TORONTO CITY CLERK

**Consolidated Clause in Policy and Finance Committee and Economic Development and Parks Committee Joint Report 2, which was considered by City Council on October 26, 27, 28 and 31, 2005.**

# 1

## Final Recommendations - Enhancing Toronto's Business Climate – It's Everybody's Business (All Wards)

*City Council on October 26, 27, 28 and 31, 2005, amended this Clause by adding the following:*

*"That:*

*(1) as part of the New Deal with the Province of Ontario, the provincial government be requested to commit to reducing the Education Levy on the industrial and commercial class in Toronto;*

*(2) the Province of Ontario be advised that City Council has taken a strong position on reducing the business tax ratio over the long-term, as a strategy to retain and attract business, and strongly requests that the Province contribute to this sustainability strategy by immediately lowering the Education Tax Rate to the average of the surrounding Greater Toronto Area municipalities;*

*(3) City Council request the Federal and Provincial Ministers of Finance to explore the opportunity to share growth-related incomes and revenues versus reliance on property taxes;*

*(4) City Council request Mr. André Marin, the Provincial Ombudsman, to evaluate and consider options, other than Current Value Assessment (CVA), for assessing property tax values across the City, including the cost of service delivery, number of units/rooms and square footage of a property;*

*(5) City Council also request Mr. André Marin, the Provincial Ombudsman, to consider the following recommendations as part of his investigation concerning the Municipal Property Assessment Corporation:*

*'(1) Successful appeals and roll back of assessments are not factored into as the new base rate, forcing homeowners to appeal yearly. Homeowners should not have to go through this year after year. Make the appealed assessment the base assessment.*

*(2) Mitigating factors affecting the assessment should be available to the public.*

(3) *The $75.00 application fee for a reassessment should be refundable for successful appeals.*

(4) *Conduct spot reassessments to ensure fairness in a slow or stagnant market.*

(5) *Consider including longevity at an address as a factor of the CVA.*

(6) *Improve the Web site to make it easier for homeowners to navigate and allow lookups for all the homes in their immediate neighbourhood and vicinity rather than be limited to 12.';*

(6) *the City Manager be requested to report to the Policy and Finance Committee before the end of the year on municipalities that levy income and retail sales taxes;*

(7) *Council adopt the following motion:*

*'**WHEREAS** according to the Tenant Protection Act, landlords must pass on a rent reduction, should property taxes be reduced by 2.5 percent or more;*

***NOW THEREFORE BE IT RESOLVED THAT**, in the event that the provincial government does not amend the Tenant Protection Act to provide for automatic rent reductions in all cases where there is a tax decrease, the Deputy City Manager and Chief Financial Officer be requested to report back, before the 2006 property taxes are set, on phasing in strategies of assessment shifts to maximize the possible benefit for tenants.';*

(8) *the Deputy City Manager and Chief Financial Officer be requested to report to the Policy and Finance Committee:*

(a) *on ways by which the City can assure the Province and the business community that City Council will be financially prudent in dealing with the requested provincial reduction to the business education tax to ensure economical competitiveness in the Greater Toronto Area region;*

(b) *on the impact of the City's policy of intensification and infill development on former industrial and commercial lands and surrounding assessments; and*

(c) *for its meeting scheduled to be held in June 2006, on the status of the creation of a new Neighbourhood Retail property class and to make any recommendations as necessary to ensure that the property tax relief presented in this plan can be made to this new class commencing in the 2007 taxation year;*

*(9) City Council adopt the following staff recommendations contained in the Recommendations Section of the supplementary report (October 26, 2005) from the Deputy City Manager and Chief Financial Officer:*

*'It is recommended that:*

*(1) the eligibility criteria for the City of Toronto's Tax Assistance Program for Low Income Seniors and Low Income Disabled Persons be updated by amending the City of Toronto Municipal Code, Chapter 767, Taxation, to:*

*(a) increase the maximum household income for eligibility under the Tax Deferral Program for low-income seniors and low-income disabled persons to $40,000.00, commencing in the 2006 taxation year;*

*(b) increase the maximum household income for eligibility under the Tax Cancellation Program for low-income seniors and low-income disabled persons to $26,000.00, commencing in the 2006 taxation year; and*

*(c) increase the maximum assessed value for eligibility under the Tax Cancellation Program for low-income seniors and low-income disabled persons to $454,000.00, commencing in the 2006 taxation year; and*

*(2) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.' "*

*This Clause, as amended, was adopted by City Council.*

*Council also considered additional material, which is noted at the end of this Clause.*

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**The Policy and Finance Committee and the Economic Development and Parks Committee recommend that:**

**(1) City Council:**

**(i) adopt the staff recommendations contained in the Recommendations Section of the report (October 17, 2005) from the Deputy City Manager and Chief Financial Officer subject to amending Recommendation (10) to provide that the first task of the Mayor's Economic Competitiveness Advisory Committee be to establish (through broad consultation) benchmarks to measure the success of each component of the program for approval by Council; and**

**(ii) request the City Manager to submit a report to the meeting of the Policy and Finance Committee to be held on November 22, 2005, with recommendations on the Terms of Reference and Membership of the Mayor's Economic Competitiveness Advisory Committee;**

**(2) the Deputy City Manager and Chief Financial Officer be requested to report annually, through the Policy and Finance Committee, on the success or failure of each component part of the policy utilizing the benchmarks established by Council on the advice of the Mayor's Economic Competitiveness Advisory Committee; each component program to be evaluated on the basis of these benchmarks/targets and failure to reach these benchmark/targets in three consecutive years result in an automatic re-evaluation of the program and at that time staff be directed to present the case why that part of the program should not be suspended; and**

**(3) the Minister of Municipal Affairs and Housing be requested to amend the Tenant Protection Act – TPA to ensure that the multi-residential tax reductions proposed under this plan flow through as rent reductions to tenants.**

Action taken by the Committee:

The Policy and Finance Committee and the Economic Development and Parks Committee:

(1) requested the Deputy City Manager and Chief Financial Officer to submit a report directly to Council for its meeting to be held on October 26, 2005:

(i) providing additional recommendations to support those on limited income, such as some seniors, so as to ensure that the proposed changes do not cause undue hardship to the needy; and

(ii) on how residential development charges can be used to finance the 0.3 percent annual tax shift and funding relief to the new neighbourhood retail class and rebates to heritage properties;

(2) requested the Deputy City Manager and Chief Financial Officer to submit a report to the Policy and Finance Committee respecting funding for the neighbourhood retail program being derived entirely from the business class of property taxes; and

(3) referred the following motion to the Deputy City Manager and Chief Financial Officer for report thereon to the Policy and Finance Committee:

Moved by Deputy Mayor Pantalone:

"That the Policy and Finance Committee and the Economic Development and Parks Committee recommend that Council endorse in principle that the existing commercial and industrial buildings that have been retrofitted to meet energy efficiency standards of the Federal Commercial Building Incentive Program may be granted the same tax classification proposed for new buildings, subject to a review of the specific impact on overall revenues within each class; and that before any further action is taken on this, the Deputy City Manager and Chief Financial Officer report thereon to a future meeting of the Policy and Finance Committee."

**The Policy and Finance Committee and the Economic Development and Parks Committee submit the report (October 17, 2005) from the Deputy City Manager and Chief Financial Officer:**

Purpose:

To report on the outcome of public and stakeholder consultations and to recommend implementation of the action plan as presented in this report to enhance the business climate in the City of Toronto.

Financial Implications and Impact Statement:

The intent of the recommended action plan is to implement incentives and initiatives to maintain and expand the City's property assessment base, with a net positive impact on the City over the long term.

The tax policy initiative of a 0.3 percent annual tax shift, or approximately $6.00 for the average household, from Toronto's business and multi-residential property classes to the residential property class, together with permitting budgetary tax rate increases on the business and multi-residential property classes of up to one-third of any tax rate increase on residential properties, will address the imbalance in Toronto's tax burdens between property classes over a 15 year period.

The policy direction to permit one-third of any tax rate increase to be passed onto the business and multi-residential property classes will allow an additional $6 million in property tax revenue for every one percent residential tax rate increase, that would not otherwise be available under existing legislation.

The property tax initiatives to provide relief to a new neighbourhood retail property tax class and rebates to heritage properties will have an additional budgetary impact on the residential class of approximately 0.2 percent or $4.00 per household in 2006.

The other recommended business cost competitiveness initiatives outlined in Recommendation (6), subject to Council approval, could have a budgetary impact by way of foregone revenue, estimated at up to $5 million annually on the total property tax base.

Recommendations:

It is recommended that:

(1) Council endorse, as policy, a fifteen year plan to correct the imbalance in property class tax allocations, by setting a commercial, industrial and multi-residential tax ratio target of 2.5-times residential, to be achieved in 15 years or less:

(a) subject to securing the legal authority sought in Recommendation (1)(c) and (4)(a), endorsing a first phase five-year plan to equalize commercial (excluding neighbourhood retail), industrial and multi-residential tax ratios to a target of 3.38-times residential over five-years (2010), and for neighbourhood retail as provided for in Recommendation (4), to a target of 3.15-times residential by year five (2010), which targets are achievable through the following yearly target tax ratios, calculated after any budgetary tax increase:

| Column I | Column II | Column III | Column IV | Column V |
|---|---|---|---|---|
| | Maximum Tax Ratio Targets (after any budgetary tax increase) | | | |
| Tax Year | Commercial – Residual | Commercial – Neighbourhood Retail | Industrial | Multi-Residential |
| 2006 | 3.72 | 3.72 | 4.09 | 3.69 |
| 2007 | 3.63 | 3.54 | 3.92 | 3.61 |
| 2008 | 3.55 | 3.41 | 3.74 | 3.53 |
| 2009 | 3.46 | 3.28 | 3.56 | 3.46 |
| 2010 | 3.38 | 3.15 | 3.38 | 3.38 |
| 2015 | 3.0 | 2.5 | 3.0 | 3.0 |
| 2020 | 2.5 | 2.5 | 2.5 | 2.5 |

(b) subject to securing the legal authority sought in Recommendation (1)(c) and (4)(a), endorsing a second phase plan to reduce the commercial (excluding neighbourhood retail), industrial and multi-residential tax ratio targets to 3.0 times residential by 2015, and 2.5 times residential by 2020, and for neighbourhood retail, to a tax ratio target of 2.5-times residential by year ten (2015), calculated after any budgetary tax increase; and

(c) if not otherwise provided for in the new *City of Toronto Act*, the Province be requested to amend legislation to allow, as part of this long-term strategy, for up to one-third of any residential tax rate increase to be applied to the commercial, neighbourhood retail, industrial, and multi-residential tax classes, commencing in 2006;

(2) Council reaffirm its position that the Province implement a reduction in Toronto's business education tax rates to the average of the surrounding GTA municipalities to create a 'level playing field' and in respect of business education tax fairness;

(3) Council endorse a plan to phase-out the capping and clawback regime and to accelerate the progress to full CVA-taxation for the business and multi-residential property classes:

(a) by adopting a capping limit of five percent based on the preceding year's current value taxes by annual by-law, commencing for the 2006 taxation year, as permitted under section 329.1 (1) of the *Municipal Act, 2001* or as authorized under a new *City of Toronto Act*; and

(b) subject to securing the legal authority sought in Recommendation (3)(d), commercial, neighbourhood retail, industrial, and multi-residential properties, upon reaching full CVA-taxation, be excluded from any future capping or clawback of taxes; and

(c) funding for the capping protection continue to be by way of clawing back tax decreases from within each respective broad class, by annually adopting a clawback by-law under section 330 of the *Municipal Act, 2001* or any comparable provision of a new *City of Toronto Act*. For clarity, the broad commercial class includes the commercial neighbourhood retail class; and

(d) if not otherwise provided for in a new *City of Toronto Act*, the Province be requested to grant the City the authority to exclude any commercial (including neighbourhood retail), industrial, or multi-residential property from any capping or clawback of taxes once such a property reaches its full-CVA level of taxation;

(4) Council approve a program, commencing in 2007, to provide property tax relief for the neighbourhood retail class:

(a) by requesting the Province to, if not otherwise provided for in a new *City of Toronto Act*, grant the City authority to create a new neighbourhood retail class, as defined in Section 4 of this report, and requesting the Municipal Property Assessment Corporation (MPAC) to identify and re-classify properties eligible for this class in the City of Toronto, such that the program can commence in the 2007 taxation year; and

(b) subject to securing the legal authority sought in Recommendation 4(a), Council endorse an accelerated phase-in over a maximum 10-year period, commencing in 2007, to reduce the target tax ratio for the neighbourhood retail property class to 2.5-times the municipal residential tax rate, as provided for in Column III of the Table contained in Recommendation 1(a);

(5) Council implement the program to provide property tax rebates to eligible designated heritage properties, on the basis and criteria previously approved by Council in 2002, and funding in the amount of $718,300 be made in the 2006 Operating Budget to commence

the program, initially limited to eligible national historic sites in 2006, and approval, in principle, to include all eligible designated heritage properties commencing in 2007; funding for this program be from general revenues.

Business Cost Competitiveness Initiatives:

(6) Council approve, in principle, programs to encourage the development and construction of new non-retail office, hotel and industrial space, specifically:

(a) subject to securing the legal authority sought in Recommendation (6)(d), a City program be approved, commencing in 2006, to provide for a lower municipal tax rate to apply, for up to a five-year period, for all new non-retail office and hotel development, and expansions of 50 percent or more in gross floor area related to non-retail office and hotel uses, with such a lower tax rate being based on the tax ratios targets shown in Column III of the Table below and determined from the time the Occupancy Permit is issued (Column I):

| Column I<br>Year Occupancy Permit Issued | Column II<br>Commercial Residual Tax Ratio | Column III<br>Tax Ratio Target applicable for a 5-year period for new non-retail office and hotel construction, and eligible expansions | Column IV<br>Applicable Tax Years |
|---|---|---|---|
| 2006 | 3.72 | 3.38 | 2006 - 2010 |
| 2007 | 3.63 | 3.30 | 2007 - 2011 |
| 2008 | 3.55 | 3.23 | 2008 - 2012 |
| 2009 | 3.46 | 3.15 | 2009 - 2013 |
| 2010 | 3.38 | 3.08 | 2010 - 2014 |
| 2011 | 3.30 | 3.00 | 2011 – 2015 |
| 2012+ | | as embodied in report | |

(b) subject to securing the legal authority sought in Recommendation (6)(d), a City program be approved, commencing in 2006, to provide for a lower municipal tax rate to apply, for up to a fifteen-year period (to the year 2020), for all new industrial development, and expansions of 50 percent or more in gross floor area related to industrial uses, with such a lower tax rate being based on a tax ratio target of 2.5-times the residential rate and determined from the time the Occupancy Permit is issued; and

(c) subject to securing the legal authority sought in Recommendation 6(d), a City program be approved, commencing in 2006, to provide for the abatement of property taxes related to the vacant portion of new office construction during the initial lease-up period, for a period not to exceed two years on that portion that remains vacant from the time that the occupancy permit was issued; and

(d) if not otherwise provided for in a new *City of Toronto Act*, the Province be requested to grant the City the authority to: (i) establish lower tax rates for a limited time period for new or expanded non-retail office, hotel and industrial properties; and (ii) to provide for the abatement of property taxes on vacant portions of eligible development under this section;

(7) the Deputy City Manager and Chief Financial Officer, in consultation with the Chief Building Official, the General Manager of Economic Development and the City Solicitor, review the feasibility, including the legal and financial implications, of waiving building permit fees on non-retail office, hotel and industrial development, and report back through the Planning and Transportation Committee to the Policy and Finance Committee;

(8) the Deputy City Manager and Chief Financial Officer, in consultation with the General Manager of Economic Development and the Chief Planner, review the feasibility of expanding the Tax Increment Equivalent Grant program in Community Improvement Plan Areas to protect selected employment areas, and report back to a joint meeting of Economic Development and Parks Committee and Planning and Transportation Committee to the Policy and Finance Committee.

General Economic Development Initiatives:

(9) With respect to planning for employment areas:

(a) the Chief Planner also report to the joint meeting of Economic Development and Parks Committee and Planning and Transportation Committee on development patterns since Council adoption of the Official Plan, highlighting the disposition of current applications to convert employment lands to residential use; and

(b) Council reaffirm for the Province the position taken with respect to *Planning Act* reform – that where Council refuses an application to convert employment lands to non-employment use, where the Official Plan designates said lands for employment purposes, that the applicant have no right of appeal to the Ontario Municipal Board;

(10) a Mayor's Economic Competitiveness Advisory Committee be established to ensure the ongoing engagement and involvement of the business community;

(11) the City Manager be directed to create an Executive Interdivisional Economic Growth Team to assess and improve programs and services and ensure an integrated corporate response to improving the business climate, and that the Executive Interdivisional Economic Growth Team to report through the appropriate Standing Committee(s) to Policy and Finance committee at its January 2007, meeting with a status report on the effectiveness of the recommendations from this report in enhancing employment and business assessment growth in the City of Toronto; and

(12) the appropriate City officials be authorized and directed to give effect thereto, including the introduction of any necessary bills.

Background/Council Reference:

At its meeting of June 22-24, 2004, during consideration of a report by the Chief Financial Officer and Treasurer headed "Property Tax Policies for 2005 and Beyond – Consultative Framework" Council approved a public consultative process with regard to City and Provincial property tax policies for 2005 and beyond and endorsed certain guiding principles in this regard.

A number of public workshops were held between May and August of 2004, and staff also participated in numerous meetings with interested business and industry associations and residential and tenant ratepayer groups, to consider business competitiveness and employment issues and property tax fairness.

The input received during the 2004 public consultation, together with extensive research and analysis by staff, culminated in the July 4, 2005 staff report titled "Enhancing Toronto's Business Climate – It's Everybody's Business", which proposed a 14-point comprehensive action plan consisting of incentives and initiatives intended to enhance the City's competitiveness over the long term. During consideration of that report on July 7, 2005, the Policy and Finance Committee directed staff to again engage the public, residential, and business stakeholders on this proposed plan, with the objective of making specific longer-term tax policy recommendations at the Policy and Finance Committee meeting to be held in October, 2005.

