
2009 BUDGET BRIEFING NOTE

Tenant and Landlord Rent Reduction Notification Program – Expanded Program Costs for Additional Notifications

Issue:

To provide information on the estimated costs to send additional non-mandatory notifications to tenants and landlords of all rental residential properties that will experience tax reductions of 0 to 2.49 per cent in 2009.

Background:

- Under the *Residential Tenancies Act* (RTA), residential tenants are allowed to reduce their rents when the rental buildings in which they live have had a property tax decrease between two consecutive years. The RTA prescribes that when the tax decrease is more than 2.49 percent, tenants can automatically reduce their rents without applying to the Landlord and Tenant Board. Tenants in a building with a property tax decrease of 2.49 percent or less must file an application to the Board to receive the rent reduction.
- The RTA requires municipalities to provide notices to landlords and tenants of rental residential properties with more than six (6) units where the property tax decrease is more than 2.49 percent. These are called ‘mandatory notices’. Although mandated as a municipal responsibility by the province, the province does not provide funding to deliver this program – program costs are entirely funded from the property tax base.
- In 1998, the first year of the notification program, City Council authorized a full notification program with notices sent out to every multi-residential and residential rental property / unit experiencing a tax decrease. Multi-residential properties are those with seven or more rental units.
- In April 1999, Council decided that only mandatory notices would be mailed for 1999 and 2000 (i.e., notices were only sent to tenants in multi-residential properties with seven or more rental units and the landlords of those properties).
- Beginning in 2001, Council adopted as policy that notices be sent to all rental buildings and units experiencing a **property tax decrease of 2.49% or more**. This goes beyond what the RTA requires, as it includes notifications for residential rental properties with six or fewer units. This ensures that all tenants eligible for automatic rent decreases (i.e. more than 2.49% decrease in property taxes) are aware of their right to reduce their rent. This policy was based on recommendations arising from a review of the Landlord and Tenant Rent Reduction Notification Program:
<http://www.toronto.ca/legdocs/2001/agendas/council/cc010724/pof11rpt/cl005.pdf> .
- For rental buildings that experienced **property tax decreases of 2.49 percent or less**, no notice is sent by the City. Tenants cannot automatically reduce their rent. Unless the landlord

voluntarily agrees to reduce the rent, these tenants must apply to the Landlord and Tenant Board (the Board) for the rent reduction. There is a \$45 charge for making the application. The program review found that tenants would need a tax reduction of at least 2 per cent to break even on the application fee.

Estimates for 2009:

Table 1 provides a summary of the number of notifications required and estimated costs for 2009 for both the current program, and the potential numbers and costs for additional non-mandatory notices. The number of notices required is based on estimates of the number of properties that will receive tax reductions, based on 2009 proposed tax rates.

Funding to cover the current program is included within the proposed budget for the 2009 Notification Program in the 2009 Operating Budget for the Shelter, Support & Housing Administration Division.

Table 1: Landlord Tenant Notification Program Estimates for 2009

Notice type	Description	# properties	# rental units	# Notifications	Estimated Cost
Current City Notification Program:					
Mandatory Notices	Rental properties with seven or more rental units (multi-residential property class) with tax decreases of more than 2.49%	130	11,000	11,130	\$10,821
Non-mandatory Notices (per current Council policy)	Rental properties with six or fewer units (residential property class) with tax decreases of more than 2.49%.	830	1,528	2,358	\$2,292
Total Cost of Current Notification Program:		960	12,528	13,488	\$13,113
Cost of Expanding the Notification Program to include all tenants and landlords for properties experiencing tax decreases of less than 2.49%	Any rental property (residential and multi-residential property classes) with tax decreases less than 2.49%.	18,672	269,023	287,695	\$279,711
Potential total program cost (including potential additional notices)					\$292,824

- It is important to emphasize that, of the potential 287,695 additional non-mandatory notices that could be sent to rental tenants and landlords, all of the properties will experience total tax reductions less than 2.5 per cent. The rent reduction, however, is not automatic (i.e. tenants must apply to the Landlord and Tenant Board to obtain a rent reduction), and the cost of making an application to the Board is \$45 per application. Given that the \$45 application fee may turn out to be more than the annual rental reduction amount obtained, it is likely that many tenants will not make applications to receive the rent reduction.

- Under the current Council approved program, tenants who have not received a notice may call the City funded Tenant Hotline to determine if there was a tax decrease for their unit. Each year the City sends the Hotline a list of all property tax reductions, including those that are less than 2.49%. A tenant with a tax reduction of less than 2.49% can find out from the Tenant Hotline the percentage amount, and discuss the pros and cons of trying to obtain a rent decrease through an application to the Landlord and Tenant Board. If they want to make the application, they are directed to Revenue Services who will provide them with documentation to help them make their case.

Key Points:

- This Briefing Note identifies the estimated costs that would be required should Council decide to expand its notification program to send additional non-mandatory notifications to tenants and landlords of all rental residential properties that will experience tax reductions of 0 to 2.49 per cent in 2009.
- The tax notices are printed annually by a contracted private firm. The average cost per notice produced is estimated at \$0.97 for the 2009 notification program. This amount includes the per-notice costs for printing and postage, and base costs for printing set-up (data processing, programming, lettershop and template set-up).
- The estimated cost of expanding the notification program in 2009 to include all rental units and properties (i.e. multi-residential and residential) with tax decreases is in the range of \$280,000. The 2009 Operating Budget Estimates do not include funding for this additional notification.

Prepared by: Casey Brendon, Acting Director, Revenue Services Division, 416-392-8065; cbrendo@toronto.ca
Katherine Chislett, Director, Shelter, Support & Housing Administration, 416-397-0260; kchisle@toronto.ca

Further information: Casey Brendon, Acting Director, Revenue Services Division, 416-392-8065;
cbrendo@toronto.ca

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