STAFF REPORT
ACTION REQUIRED

2011 Property Tax Rates and Related Matters

Date:	January 19, 2011
To:	Budget Committee
From:	Deputy City Manager and Chief Financial Officer
Wards:	All Wards
Reference Number:	P:\2011\Internal Services\Cf\Bc11005cf (AFS #12825)

SUMMARY

This report presents the 2011 municipal tax ratios and 2011 municipal tax rates together with the Current Value Assessment (CVA) changes for 2011. Specifically, the tax ratios and rates recommended in this report provide for:

- continuation of the City's Enhancing Toronto's Business Climate strategy in lowering business tax rates;
- continued property tax assistance for low-income seniors and low-income disabled persons; and,
- continued support to encourage the development of purpose-built rental properties.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Council adopt the 2011 tax ratios shown in Column II for each of the property classes set out below in Column I, which together with the graduated tax rate for the Residual Commercial Class as recommended in Recommendation 2, will result in the 2011 ending tax ratios shown in Column III.

Column I	Column II	Column III
Property Class	2011 Recommended Tax Ratios(before Graduated Tax Rates)	2011 Ending Ratios (after Graduated Tax Rates)
Residential	1.000000	1.000000
Multi-Residential	3.316402	3.316402
New Multi-Residential	1.000000	1.000000
Commercial General - Unbanded	3.236503	3.236503
Residual Commercial – Lowest Band	3.134000	3.020001
Residual Commercial – Highest Band	3.134000	3.236503
Industrial	3.236503	3.236503
Pipeline	1.923564	1.923564
Farmlands	0.250000	0.250000
Managed Forests	0.250000	0.250000

2. Council enact a by-law to continue with two bands of assessment of property in the Residual Commercial property class, for the purposes of facilitating graduated tax rates for the Residual Commercial property class in 2011 as set out in the Enhancing Toronto's Business Climate initiative, and setting such bands of assessment for each band shown in Column II at the amount shown in Column III, and setting the ratio of the tax rates for each band in relation to each other at the ratio shown in Column IV.

Column I	Column II	Column III	Column IV
Property Class	Bands	Portion of Assessment	Ratio of Tax Rate to Each Other
Residual Commercial	Lowest Band	Less than or equal to $1,000,000	0.9331063
Residual Commercial	Highest Band	Greater than $1,000,000	1.0000000

3. Council adopt the tax rates set out below in Column III, which rates will raise a local municipal general tax levy for 2011 of $3,579,446,839.

Column I	Column II	Column III
Property Class	2011 Tax Rate for General Local Municipal Levy Before Graduated Tax rates	2011 Tax Rate for General Local Municipal Levy After Graduated Tax Rates
Residential	0.5619218%	0.5619218%
Multi-Residential	1.8635584%	1.8635584%
New Multi-Residential	0.5619218%	0.5619218%
Commercial General - Unbanded	1.8186615%	1.8186615%
Residual Commercial - Lowest Band	1.7610629%	1.6970046%
Residual Commercial - Highest Band	1.7610629%	1.8186615%
Industrial	1.8186615%	1.8186615%

Column I	Column II	Column III
Property Class	2011 Tax Rate for General Local Municipal Levy Before Graduated Tax rates	2011 Tax Rate for General Local Municipal Levy After Graduated Tax Rates
Pipelines	1.0808925%	1.0808925%
Farmlands	0.1404805%	0.1404805%
Managed Forests	0.1404805%	0.1404805%

4. The 2011 Non-Program Tax Account for Rebates to Charities in the Commercial and Industrial Property Classes be set in the amount of $5,161,591 to fund the mandatory 2011 property tax rebates to registered charities in the commercial and industrial property classes, which provision is to be funded, for a net impact on the 2011 operating budget of zero, by the following:

   a. The additional tax rates set out below in Column III be levied as part of the general local municipal levy on the commercial classes set out in Column I and Column II to raise a further additional local municipal tax levy of $5,042,524 to fund the total estimated rebates to registered charities for properties in the commercial classes in 2011.