This report provides staff's final recommendations in this regard.

Comments:

(I) Toronto's Ability to Attract and Retain Jobs:

Toronto is a Good Place to Live, Work and Play. With a population of 4.7 million, the Toronto metropolitan area surrounds Canada's largest city and is one of the most rapidly growing urban areas in North America. Toronto is the 5th-largest city in North America, after Mexico City, New York, Los Angeles and Chicago. As the capital of Ontario, Toronto is the seat of government for Canada's most populous province.

Toronto has an international reputation as a clean and safe city that offers its residents an enviable quality of life. Toronto is the centre of culture and creativity. It is the Canada's largest centre for live theatre and music, where the quality of productions and talent is rivalled only by New York and London. Major expansions are currently underway at every major cultural facility in Toronto.

Toronto offers some of the best infrastructure in the world. The city's telecommunications is one of the largest networks of fibre-optic cable of any North American city. The TTC carries more passengers than any other transit system in North America other than New York. Most important, however, Toronto's highly skilled, educated and multi-lingual workforce provides the knowledge and know-how to keep

Toronto businesses ahead of the rest. Toronto has been very successful in attracting the best and brightest from across Canada and indeed from around the world.

Toronto is also One of the World's Most Cost-Effective Cities for Business. Toronto has lower business costs than most of the European, North American and Asian cities studied in the 2004 Competitive Alternatives report by KPMG. The biggest savings are on skilled labour and industries doing Research and Development (R&D). In analyzing 27 business costs across 17 business operations, the study found Toronto to be the least costly of the 30 large industrial cities studied.

For all these reasons, Toronto is Canada's corporate capital and leading business address. It is home to more nationally and internationally top-ranked companies than any other Canadian city. Toronto is the third largest financial services centre on the continent and is the headquarters of Canada's five largest banks, Canada's six largest accounting companies and nine of Canada's ten largest law firms. Toronto is the largest centre of higher education in the country, and has Canada's largest concentration of sophisticated medical services.

Toronto - Competing for Business in a Changing World. Toronto competes for investment and jobs with other large urban areas in North America and increasingly around the world. However, at the same time we have to remain competitive with other Canadian centers and our own rapidly expanding "905" suburbs.

During the nineteen seventies and eighties, Toronto successfully managed the transition from its historic role as a prosperous regional centre in Canada to become Canada's corporate capital. The bank towers built at King and Bay in that period serve as a powerful symbol of Toronto's emergence as Canada's corporate capital. By the late 1980's, downtown office users were demanding, and were absorbing, the equivalent of one new Scotia Plaza every year.

At the same time new technologies in telecommunications and information technologies have provided firms alternatives to central city locations. The decentralization of office employment has been happening across North America and has led several American observers to herald the end of the era of great cities. The evidence in Toronto is mixed. Total office occupancy costs in downtown Toronto remain significantly higher than in the suburbs and the premium office tenants are willing to pay to be downtown is precarious to stimulate significant new construction.

Some firms have considerable choice among these factors and can often be drawn to locations where out-of-pocket expenses are lowest. In contrast, there are other activities, which have much stronger linkages to particular locations. Lawyers that must make frequent personal appearances in downtown courts and convenience retailers have quite specific locational requirements, for which they are prepared to pay a premium. Many other firms will, of course, fall somewhere in the spectrum between the extremes of completely footloose and very attached. New advances in telecommunications and information technologies have generally allowed firms to become increasingly footloose, particularly those in the office sector.

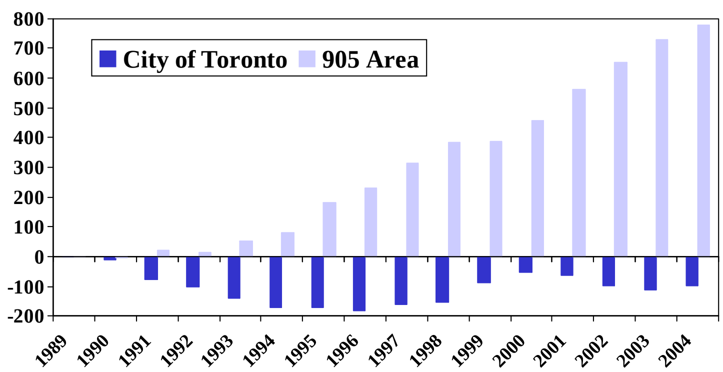
Business Location Decisions in the Toronto Region. To some extent, it may be inevitable that growth in an expanding urban region will be greatest at the periphery. In the Toronto region, much of the recent employment growth has followed the rapid suburbanization of the region's population into the outlying parts of the developing urbanized area. The factors which influence the location decisions of new firms coming into the region or the relocation decisions of existing firms within it are complex and often interrelated, and include such considerations as:

(i) labour market and costs;
(ii) transportation and accessibility;
(iii) proximity to clients and business contacts;
(iv) prestige and visibility;
(v) land costs and availability;
(vi) building rents, maintenance and utility costs, and
(vii) property taxes.

In 1989, total employment in the City of Toronto peaked at almost 1.5 million workers. Since that time, employment in the city has at best languished. In fact, it is estimated that 100,000 fewer people work today in the City of Toronto than fifteen years ago. In contrast, employment in the rapidly growing suburbs around Toronto has increased significantly over this period. In the last 15 years, 800,000 new jobs have been created in the rest of the Toronto CMA (905 area).

In 2002, the 905 area became a net importer of labour from Toronto and the rest of Ontario. In 2003, the 905 area finally surpassed the City of Toronto in terms of total employment. Already in 2001, more City residents commuted to jobs in Vaughan, than Vaughan residents worked in the City.

**Cumulative Employment Change 1990 to 2004**

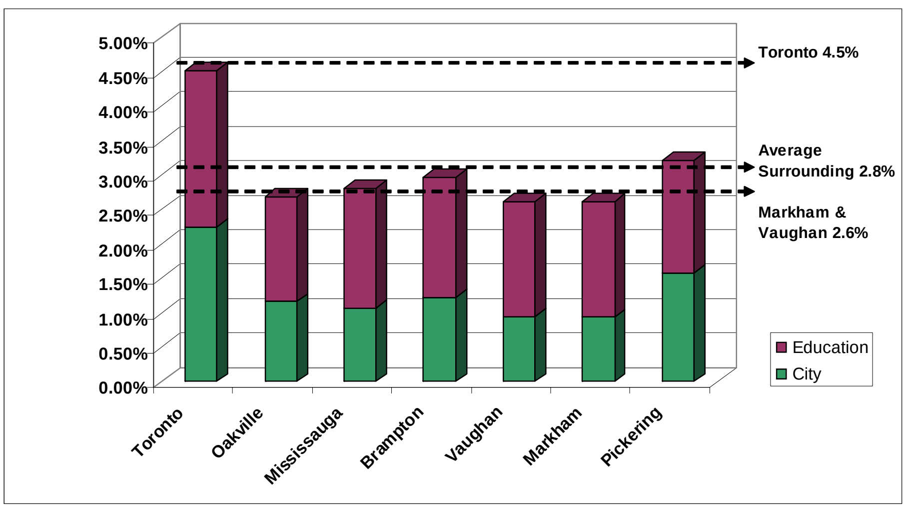



Attachment 3 to this report illustrates job loss by ward from 1989 to 2004. It shows that job losses have occurred across the City. The last two columns also show that the percentage of employed City residents that commute out of the City to their jobs increased in every ward in the City between 1991 and 2001.

One of the continuing reasons for the stagnation of employment and of associated commercial construction is the cost differential between development in the city and the directly abutting regions. The net impact of the differential in both municipal and provincial education tax rates is obvious and annual – currently a firm located in a 250,000 square foot office constructed north of Steeles Avenue will save over $800,000 per annum in property taxes when compared to locating south of Steeles Avenue.

Commercial property taxes as a percentage of market value (a ratio known as the "effective" tax rate) is much higher in the City of Toronto than in the surrounding region. This is a situation that has been some sixty years in the making and, and while progress has been made, one which neither the provincial nor local level of government have so far been able to effectively address. Since the introduction in 1998 of Current Value Assessment (CVA) and related legislative changes that have affected properties across the province, numerous additional issues and concerns have arisen that make the case for a review of current property tax policies ever more pressing, especially in the City of Toronto.

**2005 Business Tax Rates**




All other factors being equal, differences in property taxes may be the deciding locational factor. That is to say, footloose firms are more tempted by the lure of lower property taxes than are more attached firms in situations where all other amenities are comparable. This reduces the incentive to develop new property. Where firms have a strong need to be in a specific location or are very attached to their particular situation, the tenant will bear more of the burden of high property taxes. In this case, net rents and property values will be relatively unaffected by high property taxes. The burden of higher property taxes comes down to the question of the relative significance of footloose versus attached firms and the changes that may be occurring in this mix.

It is the proliferation of these individual development decisions that is impacting Toronto's job situation. With stagnation in office construction, the City is also faced with an inability to respond to firm expansions and/or mergers, again encouraging employment to accrue to 905 suburbs. A few additional facts include:

(i) employment concerns are not limited to one industry or sector but span across the entire spectrum of the local economy;

(ii) the outer parts of the city have suffered the most since 1989 and are experiencing the highest rates of unemployment in the City. The migration of firms to the 905 region from these areas has created a labour market mismatch impacting low income neighbourhoods;

(iii) commercial and industrial assessment cross-subsidizes municipal services for residents. Therefore, the best long-term strategy to keep residential taxes down is to maintain a strong commercial/industrial tax base;

(iv) econometric studies have shown a strong link between employment density and regional economic performance, particularly innovation and productivity; and

(v) transit use is determined largely by employment density; therefore employment sprawl has a greater impact on transit supportive growth than residential sprawl. Unlike the Financial District, where only 25 percent of workers arrive by car, offices in the Airport Corporate Centre in Mississauga see some 91 percent of workers arrive by car. Job levels in the city also have a direct impact on TTC revenues.

The trends in employment growth (or lack thereof) outlined above should be of significant concern to the City of Toronto and the Province of Ontario for the following reasons: jobs, assessment, fiscal sustainability, environmental sustainability, and social equity.

(II) Public Consultation:

While it may be premature to speak about an exodus of businesses from the City, it is clear that something must be done and soon. Recognizing that the status quo is not sustainable, Toronto City Council adopted "Improving the business climate" as one of its nine priorities for the 2003-2006 term of Council.

In June 2004, Council approved a public consultation process to explore ways the City, the senior levels of government, and business could partner to improve Toronto's business climate. For its part, the Province, in 2004, introduced interim measures to give municipalities greater flexibility in the exercise of their taxation powers during what has now become to be seen as a transition period in the process of property tax reform. There has seldom been a better or more promising time for the City, senior levels of government, and all stakeholders to work together to solve these long-standing issues concerning Toronto's long-term sustainability and competitiveness.

The first round of public consultations held during the summer of 2004, together with extensive background research and analysis by City staff, culminated in a fourteen point action plan that staff tabled at Policy and Finance Committee in July 2005.

In order to engage stakeholders for their input on the proposed action plan, five public workshops were held in September 2005. These meetings were promoted by way of advertisement in community newspapers across the City, and through advertisements in the Toronto Star and Toronto Sun newspapers. Direct mailings were also made to approximately 490 residential ratepayer associations and 80 tenant groups. Over 150 participants and stakeholder representatives attended at these workshops, representing a good cross-section of the City's taxpayers. In addition to this, staff have also had a number of meetings with interested business and industry associations.

A City staff team consisting of representatives from Corporate Finance, Revenue Services, Economic Development, City Planning, and Shelter and Housing participated in the individual and public meetings. The format of these meetings involved a staff presentation providing background information and highlighting the key longer-term business competitiveness issues. This was followed by a facilitated round-table discussion where participants were asked to consider and offer their opinions on the fourteen point action plan. A workbook summarizing the issues was also provided to each participant to assist in this regard. Comments were transcribed on a flip chart, which participants were asked to review to ensure there were no inaccuracies. Participants also had the opportunity to write down their comments, and were advised and encouraged to make written submissions. The written submissions are attached to the concurrent transmittal letter from the Deputy City Manager and Chief Financial Officer to the City Clerk to formally receive these submissions. Attachment 1 captures the concerns and comments expressed by the public and other stakeholders at the public meetings.

III. Recommended Action Plan to Enhance Toronto's Business Climate:

The following summarizes the revised plan designed to form the basis of a strategy to strengthen and revitalize the City of Toronto. It reflects input received from all stakeholders, and the balancing of issues from staff's perspective. For the most part, stakeholders were generally supportive of the proposed plan. Even residential stakeholders, for whom the core element of the plan includes a recommendation of a modest tax shift from businesses onto homeowners, came to accept this upon recognition of the importance retaining employment within the community and as the best long term strategy to keep residential tax rates low.

The revised action plan summarized below represents a balanced response to the input received. These measures are necessary and form the core of a strategy to enhance Toronto's business climate. However, these relatively modest measures, by themselves, are not sufficient to turn the tide and to empower City businesses to compete on a level playing field. The plan should be treated as a package, because many of the elements are inter-related, and have synergistic effects.

2005 Public Consultation – Enhancing Toronto's Business Climate
Recommended Action Plan

| Proposed Recommendation – July 7th Report | Final Recommendations |
|---|---|
| (A) Property Tax Fairness Initiatives: | |
| (1) Correcting the imbalance in Tax Ratios:<br>- tax ratio target of 2.5-times residential within 15-years; fund by 0.3 percent 'Policy' annual tax shift from non-residential to residential (approx. $6 per year increase for the average household). | Same |
| (2) Business Education Tax Fairness:<br>- request Province to reduce Toronto's business education tax rates to average of the Toronto region. | Same |
| (3) Capping and Clawback:<br>- accelerate by adopting five percent cap based on CVA taxes; funding from within each property class. | Same |
| (4) Protection for Neighbourhood Retail:<br>- request Province to create separate class; accelerate municipal tax reduction to 2.5-times residential over 10-years, verses 15-years for rest of commercial; fund from general revenues. | Same |
| (5) Property Tax Rebate for Heritage Properties:<br>- implement 2002 Council approved program, first for national historic properties in 2006, and rest of eligible heritage properties in 2007; fund from general revenues. | Same |
| (B) Business Cost Competitiveness Initiatives: | |
| (6) Lower tax rate for new office, hotel and industrial development, at 2.5-times residential (a 15-year property tax advantage). | For new non-retail office and hotel, provide 5-year tax advantage (e.g., tax rate of 3.38-times residential if constructed in 2006, for 5-year period); For new industrial construction, provide tax rate of 2.5-times residential to the year 2020 (up to a 15-year property tax advantage). |
| (7) Tax abatement for vacant portion of new office during initial lease-up period. | Provide 100 percent vacancy rebate (verses existing requirement of 30 percent), of property taxes, for up to a two-year period, so long as portion remains vacant. |

| Proposed Recommendation – July 7th Report | Final Recommendations |
|---|---|
| (8) New tenant business tax credit equal to the existing vacancy allowance for defined period of time. | Not Recommended. |
| (9) Expand Tax Increment Equivalent Grant program in Community Improvement Plan Areas to protect selected employment areas. | DCM/Chief Financial Officer, General Manager of Economic Development, and Chief Planner to review feasibility of expanding the Tax Increment Equivalent Grant program in Community Improvement Plan Areas to protect selected employment areas, and report back. |
| (10) Waive building permit fees for all new office, hotel and industrial development. | DCM/Chief Financial Officer, Chief Building Official, General Manager Economic Development and City Solicitor to review the feasibility, including the legal and financial implications, of waiving building permit fees on non-retail, office, hotel and industrial development, and report back. |
| (C) General Economic Development Initiatives: | |
| (11) Invest in proactive programs to stimulate job creation by anchoring existing jobs and firms in Toronto.<br>- Start-up assistance for new businesses, support for key industry clusters, and expansion of BIAs;<br>- labour force development initiatives, including strengthening linkages to Toronto's diverse communities and partnerships with universities and colleges. | With respect to protecting employment areas:<br>The Chief Planner report to a Joint Meeting of Planning and Transportation Committee and Economic Development on development patterns since Council adoption of the Official Plan highlighting the disposition of current applications to convert employment lands to residential use; and<br>Council reaffirm for the Province the position taken with respect to *Planning Act* reform – that where Council refuses an application to convert employment lands to residential, where the Official Plan designates said lands for employment purposes, that the applicant have no right of appeal to the Ontario Municipal Board. |
| (12) Stimulate investment, revitalization and assessment growth through non-tax policy initiatives. For example:<br>- Streamlining the development and building approvals process;<br>- enhance quality of place to lever employment related investment;<br>- Partnerships with the Federal and Provincial governments and improved coordination of intergovernmental policies and programs. | |

| Proposed Recommendation – July 7th Report | | Final Recommendations |
|---|---|---|
| (13) | Promote the Toronto 'brand' locally and internationally to increase the City's profile and showcase our competitive advantages. | A Mayor's Economic Competitiveness Advisory Committee be established to ensure the ongoing engagement and involvement of the business community.<br><br>The City Manager be directed to create an Executive Interdivisional Economic Growth Team to evaluate and improve programs and services to enhance investment and economic growth. |
| (14) | Initiate business focused outreach and engagement program. | |

(A) Property Tax Fairness Initiatives**:**

The proposed action plan considered by the Policy and Finance Committee in July 2005, contained five property tax fairness initiatives that are 'core' principles that must first be addressed to help retain and enhance the value of existing non-residential employment and development. The importance of these principles was resounded throughout the consultation process. These core property tax fairness initiatives are:

(1) correcting the imbalance in tax ratios;

(2) creating a level playing field in the Toronto Region with respect to the Provincial business education tax rates;

(3) addressing the historic inequity caused by the capping and clawback regime for business and multi-residential properties;

(4) protection of neighbourhood retail properties; and

(5) tax relief for designated heritage properties.

