Attachment 1

Small Business Taxation
Discussion Paper

A discussion paper developed by the Small Business Council Advisory Body of the City of Toronto and co-sponsored by the City of Toronto

Executive Summary

The City of Toronto is home to 96,482 small businesses with 1-99 employees. Taken as a whole, small businesses are vital to the success and growth of Toronto's economy.

In April 2014, the Deputy Mayor of Toronto held a Small Business Roundtable aimed at understanding the challenges faced by small businesses. It was an effort to identify ways that the City of Toronto could better help small businesses succeed and grow in Toronto. The main issues identified during the consultation related to small business tax issues, specifically the impacts of property taxes.

As a result of the Roundtable, the Small Business Council Advisory Body (SBCAB) was established and tasked with developing a discussion paper to better identify the challenges small businesses face with respect to property taxes in Toronto – with a specific focus on highlighting personal stories of how property taxes impact these businesses. To do this, the advisory body interviewed a number of small business owners who shared their "real life" challenges. Their stories and testimonials are included in this discussion paper.

The advisory body found three main property tax-related issues that impact small business in Toronto:

- Disparity between residential and commercial property tax rates
- Disparity between the level of the business education tax in Toronto versus neighbouring municipalities
- Commercial property assessment levels in rapidly developing areas

These taxes influence the health and quality of life of Toronto's main streets and have a real impact on small businesses – whether it means putting off renovations and building upkeep, not hiring additional staff or contributing to local charities, or choosing to relocate or close because of the operating costs in certain Toronto neighbourhoods. Without addressing these tax issues, the health and diversity of services available on Toronto's main streets will be impacted.

Challenge #1:

Property Tax Disparities in Toronto

Issue:

- There is a disparity between property taxes paid by small businesses and those paid by residents – as small business and other non-residential properties pay a higher property tax rate than residential property owners.
- Historically, residential properties or single family homes have been under-taxed compared to commercial and industrial properties of comparable value. For example, the taxes on a $450,000 residential property are generally lower than those paid on a $450,000 commercial or industrial property.
- Within the city of Toronto, the commercial property tax rates are approximately 2.5 times the current residential tax rate. This rate applies to the first $1 million in the assessed value of a property, with any component of assessed value above $1 million taxed at a rate that can be up to 3 times higher than the residential tax rate.
- Commercial property taxes paid by small businesses are disproportionate compared to large businesses. A small business can pay as much as $22/square foot compared to $1/square foot for a large business.
- While small businesses on retail strips with commercial assessment below $1 million benefit from the small business tax ratio of 2.5, small businesses located in large office buildings or shopping centres do not benefit from the 2.5 tax ratio and pay a higher rate.
- In contrast, the commercial tax ratio differential for Toronto's neighbouring municipalities is 1.5 times the residential tax, and can even be lower in some cases. For example, the Town of Richmond Hill and Markham are at 1.2 times the residential rate as compared to Toronto's 2.5 to 3 times the residential rate.

Background:

In 2005, the Deputy City Manager and Chief Financial Officer of the City of Toronto proposed a long-term strategy to reduce commercial tax ratios from the current level of approximately four times to 2.5 times the residential tax rate. City Council's proposed time frame was to reach a tax ratio of 3.38 times by 2010, 3.0 times by 2015, and 2.5 times by 2020. In 2015, the City of Toronto was able to reduce the commercial tax gap to 2.5 times, but only for the first $1 million of property assessment. If a small business is valued at $2 million, the small business will be charged the 2.5 ratio for the first $1 million and a higher rate for the remaining $1 million.

Findings from neighbouring municipalities show that commercial tax ratios are 1.5 or less times the residential rate. For instance, Richmond Hill and Markham have a commercial tax ratio that is 1.2 times the residential tax rate, compared to Toronto at 3 times the residential rate.

Under the City's current plan, the small business rate discount will cease to exist after 2019. The current 2.5 tax ratio for small businesses is destined to remain the same until 2020. In addition, the tax ratio for other non-residential properties such as industrial and multi-residential properties will drop from its current ratio of 3.0 to 2.5 by 2020. To achieve this shift in tax ratios, the City is moving the additional tax burden to residential ratepayers. It should be noted that Council since 2003 has limited the size of the municipal tax levy passed onto the commercial and industrial tax base. For instance, if there is a budget increase that is not due to an increase in assessment, the increase is limited to one-third of what the increase is on the residential tax base.

