income Disabled Persons that are eligible for either of the above property tax assistance programs are also eligible for a 30% rebate on their water bill, so long as their water consumption is less than 400 m3 annually, and, effective April 1, 2019, eligible homeowners will receive the benefit of a higher rebate adjustment on the solid waste management component of their utility bill.

### Funding Rebates for Registered Charities

Provincial legislation requires that the City must adopt a tax rebate program for Charities located in properties in the commercial or industrial property classes. The tax rebate must be not less than 40%. Regulation also provides that the tax rates and tax ratios for the commercial and industrial classes may be greater than would be allowed in order to fund rebates to charities from within the commercial and industrial classes. The Province funds the education share of the rebates.

For 2021, the estimated City funding requirement based on 1,076 applications received in 2020 is $5,007,559 from the commercial class and $92,244 from the industrial class. The total gross estimated amount for commercial charity rebates is $6.291 million, which is offset by a surplus of $1,283 million in 2020, for a net 2021 requirement of $5.008 million. The estimated amount for industrial charity rebates is $0.125, which is offset by a surplus of $0.033 million in 2020, for a net requirement of $0.092 million.

### City Building Fund

At its meeting on January 24, 2017, Budget Committee recommended that City Council approve a special dedicated property tax levy for priority transit and housing capital projects equal to a 0.5 percent residential property tax increase in 2017, with additional 0.5 percent increases in each year from 2018 to 2021.

On December 17, 2019 City Council adopted an increase to the City Building Levy by adding 1 percent in 2020 and 2021 to the existing 0.5 percent increment, and an additional 1.5 percent annually from 2022-2025, inclusively. (Item EX11.26)

The 1.5% City Building Fund levy will raise an additional $49.826 million in 2021, as shown in Table 8, and is projected to raise approximately $348 million annually in the last year (2025) and thereafter.

Table 8 - City Building Fund Revenue

| | Actual | | | | | Projected | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Annual Increase, % | 0.5% | 0.5% | 0.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| Annual Increase, $ million | 14.05 | 14.63 | 15.21 | 47.57 | 49.82 | 50,57 | 51,33 | 52,10 | 52.88 |
| Cumulative Annual Revenue, $ million | | 28.68 | 43.89 | 91.46 | 141.29 | 191.86 | 243.19 | 295.30 | 348.18 |

## Creative Co-location Facilities subclasses

Since 2018, City Council has adopted the Creative Co-location Facilities (CCLF) subclasses, within each of the Commercial, Commercial Residual and Industrial Property classes, providing a 50% reduction in tax rates for properties meeting certain eligibility criteria. Applications are processed on an annual basis, and approved by the General Manager, Economic Development and Culture. The City Solicitor must submit a bill to Council for approval to formally designate the properties approved by the General Manager for inclusion in the subclass each year.

Some of the eligibility criteria for the CCLF subclass are related to public access, such as providing a minimum number of cultural programs or live performances, and regular access to certain facilities and shared amenities. COVID-19 and public health restrictions since March 2020 made it impossible for creative businesses to meet the eligibility criteria related to public access. In other cases, closure of non-profit operations or business vacancies may also prevent CCLF from meeting their required 51% of not-for-profit tenants.

Since the City's intention is to support the retention of cultural space as the pandemic continues to impact the sector, as stated in the report of the Toronto Office of Recovery and Rebuild, and the City's Economic and Culture Recovery Advisory Group, this report recommends changes to the eligibility criteria that would otherwise prevent businesses that were already within the CCLF subclasses to maintain their tax classification during the pandemic. It is proposed that these eligibility requirements be temporarily suspended or waived for the period from March 2020 and continuing to December 2021.

In this way, if a business that otherwise qualified to be included in the class as at March, 2020 (i.e., all eligibility requirements had been met at that time), but subsequent events, closures, circumstances caused the business to be unable to meet all of the eligibility requirements, the business would continue to be included within the class for the remainder of 2020, and for all (or a portion) of 2021, unless they physically ceased to be a CCLF or live music venue. This would ensure that businesses that intend to continue as a CCLF or live music venue are not eliminated from the class, and that they continue to receive the tax reduction in 2020 and 2021.

This report also recommends amendments to the current eligibility provisions to require property owners to flow through the reduction of property taxes to the live music venue operators or tenants within 12 months of each year's application deadline, so as to meet the purpose of the program in sustaining cultural spaces.

### Tax Increment Financing Allocation

At its meeting on April 24, 2018 Council adopted a funding strategy for a Smart Track Station Program (EX33.1). The strategy includes funding from Federal Government contributions, Development Charges, the City Building Fund, and Tax Increment Funding (TIF).

With respect to TIF, Council directed that, commencing in 2019, 15% of all commercial and residential tax revenue from assessment growth in the SmartTrack Zones in each year be allocated to the SmartTrack Funding Reserve Fund, less any reduction for tax increment grants attributable to the growth, for a period of 25 years.

In 2020, the municipal revenue from assessment growth for the SmartTrack Zones was $6,077,954, net of any IMIT grants attributable to this growth, resulting in a 15% incremental TIF allocation of $911,693.

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## SIGNATURE

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