(1) Tax Fairness Among Property Tax Classes - Correcting the Imbalance in Tax Ratios:

Addressing the Imbalance in Tax Ratios will Improve Toronto's Business Competitiveness Over the Long Run. The disparity between Toronto's residential and non-residential tax rates was the result of long-standing Provincial tax policies and an outdated assessment system that was based on a valuation basis dating back to the 1940's. Due to the fact that residential properties appreciated in value at a rate greater than that of the non-residential property classes, the real taxation level on the residential class was kept lower than it ought to have been vis-à-vis the other property classes, which became transparent with the move to Current Value Assessment. As a result, Toronto's non-residential commercial, industrial and multi-residential tax rates are approximately four-times that of the residential tax rate, and are amongst the highest in Ontario, partly because Toronto's residential tax rate is amongst the lowest in Ontario.

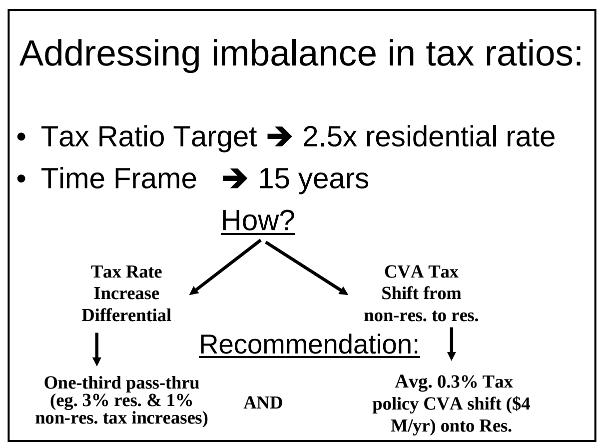
There are two ways to correct the imbalance in tax ratios:

(i) by restricting annual tax rate increases on the non-residential classes; and/or

(ii) by phased shifting of tax allocation from the non-residential class to the residential class.

In the first case, by restricting tax increases on the non-residential class, as tax rates increase over time on homeowners, the disparity between residential and business tax rates will be corrected over time. The greater the differential in tax rate increases, the faster the correction. This was the intent of the budgetary levy increase restriction provision in the Municipal Act ("Bill 140").

In the second case, Council could elect to impose a tax allocation shift from the non-residential class to the residential class in concert with annual updates in CVA values on each property. In effect, a nominal additional tax rate increase would be imposed on the residential class, with a corresponding tax rate decrease on the non-residential classes, which would move the tax ratios closer together over time. Both these tools could and should be used together in order to reach a desired tax ratio target over a reasonable period of time.




Other ways to reduce the non-residential tax rate could include expenditure reductions or new revenue sources, either of which could be directed to reducing the non-residential tax rates. These means are beyond the scope of this report. However such an option will always be available for Council to use in addition to tax shifts should the opportunity arise.

Research could not find any hard evidence of a 'right' number for tax ratios. For reasons previously discussed, the issue that needs to be addressed is business competitiveness amongst the surrounding '905' municipalities. One reason is that once a business has made the decision to locate in the Toronto region, then tax competitiveness between neighbouring municipalities becomes single most important locational factor, given that all other amenities tend to be the same at the periphery. The commercial tax ratios for Toronto's neighbouring municipalities are 1.5 or less, and the Towns of Richmond Hill and Markham are at 1.2 times the residential rate, compared to Toronto at 3.8 times residential.

During the consultation process, there were various responses regarding a reasonable tax ratio target and time frame to achieve the desired ratios. Generally, stakeholders strongly encouraged Council to affirm its intent and commitment to reduce Toronto's tax ratios. Business representatives recognize and generally accept that the business property tax rate will be higher than the residential rate, *but not four-times more*. The general consensus was that a non-residential tax rate of 2 to 2.5 times that of the residential tax rate was a fair and appropriate longer-term target. One rationale given for a higher rate for businesses was the income tax deductibility of property taxes for business enterprises whereas such benefit does not extend to residential property taxpayers.

Further, no solid rationale was made for differentiating tax ratios between commercial, industrial and multi-residential (e.g., a higher industrial rate verses commercial rate would have the inadvertent effect of favouring warehousing over manufacturing).

Some stakeholders, particularly multi-residential representatives, have suggested a multi-residential tax ratio target of 1:1 (i.e., tax at the residential rate). Staff's response to this has been that, in addition to income tax deductibility of property tax expenses, multi-residential properties are assessed differently than residential properties. A comparable multi-residential rental unit is assessed at approximately half of the value of a residential condominium unit (multi-residential properties are valued using a gross income multiplier, whereas residential properties are valued using comparable sales), as confirmed by MPAC. As such, staff feel that a longer-term tax ratio target of 2 to 2.5 times the residential rate, from a tax policy perspective, is also appropriate for the multi-residential class.

After much consideration and analysis of the impacts, and balancing the risk of ongoing loss of business and assessment with the implications on tax revenues and budget pressures, and in managing the tax impacts on residential taxpayers, staff are recommending establishing a tax ratio target of 2.5 times residential rate, to be phased-in over 15-rears. Achieving the business and multi-residential tax ratio of 2.5-times the residential rate over 15 years will be accomplished by:

(i) allowing for up to one-third of any residential tax rate increase to be applied to the Commercial, Neighbourhood Retail, Industrial, and Multi-Residential tax classes (e.g., a one percent non-residential tax increase for a residential tax increase of three percent); and

(ii) a Council initiated 'policy' tax shift of approximately 0.3 percent or $4 million annually (approximately $6 for the average household) towards achieving the tax ratio target of 2.5-times the residential rate within the 15-year phase-in period.

Staff believe this would enhance Toronto's business competitiveness within the Toronto Region, and will encourage new development, employment, and property tax revenues in the long-run. The plan is specifically to equalize commercial, industrial and multi-residential tax ratios to a maximum of 3.38 times residential by year five (2010), to 3.0 times by year ten (2015), and 2.5 times by year fifteen (2020).

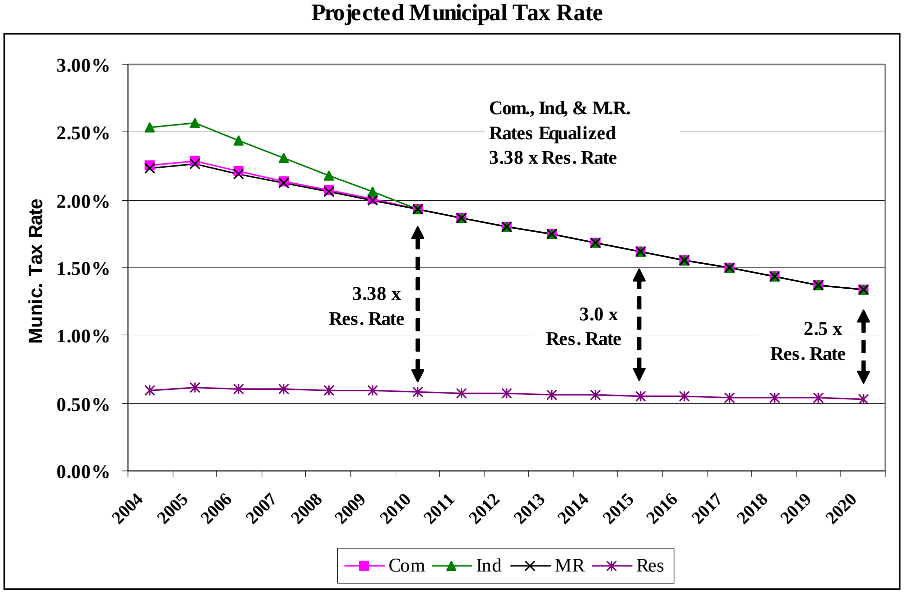
The table below presents the tax ratio target reduction plan. In the first five years, the commercial and multi-residential tax ratios will be reduced by approximately 10 percent, and industrial by 21 percent. By year 15, the ratios will be reduced by approximately 33 percent to 42 percent.

**Recommended Tax Ratio Reduction Plan**

| Year | Commercial | Industrial | Multi-Residential |
|---|---|---|---|
| 2005 | 3.80 | 4.27 | 3.76 |
| 2006 | 3.72 | 4.09 | 3.69 |
| 2007 | 3.63 | 3.92 | 3.61 |
| 2008 | 3.55 | 3.74 | 3.53 |
| 2009 | 3.46 | 3.56 | 3.46 |
| 2010 | 3.38 | 3.38 | 3.38 |
| **% Reduction Yr-5** | **-11.1%** | **-20.9%** | **-10.1%** |
| 2015 | 3.00 | 3.00 | 3.00 |
| 2020 | 2.50 | 2.50 | 2.50 |
| **% Reduction Yr-15** | **-34.2%** | **-41.5%** | **-33.5%** |

The Chart below illustrates how the tax rates will converge over time under this plan. It assumes annual tax rate increases of three percent for the residential class, and one percent for the business and multi-residential classes, and CVA value increases based on the historical average of 5.4 percent for residential properties and 3.3 percent for commercial properties. It is noted, for all classes, that the notional tax rates falls over time because of increases in property values with each reassessment. For example, in 1998, Toronto's residential tax rate was 0.8 percent (municipal), compared to 0.6 percent today even with several tax increases since then.

**Projected Municipal Tax Rate**




It is noted that, a 'natural' CVA shift from non-residential to residential of approximately 1.1 percent or $13 million annually, or about $21 per average home, is also projected on average over the long-run. This is caused by the traditionally higher annual value appreciation of residential properties as compared with business properties. This shift this would occur in any event due to reassessments and would not be a financial consequence of any action or inaction of Council.

Recommendations – Correcting the Imbalance in Tax Ratios:

(i) Council endorse in principle a longer-term commercial, industrial and multi-residential tax ratio target of 2.5-times the residential rate;

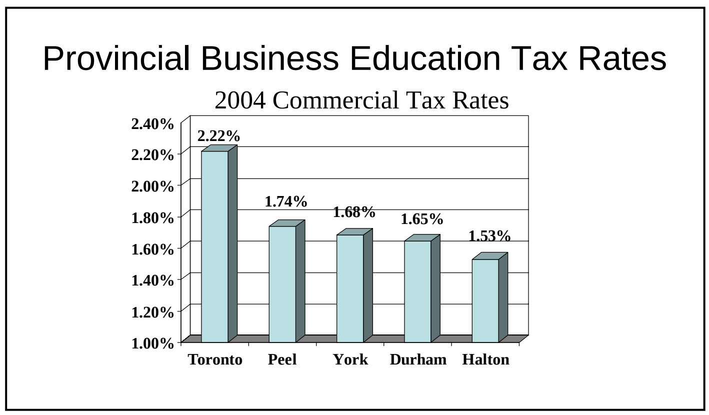
(ii) Council adopt 1st phase 5-year plan to equalize Commercial, Industrial and Multi-Residential (C, I, MR) tax ratios to 3.38x over 5-years (2010);

(iii) Council endorse a tax ratio target of 3.0x by 2015, and 2.5x by 2020; and

(iv) The Province be requested to grant the City authority to allow, as part of this long-term strategy, for up to one-third of any residential tax rate increase to be applied to the C, I, and MR tax classes.

(2) Business Education Tax Fairness:

In 1998, when the Province took over responsibility for education finance, residential education tax rates were immediately equalized across the province. Commercial and industrial tax rates were not equalized. Instead the Province embarked on a program to reduce commercial and industrial education tax rates in municipalities with tax rates above the provincial average.




By the end of 2003, Toronto’s business education taxes had been reduced by a total of $262 million, and Toronto’s commercial and industrial education tax rates are now roughly at the provincial average. However, Toronto’s commercial and industrial tax rates are still approximately 28 percent higher than those levied by the Province in surrounding ‘905’ municipalities.

There are wide discrepancies between municipalities in the business education tax rates being set by the Province. Toronto’s business sector continually expresses concern that Toronto’s commercial tax rates are significantly higher than those in the surrounding Toronto region municipalities, which erodes locational competitiveness and encourages urban sprawl. For this reason, it was unanimously supported during the public consultation process that the Province be again requested to take action to reduce, on a phased-in basis if necessary, the education tax rates imposed on Toronto’s businesses.

City Council has on previous occasions requested the Province to reduce Toronto’s business education tax rate to the Toronto region average. The Province must partner with the City in reducing its business education taxes in Toronto in order to make rest of this plan more effective. When fully implemented, this initiative would reduce commercial and industrial taxes paid by Toronto's businesses by approximately $120 million annually.

Existing tax rules ensure that any reduction in education tax rates would go directly to reducing the property taxes paid by businesses. It does not provide "tax room" to increase the municipal portion of business taxes – to do so would result in an increase in tax ratios.

Staff are recommending that the Province reduce its non-residential education tax rates levied in Toronto as part of a partnership in which the City is also doing its part to reduce the municipal portion of the non-residential tax rates.

| Recommendation - Business Education Tax Fairness: |
|---|

(i) The Province be again requested to reduce Toronto's business education tax rates to average of the Toronto region to create 'level playing field'.

(3) Tax Fairness Between Properties – Capping and Clawbacks:

In 1998, when current value assessment (CVA) was implemented on a province-wide basis, many commercial, industrial and multi-residential properties in Toronto would have experienced significant tax increases in the absence of any intervention. In fact, 37 percent of non-residential properties in Toronto would have faced tax increases in excess of 100 percent, and 54 percent of non-residential properties were more than 50 percent above or below their full-CVA level of taxation.

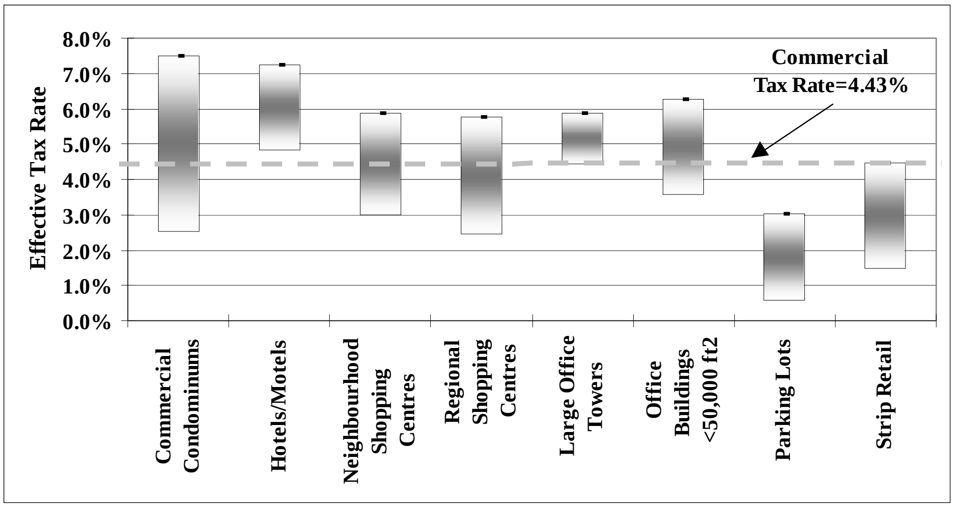
As a result, the Province introduced a mandatory capping regime which limited CVA-related tax increases for commercial, industrial and multi-residential properties to five percent of a property's prior year's tax (a cap of 2.5 percent applied for 1998 through to 2000 in Toronto).

Capping does not apply to the residential property class. Municipalities could instead phase-in reassessment related tax changes over up to an eight-year period. In Toronto, a five-year phase-in was adopted to mitigate residential impacts arising from the 1998 (first) reassessment, and a three-year phase-in was adopted for the 2001 (second) reassessment. Since 2003, all residential homeowners have been paying their full-CVA level of taxation.

For non-residential, however, seven-years since the implementation of CVA, there still remain 18 percent of properties facing tax increases in excess of 100 percent (versus 37 percent in 1998), and 29 percent of properties remain 50 percent above or below their full-CVA level of taxation (versus 24 percent in 1998). With each reassessment, rising values have pushed some properties even further away from CVA, and it is now apparent that it will take decades to make any significant progress towards fair taxation. Because the City claws back tax decrease to fund the foregone revenue from the caps, this could mean that over 40 percent of non-residential properties will continue to pay more than their CVA-taxes for many decades to come. Only three percent of non-residential property taxpayers are currently paying the actual amount of taxes based on their assessment and tax rate. All the rest receive either a capping or clawback adjustment.

The Chart below shows the variation in effective tax rates being paid by different property types, and variation even within property types.

Current Effective Tax Rates (distribution) Due to Capping
Seven-Years Since the Introduction of CVA




Stakeholders and municipal tax administrators have identified several concerns with the capping program, including perpetuation of historical tax inequities, the very slow rate of progress towards CVA, and the complexity of the system that leads to a lack of transparency for property owners. In response to these concerns, the Province has made legislative changes to the Municipal Act to provide municipalities with two additional capping options in order to increase progress towards CVA. The additional options include:

(i) increasing the amount of the annual cap to 10 percent of previous year's taxes; and

(ii) the option to base the cap of up to five percent on a property's full CVA-level taxes instead of the previous year's taxes (current year's taxes would be calculated by adding five percent of past year's CVA taxes to the past year's actual capped taxes).

These enhancements to the capping program are intended to allow municipalities to facilitate the transition to CVA while still maintaining a manageable pace of change for property owners. A survey of major municipalities has revealed that most municipalities are planning to or already have adopted options that maximize the progress to CVA.

From the City's stakeholder consultation, most participants felt that progress to CVA-taxation needs to be accelerated to achieve equity in taxation levels between the different business property types, and that the current five percent limit on prior year's taxes is ineffective and will result in caps remaining in place for many properties for decades, while a significant number of other properties will continue to have their tax reductions clawed-back for decades.