These actions have shown that Council is committed to making Toronto competitive for small businesses; however, keeping to the City's current plan likely means that the commercial ratios in major 905 area municipalities will remain substantially lower.

Challenge #2:

Toronto's Business Education Tax Rate

Issue:

- Ontario's average business education tax (BET) rate is almost 6 times its residential education tax rate.
- Businesses in Toronto pay a higher BET rate than businesses in other GTA municipalities.
- Each 0.1% increase to the BET rate means an extra $1,000 is paid per $1 million in assessed value.

Background:

In 1998, the Province of Ontario took over the authority of school boards to set local tax rates for education, separating local school funding from local property taxes. This resulted in local residents and businesses having their education tax rates set by the Province. On a commercial tax bill, in Toronto just under 52-56% of the bill is related to education taxes, while the remaining 52-56% is for local property taxes. For most competitive areas in the GTA a smaller portion of the property tax bill comes from the BET.

In Toronto, the business education tax (BET) is a rate of 1.29% on the assessed value of a commercial property. This is greater than the rate in surrounding communities. For example Halton Region's BET is 0.92%, York Region's BET is 1.06%, Peel Region's BET is 1.11% and Durham Region's BET is 1.15%. Given this higher tax rate, businesses in Toronto are put at a competitive disadvantage in comparison to businesses in surrounding communities.

The Province of Ontario committed to a BET tax rate ceiling of 1.22% in 2007, but implementation of that ceiling has been delayed until the provincial budget is balanced in 2018.

Composition of a Small Business Tax Bill

Business Education Tax

set by the Province to pay for education costs locally and provincially. Ranges between **44.4% and 48.9%**

Local Property Tax

set by the City of Toronto to pay for services provided to Toronto residents and businesses. Ranges from **51.6% and 55.6%**

Business Improvement Area Levy

self-imposed levy by local businesses, in selected areas, to pay for local improvements and marketing. **0.1% to 0.3%**

Challenge #3:

Commercial Property Values in Rapidly Developing Areas

Issue:

- The Current Value Assessment (CVA) method used by the Municipal Property Assessment Corporation (MPAC) values a property at its best potential use rather than its current use.
- In areas that are rapidly developing, the value of all commercial properties increases according to MPAC's assessments, resulting in higher property taxes even if a property isn't being developed. An increase in property taxes is then passed on to small businesses using that property.

Background:

The Municipal Property Assessment Corporation (MPAC) is an independent, not-for-profit corporation funded by all Ontario municipalities that sets property values across the province. To establish the value of a given property, MPAC analyzes property sales in the area where the assessed property is located. These sales provide the basis for assessed values. This method is known as Current Value Assessment. In addition to recent sales, MPAC looks at the key features of every property, such as the location, lot dimensions, building area, age, and quality of construction.

Property tax rates are applied to the assessed value of a property to determine the amount of property taxes to be paid. In rapidly developing areas, such as those experiencing a high level of residential condominium tower development, the value of all properties increases – regardless of whether they are under development. This puts financial pressure on property owners who are not developing their properties, as their property taxes increase based on the increase in assessed value of their property.

As the value of taxes increases for properties, property owners are forced to increase rents for their tenants to cover those costs. This puts pressure on main street retailers who have to find ways to generate additional revenue, or reduce their costs in other areas.

Taxes shifting from insignificant to dissuading for small business owners in the Beaches

Basil Mangano has a bit of a puzzle on his hands.

In 2006, the owner of Il Fornello – an Italian food staple in Toronto's Beaches neighbourhood – moved a few blocks down Queen East to its current location. The new building, two storefronts converted into one to seat the local favourite's large clientele, came with a hefty rent and two separate tax bills for each building. Basil paid it knowing it was prime real estate but just how "prime" that real estate would become over the course of the next half-decade has had some less than savoury consequences.

When he started his lease in 2006 his rent for the first five years was $8,000 plus taxes, water and insurance, which brought it to $11,000 a month. The next five years were $9,000 with the extras bringing it to $14,000 a month.

