
2013 OPERATING BUDGET BRIEFING NOTE

Conversion of Toronto Community Housing Corporation (TCHC) Properties from Taxable to Exempt: Impacts on Budget

Issue:

On October 24, 2011, Council adopted item EX11.6: *Toronto Community Housing Corporation – Declaration as Municipal Housing Capital Facilities and Exemption from Municipal and School Property Taxes*. As a result of Council's decision, approximately 289 TCHC properties, comprising some 40,000 affordable rental housing units, became exempt from taxation with an effective date of January 1, 2012.

Overall, the conversion of TCHC properties from taxable to exempt has resulted in net savings to the TCHC of \$6.9 M beginning in 2012, to be used towards maintaining TCHC's housing stock in a state of good repair. Additional savings will accrue to the TCHC in 2013, also to be used for state of good repair, from the conversion of up to a further estimated 91 properties (15,000 affordable housing units) from taxable to exempt in 2013.

Background:

- Council's October 24, 2011 approval of item EX11.6: *Toronto Community Housing Corporation – Declaration as Municipal Housing Capital Facilities and Exemption from Municipal and School Property Taxes* authorized the Deputy City Manager and Chief Financial Officer to negotiate a municipal capital facility agreement with TCHC for its stock of affordable rental housing units, and to provide for an exemption from municipal and education property taxes for these properties. This decision is available at:
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX11.6>
- The above report identified 292 TCHC properties (comprising some 40,000 rental housing units) that met the 'affordable' and other criteria under the City's Municipal Housing Facilities By-law No. 282-2002 for a property tax exemption – these properties were identified in Schedule A to the report.
- On December 31, 2011, Council enacted By-Law No. 1413-2011 which provided the authority to exempt properties from taxation identified on Schedule A to the original report. The exemption took effect on January 1, 2012 for 289 of the 292 properties identified in Schedule A. Three of the Schedule A properties were not included in the municipal capital facility agreement between the City and the TCHC as they did not meet the 'affordable' criteria, and so have not been made exempt. These properties may become exempt in future should they meet the 'affordable' criteria.
- A further 91 TCHC properties (approximately 15,000 units), listed in Schedule B to the original October 2011 report, were properties in which not all of the units met the 'affordable' criteria, and so these properties were not made exempt in 2012. The TCHC is endeavouring to make all of the Schedule B properties meet the definition for 'affordable housing,' with the expectation that these will be made exempt in 2013, once a further municipal capital facility agreement is executed for these properties.

- Council also directed the General Manager, Shelter, Support and Housing Administration to to:
 - a) reduce the annual subsidy provided by the City to TCHC by the amount of municipal property tax savings to TCHC generated through the property tax exemption recommended by this report;
 - b) to make the necessary amendments to the Operating Agreement between the City and TCHC: and
 - c) to report, once the final impacts have been confirmed, on the necessary budget adjustments to the 2012 Approved Operating Budget for Shelter, Support and Housing Administration and to the Non Program Accounts.
- Council also requested that the TCHC provide a funding plan satisfactory to the General Manager, Shelter Support and Housing Administration and Deputy City Manager and Chief Financial Officer on the use of any savings from the education portion of property taxes through the property tax exemption towards maintaining TCHC's housing stock in a state of good repair.
- The by-law providing additional authority to exempt the properties included in Schedule B to the original report was enacted by Council on November 27, 28 and 29, 2012 as By-law No. 1634-2012. The effective date for the exemption is the later of January 1, 2013, or the date a municipal capital facilities agreement is executed between the City and TCHC.

Key Points:

- Prior to 2012, the majority of properties owned by the TCHC were assessed as taxable at multi-residential, new multi-residential or residential tax rates. A small number of TCHC properties were classified as subject to a payment in lieu of taxes (PIL). The annual property tax/PIL requirements of the TCHC were funded through a budgetary allocation from the operating budget of the Shelter Support and Housing Administration Division.
- The tax exemption for the Schedule A TCHC properties will result in a reduction in TCHC's 2012 operating budget requirement for property taxes/payments in lieu of taxes (PIL) of approximately \$62.7M (comprised of a municipal portion of \$55.8M and an education portion of \$6.9M), with a similar reduction in the TCHC's operating requirements in 2013. This reduced funding requirement will allow for a reduction in the 2013 operating budget requirement of the Shelter Support and Housing Administration Division which funds the TCHC.
- The exemption will also result in a reduction in the City's municipal taxation/PIL revenue of \$55.8 million in 2012, and an additional reduction in 2013.
- Overall, this change will result in net savings to TCHC of \$6.9M, representing the education share of property taxes on the converted TCHC properties that will no longer be payable to the Province for education funding. These savings are to be used by the TCHC to fund state of good repair expenditures. These amounts are shown in Table 1.

Table 1: Impact of Conversion of Schedule A TCHC Properties from Taxable/PIL to Exempt in 2012

Prior to Conversion to Exempt		Tax Payments	PIL Payments	Total
2012 funding requirement for TCHC for property tax/PIL payments (Taxes paid by TCHC & funded by Shelter Support and Housing Administration through the City's subsidy)	Municipal portion	\$55,645,365	\$139,465	\$55,784,830
	Education portion	\$6,869,206	\$17,103	\$6,886,309
	Total:	\$62,514,571	\$156,568	\$62,671,139
After Conversion to Exempt		Tax Payments	PIL Payments	Total
Reduction in amount paid by TCHC for taxes/PIL (savings):		\$62,514,571	\$156,568	\$62,671,139
Less: Reduction in City's Subsidy to TCHC re: Municipal Tax/PIL Revenues:		-\$55,645,365	-\$139,465	-\$55,784,830

Net Savings: Education portion of taxes no longer payable to the Province (identified for state of good repair funding for TCHC):	6,869,206	\$17,103	\$6,886,309
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- The additional 91 TCHC properties identified on Schedule B to the original report (affordable housing portion of units in other TCHC properties) are expected to be converted from taxable to exempt status in 2013, once a municipal capital facilities agreement is executed between the City and TCHC for these properties.
- Although the budgetary implications of further exemptions (for the Schedule B properties) cannot be accurately predicted until the new agreement is executed, the original report identified that, if all of the 91 properties were to be made exempt from taxation, this would result in a further reduction to TCHC expenditures of \$26.5M, with a corresponding decrease in municipal taxation revenues of \$23.5M, to produce net savings to the TCHC of approximately \$3.0M (representing the education portion of taxes no longer payable to the Province).
- Any further savings realized by the conversion of additional TCHC properties (the Schedule B properties) will be reported through the 2013 Operating Budget variance report(s).

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