Secondly, it was also generally acknowledged that in order to facilitate the transition to CVA, any changes to the capping program should have regard to maintaining a manageable pace of change for property owners. Small business represents a significant proportion of the properties that will experience additional tax increases through any accelerated phase-out of the capping program. Options for the protection of small business are discussed in the following section.

City staff recommend that the City utilize a five percent cap based on a property's full CVA tax (instead of being based on the prior year's tax). With respect to progress toward full-CVA taxation, this option is comparable to that of the alternate option (10 percent cap on prior year's tax) during the first ten years. After 10 years, however, the amount of taxes clawed-back under this option is lower.

The recommended option will also effectively result in the phase-out of capping within 15 years, complementing the strategy to reduce the imbalance in tax ratios. Furthermore, once a property reaches CVA-taxation, it should remain there. The majority of participants in the City's stakeholder consultation supported this option.

| Recommendation - Making Progress to CVA-Taxation: |
|---|

(i) Phase-out of capping/clawback regime over 15 years by utilizing a capping limit of five percent of full CVA-taxes; and

(ii) Once a property reaches full-CVA level of taxation, the property be excluded from any future cap or clawback of taxes.

(4) Protection for Neighbourhood Retail:

Discussions surrounding the special treatment or tax relief for specific sub-groups of properties was probably one of the most complex and divisive of issues that staff had to deal with during the consultation process to enhance Toronto's business climate. No consensus was achieved for any long-term proposal.

The idea of providing preferential property tax treatment to small businesses is not new, having been previously raised by various stakeholders and in various forums (e.g., Marcel Beaubien's Review of the Property Assessment and Classification System (2002), and the City of Toronto's Business Reference Group (1999-2001). The impetus for these discussions was that, with the introduction of CVA, small commercial storefront properties that had traditionally been under-assessed in relation to other commercial properties, would face large tax increases due to CVA. Ultimately, the imposition of caps on tax increases for all properties in the commercial, industrial and multi-residential classes largely negated the immediate need to address CVA-related tax relief for small business properties.

However, staff recognize that in the context of accelerating the phase-out of the capping regime, neighbourhood retail properties will be adversely affected, and some measures are warranted to mitigate tax increases for these properties. The Chart below shows that, if the caps were lifted overnight, strip retail properties, on average, would face a 54 percent tax increase, or $77 million for the property type as a whole. This is because strip retail properties, which have been protected over the years through the existing capping regime, are currently being taxed on average at an effective tax rate of 2.9 percent, compared to the real commercial tax rate of 4.47 percent.

Tax Impact of Moving to Full CVA Taxes

| | No. of Properties | Current Effective Tax Rate* | Full Impact of Removal of Caps | |
|---|---|---|---|---|
| | | | $ M | % |
| Hotel/Motel | 336 | 5.95% | ($ 23.3 ) | -24.9% |
| Shopping Centres | 954 | 4.68% | ($ 10.3 ) | -4.9% |
| Large Office | 40 | 4.70% | ($ 21.9 ) | -4.9% |
| Small and Medium Office | 1,263 | 5.08% | ($ 67.0 ) | -12.2% |
| Parking Lot | 306 | 1.43% | $ 27.0 | 209.5% |
| Strip Retail | 13,600 | 2.90% | $ 77.5 | 54.2% |
| All of Commercial | 31,500 | 4.47% | $0 | - |

*actual taxes paid relate to taxes dating back to 1997 as incrementally adjusted by cap and clawback

There is no question that small retail is important to the communities within the City, and need to be protected from large annual tax increases. Neighbourhood commercial contributes significantly to quality of life that is considered desirable by many and helps to generate value in adjacent residential communities. They are centres of leisure activity and provide shopping within walking distance of the majority of its patrons. The City's Official Plan promotes a strong and diverse retail sector by permitting a broad range of shopping opportunities for local residents and employees, and encourages traditional retail development along avenues and the establishment of a high quality pedestrian environment.

Specific proposals to assist neighbourhood retail that were made during the City's public consultations included:

(1) using the existing 'Optional Classes';

(2) creating a separate property class or sub-class for “small business” or “neighbourhood commercial” properties;

(3) imposing graduated tax rates to apply lower tax rates to lower-valued business properties;

(4) using geographic boundaries to determine which properties would be eligible, such as Business Improvement Areas; and

(5) various other non-specific proposals such as definitions based on physical characteristics of properties (e.g., street frontage with no more than three storeys, or using a variety of means tests such as number of employees.

Additional details on these options related to the creation of a small business class is contained in Attachment 2.

There are several significant issues arising from discussions around creating a small business class. Firstly, there is a definitional issue. There is neither consensus nor a uniform definition of what constitutes a “small business” or “small retail” establishment. In all likelihood, any definition will inadvertently include properties that should not be included, and inadvertently exclude properties that should be included.

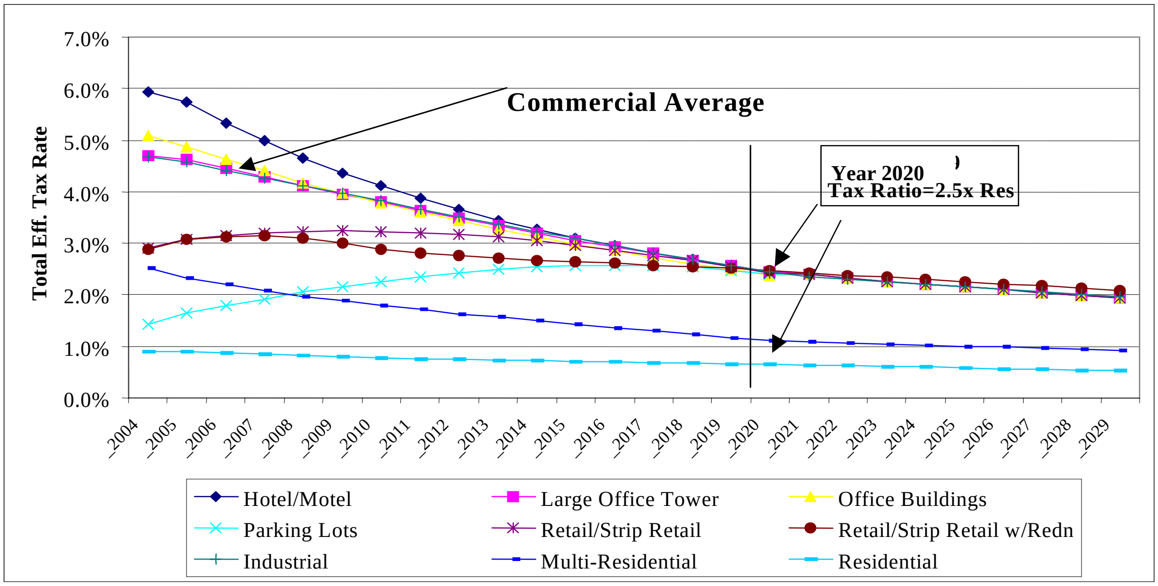
Secondly, there are issues pertaining to the information contained in the property assessment rolls. The current assessment and taxation system assigns assessed values and taxes to the property as whole, whereas, the majority of businesses are tenants in multi-tenanted properties. As such, the property tax liability rests with the property owner, who through the lease, apportions and collects taxes from the individual tenants (subject to the capping/clawback rules). This may present some problems in finding a mechanism to deliver any such property relief to specific individual tenants within a multi-tenanted building.

Many stakeholders noted that a differential tax rate would only result in creating further inequities in the property tax system – that it could result in different taxes being imposed on two identical businesses depending on whether they were located in a “neighbourhood retail” property or say in an office building.

Finally, when it came to the issue of identifying a source of funding for any such relief, most stakeholders were adamant that such relief not be funded by way of increasing the already high taxes on other businesses.

Staff feel that Property Taxes is not an Appropriate Vehicle for Promoting One Business Verses Another. There is no one solution that addresses all of the concerns, and any recommendation will be met with criticism by one group or another. Staff are advocating that in the long-run, the property tax policies adopted by Council should be based on the principle of achieving equity and fairness for all properties. It is not just small businesses that need assistance, but in fact all of Toronto’s businesses. Over the long-term, the recommended tax ratio correction will largely avoid the need for subsidy of one property type over another. It is intended that, in fifteen years, all commercial (and industrial and multi-residential for that matter) will be taxed at a more competitive tax rate of 2.5 times the residential rate. This is illustrated in the Chart below.

Fifteen Year Plan to Achieve Fairness Between Property Classes
and Fairness Within Property Classes




Nonetheless, staff do recognize that, in the short term, neighbourhood retail will be affected by a slight acceleration in CVA-related tax increases that will arise from the recommended changes to the capping regime. To mitigate these impacts, staff are supporting that a separate class be established for neigbourhood retail, and that tax ratio target of 2.5 times residential be achieved in 10 years for this class, as compared to 15 years for the rest of the commercial class. This relief is projected to result in a $40 million cumulative reduction in property taxes that would otherwise be paid by the neighbourhood retail. Funding for this relief in the amount of $4 million annually would be from general revenue, resulting in a 0.2 percent annual tax increase pressure on residential and 0.07 percent on non-residential over the ten year acceleration plan.

Defining the Neighbourhood Retail Class. For expedience, and given that the creation of a separate class is a temporary solution as a means to advance the tax ratio target to the longer-term target for all business properties, staff are recommending that established property codes and associated definitions contained in the assessment roll data be used to define this class. Staff are suggesting the following property codes be included by MPAC in the definition of the Neighbourhood Retail Class:

| MPAC Property Code | MPAC Definition |
|---|---|
| 471 | Retail or office with residential unit(s) above or behind - less than 10,000 s.f. gross building area (GBA), street or onsite parking, with six or less apartments, older downtown core |
| 472 | Retail or office with residential unit(s) above or behind - greater than 10,000 s.f. GBA, street or onsite parking, with seven or more apartments, older downtown core |
| 477 | Retail with office(s) - less than 10,000 s.f., GBA with offices above |

Recommendation – Tax Relief for Neighbourhood Retail:

(i) the Province be requested to create a new neighbourhood retail class and MPAC be requested to identify and re-classify properties eligible for this class in the City of Toronto;

(ii) Council endorse an accelerated phase-in over a 10-year period commencing in 2007 in the reduction the municipal tax rate for the neighbourhood retail property class to 2.5-times the municipal residential tax rate; and

(iii) Funding for the reduction in the municipal tax rate for the neighbourhood retail property class be considered in the 2007 operating budget, by way of a municipal tax rate increase of 0.2 percent on the residential property class (~$3m) and 0.07 percent on the non-residential classes (~$1m) in each of the years 2007-2015 inclusive.

(5) Tax Rebate Program for Heritage Properties:

The *Municipal Act, 2001*, provides for a municipality to establish a program to provide tax reductions or refunds in respect of eligible heritage property. To be eligible, a heritage property, or portion of a property, must be designated under the Ontario Heritage Act and that is subject to an easement agreement with the municipality respecting the preservation and maintenance of the property or portion thereof.

In 2002, Council adopted a program under this provision for a heritage property tax rebate program based upon a 40 percent rebate of the total municipal and education taxes payable (up to a maximum of $500,000 per year) for eligible heritage properties or portions thereof. To be eligible, a property must be designated under Part IV or Part V of the Ontario Heritage Act, and must be subject to a Heritage Easement Agreement under the Ontario Heritage Act or an agreement with the City respecting preservation and maintenance of the heritage aspect of the property.

The implementation of the proposed rebate program was subject to the Province enacting amending legislation to enable Council to increase property tax rates in the commercial, industrial and multi-residential classes to the extent necessary to fund heritage tax rebates from within their respective classes. This program specific legislation has not been enacted.

During the business competitiveness public consultations held this September as well as last year, support for the heritage tax rebate program was clearly voiced with the opinion that the program be implemented as soon as possible, recognizing the benefit heritage properties have for the residents of the City, and the extra costs associated with the preservation of such buildings.

Staff are recommending the Heritage Tax Rebate Program be initiated in 2006, initially limited to the six National Historic Registered properties, at a cost of $0.7 million annually, with a full roll-out of the program for all eligible designated heritage properties (approximately 150 properties) in 2007 at an estimated cost of $3.5 million annually.

Recommendation – Tax Relief for Heritage Properties:

(i) Recommend funding in the amount of $718.3 thousand be made in 2006 to commence the program first for national historic sites, and approval in principle to include all eligible heritage properties commencing in 2007.

(IV) Business Cost Competitiveness Initiatives:

The proposed action plan that was before Policy and Finance Committee in July 2005, contained five business cost competitiveness initiatives that were designed to complement the property tax fairness initiatives. This "package" of cost competitiveness initiatives has been refined, as a result of the further round of public consultations that were completed this summer, and is summarized below.

The cost competitiveness initiatives that are included in this report are:

(6a) and (6b) Lower tax rates for new office, hotel and industrial development.

(6c) Enhanced vacancy allowance/tax abatement program for never-occupied office space.

(7) Waive building permit fees for the non-retail component of new office, hotel and industrial developments.

(8) Expand Tax Increment Equivalent Grant (TIEG) program in Community Improvement Plan (CIP) areas to protect selected employment areas.

In addition to the above proposals, the July 2005, discussion paper contained a proposal for a new tenant business credit equal to the existing vacancy allowance. As a result of the public consultations and with reference to the issues identified in the July Discussion Paper, including lack of transparency and difficulty in identifying "new" tenants, the new tenant business credit program it is not recommended at this time.

(6a) and (6b) Lower Tax Rate for New Office, Hotel and Industrial Development:

One tax policy option that received a significant amount of discussion throughout the public and stakeholder consultation process is to set the tax rate for new office, hotel and industrial buildings at the target levels. The original proposal was to provide a lower tax rate, based on 2.5-times the residential rate, for new non-retail office, hotel, and industrial construction.

This program would help bring new buildings on-stream sooner than would occur in the absence of this program; however, it also raises significant horizontal equity issues, particularly for the owners of existing office buildings is the City, who would continue to pay taxes at full rates while their new competition was offered preferential tax rates. The horizontal equity issue was not seen as significant by industrial stakeholders, since industrial operations typically compete on a national or North American basis.

As a result of the feedback received from stakeholders, the recommendation has been modified to limit the tax relief for a shorter period for new non-retail commercial development. The rationale is to not create such an incentive that could inadvertently induce nothing more than tenants moving from an existing office building to a new office building, simply to benefit from the lower tax rate. Staff believe a five-year tax relief period would not create significant distortions in the marketplace, given relocation costs etc., but yet offers some incentive for the development of new buildings. The five year plan for new commercial was generally better received by stakeholders than the fifteen year plan.

With respect to industrial development, stakeholders supported a longer tax relief period because industrial competes more on a national and international level, rather than within Toronto proper. As such, given the significant disadvantage facing industrial development in Toronto, staff are continuing to support a lower tax rate of 2.5-times the residential rate for new industrial development for up to a fifteen year period (at which time all non-residential properties, new and old, will be taxed at a rate of 2.5 times residential under the plan presented in this report).

The percentage tax reductions that would achieve the goal of accelerating new buildings to the tax ratio targets is illustrated as follows:

New Non-Retail Commercial Construction

| Year | Commercial Residual Tax Ratio | Tax Ratio applicable for a 5-year period for new non-retail office and hotel construction, and eligible expansions | Estimated Municipal Tax Reduction |
|---|---|---|---|
| Year 1 | 3.72 | 3.38 | 10 percent |
| Year 2 | 3.63 | 3.38 | 8 percent |
| Year 3 | 3.55 | 3.38 | 6 percent |
| Year 4 | 3.46 | 3.38 | 4 percent |
| Year 5 | 3.38 | 3.38 | 2 percent |

New Industrial Construction

| Year | Industrial Tax Ratio | Tax Ratio applicable for a 5-year period for industrial construction, and eligible expansions | Estimated Municipal Tax Reduction |
|---|---|---|---|
| Year 1 | 4.09 | 2.5 | 38 percent |
| Year 2 | 3.92 | 2.5 | 35 percent |
| Year 3 | 3.74 | 2.5 | 32 percent |
| Year 4 | 3.56 | 2.5 | 28 percent |
| Year 5 | 3.38 | 2.5 | 25 percent |
| Year 6 | 3.30 | 2.5 | 23 percent |
| Year 7 | 3.23 | 2.5 | 21 percent |
| Year 8 | 3.15 | 2.5 | 19 percent |
| Year 9 | 3.08 | 2.5 | 17 percent |
| Year 10 | 3.00 | 2.5 | 15 percent |
| Year 11 | 2.90 | 2.5 | 12 percent |
| Year 12 | 2.80 | 2.5 | 9 percent |
| Year 13 | 2.70 | 2.5 | 6 percent |
| Year 14 | 2.60 | 2.5 | 2 percent |
| Year 15 | 2.50 | 2.5 | 0 percent |

If this initiative results in a one percent increase in building activity, while the City would forego an estimated $2.5 million in municipal tax revenue annually through the lower rate on the new construction, the City would still realize a net benefit in municipal taxes of $3.5 million annually.

(6c) Enhanced Vacancy Allowance/Tax Abatement Program for Never-Occupied Office Space:

Lease-Up Period. One of the impediments to constructing a major new office tower in downtown Toronto is the uncertainty regarding the lease-up period. Before construction of a new office building can start, a lead tenant must be secured. However, buildings are typically not 100 percent pre-leased. Therefore, the developer must include in his/her cash flow projections an allowance for the carrying cost of the vacant space until it is leased.

The *Municipal Act, 2001* and regulations provide for a 30 percent tax rebate for vacant commercial space. The proposal in this report would increase that rebate to 100 percent of taxes payable for vacant space that has never been leased or occupied. Once the building is fully leased, it would be levied taxes at the same rate as existing office buildings.

This relatively modest incentive for the developers of new office buildings is an attractive low cost city-building initiative. Like the other incentives outlined in this report, increasing the vacancy rebate creates a win-win outcome that will serve to increase the City's long term assessment base, in this case by providing the building owner with more time to attract tenants. From a messaging point of view it shows that the City is willing to be a "partner" in the decision to build additional office space and is willing to share some of the upfront risk.