"My monthly rent only went up $1,000 but the cheque I write for my occupancy has gone up $3,000 – why is that?" laments Basil. "It's because people kept overpaying for buildings down here because they thought it was 'the affluent beaches.' "

The result has been higher assessments for buildings along Queen Street East resulting in bigger tax bills, he says.

"My bill for my occupancy is just under $500 a day," says Basil. "Early this week I sold $580 dollars one day – in our industry everything is proportioned by percentage, labour should be 30 to 33 per cent, food anywhere from 33 to 40 per cent and occupancy should be 12 per cent."

Occupancy costs are becoming a big problem for small business owners in the area and even Il Fornello, which grosses around $900,000 to $950,000 a year, is feeling the crunch.

"How many small businesses gross $900,000? I've got branding, we're well known," he says. "If you're only grossing $600,000 a year, how in the world are you going to be able to afford the area?"

The sky-high tax bills are starting to squeeze small business owners, and the dynamic community they bring, out of the area.

Basil, who sits on both the Beaches BIA and Danforth Mosaic BIA where he owns the Linsmore Tavern, has witnessed it first hand, pointing to The Works, a burger place that "barely made it six months in the Beaches before closing down."

"And Just Desserts – I feel so bad, they put their life savings in, thought they were coming to the 'affluent beaches' didn't make it through a year, they lost their whole life savings," says Basil. "If you go along Queen Street you'll see how many empty places there are and you're not counting the ones just hanging on or the ones that opened recently and have everything they own into it and are just making it."

While in the past businesses were able to function, Basil shares that now it is harder and harder to make a living on main street.

Lofty tax bill threatens to smoke out BBQ joint

Alex Rad is a numbers guy. So when he walked away from a career in corporate finance to launch Smoque N' Bones bourbon and barbeque joint near Trinity Bellwoods Park on Queen Street West last year, the fresh-faced restaurateur thought he had a handle on the variables.

But he wasn't prepared for the overhaul the former Gino's Pizza building would require – nor the tax challenges it would create.

"I never realized to what extent the building needed work. I figured everything would be up to code (but) once we started digging, the project that was supposed to cost $200,000 went well above and beyond that," he says, adding that even with the rework the place only had enough space for 27 people so he asked the landlord if he could expand to the second floor.

"My lawyer, accountant, contractor, the City, everybody said 'you're going to get a tax increase' and I said 'how much?' " recalls Alex. "We all did the math."

They worked out scenarios for everything from 20 to 50 per cent increases to the current $11,000 tax bill. Converting the second floor from residential, which is taxed at 0.7 per cent, to commercial, which is taxed at 2.5 per cent, meant the whole building would become commercial so Alex expected around $19,750 in taxes.

"Property taxes jumped from $11,000 to $27,000," he says. "40 or 50 per cent is acceptable, 165 per cent just seems ludicrous for any business – it's an extra $1,400 getting tacked onto my rent."

Although he admits it's not going to make him go bankrupt, he says it's an exorbitant amount given that he's running a barbecue restaurant in a neighbourhood where clients are apt to keep an eye on prices and he can't really transfer higher costs to patrons.

"I haven't paid myself in a year and a half a single dime to make sure my business succeeds and my staff have a place to call home and they are just getting comfortable, and now I've got to go back to the drawing board," he says. "What was the sense of spending $700,000 to open up a business (only) to get smacked on the head with this."

At the moment the landlord is working with MPAC to get the building re-assessed but it's proving to be a lengthy process. Alex is also trying to clinch an occupancy credit because the billing is based on January 1st and Smoque N' Bones wasn't open until June.

"I'm hoping the appeal process will work but I'm at their mercy," says Alex. "They could easily say 'no, you shouldn't have opened up a second floor.' "

Alex Rad

Local chiropractor says Toronto property taxes could use a little therapy

Oma Chiropractic occupies the front unit and façade of One Munro Street, a three-story heritage building at the corner of Munro and Queen East. The west side of the building, where residents enter, is tattooed with a mural depicting the Riverside neighbourhood's rich sporting history – a cycling club, curlers and a baseball player – set amongst a topographical map of the meandering Don River.

Adrienne McRuvie, clinical director and owner of Oma, has worked in the office for a decade, taking over the practice from her colleague three years ago.

So two years ago, just a year after taking over the business, Adrienne and her husband decided they'd try to make it work. They put in an offer, remortgaging their house and borrowing money from family.