Column I	Column II	Column III
Commercial Property Classes	Bands	Additional Tax Rate to Fund Rebates to Eligible Charities
Commercial General	Unbanded	0.0070745%
Residual Commercial	Lowest Band	0.0066012%
Residual Commercial	Highest Band	0.0070745%

   b. An additional tax rate of 0.0016826% be levied as part of the general local municipal levy on the industrial class to raise a further additional local municipal tax levy of $119,067 to fund the total estimated rebates to registered charities for properties in the industrial class in 2011.

5. With respect to the Capping and Clawback of taxes in the commercial, industrial and multi-residential property classes:

   a. Council enact the necessary by-law to continue to limit reassessment-related tax increases for the commercial, industrial, and multi-residential property classes, such a cap limit to be based on 5% of the preceding year's current value assessment taxes, for the 2011 taxation year.

   b. Council enact a by-law to continue to provide for the removal of properties from the capping and clawback system once they have reached their full CVA-level of taxation for the 2011 tax year.

6. The Deputy City Manager and Chief Financial Officer be directed to report directly to Council at its meeting scheduled for April 12 and 13, 2011, on the 2011 tax rates for school purposes, and the 2011 percentage of the tax decreases

required to recover the revenues foregone as a result of the cap limit on properties in the commercial, industrial and multi-residential property classes (the 2011 'clawback' rates).

7. Council again enact a by-law to maintain the phase-out of the comparable property tax treatment for new construction in the commercial, industrial and multi-residential classes by maintaining the minimum property taxes for new construction at 100% of the full uncapped CVA level of taxes for 2011 and future years.

8. As in past years, the instalment dates for the 2011 final tax bills be set as follows:

   a. The regular instalment dates be the first business days of July, August and September.

   b. For taxpayers who are enrolled in the monthly pre-authorized property tax payment program, the instalment dates be the 15th, or first business day thereafter, of each of the months of July to December.

   c. For taxpayers who are enrolled in the two installment program, the final instalment date be July 4, 2011.

9.

   a. The collection of taxes for 2011, other than those levied under By-law No. 2-2011 (the interim levy by-law) be authorized, and,

   b. A penalty charge for non-payment of taxes of 1.25 percent of taxes due and unpaid be added on the first day of default**,** and interest be charged at a rate of 1.25 percent per month on all outstanding taxes accruing from the first day of default.

10. The appropriate officials be authorized to take the necessary action to give effect thereto and authority be granted for the introduction of the necessary bills in Council.

Implementation Points

In accordance with various legislative requirements, Council must annually adopt the following three by-laws: (i) the municipal levy by-law; (ii) the education levy by-law; and (iii) the claw-back rate by-law. These three by-laws are required to enable the City to issue the final property tax bills for the year, for both municipal and school purposes.

Council will be considering the City's 2011 Operating Budget at a Special Meeting of Council scheduled to be held on February 23, 24, 25 and 28, 2011. Upon conclusion of that meeting and adoption of the City's 2011 Operating Budget, the City Solicitor will introduce a Bill in Council establishing the City's 2011 Tax Ratios, Tax Rates and Levy for municipal purposes. This report presents, on a preliminary basis, the City's 2011 Tax

Ratios, Tax Rates and Levy for municipal purposes based on a 0% tax rate increase, and if any amendments are necessary, it will be made directly in the Bill introduced in Council.

As of the time of writing this report, the Provincial Regulation prescribing the 2011 tax rates for school purposes for the City of Toronto had not been filed. Staff anticipate reporting to Council on the 2011 tax rates for school purposes and the 2011 clawback rates at its meeting in April 2011.

Financial impact

The recommended 2011 Operating Budget is predicated on a 0% property tax levy increase. As such, the average residential property which is now assessed at $427,177 for 2011 will continue to pay $2,400.40 in municipal taxes, versus the average residential property which was assessed at $407,144 for 2010, which also paid $2,400.40 in taxes, for a net zero increase on the average residential property. Council's policy under its "Enhancing Toronto's Business Climate" initiative, adopted in October 2005, is that tax increases on the non-residential property classes (commercial, industrial, and multi-residential) be limited to one-third of the increase imposed on the residential class until non-residential tax rates reach the target of 2.5-times the residential rate not later than 2020. Accordingly, there will also be no budgetary levy tax increase on these classes. Current value reassessment, however, may cause tax increases and tax decreases related to a property's relative change in value between 2010 and 2011, and Council's decisions on reducing tax ratios. These CVA-related impacts are outlined in the body of this report.