The potential foregone revenue from this incentive would vary significantly from project to project. In the case of a building where the developer was successful in fully leasing it before completion, there would be no forgone revenue to the City. It is also proposed to that a two year limit be placed on this incentive.

It is expected that the cost of this incentive would vary from zero to $5 per square foot for a new downtown office building. The value to the developer is larger than the cost to the City, because this incentive reduces the down-side risk of experiencing an extended lease-up period for a new office building. The worst case scenario (for the City and the developer) is based on the very unusual circumstances where fully a third of the building sits vacant for two years.

Again, assuming a one percent increase in building activity, it is estimated that the cost of the enhanced vacancy rebate initiative will result in up to $2.5 million annually in foregone revenue (versus the statutory 30 percent vacancy rebate). At the same time, however, assuming at least 50 percent of the new building is pre-leased, the foregone revenue the vacant portions will be more than offset by incremental tax revenue generated from the occupied fully taxable portion of the new building.

Construction Period. Some stakeholders have also suggested that staff explore extending the tax abatement during the initial lease-up period to include the construction period.

Large office and hotel developments typically take about two years to build. During the construction phase, it is usual practice for the Municipal Property Assessment Corporation (MPAC) to place a partial assessment on the building when it is enclosed, which may be up to a year before it is ready for occupancy and can start generating revenue. This proposal would provide a grant equal to the increase in taxes on the development that occurs during construction.

The value of this incentive is proportional to the scale of the project and it would have the greatest impact on larger projects that take a long time to complete. Therefore, this incentive would help to start to level the playing field between large multi-tenanted downtown office towers and smaller single-user suburban style buildings.

A number issues remain to be resolved before this incentive could be implemented. This includes defining the base taxes upon which the deferral should be based. Staff will explore these issues and report further as appropriate.

Recommendations – Tax Relief for New Non-Retail Commercial and Industrial Development:

(i) lower municipal tax rate, for a five year period, for new non-retail commercial development and major expansions;

(ii) lower municipal tax rate, for a fifteen year period, for industrial development and major expansions; and

(iii) enhanced vacancy rebate / tax abatement for newly built, never occupied office space.

(7) Waive Building Permit Fees for the Non-Residential Component of New Office, Hotel and Industrial Developments:

Waiving building permit fees for new office, hotel and industrial development is a modest but cost-effective incentive to stimulate the construction of new office and industrial buildings. It is similar to the existing development charge exemption for non-retail commercial and industrial buildings.

The City's existing building permit fees per square foot are:

| | |
|---|---|
| Finished office space | $1.54 |
| Hotels | $1.85 |
| Finished industrial (< 7,500 m2) | $1.07 |
| Finished industrial (> 7,500 m2) | $0.95 |

Waiving permit fees is a cost-effective City strategy because it reduces the up-front costs of development. Developers typically must pay higher interest rates than the City; therefore, they discount future considerations (for example, future tax abatements) at a higher rate than the City.

A reduction in up-front fees/charges will, therefore, have a greater impact on new construction than a property tax abatement, with the same cost to the City, that is spread out over the next ten or twenty years.

No change is proposed for institutional building permits at this time, since these developments are usual property tax exempt and, therefore, do not provide the on-going property tax benefits of office, hotel and industrial development.

The major issue with regard to waiving permit fees is the potential foregone annual revenue (an estimated $7 million depending on the criteria used for exemption). Implementing this incentive would reduce the revenue collected by the Buildings Division from issuing permits and would have to be replaced. It is expected that in the short to medium term, this targeted incentive would increase the City's tax base and therefore be a net fiscal benefit to the City.

Another issue about waiving building permit fees is that the City cannot implement this measure without permission from the Province, since the Building Code Act does not grant the City specific authority to do so and it could be considered bonusing under the Municipal Act. The new City of Toronto Act is anticipated to provide the City with the authority to address this situation.

Recommendation – Waiving Building Permit Fees for New Office, Hotel and Industrial Development:

(i) The Deputy City Manager and Chief Financial Officer, in consultation with the Chief Building Official and other staff, report on feasibility, and legal and financial implications of waiving building permit fees.

(8) Expand Tax Increment Equivalent Grant Program in Community Improvement Plan Areas to Protect Selected Employment Areas:

One incentive that is permitted under current legislation is Tax Increment Equivalent Grants (TIEG), which are typically targeted at specific areas. The New Toronto Community Improvement Plan (CIP) contains a pilot program of tax incremental grants, where businesses that make specified investments receive a grant that is equal to a portion of the increase in municipal taxes that results from their investment. The portion of the incremental tax revenues eligible for the grant typically declines to zero over some period of time (ten years in the case of South Etobicoke). The grants are funded entirely from new incremental tax revenues. The balance of new tax revenue, after paying out the grants, contribute to the City's overall tax revenues arising from new assessment growth.

Tax Incremental Financing (TIF) plans have been used in many municipalities in the United States to revitalize blighted areas and clean up severely contaminated sites. A key consideration in designing an effective area specific program would be to limit the number of areas and to ensure that they are effectively aligned with designated employment areas in the Official Plan.

Since these are area-specific programs that are implemented in the context of a comprehensive Community Improvement Plan, their implementation is typically part of an area-specific land use planning process. CIPs are currently under-consideration for the East Bayfront area to stimulate development on the waterfront. It is proposed to continue to consider TIEG programs as part of a comprehensive approach to stimulate job creation and assessment growth in designated employment areas.

Recommendation – Expanded Use of Tax Increment Equivalent Grants to Protect Select Employment Areas:

(i) The Deputy City Manager and Chief Financial Officer, in consultation with the Chief Planner and General Manager Economic Development, report back on feasibility and implications of expanded use of TIEG's.

Other Cost Competitiveness Issues:

This section provides commentary of several issues related to business cost competitiveness initiatives discussed above.

Incentives for Retail Developments. One issue raised by several stakeholders was whether retail properties should be offered the same incentives as office buildings, hotels and industrial development. The amalgamated City of Toronto's first development charges (DC) bylaw (1999) took this approach and exempted all non-residential developments from development charges. The City's second DC bylaw (passed in 2004), however, took the approach that only non-retail, non-residential development should be exempted. Retail is broadly defined in the City's DC by-law, and includes restaurants and personal service establishments.

Clearly, there are merits to offering incentives to all commercial in some cases, and limiting it in others. In implementing the core tax policy principles, in the first section of this report, it is proposed that retail developments should be offered the same tax reductions as other non-residential development. In fact, the special tax treatment for neighbourhood retail (Recommendation No. 4) favours retail strip properties over other business development.

It is proposed not to extend the incentives outlined in Recommendation No. 6 to new retail developments. The reasons not to provide additional incentives for retail the City include:

(i) the retail development market in Toronto is relatively strong. Several participants at the public consultation sessions complained that, even in the absence of additional incentives, big box retail was destabilizing many of the City's industrial areas;

(ii) most retail development is much less footloose than large office or industrial development;

(iii) retail uses generally have lower economic multipliers than major office, hotel and industrial uses; and

(iv) the desire to provide incentives for development needs to be balanced against the need to limit the forgone revenues from these measures.

Renovations and Additions. During the public participation process, several stakeholders suggested that the definition of "new" in Recommendation No. 6 and No. 7 be expanded to include substantial renovations to existing buildings. Many stakeholders noted that policies should not provide incentives for replacing existing structures when the existing buildings could be adapted to new uses. In response to these concerns, it is proposed to expand the definition of "new" to include additions and substantial renovations, where these add 50 percent or more gross floor area (GFA) to the property.

Mixed Use Development. In order to maximize horizontal equity, it is proposed to treat mixed use developments in the same way as their component parts would have been treated had they been built as free standing structures. For example, a mixed office/residential building should be provided the incentives in Recommendations No. 6 and No. 7 on only the office portions of the development as well as a proportionate share of common areas.

Economic Incentive of Recommended Action Plan:

From a developer's perspective, the total value of the business cost competitiveness initiatives recommended is estimated at approximately $9 per square foot for a suburban office building, as illustrated in the Table below.

Example - Business Cost Comparison of Proposed Action Plan

| Office Building ($ per square foot) | North of Steeles | South of Steeles | Difference |
|---|---|---|---|
| Development Charges | $ 5.91 | $ 0.22 | $ (5.69) |
| Building Permit Fees | $ 0.94 | $ 1.54 | $ 0.60 |
| NPV of Property Taxes | $ 51.59 | $ 71.57 | $ 19.98 |
| NPV before Incentives | $ 58.44 | $ 73.33 | $ 14.89 |
| Waive Building Permit Fee | | $ (1.54) | |
| Lower tax rate for new construction | | $ (2.00) | |
| Tax freeze during construction | | $ (2.00) | |
| Vacancy allowance enhanced | | $ (3.16) | |
| NPV with Incentives | $ 58.44 | $ 64.64 | $ 6.19 |
| Value of Incentives | | $ 8.70 | |

While the core fairness principles and the business cost competitiveness help to level the playing field, the surrounding municipalities still retain a modest cost competitiveness advantage.

(V) General Economic Development Initiatives:

The proposed action plan that was before Policy and Finance Committee in July 2005, also contained a number of general economic development initiatives, designed to complement both the property tax fairness initiatives and the business cost competitiveness issues. These economic development initiatives are broader in scope and reflect a number of ongoing activities of the City and its partners as part of its economic development program.

(9) Issues Related to the Conversion of Employment Lands to Residential Uses:

A key element of improving Toronto's business climate is ensuring that there is sufficient land available to meet the City's future employment needs. The City's Economic Development Strategy and Official Plan address this goal by supporting the foundations of economic competitiveness. The Official Plan directs residential growth to priority locations where it is most suitably accommodated and away from key employment lands. In addition, the Official Plan includes policies to protect Employment Districts on two levels. In addition to applying an Employment Area land use designation, strategic Employment Districts are included on the Urban Structure map and additional policies for these lands offer further protection from non-compatible activity.

The new Provincial Policy Statement works together with the Official Plan in the assessment of applications to redesignate employment areas. The Provincial Policy Statement requires the City to promote economic development and competitiveness by providing for a mix and range of employment, providing opportunities for a diversified economic base, and planning for, protecting, and preserving employment areas for current and future uses. The Provincial Policy Statement requires that an application to convert employment lands to non-employment activity is subject to a two-part test. After a comprehensive review is completed, the proposal should only be considered when it has been demonstrated that (a) the land is not required for employment purposes over the long term, and (b) there is a need for the conversion to meet other objectives.

Previously (April 15, 2004), Council took the position that the Planning Act should be amended to help protect important employment lands by denying the right of appeal to the Ontario Municipal Board on applications to convert employment lands that have been refused by City Council. This position should be reiterated in the context of property tax reform. The Province should be made aware that Council is doing all it can to protect these lands, grow the assessment base and create employment opportunities for Toronto residents. These efforts will be more successful if accompanied by Planning Act reform to support Council's goals and actions.

(10) Establishment of a Mayor's Economic Competitiveness Advisory Committee:

The consultation and discussion process integral to preparing this report and recommendations has been critical to correctly identifying issues, underlying conditions and appropriate solutions.

Future success will require the active and ongoing engagement of all stakeholders to establish and maintain a virtuous cycle of economic growth and improving quality of life in Toronto.

Establishment of the Mayor's Economic Competitiveness Advisory Committee will address Council's priority to improve the Business Climate and further implement it civic engagement and outreach strategic initiative. The Advisory Committee would advise the Mayor and Council on issues impacting the local and regional economy, and strategies and actions to enhance economic competitiveness and social cohesion and achieve the

City's economic development, culture and tourism objectives. This would include: job creation; business start-up, retention, and attraction; development of key industry clusters; revitalization and assessment growth; local and global positioning/branding; foreign investment attraction; and, outreach, engagement and partnerships with the broader business community; as well as the actions of other governments and initiatives in other cities and countries that may be of interest or have application to the City of Toronto. Advisory Committee members would also act as ambassadors for the City for international marketing, inward investment, and intergovernmental initiatives.

| Recommendation: |
|---|

(i) A Mayor's Economic Competitiveness Advisory Committee be established to ensure the ongoing engagement and involvement of the business community.

(11) Establishment of an Executive Interdivisional Economic Growth Team:

Establishment of an Executive Interdivisional Economic Growth staff team will ensure development and implementation of an integrated corporate policy and program response as well as providing an ongoing forum for the exchange of information and development of collaborative and innovative solutions. The Executive Interdivisional staff team would assess the impacts of City policies, programs and service delivery on economic growth within Toronto, identify opportunities for improvement, and recommend strategic directions, priorities and implementation strategies. Staff would also provide information and analysis to the Mayor's Economic Competitiveness Advisory Committee, in response to Council direction, as required to improve the business climate, enhance Toronto's economic competitiveness, and achieve the City's economic growth objectives.

| Recommendation: |
|---|

(i) an Executive Interdivisional Economic Growth Team be created to assess and improve programs and services and ensure an integrated corporate response to improving the business climate; and

(ii) the Executive Interdivisional Economic Growth Team report to Policy and Finance Committee at its January 2007, meeting with a status report on the effectiveness of the recommendations from this report in enhancing employment and business assessment growth in the City of Toronto.

<u>Conclusions</u>:

This report recommends a set of comprehensive incentives and initiatives intended to enhance the City's competitiveness over the long term. Toronto, while a competitive place to do business internationally, has been losing employment to the surrounding regions, with negative implications to fiscal sustainability, environmental responsibility, and social equity.

The core fairness principles and the business cost competitiveness initiatives presented in this report will help to level the playing field with the surrounding municipalities. These recommendations were developed through extensive consultation with all stakeholders, together with extensive research and analysis by staff, over the past year. During the consultation, residential ratepayers recognized that the best long-term strategy to keep residential taxes down is to maintain a strong commercial and industrial tax base. The recommendations in this report, while individually may not make a significant impact, taken collectively together as a package will create the conditions to help maintain and expand the City's property assessment base, with a net positive impact on the City over the long term, as directed by one of Council's priorities – to enhance Toronto's business climate.

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Attachments:

Attachment 1: Summary of Comments from 2005 Public Consultations.
Attachment 2: Summary of Small Business Options.
Attachment 3: Ward Trends – Employment and Place of Work.

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Attachment 1

Summary of Comments from 2005 Public Consultation

| Action Plan Initiatives | | Comments from Public Consultation Participants |
|---|---|---|
| (1) | Long-term Strategy to Reduce Commercial, Industrial and Multi-Residential Tax Ratios from the current level of approximately 4-times residential to 2.5-times residential over a maximum 15-year period. | (i) The Action plan was recognized as a good start and participants expressed their support for quicker action to bring ratios down, voicing that the City needs faster implementation than 15 years in order to gain share of business growth and prevent further business out-migration in the near term. |

| Action Plan Initiatives | | Comments from Public Consultation Participants |
|---|---|---|
| | | (ii) Residents wanted to be clear on the action plan impact and its timeframe on the average homeowner. (i.e., 8 years vs 15 years) as well as understand what would be the 'pay-back' of their tax increase and whether this is worth the benefit.<br>(iii) Participants wanted to know what is to be expected after the implementation of the 15 years plan as well as when the results will become apparent.<br>(iv) Some participants felt that tax ratios/rates would still be higher than 2.5 x after this initiative. |
| | (i) allowing commercial, industrial and multi-residential (CIM) tax increases at one-third pass-through of residential tax increases (e.g., three percent res. and one percent CIM); | (i) Faster phase-out was preferred. |
| | (ii) accelerate CVA-related tax burden shift from non-residential to residential; | (i) Many residents were supportive of tax increase/shift if results can be gained, but not if other factors causing business loss are not addressed.<br>(ii) Residents wanted to have sense of value for their taxes, emphasizing the need for tax-service benefit analysis. The opinion that the City should consider a fair tax burden through allocation of service costs to property classes was shared.<br>(iii) A concern over the accuracy of $320,000 median value of home suggesting that this number is not representative of the average home was expressed.<br>(iv) Some participants felt that shift onto 'residential' is not fair, since other reasons seem more important as to business growth loss in the City. They supported other initiatives, not tax shift. |

| Action Plan Initiatives | | Comments from Public Consultation Participants |
|---|---|---|
| | | (v) The fairness of tax shift onto residents was also suggested as negotiable based on the benefit for businesses from educated workforce and associated costs. The opinion that tax increases will benefit already competitive businesses was voiced.<br><br>(vi) Business representatives emphasized that the City does not need an ‘us’ vs ‘them’ relationship between residential and business ratepayers. If there is no business in the City, 100 percent of the tax burden will fall on residents and in order to have a strong city we need both jobs and residents.<br><br>(vii) Some Scarborough residents considering their area as ‘underserved’ were not supportive of tax increase.<br><br>(viii) Representative of the Tenant Association voiced the opinion that multi-residential properties are still residential, not commercial or industrial and need equity with residential and new multi-residential rates, and<br><br>- The tax service disparity for multi-residential vs. residential tax classes should be adjusted and tax fairness applied with rental taxes becoming equitable to homeowner taxes;<br><br>- The currently hidden cash in rental payments should go back into tenants’ hands passing tax savings onto tenants through a reduced rental bill;<br><br>- Buildings with less then seven rental units taxed at ‘residential’ rate should be consistent with multi residential. |
| (2) | Request the Province to reduce Toronto’s business education tax rates to the average of the surrounding GTA municipalities to create a ‘level playing field’; | (i) Participants indicated business education tax imbalance compared to GTA average as major contributor for the high business taxes and resulting migration of businesses. A clear dissatisfaction with the disparate business education rate for Toronto vs ‘905’ was voiced. |

