

**City Council****Notice of Motion**

MM28.8	ACTION			Ward: All
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**Supporting Main Street Recovery Through Tax Reform and the Introduction of a Small Business Property Subclass - by Councillor Kristyn Wong-Tam, seconded by Councillor Mike Colle**

*\* Notice of this Motion has been given.*

*\* This Motion is subject to referral to the Executive Committee. A two-thirds vote is required to waive referral.*

**Recommendations**

Councillor Kristyn Wong-Tam, seconded by Councillor Mike Colle, recommends that:

1. City Council direct the Chief Financial Officer and Treasurer to implement a new small business property subclass for the 2021 tax year in order to support small businesses through the pandemic and to stimulate economic growth and job creation post-pandemic, once the Regulations are released.

2. City Council direct the Chief Financial Officer and Treasurer to develop a small business property subclass definition that addresses the following issues:

a. Highest and Best Use Assessments - the small business property subclass definition should address the need to reduce property taxes for small businesses that have endured increases in property assessments beyond the average for the Commercial Tax Class;

b. Preserving and Rebuilding Toronto's Main Streets - the small business property subclass definition should support small businesses located on Toronto's main streets, helping them to survive through the pandemic, while also encouraging the rebuilding of main streets post-pandemic; and

c. Broad Tax Relief for Small Businesses - the small business property subclass definition should recognize that small businesses are located throughout the City and provide a process to provide broad tax relief to these businesses.

3. City Council direct the Chief Financial Officer and Treasurer to set the small business subclass property tax rate to be 25 percent less than the Residual Commercial Band 1 and Residual Commercial Band 2 rate for 2021.

4. City Council direct the Chief Financial Officer and Treasurer, the Chief Planner and Executive Director, City Planning and the General Manager, Economic Development and Culture, to review the implementation of the small business subclass in 2021 and undertake community consultation to identify additional criteria and enhancements for the subclass, and to report their recommendations by September 2021 for consideration as part of the 2022

budget.

## **Summary**

Small businesses are the life-blood of communities. The current COVID-19 virus has in many cases irrecoverably harmed the post-pandemic recovery, with beloved local restaurants, bars, speciality shops and more closing for good. Even prior to the pandemic, many main street retail buildings have seen long standing challenges with high property taxes due to above average property assessment increases.

One of the key measures the City can take to assist the long-term health of these small businesses is to implement property tax relief both during and post-pandemic to ensure the rebuilding of main streets post-COVID. For more than two decades, commercial properties in areas identified for intensification and redevelopment across the City have seen tremendous jumps in property taxes due to the way the Municipal Property Assessment Corporation assesses commercial properties as “highest and best use.”

In 1998, the Province of Ontario adopted the Current Value Assessment model for determining the assessed value of properties. Administered today by Municipal Property Assessment Corporation, all properties in Ontario have been re-assessed every four years and municipal property taxes are levied against these updated values. The majority of small businesses are located in areas identified in Toronto’s Official Plan as the Downtown, Growth Centres and Avenues, where growth is directed to meet Provincial Policy and Official Plan objectives. Since Municipal Property Assessment Corporation tends to use comparable sales data for similar properties, development assemblies and land speculation in Toronto result in unprecedented property tax hikes that are a threat to many surrounding small businesses and the character of cherished neighbourhoods.

By weighing the sale of similar and neighbouring properties, Municipal Property Assessment Corporation’s calculations can result in enormous increases in property taxes on very modestly scaled main-street properties. As an example, on Yonge Street in 2017, the assessment growth on some properties resulted in owners of many historical two and three storey commercial properties seeing their taxes raise by 300 percent to 400 percent. City Council has recognized this issue and has attempted to support small businesses through a temporary 10 percent cap on commercial property tax increases, but a long-term sustainable solution is necessary.

The City has been working with Municipal Property Assessment Corporation, the Toronto Association of Business Improvement Areas, the Ontario Ministry of Finance, and other small businesses and stakeholders to identify potential assessment and tax policy solutions that could address this challenge and support main streets in Toronto.

The 2020 Budget, Ontario’s Action Plan: Protect, Support, Recover, introduced property tax and assessment initiatives to support business competitiveness as the Province recovers from the pandemic. This included providing municipalities the flexibility to target tax relief to small businesses by creating a new optional property subclass for small businesses in 2021 and subsequent tax years. The Province also committed to considering matching any municipal property reductions with a corresponding reduction in the Province’s Business Education Tax in order to further support small businesses.

The Province is currently finalizing the regulations for the small business subclass, but the definition for small businesses is left to each municipality and can utilize geographic, business or property features to determine that definition. Given that main street businesses across Toronto were struggling with unaffordable property taxes before COVID and are under even more financial stress due to the pandemic, the City must be ready to assist small businesses through this new definition.

It is critical the City implement a solution in 2021 to assist these small businesses through the pandemic, but also to ensure lively main streets with a diversity of small businesses in the City's Downtown, Growth centres and Avenues post-COVID.

**Background Information (City Council)**

Member Motion MM28.8