DECISION HISTORY

The "2010 Property Tax Rates and Related Matters" Report can be viewed at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX42.2

Council's policy decisions in respect of "Enhancing Toronto's Business Climate – It's Everybody's Business (October 2005)", and as updated in October 2007, which sets out the tax ratio reduction targets approved by Council can be viewed at:
http://www.toronto.ca/legdocs/2005/agendas/council/cc051026/pofedp2rpt/cl001.pdf
http://www.toronto.ca/legdocs/mmis/2007/ex/reports/2007-06-25-ex10-cc-dit2.pdf

COMMENTS

Assessment Cycle

The assessment of all property in Ontario is carried out by the Municipal Property Assessment Corporation (MPAC), under the Province's *Assessment Act*. For the tax years 2009 through to 2012 inclusive, properties have been reassessed to reflect a January 1, 2008 valuation date. Reassessments are now conducted on a four-year cycle with Current Value Assessment (CVA) increases being phased-in between the four-year periods. As such, increases arising from the 2009 reassessment are being phased-in at incremental increases of one-quarter of the total increase, spread over the 2009 to 2012 taxation years. Any CVA decreases are not subject to phase-in and will be applied immediately.

The next assessment update will take place for taxation years 2013-2016, with the valuation basis being January 1, 2012. Chart 1 below provides the valuation dates used for each taxation year from 1998 through 2016.

Chart 1: Assessment Cycle

Taxation Year	Valuation Date		
1998, 1999, 2000	June 30, 1996		
2001, 2002	June 30, 1999		
2003	June 30, 2001		
2004,2005	June 30, 2003		
2006, 2007, 2008	January 1, 2005		
2009, 2010, 2011, 2012	January 1, 2008	✓	Increases phased in over 4 years
2013, 2014, 2015, 2016	January 1, 2012		

2011 Assessment Changes:

Reassessment is revenue-neutral to the City. Legislation requires municipalities to reduce their tax rates in proportion to the increase in total assessed value arising from reassessment.

The 2011 phased-in CVA for the residential property class has appreciated on average by 4.9% as compared to the 2009 phased-in CVA. The average assessed value for all residential property types for 2011 taxation is $427,177, as compared to $407,144 for 2010 taxation purposes. Chart 2 summarizes the average CVA values for single family detached property types and all residential property types.

Chart 2 - Average CVA Values for Single Family Detached Homes and All Residential Property Types

	2010 Phased-in CVA	2011 Phased-in CVA	2012 Full CVA
All Residential Properties (includes semi’s, town homes and condo's)	407,144	427,177	447,210
Single Family Detached Home	519,716	547,005	574,293

In reassessments, tax shifts between properties within a property class will occur – a property which appreciates at a rate greater than the class average will experience an increase in tax burden, and conversely, a property which appreciates at a rate less than the class average will experience a decrease in tax burden.

In a similar way, during reassessments, tax shifts between property classes will also occur – property classes that appreciate at a rate greater than the City-wide average will experience an increase in tax burden, and conversely, property classes that appreciate at a rate less than the City-wide average will experience a decrease in tax burden. Municipalities have the option to reduce the tax ratios for the commercial, industrial and multi-residential classes, which could also cause shifts in tax burden between classes, as noted in the following section regarding enhanced assistance for small businesses. For reference, tax ratios are simply the ratio of the tax rate for a property class in comparison to the residential tax rate. Tax ratios apply to the municipal portion of taxes only.