| Action Plan Initiatives | | Comments from Public Consultation Participants |
|---|---|---|
| (3) | Phase-out of capping/clawback regime over fifteen years by utilizing capping limit of five percent of CVA taxes; | (i) Some participants would like to see balanced approach, considering big and small business being in the same situation.<br><br>(ii) Progressive property tax method for businesses was suggested.<br><br>(iii) A concern over the effects of the incentives and their fairness, and possible intra-city movements was expressed.<br><br>(iv) Some voiced the opinion that Clawbacks are not fair. |
| (4) | Property tax relief program for the neighborhood retail class by way of an accelerated phase-in to a tax ratio of 2.5 times residential over a maximum 10 years period; | (i) A concern over the street based businesses decline witnessed by operators was voiced , as well as the need to monitor the effect of neighborhood retail and the actual savings for tenants.<br><br>(ii) Issue of income tax deduction for the business portion of the property for home based businesses was suggested.<br><br>(iii) Question regarding possible relief for renovation costs to upgrade existing city properties was raised. |
| (5) | Property tax rebate program for designated heritage properties; | (i) Participants were supportive of the proposed tax rebate program, recommending further expansion of the Heritage program as more properties apply for easement agreements.<br><br>(ii) The concept of heritage rebates/incentives for improvement/restoration costs was appreciated, recognizing that infill heritage opportunities will benefit from heritage tax rebate program which will promote adaptive re-use over demolition. |
| (6) | Lower tax rate for new office, hotel and industrial development (2.5x residential); | (i) Restaurant business representative was concerned that the New Business Initiatives is hurting their business. It was suggested to consider the impact of the initiatives on both existing and new businesses since fairness should be applied against both and one shouldn't get help at the expense of the other. |

| Action Plan Initiatives | | Comments from Public Consultation Participants |
|---|---|---|
| | | (ii) Another concern was the lack of room for business growth with current condo and residential development growth. |
| (7) | Tax abatement for vacant portion of new office during initial lease-up period; | (i) No specific comments were received. |
| (8) | New tenant business tax credit equal to the existing vacancy allowance for defined period of time; | (i) No specific comments were received. |
| (9) | Expand Tax Increment Equivalent Grant program in Community Improvement Plan Areas to protect selected employment areas; | (i) The need to protect employment areas was acknowledged. |
| (10) | Waiver of building permit fees for all new office, hotel and industrial development; | (i) No specific comments were received. |
| (11) | Invest in proactive programs to stimulate job creation by anchoring existing jobs and firms in Toronto; | (i) Participants recognized business retention being as important as attracting new businesses, and emphasized that the incentives should balance existing with new businesses keeping fairness towards existing businesses in mind.<br><br>(ii) Given the global economic changes, a need for competitive business climate including industry and manufacturing was acknowledged. Competitive business taxes were recognized as beneficial to keep jobs in Toronto.<br><br>(iii) The majority of the participants were concerned over the observed business movement out of the City to ‘905’ area. Taxes, being a business cost and representing a competitive disadvantage for the City vs ‘905’were recognized amongst the top reasons for businesses location outside of the City of Toronto. The other business threats indicated at the meetings were cheaper greenfield development being easier to build on; zoning/land use changing and forcing out industrial uses. |

| Action Plan Initiatives | | Comments from Public Consultation Participants |
|---|---|---|
| | | (iv) Etobicoke and Scarborough were indicated as suffering business proximity to ‘905’ borders, and their residents requested special consideration to the unique conditions of these areas, as suburban but not competitive with ‘905’ areas and the potential for growth there. The residents recognized the need for competitive tax rates, together with multi-faceted strategies.<br>(iv) Some participants expressed the opinion that lower taxes for businesses won’t equate to more jobs.<br>(v) It was suggested that businesses in Toronto are beneficial to homeowners. |
| | (i) Start-up assistance for new businesses, support for key industry clusters, and expansion of BIAs; | (i) The need to keep and expand businesses to take advantage and serve population growth in the City of Toronto was acknowledged.<br>(ii) It was recognized that if there are no incentives, businesses would choose to locate elsewhere.<br>(iii) Participants expressed the concern that incentives seem to focus on new businesses, neglecting the needs of the existing businesses.<br>(iv) Additional levy for improved streetscapes of BIA’s was suggested. |
| | Labour force development initiatives, including strengthening linkages to Toronto’s diverse communities and partnerships with university and colleges; | (i) Concern with current migration of residents out of the city was voiced. |
| (12) | Stimulate investment, revitalization and assessment growth through non-tax policy initiatives; | (i) Some participants voiced the opinion that taxes are not the prime reason for commercial loss to 905 areas. Other issues such as condos driving out industrial/commercial uses and big box retail driving out small businesses were suggested as more important. |
| | (i) Streamlining the development and building approvals process; | (i) No specific comments were received. |

| | Action Plan Initiatives | Comments from Public Consultation Participants |
|---|---|---|
| | (ii) Enhance quality of place to lever employment related investment; | (i) Participants were concerned that current tax regime promotes land use conversions to residential resulting in condo development where employment/business growth should occur.<br><br>(ii) It was indicated that when the City does not maintain its lands sets, a bad example is being given to the business areas. |
| | (iii) Partnership with the Federal and Provincial governments and improved coordination of intergovernmental policies and programs; | (i) Participants were dissatisfied with Provincial valuation and property tax structure. Some objections to the CVA system were expressed, suggesting that the system is the foundation of tax problems. Question regarding movement by the Province on tax ratios was raised.<br><br>(ii) Business representatives voiced their concern that Provincial policies/regulations have hurt business in the City, suggesting that Provincial policy promotes commercial/industrial growth outside the City of Toronto.<br><br>(iii) Some participants felt that the current situation of tax flows out of the Province to the Federal level, and from the City to the Province is not fair.<br><br>(iv) The opinion that the City needs new revenue sources to alleviate the very high burden on residents and businesses was voiced. Participants felt that the concentration of social needs in Toronto requires Provincial/Federal assistance and changes to the City of Toronto Act regarding the coordination of funding sources are needed. |
| (13) | Promote the Toronto ‘brand’ locally and internationally to increase the City’s profile and showcase our competitive advantages; | (i) Participants expressed their satisfaction that the City takes business competitiveness seriously and supported multi-pronged approach to building a strong city incorporating tax policy; business competitiveness; social development; education and development patterns. |

| Action Plan Initiatives | | Comments from Public Consultation Participants |
|---|---|---|
| | | (ii) Further participants suggested to tie-in economic development to unique community links with international markets, emphasizing the need to promote the City to the international markets.<br><br>(iii) Unanimous concern over ‘905’ being more cost competitive then the City of Toronto, due to site location costs advantage. City’s goal to regain share of economic growth in GTA was strongly supported, recognizing that city business tax rates should be competitive with those of GTA in order to reduce costs in the city to bring jobs back. The expected changes in res/non-residential taxes in the GTA were suggested to be taken into consideration as well. |
| (14) | Initiate business focused outreach and engagement program. For example:<br><br>(i) establishment of a Mayor’s Economic Competitiveness Advisory Committee and other mechanisms to ensure ongoing engagement and involvement of the business community;<br>(ii) establishment of an Interdivisional Economic Growth staff team to evaluate and improve programs and services to meet the needs of business;<br>(iii) implementation of a comprehensive communication strategy to advance this tax policy and economic competitiveness action plan. | (i) Participants recognized the need for a strong City Vision, common for business and residents with corresponding strategy, action plans and funding support, as well as calling for a champion to promote the City vision.<br><br>(ii) The need for business outreach was also suggested to be crucial. |

Attachment 2 – Summary Property Tax Options for a Neighbourhood Retail Class

Optional Property Class:

Existing legislation allows municipalities the option to adopt by way of by-law certain optional classes of the commercial class. The available optional classes are:

(i) the Large Theatre Class (more than 1,000 seats);
(ii) Large Office Class (greater than 25,000 ft. sq.);
(iii) Large Shopping Centre Class (greater than 25,000 ft. sq.); and
(iv) Large Sports Facilities, and
(v) Parking Lots.

Properties that do not fall into one of these classes are included in the 'Residual' commercial class. The make-up of the residual class, in terms off assessed value, includes offices less than 25,000 ft. sq. (15 percent), commercial uses within industrial buildings (18 percent), neighbourhood shopping centres (10 percent), and hotels (seven percent).

Most strip retail/neighbourhood retail properties fall into the residual class, representing 20 percent of this class. In terms of number of properties, the residual class accounts for approximately twenty-five thousand properties of the total of thirty-one thousand commercial properties on the assessment roll.

Staff analysis has indicated that the use of optional classes would not be an effective way to provide a lower tax burden for "small retail business", as this group represents only a small portion of the residual class.

Separate Property Class:

Defining a separate property class for neighbourhood retail is problematic in that there was no consensus or uniform definition of what constitutes a "small business" or "small retail" establishment. The various eligibility criteria put forward were usually met with exceptions that should be included and of examples of types of businesses that would inadvertently be included.

The objectives behind the proposals submitted by the various stakeholders are not synonymous. Some stakeholders want to see broad-based tax relief provided to all small businesses, recognizing the importance and fragility of the small business sector in our economy, while others are only seeking to confer a benefit on a particular category of properties.

Related to definitional issues, the Municipal Property Assessment Corporation (MPAC) has been undertaking a review of its inventory of property codes with the goal of better identifying and defining property types. This project has now been completed and will be put in effect for the assessment roll for the 2006 taxation year.

This review has included more precise definitions for property types such as:

(i) Retail – one storey, under 10,000 square feet;

(ii) Retail or Office – with residential units above or behind, under 10,000 square feet, street or onsite parking; and

(iii) Retail with Office – less than 10,000 square feet, with offices above.

Targeted tax relief for these property types could be implemented as early as the 2007 taxation year.

Graduated Tax Rates:

Existing legislation allows for up to three tax rates within the commercial class, with lower tax rates for lower valued commercial properties. Graduated tax rates can be used to provide limited relief to lower valued properties, but does present some challenges.

For one, because this is broad-brush approach, as every property benefits from the lower rate on the first assessment portion, the cost of relief can be very expensive. For example, if a tax rate of two-times residential were desired for the first $500,000 of property value, then this would represent a funding requirement of approximately $100 million, which would have to come from other sources (i.e., a general tax increase), or from increasing the already high tax rate on balance of commercial assessment (i.e., a 21 percent tax increase on commercial).

For another, this approach can also result in inequitable treatment of similar properties. For example, for two identical small businesses, the one who chooses to locate in a higher valued building will pay a higher tax rate. Furthermore, properties on the most successful retail strips in the city would likely be provided very little protection by graduated tax rates.

A graduated tax rate program could be implemented for the 2006 taxation year.

Geographic/Physical Characteristics:

Various proposals based on geographic considerations were also considered. Such examples included that, to receive tax relief consideration, the property must be within a Business Improvement Area (BIA), be say 15,000 square feet or less, and not be in the Shopping Centre or Office Building classes.

Staff have estimated that above criteria would encompass approximately 5,200 of the City's 32,000 commercial properties. Such a program would be implemented by way of an application and review process.

# Attachment 3 – Changes in Employment and Place of Work

| | Change in Full and Part Time Jobs in Toronto '89 vs. '04 | | | | | % of Residents that Work Outside of Toronto | |
|---|---|---|---|---|---|---|---|
| | 1989 | 2004 | Change | % Change | | 1991 | 2001 |
| Ward 1 | 21,854 | 23,128 | 1,274 | 5.8% | | 26.9% | 35.0% |
| Ward 2 | 59,922 | 53,579 | -6,343 | -10.6% | | 23.1% | 30.2% |
| Ward 3 | 10,718 | 10,121 | -597 | -5.6% | | 24.7% | 32.0% |
| Ward 4 | 4,777 | 5,163 | 386 | 8.1% | | 22.5% | 25.9% |
| Ward 5 | 60,239 | 57,079 | -3,160 | -5.2% | | 19.6% | 24.2% |
| Ward 6 | 29,758 | 24,820 | -4,938 | -16.6% | | 20.6% | 26.7% |
| Ward 7 | 44,841 | 39,753 | -5,088 | -11.3% | | 25.3% | 33.8% |
| Ward 8 | 46,462 | 41,750 | -4,712 | -10.1% | | 25.3% | 32.8% |
| Ward 9 | 18,790 | 14,041 | -4,749 | -25.3% | | 21.1% | 28.0% |
| Ward 10 | 9,776 | 9,636 | -140 | -1.4% | | 19.8% | 25.5% |
| Ward 11 | 21,941 | 17,006 | -4,935 | -22.5% | | 17.4% | 22.3% |
| Ward 12 | 17,278 | 11,723 | -5,555 | -32.2% | | 16.6% | 21.2% |
| Ward 13 | 9,213 | 8,172 | -1,041 | -11.3% | | 14.5% | 17.8% |
| Ward 14 | 14,794 | 14,891 | 97 | 0.7% | | 12.8% | 15.5% |
| Ward 15 | 37,955 | 33,955 | -4,000 | -10.5% | | 14.2% | 16.3% |
| Ward 16 | 17,766 | 16,169 | -1,597 | -9.0% | | 10.8% | 15.7% |
| Ward 17 | 9,481 | 6,834 | -2,647 | -27.9% | | 13.8% | 14.7% |
| Ward 18 | 15,188 | 10,173 | -5,015 | -33.0% | | 11.8% | 12.8% |
| Ward 19 | 20,574 | 18,851 | -1,723 | -8.4% | | 10.6% | 11.6% |
| Ward 20 | 103,302 | 108,058 | 4,756 | 4.6% | | 8.2% | 10.6% |
| Ward 21 | 10,394 | 8,583 | -1,811 | -17.4% | | 9.1% | 11.8% |
| Ward 22 | 46,906 | 39,356 | -7,550 | -16.1% | | 8.8% | 10.9% |
| Ward 23 | 31,481 | 34,972 | 3,491 | 11.1% | | 17.3% | 23.2% |
| Ward 24 | 22,332 | 25,611 | 3,279 | 14.7% | | 21.5% | 24.9% |
| Ward 25 | 24,297 | 27,115 | 2,818 | 11.6% | | 13.3% | 16.2% |
| Ward 26 | 33,570 | 29,840 | -3,730 | -11.1% | | 9.6% | 15.4% |
| Ward 27 | 161,532 | 127,291 | -34,241 | -21.2% | | 8.7% | 9.2% |
| Ward 28 | 146,073 | 149,154 | 3,081 | 2.1% | | 9.2% | 10.8% |
| Ward 29 | 6,676 | 7,424 | 748 | 11.2% | | 8.1% | 11.9% |
| Ward 30 | 23,979 | 20,031 | -3,948 | -16.5% | | 9.3% | 10.8% |
| Ward 31 | 12,222 | 11,063 | -1,159 | -9.5% | | 9.2% | 11.6% |
| Ward 32 | 15,972 | 14,386 | -1,586 | -9.9% | | 9.5% | 11.9% |
| Ward 33 | 24,157 | 23,254 | -903 | -3.7% | | 17.9% | 24.8% |
| Ward 34 | 29,450 | 25,031 | -4,419 | -15.0% | | 15.1% | 19.3% |
| Ward 35 | 28,257 | 20,749 | -7,508 | -26.6% | | 10.1% | 13.4% |
| Ward 36 | 7,252 | 7,536 | 284 | 3.9% | | 9.7% | 13.7% |
| Ward 37 | 38,831 | 31,793 | -7,038 | -18.1% | | 12.0% | 17.0% |
| Ward 38 | 29,547 | 27,345 | -2,202 | -7.5% | | 12.0% | 17.2% |
| Ward 39 | 13,407 | 13,008 | -399 | -3.0% | | 20.3% | 28.8% |
| Ward 40 | 14,427 | 13,904 | -523 | -3.6% | | 17.1% | 22.4% |
| Ward 41 | 25,644 | 33,455 | 7,811 | 30.5% | | 18.8% | 26.0% |
| Ward 42 | 20,964 | 26,826 | 5,862 | 28.0% | | 14.4% | 19.2% |
| Ward 43 | 7,129 | 7,112 | -17 | -0.2% | | 11.9% | 17.0% |
| Ward 44 | 7,411 | 5,850 | -1,561 | -21.1% | | 14.8% | 18.3% |
| City Wide | 1,356,539 | 1,255,591 | -100,948 | -7.4% | | 15.1% | 19.2% |
| | Source: Toronto Employment Survey | | | | | Source: Statistics Canada | |

**The Policy and Finance Committee and the Economic Development and Parks Committee also submit the communication (October 15, 2005) from the Economic Development and Parks Committee:**

Action taken by the Committee:

The Economic Development and Parks Committee received the report (September 22, 2005) from Deputy City Manager Sue Corke, and directed that a copy of the report and the presentation material from Janet Ecker of the Toronto Financial Services Alliance be forwarded to the joint meeting of Policy and Finance Committee and the Economic Development and Parks Committee on October 20, 2005, for information and consideration with the report entitled "Final Recommendations – Enhancing Toronto's Business Climate – It's Everybody's Business".

Background:

The Economic Development and Parks Committee on October 17, 2005, considered a report (September 22, 2005) from the Deputy City Manager, providing an update on the status of the financial services sector in the City and associated Toronto Financial Services Alliance (TFSA) activities.

Recommendation:

It is recommended that this report be received for information.

Janet Ecker, Executive Director, Toronto Financial Services Alliance, made a presentation to the Economic Development and Parks Committee; and filed a copy of her submission.

(Report dated September 22, 2005 addressed to the
Economic Development and Parks Committee from
the Deputy City Manager.)

Purpose:

To provide an update on the status of the financial services sector in the City and associated Toronto Financial Services Alliance (TFSA) activities.

Financial Implications and Impact Statement:

There are no financial implications resulting from the adoption of this report.

Recommendation:

It is recommended that this report be received for information.

Background:

The Toronto Financial Services Alliance (TFSA) is a public private initiative created by the City of Toronto's Economic Development Division in 2001 to enhance and promote the competitiveness of Toronto as a premier North American financial services centre. The TFSA membership includes approximately 30 organizations representing the financial services industry and its trade associations, affiliate business services, all levels of government and academia.

In January 2004, staff presented the findings of the Toronto Financial Services Alliance (TFSA) 2003 Competitiveness Survey. The Survey recommended a series of "Five Imperatives for Change" to strengthen Toronto's position in the international financial services arena.

As the lead organization representing the Toronto Financial Services industry, the recommendations were that the TFSA:

(i) speak as one voice for the financial services sector in Toronto and raise awareness of the sector as a strategic industry for Canada, among the public, in government, in Ontario and across Canada;

(ii) take the lead to ensure that Toronto's financial sector is a core component of economic development by all levels of government;

(iii) focus on reinforcing the region's labour force advantages, proceeding with a Needs Assessment Study and further developing the dialogue between the financial sector, colleges, universities and the industry's education affiliates;

(iv) strongly advocate for urban policy change to provide sustainable funding mechanisms for Canada's largest urban regions and multi-year remedial strategies that address, as quickly as possible, escalating costs such as transportation gridlock that are eroding Toronto's strength as a financial centre; and

(v) continue to urge a "smart" tax and regulatory environment, addressing the levies and regulations that pose the greatest deterrent to new financial services investment.

The TFSA has made significant inroads on the first two strategic directions and continues to work on the additional recommendations. As part of this work, the TFSA will implement a Financial Services Sector Communications/Marketing Strategy. The TFSA Communications/Marketing Strategy is two-pronged in approach. Phase One commenced in early 2005 with the development and design of a Financial Services Sector Profile and Strategic Communications/Marketing Strategy. Phase Two will implement the Strategy through the design and development of promotional materials as well as a TFSA website. This work is expected to be completed in November 2005. The Strategy has received funding through the federal government's Community Investment Support Program (CISP).

Comments:

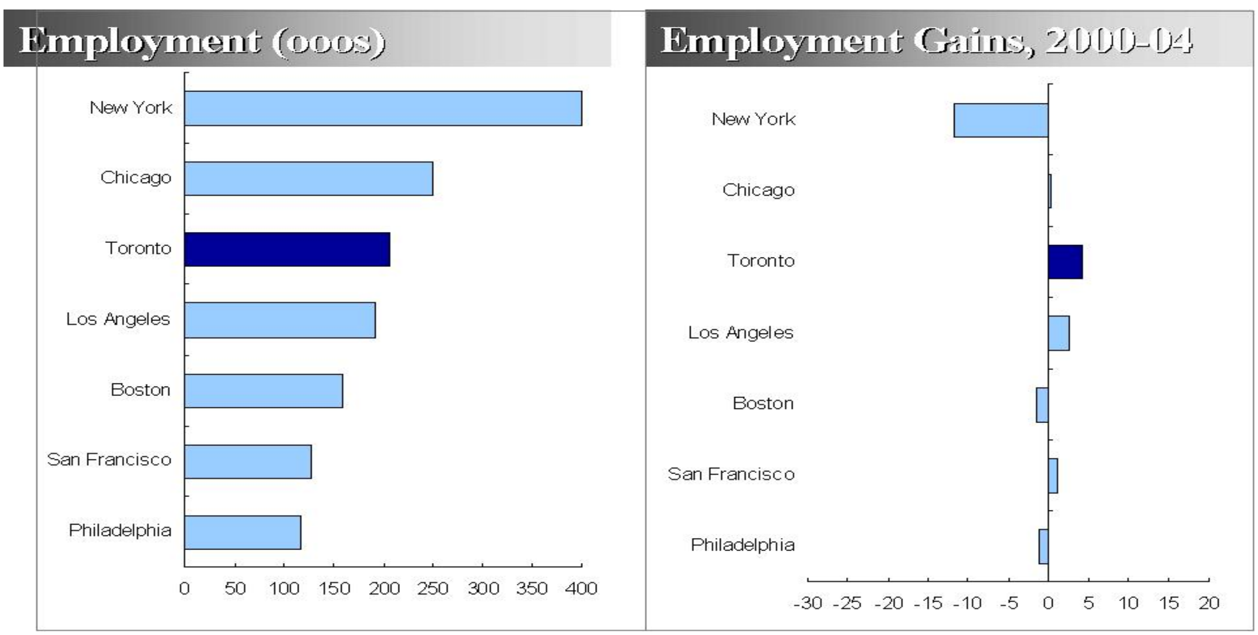
Financial Services Sector Profile Highlights:

The TFSA Profile provides an up-to-date overview of the sector based on employment, revenues and investment and other criteria. It measures performance based on four-year (2000-2004) and 10-year (1994-2004) timeframes. Overall, the study reveals two principal findings of the Financial Services sector. First, the Toronto region as a whole benefits tremendously from the employment and economic prosperity the sector represents. Second, when regional boundaries are taken into account the City of Toronto has lost some ground in its ability to retain and attract new investment in this sector during the past 10 years.

The Profile contains a wealth of additional information including the following findings regarding the sector as it pertains to the Toronto Census Metropolitan Area (CMA):

(a) the sector continues to be a major contributor to the regional and national economies, directly employing over 205,000 people (Statistics Canada 2004). Based on direct employment, the region remains the third largest financial centre in North America (after New York and Chicago). Employment growth remains robust and continues to outpace our major U.S. competitors (Los Angeles, New York, San Francisco, Chicago, Boston and Philadelphia) as shown in Chart 1.

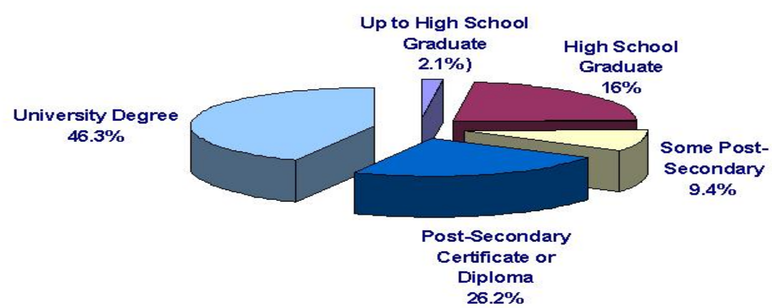
Chart 1: Financial Services Sector Employment and Growth Trends



(b) the Financial Services sector has demonstrated considerable employment growth in the Toronto region. Over the past four and 10-year periods overall growth averaged 4.1 and 3.5 percent respectively, ahead of the overall employment rate of 2.5 and 3.1 percent. Financial sector employment in the region represents 27 percent of all financial sector jobs in Canada and 60 percent of those in Ontario; and

(c) the Financial Services sector continues to boast a highly educated workforce. In 2004, almost 73 percent of finance and insurance workers held post-secondary designations as shown in Chart 2. In comparison, the proportion of employees with post-secondary designations across all the economic sectors is 58 percent. Toronto boasts the second-largest Chartered Financial Analyst (CFA) society after New York, with roughly 5,000 CFA charter holders. The City is home to three world-class universities, four colleges and an impressive array of financial industry training associations.

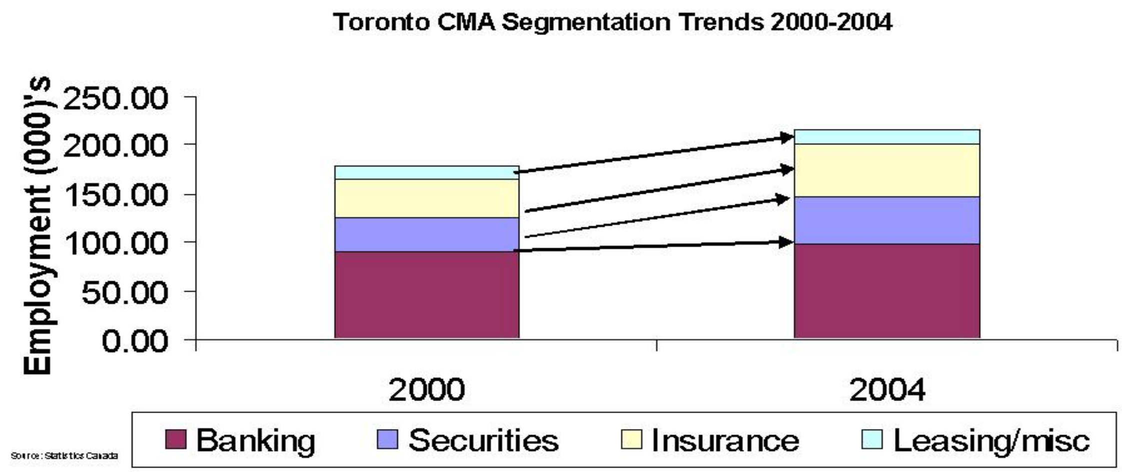
Chart 2: Education Levels of Financial Services Sector Employees




**2004 Source: Statistics Canada LFS**

(d) the Banking sub-sector in the region comprises roughly 46 percent of the Financial Services sector employment and grew 2.6 percent from 2000 to 2004. However, during the previous decade as other Financial Services sub-sectors expanded, the Banking's share of total sector employment actually declined roughly 5 percent from a level of 51 percent in 1994. The sub-sector trends are highlighted in Chart 3.

Chart 3: Sub-Sector Employment Trends




(e) the Insurance sub-sector represents one-quarter of the overall Financial Sector's employment and has grown at 5.4 percent over the four-year period surpassing the overall sector growth rate of 4.1 percent in the Toronto CMA. This higher, recent growth is driven primarily by strong retail investment services and industry consolidation that has benefited the region. During the 10-year period, insurance growth rates tracked at a more mature 2.2 percent exhibiting trends similar to the Banking sub-sector;

(f) the Securities and Investment Services sub-sector constitutes roughly 22 percent of sector employment and has been the catalyst for financial services growth over the long and short term having doubled in absolute numbers during the past decade. Canada's commodity boom and the growing appeal for new products such as hedge funds, income trusts and exchange-traded funds have been a key driver. Growth in this segment is still strong and is tracking in the high single digits over the four- and 10-year periods; and

(g) more than a third of Canada's top 100 head offices according to FP500, National Post, 2004 are located in the Toronto region and close to 90 percent in the City of Toronto. The top seven financial institutions figure prominently among these and rank among the top 15 employers in the region. Twelve of the top 20 Fortune 500 companies also maintain Canadian headquarters in the Toronto CMA.

City of Toronto Implications:

The City of Toronto continues to be the financial capital of Canada and remains the location for significant and meaningful financial sector concentration.

The City of Toronto is headquarters to:

(i) 48 of 71 foreign and domestic banks (most notably the largest five domestic banks representing greater than C$1.5 trillion assets);

(ii) the Toronto Stock Exchange (TSX) one of the most efficient stock exchanges in the world as well as third largest equity exchange in North America (based on market capitalization);

(iii) 115 or 56 percent of all securities firms representing the bulk of activity across the country;

(iv) 61 or 56 percent of all life and health insurance companies, including internationally significant companies such as Sun Life and Manulife;

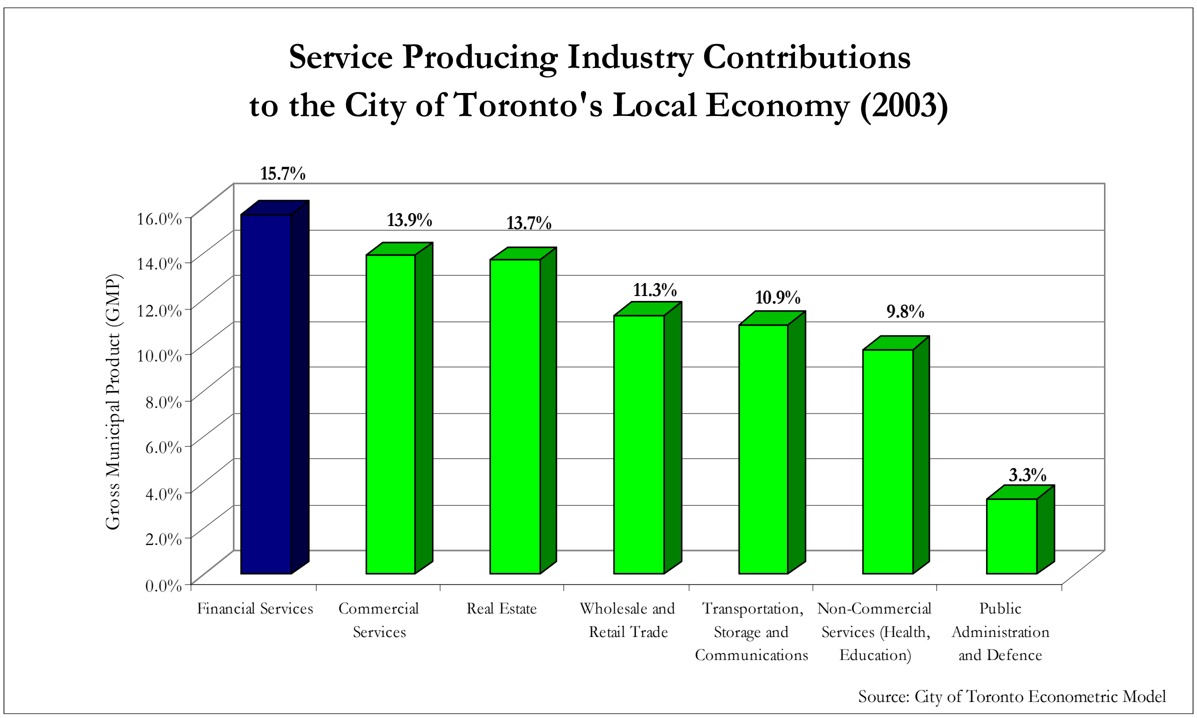
(v) the largest pension plans in Canada - CPP, OMERS, OTPP and HOOP; and

(vi) one-third of all property and casualty industry firms.

Over 205,000 employees work in the Financial Services sector in the Toronto CMA and almost 50 percent work in the City of Toronto. This represents roughly eight percent of Toronto's total employment, 30 percent of all financial sector jobs in Ontario and 13.5 percent of all those in the country.

Financial Services lead all other service-producing sectors in the City of Toronto contributing roughly 15.7 percent to local gross municipal product as shown in Chart 4.

Chart 4: Service Producing Industry Contributions to the City of Toronto's Local Economy




However, the City is not keeping pace. When considered from a geographic perspective the findings reveal that the City of Toronto is losing its ability to retain and attract new investment in the industry. Growth of financial services is being fuelled in the 905 region.

City of Toronto employment in the sector grew at 2.3 percent during the recent four-year period (2000-2004), higher than the overall employment growth rate of 1.5 percent. However, when taken into the geographic context of the 905 versus 416 regions, financial services growth in the 905 eclipses that of the City of Toronto recording growth rates of more than 6 percent over the four and 10-year periods.

Sub-sector trends reveal mixed performance. The City of Toronto has a slightly higher share of the Banking sub-sector (51 percent) than the rest of the CMA. The City has also had a recent spurt in the short term that reflects buoyant retail banking activity, notably with the introduction of foreign banks such as ICICI, HSBC and recently the State Bank of India.

Insurance and Securities/Investment have driven Financial Services' regional growth during the past 10 years. However, the City of Toronto has lost ground in the Insurance sub-sector over the four and 10-year periods, recording negative growth while the 905 racked up double-digit growth over the four-year period and 8.7 percent over the longer term. The 905 share of insurance employment now stands at 59 percent surpassing the City of Toronto at 41 percent.

Growth in the Securities/Investment sub-sector has been strong at close to five percent over the four and 10-year terms in the City of Toronto. The 905 levels for the same periods have been twice that at 9.9 percent and 11 percent respectively. However, the City of Toronto still retains the majority of securities employment at 55 percent.

Current Sector Issues:

Some Financial Services jobs are mobile and are highly susceptible to re-location. The Financial Services Sector Profile reveals that employment gains have already been made in the 905 region as compared to City of Toronto from 1994 to 2004. In addition, the 2003 TFSA Competitiveness Survey found that 70 percent of Toronto region firms had contemplated their options whether to expand, downsize or relocate. In the face of escalating cost pressures, including taxes, all levels of government must work together to create a positive and competitive business environment.

The cost of doing business continues to affect the long-term competitiveness of the sector. According to a recent CD Howe Institute report in 2005 Canada had the second highest effective tax rate on capital among 36 industrial and leading developing countries taking into account corporate taxes on business investment. Ontario and Saskatchewan rated the highest effective tax rates among the provinces. The report urges the provincial and federal governments to develop a five-year plan to lower and shift taxes. Toronto is not exempt from these issues as property taxes and other costs also factor into location decisions. The TFSA Competitiveness Survey ranked Toronto the weakest for personal and corporate taxes as well as commercial real estate costs.

The TFSA fully supports the City's goals to improve the business climate. The City and the sector must work together to maintain these valuable Financial Services jobs and attract new investment. The strong Canadian dollar, inflationary pressures and competitive lower-cost jurisdictions continue to place escalating pressures on our businesses.

An added concern for Toronto is the long-awaited announcement of the Federal government's merger framework for Canada's large financial institutions. Canadian banks have fallen behind on the international stage where large bank and cross-pillar mergers have continued apace. For Toronto, there are major policy questions including foreign ownership, the concentration of market power among very few players and potential reductions in services and employment levels. The City, other levels of government and the financial sector will need to work together to find ways to address these issues.

Current TFSA Activities:

The TFSA is committed to marketing the strengths of the sector and improving the long-term competitiveness in Toronto. To enhance and promote the sector, the TFSA is conducting a strategic sector Communications/Marketing Strategy to promote Toronto's financial sector as summarized in Table 1.

Table 1: TFSA Communications/Marketing Strategy

| Objectives | Key Actions |
|---|---|
| (1) Raise the awareness of the sector as a strategic industry for Canada, among the public and in government, in Ontario, across Canada and promote its attractiveness to international investors. | - TFSA Web site redesign<br>- Sector Promotional Materials<br>- TFSA Membership drive<br>- Sector Development<br>- Events<br>- Public speaking |
| (2) Position TFSA as a credible and trusted source of information for the financial sector – for education, promotion and sector competitiveness | - Annual sector profile<br>- HR/Education Study<br>- Benchmarking statistics<br>- Competitiveness Survey |
| (3) Outreach/Advocacy efforts for the sector in the City. | - Media interviews and activities<br>- Government Relations<br>- Public speaking<br>- Policy Submissions<br>- Partnership activities |

The TFSA mandate is not only to promote but also to advocate for an internationally competitive financial sector. Jointly with the City, the TFSA will continue to encourage competitiveness through 'smart' regulation and taxation and by reinforcing the sector's labour advantages through a Needs Assessment Study in 2006.