In Toronto, for 2011, the City-wide CVA change is an increase in phased-in assessed value of 5.3% across all property classes. The increase in CVA for the commercial property class as a whole (including small business, Residual Band 2 and Commercial General) is 7.6%, and for the industrial property class, 8.7%, which are above the City-wide average. Increases in CVA for the residential and multi-residential classes are 4.9% and 2.3%, respectively, which are below the City-wide average. As a result, there will be a shift in tax burden from the residential and multi-residential classes to the business classes in 2011. These impacts are summarized in Column II of Chart 3 shown on the following page.

For reference, the Residual Commercial Class consists of all commercial properties that are not Large Office Buildings, Large Shopping Centres, Large Sporting Complexes, Large Theatres or Parking Lots. The rest of commercial is aggregated as Commercial General. Additionally, the City has adopted graduated tax rates wherein, for all properties in the Residual Commercial Class, the first $1 million of assessed value (CVA) is taxed at a lower municipal tax rate (Band 1), and any assessed value over $1 million is taxes at a higher municipal tax rate (Band 2).

Property Tax Assistance for Small Businesses, Commercial and Industrial

Council's adopted policy commencing in 2006 under the 'Enhancing Toronto's Business Climate' initiative is to reduce the tax ratios for the multi-residential class and the business classes (commercial and industrial) to 2.5-times the residential tax rate by 2020 (a 15 year plan), and further, to provide for an accelerated reduction in tax rates for small businesses, with a target of 2.5-times the residential rate by 2015 (a 10 year plan, instead of the 15 years for the rest of commercial).

Reducing the tax ratios for the multi-residential class and the business classes is accomplished by (i) limiting the budget-related tax increases on these classes vis-à-vis the residential class; and (ii) shifting tax burden from these classes onto the residential class. In 2009 and 2010, Council elected to accellerate the tax shift onto the residential class to take advantage of the fact that the tax burden would otherwise have been reduced due to the CVA reassessment so that there would be no net impact on the residential class. These past actions, combined with the budgetary levy tax increases of 4% and 2.9 % respectively, had resulted in a revised projection that the tax ratio target of 2.5-times the residential rate would have been achieved earlier than expected. Because there is no tax increase recommended this year, it is projected the tax ratio reduction target time frame of 2020 for commercial, and 2015 for small businesses will still be met.

The impacts of the recommended shift are shown in Column III of Chart 3. As in the past two years, the City will claw back the CVA reduction the residential class would otherwise experience in 2011, and claw back part of the reduction the multi-residential class would otherwise experience, and redistribute these decreases to the business classes in order to assist businesses without adversely affecting homeowners.

Chart 3 - 2011 CVA Class Changes and Resulting Municipal Tax Shifts, and Offsetting 'Policy' Tax Shift from Adopting Lower Tax Ratios

	Column I	Column II		Column III	
		2011 CVA Impact		2011 'Policy' Shift from Adopting Lower Tax Ratios	
Property Class	2011 Average CVA Change %	$ M	% (Average)	$ M	% (Average)
Residential	4.9%	-10.07	-0.63%	10.07	0.63%
Multi-residential	2.3%	-17.43	-3.08%	3.49	0.62%
Commercial Residual	8.0%	13.54	2.26%	-6.74	-1.12%
Commercial General	7.2%	10.55	1.55%	-2.19	-0.32%
Commercial – Total	7.6%	24.09	1.88%	-8.93	-0.70%
Industrial	8.7%	3.61	2.78%	-4.67	-3.60%
City-Wide	5.3%	0.00	0.00%	0.00	0.00%

The combined effect of the 2011 CVA impacts, together with the necessary adjustments in respect of Council's commitment to Enhancing Toronto's Business Climate and the 2011 budgetary levy requirements, are summarized in Chart 4. Council's action in respect of Enhancing Toronto's Business Climate, along with the recommended zero percent budgetary property tax change, will result in:

a. a 0% tax levy increase on the residential class;
b. enhanced assistance to small businesses (a 0.28% tax decrease);
c. mitigation of the impacts to larger businesses and industries by partially offsetting the CVA-related tax increase that would otherwise occur; and,
d. providing tax reductions for apartment buildings (a 2.46% tax decrease).

Chart 4 – 2011 CVA, Enhancing Business Climate, and Budgetary Impacts

	Average CVA Impact	Average Enhancing Toronto's Business Climate Adjustment	Budgetary Levy Impact	Average Total Impact
Residential	-0.63%	0.63%	0.00%	0.00%
Multi-Residential	-3.08%	0.62%	0.00%	-2.46%
Small Business Band 1	0.83%	-1.11%	0.00%	-0.28%
Residual Commercial Band 2 Blended	2.26%	-1.12%	0.00%	1.13%
Commercial General	1.55%	-0.32%	0.00%	1.23%
Industrial	2.78%	-3.60%	0.00%	-0.82%
City Average	0.00%	0.00%	0.00%	0.00%

Chart 5 below illustrates the plan to reduce commercial and industrial tax rates. It is projected that the City will reach its Enhancing Toronto's Business Climate tax reduction targets of 2.5-times the residential rate for small businesses by 2015, and for the rest of commercial and the industrial and multi-residential properties by 2020.

Chart 5 – Projected Ending Tax Ratios of Recommended Action

<table>
<tr><th></th><th>Historic</th><th colspan="2">Actual</th><th>Recom-mended</th><th colspan="3">Projected</th></tr>
<tr><th></th><th>2006</th><th>2009</th><th>2010 (vs. 3.38 target)</th><th>2011</th><th>2012</th><th>2015 Target</th><th>2020 Target</th></tr>
<tr><td>Commercial</td><td>3.68</td><td>3.46</td><td>3.26</td><td rowspan="2">3.23</td><td rowspan="3">3.16</td><td rowspan="3">3.00</td><td rowspan="4">2.50</td></tr>
<tr><td>Industrial</td><td>4.09</td><td>3.56</td><td>3.26</td></tr>
<tr><td>Multi-Residential</td><td>3.63</td><td>3.46</td><td>3.31</td><td>3.31</td></tr>
<tr><td>Small Business</td><td>n/a</td><td>3.28</td><td>3.10</td><td>3.02</td><td>2.80</td><td>2.50</td></tr>
</table>

Property Tax Assistance for Low-Income Seniors and Disabled Persons

The City provides both a Tax Increase Cancellation Program and a Tax Increase Deferral Program for low-income seniors and low-income disabled homeowners that meet certain eligibility criteria. Under the Tax Increase Cancellation program, eligible homeowners can have their tax increases, whether CVA or budgetary related, cancelled. Under the Tax Increase Deferral program, eligible homeowners can have their tax increases, whether CVA or budgetary related, deferred without interest, and only repayable once they are no longer the homeowner. Although there is no budgetary tax increase anticipated for 2011, these programs may still be of assistance to eligible seniors experiencing CVA-related increases.

The City most recently enhanced its tax relief program for low income seniors and low income disabled persons in 2009. At that time, City Council increased the household income criteria for the cancellation program from $26,000 to $36,000 and the CVA threshold for property value from $454,000 to $525,000 (automatically increases to $575,000 for 2011 and 2012). City Council also increased the household income criteria for the deferral program from $40,000 to $50,000 for 2009 and beyond. The age criteria for the deferral program is 50 years of age or older, and there is no CVA property-value threshold for the deferral program. Chart 6 provides a summary of these programs.

Chart 6 – Property Tax Assistance for Low-Income Seniors and Low-Income Disabled Persons

	Tax Increase Deferral Program	Tax Increase Cancellation Program
Seniors	- aged 65 years or older; or 60-64 years and receiving a Guaranteed Income Supplement (GIS) and/or Spousal Allowance; or aged 50 years or older and receiving either a registered pension or pension annuity. - household income $50,000 or less	- aged 65 years or older; or 60-64 years and receiving a Guaranteed Income Supplement(GIS) and/or Spousal Allowance - household income $36,000 or less - property CVA $525,000 or less ($575,000 – 2011-2012)
Persons with Disabilities	- No age requirement - receiving support from one or more specified disability programs - household income $50,000 or less	- No age requirement - receiving support from one or more specified disability programs - household income $36,000 or less - property CVA $525,000 or less ($575,000 – 2011-2012)

It should also be noted that for Low-Income Seniors and Low-Income Disabled Persons that are eligible for either of the above property tax assistance programs are also eligible for a rebate on their water bill, so long as their water consumption does not exceed 400 m3 annually.