Also, in early 2006, the TFSA will conduct its annual Leaders' Forum, a gathering of the CEO's of the financial industry, affiliate sectors and government. The objective is to report on TFSA activities and to set specific and quantifiable goals in order to retain and ultimately grow Toronto's financial sector and its competitive status internationally. The development of appropriate and relevant benchmarks will be necessary to track the Communication/Marketing Strategy's effectiveness, but also to gain commitment from the sector and the City.

<u>Conclusions</u>:

The financial sector is a strategic and key contributor to the economic vitality of the Toronto region. The region boasts a large and growing financial services sector equally spread out across the City and 905. Overall employment growth has been trending well but much of this has occurred in the 905 region. Companies continue to relentlessly evaluate their operations to manage cost pressures. Competition in the near term has come from the 905 but this is potentially only a stepping-stone to other competitive jurisdictions.

The good news is that while financial services has been growing outside of the core, Toronto still remains the financial capital of Canada and a premier North American centre. The City retains over half of the sector's regional employment. The majority of financial services companies continue to run their head offices out of the City, including the largest domestic banks, investment and insurance companies. Toronto's proximity to the U.S. and its highly skilled and multilingual workforce remain its competitive advantage.

The City and the TFSA must monitor and implement strategies to bolster this competitiveness or risk further business migration. The TFSA in partnership with the City is committed to enhancing and promoting Toronto as an internationally competitive financial centre.

<u>Contact Name</u>:

Karen Thorne-Stone, Executive Director, Economic Development, Tel: 416-395-6152,
Fax: 416-397-5314, Email: kthorne@toronto.ca.

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The Policy and Finance Committee also considered the following communications:

(1) (October 18, 2005) from Mr. Brian Maguire, Acting Chair, Confederation of Resident and Ratepayer Associations in Toronto;

(2) (October 18, 2005) from Mr. Brian Maguire, Secretary on behalf of the Board, North Hill District Home Owners' Association;

(3) (October 19, 2005) from Terry A. Bryk;

(4) (October 19, 2005) from Mr. William J. Phillips submitting a document entitled "Why Homeowners are Opposed to Recommendation of the Final Recommendations – Enhancing Toronto's Business Climate to Ship More of the Municipal Property Tax Burden onto the Residential Property Class";

(5) (October 19, 2005) from Ms. Cindy Caron Thorburn, President, Moore Park Residents' Association;

(6) (October 19, 2005) from Ms. Judy Geary, President, Kingsway Park Ratepayers Incorporated;

(7) (October 19, 2005) from Ms. Frances Labelle, Director, Swansea Area Ratepayers' Association/Swansea Area Ratepayer's Group;

(8) (October 19, 2005) from Mr. John Smart, President, Teddington Park Residents Association;

(9) (October 19, 2005) from Mr. Robert Witchel, President, Lytton Park Residents' Organization; and

(10) (October 20, 2005) from Ms. Agnes Vermes, Director, Leaside Property Owners Association.

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The Deputy City Manager and Chief Financial Officer and the Executive Director of Economic Development gave a presentation on this matter and filed a copy of their presentation.

The following persons addressed the Policy and Finance Committee:

- Mr. Glen Grunwald, President and Chief Executive Officer, Toronto Board of Trade, and filed a written submission with respect thereto;

- Ms. Janet Ecker, Executive Director, Toronto Financial Services Alliance, and filed a written submission with respect thereto;

- Mr. Calvin Weinfeld, Toronto Real Estate Board, and filed a written submission with respect thereto;

- Mr. Ib Amonsen, and filed a written submission with respect thereto;

- Mr. Tim Woods, Toronto Industry Network, and filed a written submission;

- Mr. Chris Conway, Government Relations Manager, Real Pac;

- Mr. Phil Gillan, and Mr. David Fleet, on behalf of the Toronto Office Coalition, and filed a written submission with respect thereto;

- Mr. John Cartwright, Toronto and York Region Labour Council and filed a written submission with respect thereto;

- Mr. Lionel Miskan, on behalf of Toronto Association of Business Improvement Areas (TABIA);

- Mr. Brad Butt, Executive Director, Greater Toronto Apartment Association;

- Mr. Tom Charette, Senior Policy Analyst, Canadian Federation of Independent Business and filed a written submission with respect thereto;

- Mr. Zygmunt Uznanski;
- Mr. David Vallance;
- Mr. Tom Lexovsky, Superior Restaurant;
- Mr. Mark Robert, Heritage Toronto, and filed a written submission with respect thereto on behalf of Peter Carruthers, Chair, Heritage Toronto;
- Mr. Dan McIntyre, on behalf of residential tenants;
- Mr. Alan Burke, President, East Beach Community Association;
- Mr. Michael Kilpatrick, Chair, Scarborough Residents Association;
- Mr. Michael McMahon;
- Ms. Hildi Reis-Smart, on behalf of Mr. John Smart, President, Teddington Park Residents Association; and
- Ms. Catherine Holliday, on behalf of the Toronto Committee, Communist Party of Canada, and filed a written submission with respect thereto.

The following Members of Council also addressed the Policy and Finance Committee:

- Councillor Shelley Carroll, Don Valley East;
- Councillor Janet Davis, Beaches-East York;
- Councillor Cliff Jenkins, Don Valley West;
- Councillor Denzil Minnan-Wong, Don Valley East;
- Councillor Jane Pitfield, Don Valley West; and
- Councillor Karen Stintz, Eglinton-Lawrence.

(A copy of the written submissions respecting this matter, referred to in the report (October 17, 2005) from the Deputy City Manager and Chief Financial Officer, was distributed with the October 20, 2005, Agenda of the Policy and Finance Committee and a copy thereof is also on file in the Office of the City Clerk, City Hall.)

***City Council – October 26, 27, 28 and 31, 2005***

*Council also considered the following:*

- *Report (October 26, 2005) from the Deputy City Manager and Chief Financial Officer [Communication 28(a)].*

*Subject: Additional Information Request – Enhancing Toronto's Business Climate*

*Purpose:*

*To provide additional information arising from consideration of the report "Final Recommendations - Enhancing Toronto's Business Climate, It's Everybody's Business " by the Policy and Finance Committee and Economic Development and Parks Committee at their joint meeting held on October 20, 2005.*

*Financial Implications and Impact Statement:*

*There are no direct financial implications arising from this report. Adoption of the recommendations will update the average household Current Value Assessment (CVA) for Toronto under the current reassessment, and will update the definition of "low-income" to reflect the normal escalation of Revenue Canada's Guaranteed Income Supplement (GIS) criteria. This action is necessary to ensure continued relief from property tax increases for the City's eligible low-income seniors and low-income disabled persons.*

*Recommendations:*

*It is recommended that:*

*(1) the eligibility criteria for the City of Toronto's Tax Assistance Program for Low Income Seniors and Low Income Disabled Persons be updated by amending the City of Toronto Municipal Code, Chapter 767, Taxation, to:*

*(a) increase the maximum household income for eligibility under the Tax Deferral Program for low-income seniors and low-income disabled persons to $40,000.00, commencing in the 2006 taxation year;*

*(b) increase the maximum household income for eligibility under the Tax Cancellation Program for low-income seniors and low-income disabled persons to $26,000.00, commencing in the 2006 taxation year; and*

*(c) increase the maximum assessed value for eligibility under the Tax Cancellation Program for low-income seniors and low-income disabled persons to $454,000.00, commencing in the 2006 taxation year; and*

*(2) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.*

*Background:*

*The Policy and Finance Committee and the Economic Development and Parks Committee, at its joint meeting held on October 20 and 21, 2005, during consideration of the report from the Deputy City Manager and Chief Financial Officer headed "Enhancing Toronto's Business Climate – It's Everybody's Business (October 17, 2005)", requested:*

> *"the Deputy City Manager and Chief Financial Officer to submit a report directly to Council for its meeting to be held on October 26, 2005:*
>
> *(i) providing additional recommendations to support those on limited income, such as some seniors, so as to ensure that the proposed changes do not cause undue hardship to the needy; and*
>
> *(ii) on how residential development charges can be used to finance the 0.3 percent annual tax shift and funding relief to the new neighbourhood retail class and rebates to heritage properties;"*

*At the same joint meeting, other information requested, which included the feasibility of funding the relief for the neighbourhood retail class from the entire business class and the feasibility of granting buildings that meet energy efficiency standards in the same tax classification proposed for new buildings, will be reported back by the Deputy City Manager and Chief Financial Officer to the Policy and Finance Committee.*

*Comments:*

*I. Tax Assistance for Low-Income Seniors and Low-Income Disabled Persons*

*The policy recommendations contained in the report "Enhancing Toronto's Business Climate – It's Everybody's Business ", if adopted, will result in an average annual property tax increase of approximately $10.00 on Toronto's residential homeowners for the fifteen years necessary to gradually phase-in a reduction in Toronto's business and multi-residential tax rates to the target of 2.5 times the residential rate.*

*Deferral of Tax Increases:*

*The Council of the amalgamated new City of Toronto first adopted a tax deferral program for low-income seniors and low-income disabled persons in 1998, which provided for the deferral of CVA-related tax increases for low-income eligible persons, with low income defined as being in receipt of the Guaranteed Income Supplement (GIS), which represented an income of approximately $20,000 at that time. In 1999, Council amended the program to redefine senior to be 50 years of age or older, and low-income to be less than $35,000, and incorporated a sliding scale with respect to the percentage of the tax increase deferrable. In 2000, Council eliminated the sliding scale, retroactively, such that 100% of the tax increase could be deferred where the household income was less than $35,000.*

*Amounts deferred under the deferral program are granted on an interest-free basis, and become payable only when the owner ceases to be eligible under the program criteria or the property is sold.*

*Council has not revised the $35,000 household income threshold to be eligible for the deferral of tax increases since the year 2000. Applying the consumer price index (CPI), as is the norm in considering eligibility for the federal income supplements, would translate into an increase in the income threshold to about $39,200. As such, staff are recommending amending the program to reflect an income criteria of $40,000 for 2006.*

*Cancellation of Tax Increases:*

*In 2003, Council further enhanced the tax assistance program for eligible low-income seniors and low-income disabled persons for 2003 and future years by providing for the cancellation of tax increases for persons aged 65 years or older, and where the residential property CVA is less than $295,000. In 2004, Council updated the residential property CVA threshold to $398,400 to reflect the average single-family detached property value from the 2004 reassessment, and updated the income threshold to $25,000 or less to reflect normal escalation in the consumer price index (as used by Revenue Canada in escalating the GIS). Tax increases cancelled under the cancellation program, of course, do not require repayment, and such amounts are funded from the City's operating budget.*

*For the most recent reassessment for the 2006 taxation year, the average single-family detached home is valued at $453,550. Accordingly, staff recommend amending the eligibility criteria of the tax cancellation program for low-income disabled persons and low-income seniors to reflect the increase in the property assessed value from $398,400 in 2004, to the current average value of $454,000. This is to ensure continued relief from property tax increases for the City's eligible low-income seniors and low-income disabled persons.*

*Average Residential Property Assessed Values*
*(January 2005 valuation date)*

| *Residential Property Type* | *No. of Properties* | *% of Total Residential Properties* | *Average Assessed Value (Jan. 2005 base)* |
|---|---|---|---|
| *Condominium* | *167,656* | *27.7%* | *$228,154* |
| *Townhome* | *18,510* | *3.1%* | *$337,085* |
| *Semi-Detached* | *81,101* | *13.4%* | *$332,152* |
| *Detached* | *282,856* | *46.7%* | *$453,550* |
| *All Residential* | *606,292* | *100.0%* | *$368,711* |

*With respect to the definition of "low-income" for the purposes of the tax cancellation program, the City utilizes the criteria of either a household income of $25,000 or less, or being in receipt of the guaranteed income supplement (GIS) or spouse's allowance under the Old Age Security Act (Canada). In 2004, the current income criteria to be eligible to receive the GIS was a combined yearly household income of $24,672 (based on a pensioner aged 65 years or older and spouse aged 60 to 65 years of age), hence the update of the City's criteria from $20,000 used* *since 1998 to $25,000 in 2004. The GIS is automatically indexed to the Consumer Price Index (CPI), and if used in applying for the City's property tax assistance program, does not require disclosure to the City of the individual's income tax return but simply proof of receipt of GIS. The current income eligibility criteria to receive the GIS as above has increased to $25,536 as at December 2005, and hence staff are recommending amending the program to reflect an income criteria of $26,000 for 2006.*

*These actions are intended to ensure continued relief from property tax increases for the City's eligible low-income seniors and low-income disabled persons. The chart below summarizes these programs, as amended.*

*Summary of City of Toronto Tax Assistance Program*
*for low-Income Seniors and Low-Income Disabled Persons*

| | *Tax Increase Deferral Program* | *Tax Increase Cancellation Program* |
|---|---|---|
| *Seniors* | - *aged 50 years or older*<br>- *household income $40,000 or less* | - *aged 65 years or older*<br>- *household income $26,000 or less or in receipt of the GIS*<br>- *property CVA less than $454,000* |
| *Disabled Persons* | - *receiving support from one or more specified disability programs*<br>- *household income $35,000 or less* | - *receiving support from one or more specified disability programs*<br>- *household income $26,000 or less*<br>- *property CVA less than $454,000* |

*II. Funding Property Tax Assistance from Development Charges*

*The rules governing the imposition of development charges and use of development charge revenues is provided for in the Development Charges Act, 1997.*

*Development charges may be collected by by-law of a municipality to pay for increased capital costs required because of increased needs for certain services arising from development of the area to which the by-law applies. Growth related capital expenditures eligible for recovery by way of development charges are specifically identified in the Act, and include the cost to acquire or improve land, and to acquire, construct or improve facilities, including the capital component of the cost to lease an asset, interest on money borrowed to pay for such costs, the cost of related studies, and excludes computer equipment, and rolling stock with an estimated useful life of six years or less.*

*Development charge revenues may only be expended on eligible growth-related capital projects as identified in the City's Background Study. The City is required to detail its calculation of the development charges in the background study, and subject it to a statutory public meeting. The development community has the right to appeal the quantum and components of a municipality's development charges.*

*In 2004, the City of Toronto updated its background study. The quantum of the charge ultimately adopted by Council amounts to $9,075 for each new single-family detached and semi-detached house. Residential development charges are projected to raise approximately $39 million annually for the City to be used towards eligible growth related capital expenditures. With respect to non-residential development, Council has elected not to impose development charges on new non-retail commercial and industrial development, for the same reasons as the business cost competitiveness issues raised in the "Enhancing Toronto's Business Climate" report. Instead, the full non-residential commercial development charge of $6.77 per square foot is being imposed on the City's robust new retail commercial development, raising an additional $4 million annually towards growth related capital expenditures from this class.*

*Development charges are a source of capital funding and are legislatively precluded from being used as a source of operating budget revenue. In other words, development charges cannot be used to finance the 0.3% annual tax shift from the non-residential to the residential property class, or to provide tax relief to the neighbourhood retail class or heritage properties.*

*The 2004 Development Charges Background Study indicated that the City could increase the residential development charges by approximately 18% in accordance with legislation which would raise an additional estimated $8 million per year. The benefit would be to reduce debt financing and the debt charge increases in the operating budget. Thus, the only indirect operating impact of increased development charges would be to reduce the City's debt charge budget by about $2 million per year. However, the City would have to proceed with the revision of the Development Charges By-law and the legislative process would require approximately 1 year to complete with the earliest implementation of any increased capital funding being in 2007.*

*Therefore, given the above, it is submitted that staff cannot reflect any development charge revenues as an operating revenue which could offset the residential tax revenue.*

*Conclusions:*

*The City of Toronto has a property tax assistance program for low-income seniors and low-income disabled persons, which allows for the deferral or cancellation of all property tax increases for eligible persons. This report seeks to update the eligibility criteria to reflect increases in the average household's current value assessment, and to increase the low-income threshold by the changes in the consumer price index since the last update in 2004. The purpose of these changes is to ensure continued relief from property tax increases for the City's eligible low-income seniors and low-income disabled persons. The recommended adjustments to the eligibility will ensure the City of Toronto continues to maintain one of the most accommodating tax assistance programs as compared to other municipalities.*

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*Communications:*

- *(October 26, 2005) from James L. Robinson, Executive Director, Downtown Yonge Business Improvement Area [Communication 28(b)];*

- *(October 26, 2005) from William J. Phillips, forwarding a document entitled "Why Homeowners Are Opposed to Recommendation 1 of the Final Recommendations - Enhancing Toronto's Business Climate To Shift More of the Municipal Property Tax Burden Onto the Residential Property Class, Submission to the Toronto City Council, October 26, 2005" [Communication 28(c)];*

- *Petition (undated) containing the signatures of approximately 171 individuals, in opposition to the shift of the tax burden from business to residential, submitted by Councillor Denzil Minnan-Wong, Ward 34, Don Valley East [Communication 28(d)];*

- *Petition (undated) containing the signatures of approximately 567 individuals, in opposition to the shift of the tax burden from business to residential, submitted by Councillor Bas Balkissoon, Ward 41, Scarborough-Rouge River [Communication 28(e)]; and*

- *(October 20, 2005) from Councillor Paula Fletcher, Ward 30, Toronto-Danforth, addressed to Mr. André Marin, Provincial Ombudsman [Communication 28(f)].*

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*Councillor Shiner declared an interest in this Clause, as it relates to a Motion moved by Councillor Fletcher, in that a member of his family works on the MPAC Web site.*