The City's property tax assistance programs for low-income seniors and low-income disabled persons are considered to be the least restrictive in the GTA in terms of eligibility and benefit. The City's deferral program allows for any homeowner aged 50 or above, so long as he or she is in receipt of a registered pension or pension annuity, with a household income of $50,000 or less, regardless of house value, to defer tax increases for so long as the homeowner remains eligible, interest free, without imposing the high cost of this program on other homeowners. The intention of this program is to allow homeowners to remain in their homes as long as they want, without fear of losing their homes from not being able to pay year-over-year increases in taxes. The taxes are carried by the City as an account receivable until repaid. The cancellation program was added in 2003 to assist those in most need, and is funded through the operating budget. As of 2010, the City funded $3.18 million from its operating budget for the Tax Increase Cancellation Program, and carried $3.56 million in Deferred Tax Increases as an accounts receivable, interest free.

Staff have been approached by a number of seniors expressing their preference for cancellation of tax increases over deferral, and requesting that the eligibility criteria for cancellation be even less restrictive (e.g. a higher household income threshold and higher house CVA threshold). These preferences are rooted in a desire to not encumber the home with a lien that would accompany the deferral of tax increases. Given that there are no tax increases this year, staff are not recommending any enhancements to the program other than raising the CVA value for the tax cancellation program as previously planned. Before any further enhancements are considered, staff would need to analyze the impact of the growing number of seniors in the City and the long term cost of any enhancements to the tax deferral and cancellation program.

Capping and Clawback

The *City of Toronto Act, 2006* mandates capping protection which limits CVA-related tax increases on the commercial, industrial and multi-residential classes to 5% of prior years' taxes. The *Act* provides the City with two additional capping options in order to increase progress towards fully implementing CVA taxation. The additional options include: (i) increasing the amount of the annual cap up to 10% of previous year's taxes; and (ii) the option to base the cap of up to 5% on a property's full CVA-level taxes instead of the previous year's taxes (current year's taxes would be calculated by adding 5% of past year's CVA taxes to the past year's actual capped taxes). The City funds the foregone revenue resulting from the 5% cap by reducing or 'clawing back' the decreases that properties facing decreases would otherwise experience.

A by-law needs to be enacted in each year to have either of the alternate caps apply. Since 2006, as adopted under 'Enhancing Toronto's Business Climate', the City has enacted by-laws in each year to have option (ii) above apply. As an administrative matter, this report recommends Council continue to adopt such by-law for 2011.

Finally, commencing in 2009, the *Act* also provided for properties which reach their full-CVA level of taxation to remain at their CVA-level of taxation regardless of future CVA reassessments. This latter legislative change has had the most effect in accelerating the objective of reaching CVA-level taxation, and has been repeatedly supported by City Council dating back to the Enhancing Toronto's Business Climate Initiative in 2005. Future assessment changes for properties that exit the capping/clawback system will be mitigated by the assessment phase-in under the new four-year assessment cycle.

It is important to note that Council has established as a goal to get property tax fairness to the point that a property's taxes are directly determined by the tax rate and CVA. The initiatives to accelerate the phase-out of the capping and clawback system by the same time that non-residential tax ratios reach the target of 2.5-times the residential rate by 2020 has been continuously supported by Council since adoption of the Enhancing Toronto's Business Climate Initiative in 2005.

Chart 7 below shows the progress to CVA-level of taxation. In 2008, ten years after introduction of CVA, and prior to the most recent legislative change, only 12% of commercial properties (4,061 of 34,177), 11% of industrial properties (452 of 4,188), and

25% of multi-residential properties (1,087 of 4,293) had made it to their full CVA-level of taxation. This Chart shows the significant progress that has been made in the last two years with the most recent legislative changes, in that as of 2010, 37% of commercial properties (12,833), 40% of industrial properties (1,637), and 37% multi-residential properties (1,570) are now at their full CVA-level of taxation.

Chart 7- Progress to Full-CVA Level of Taxation

		2009 Tax Year				2010 Tax Year			
Tax Class	CVA Status	2008 (at Dec. 2008)	% of Class Total	2009	% of Class Total	2009 (at Dec. 2009)	% of Class Total	2010	% of Class Total
Commercial									
	Capped	15,608	46%	13,540	40%	13,408	39%	11,563	34%
	Clawed-Back	14,508	42%	10,497	31%	10,555	31%	10,001	29%
	At CVA	4,061	12%	10,140	30%	10,434	30%	12,833	37%
		34,177		34,177		34,397		34,397	
Industrial									
	Capped	836	20%	650	16%	624	15%	495	12%
	Clawed-Back	2,900	69%	2,113	50%	2,104	51%	2,012	49%
	At CVA	452	11%	1,425	34%	1,416	34%	1,637	40%
		4,188		4,188		4,144		4,144	
Multi-Residential									
	Capped	509	12%	354	8%	325	8%	225	5%
	Clawed-Back	2,697	63%	2,546	59%	2,555	60%	2,472	58%
	At CVA	1,087	25%	1,393	32%	1,387	33%	1,570	37%
		4,293		4,293		4,267		4,267	

This report recommends that Council continue with the capping options of 5% of prior year's tax and excluding properties once they reach CVA, with the benefit of reducing the cost and easing the burden on properties paying higher taxes due to the clawback.

Comparable Treatment of New Construction:

In 2004, the Province introduced a legislative change related to the property tax treatment for new construction. This legislative change was made at the request of Ontario municipalities to address the fact that new construction was being taxed at the level of six ‘comparable’ properties, the identification of which was subjective and challenged by many developers. In many instances, this approach resulted in a newly constructed property’s taxes being set at a fraction of its full CVA-level of taxes, exacerbating and perpetuating inequities caused by the current capping system. Under this legislation, the City of Toronto phased-out the comparable treatment of new construction, and since 2008, the property taxes for new construction are set at the full uncapped (full CVA) taxes.

To implement this provision, Council must pass a by-law prior to April 30th in each year, as recommended in this report.

Property Tax Fairness for Disaster Sites

City Council on August 25, 26 and 27, 2010 directed the City Manager in consultation with the Deputy City Manager and Chief Financial Officer, to "report on the feasibility and impacts of extending a tax-capping provisions to newly-constructed or renovated

properties in cases where a previously "capped" property must be rebuilt or renovated as the result of a disaster, in which there has been no finding of criminal culpability; and where the new construction replaces and does not exceed the footprint, height and density of the original structure". This direction can be viewed at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.MM52.37

As noted in the previous section, new or substantially rebuilt commercial buildings are taxed at their full Current Value Assessment (CVA), and not subject to tax capping or clawback adjustments that exists on many older buildings. An owner who redevelops a commercial property that previously paid taxes less than their full CVA level of taxation, even if rebuilt to the same footprint, height and density, will pay substantially higher property taxes on the redeveloped properties partly due to the fact that the new property will pay its full CVA level of taxation and partly because the new buildings are likely to command higher rent and hence higher value than the old building.

In a broad sense, the challenges faced by owners whose properties are destroyed by fire or other disasters should be similar to those faced by other owners who redevelop in the normal course of business.

As also noted previously, the City funds the foregone revenue resulting from capping reducing or 'clawing back' tax decreases that properties facing assessment-related decreases would otherwise experience. Legislation does not permit the comparable property treatment provision to apply to a subset of commercial, such as 'properties affected by disaster', and hence if comparable property treatment is adopted it must apply to all new construction, with the direct consequence that all commercial properties paying more than their full CVA-level of taxes will see even more of their decrease entitlement clawbacked to pay for the additional capping on new construction.

For the foregoing reasons, staff do not support any changes to policies for properties affected by disaster.

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