"We're average people, we have a home and two kids but we had the opportunity to buy this building, and so we did and we made it happen," she says.

Despite the learning curve of becoming a landlord, owning the building and the business in it seemed like a dream come true. That is, until Adrienne started to feel the weight of rising property taxes.

"I can't increase my chiropractor fees enough each year to make the pay-out in taxes back up – every time there's an increase, I have to increase my rent," she says. "Over the time that I've had this building it's been on us, me, our family, to carry the load without seeing much of a benefit to owning."

In Toronto, property taxes are calculated based on the assessed value of a property. But in an area like Riverside, which Adrienne says is becoming trendy like its Queen West counterpart, the creep in property taxes due to increasing development is driving up rent – and isolating some of the businesses that have been neighbourhood mainstays over the years.

"Within that change, there are a lot of businesses that have come and gone," says Adrienne, adding that she's on the local business improvement area board. She says she constantly hears property owners decrying the difficulties of getting retailers into the spots, while contending they need to raise rents to cover the increase in taxes.

"The only places that can really afford it are restaurants and this is part of the challenges the west end saw," says Adrienne. "Do you have a thriving neighbourhood run on a bunch of restaurants? Food is one of the things that makes a neighbourhood thrive but it's not the only component."

The fabric of something like Riverside, says the chiropractor, lies in the colourful array of shops and businesses dotting the streets.

"What makes an interesting neighbourhood is being able to get meat from the butcher, a holistic place to get your vitamins, the cleaner and the hairdresser," says Adrienne. "It's not looking like the neighbourhood is going in that direction."

She points to the business kitty corner to her, a highly prosperous flower shop, which has struggled with the cost of calling the neighbourhood home.

"Every time she renews the lease she thinks, I don't know if I can do this next time," says Adrienne. "These businesses bring energy to a neighbourhood, they make things happen, they make a neighbourhood vibrant and interesting, but she may get pushed out."

Adrienne McRuvie

Suri Weinberg-Linsky

Taxes cutting into Weston stationery store's ability to keep up with repairs

When Suri Weinberg-Linsky's parents bought Squibb's Stationers on Weston Road in 1980, the writing and arts supply store was already more than a half-century old. Not that the business sticks out on a tract road still referred to by old guard locals as Main Street.

"You think the people would just close their doors and move away or move onto something different but in Weston we've actually been able to retain our second-generation retailers to a degree," says the stationary shop owner. "Not all of us are as successful as the others but we're still here and I think part of it is because we own our buildings."

But in an area with multi-generational family businesses, ownership comes with its fair share of growing pains, like keeping up the curb appeal of aging establishments.

The front stoop at Squibb's, for instance, is in dire need of a little love and care.

"It's very badly cracked, it's not going to last through another winter, it's literally chipping away daily," says Suri. "And that's just one repair – there are always little minor repairs that you have to do, like we just put in a whole new furnace system and took out our oil tanks last year."

Installing the gas line and making the switch from oil in the building cost Suri and her husband nearly $10,000. She says taxes are cutting into the small business owner's ability to upgrade the building and keep up with repairs.

"Property taxes are a big part of it," says Suri.

In Toronto, Ontario's business property tax – called the business education tax (BET) despite the fact the school boards ceded taxing power to the province 15 years ago – is 1.29 per cent on the assessed value of a property. It's a hefty premium when contrasted with areas like Halton Region's 0.92 per cent and York Region's 1.06 per cent BET rate.

It's even heftier considering the discrepancy between the business rates and residential rates in the province.

"The fact that small business owners on main streets are paying more than the residential rate is a huge thing – there's an imbalance there."

She points out that a lower BET rate would put more money back in her pocket which in turn could be used to fix her stoop or upgrade the shop to match the changing pace of retail on Weston Road.

"There's a lot of development happening so it's an exciting time," says Suri, looking to the future. "But if you can imagine my $12,000 in taxes now being reduced to say $6,500 or $7,000 dollars just because of the education portion being cut that would be huge for us."

But while small businesses are often touted as the backbone of the economy, Suri says she's starting to look at it differently.

"The small independents are the lifeblood of the city because we're paying the most tax per square foot," she says.

High taxes on Kennedy Road not what display entrepreneur signed up for

For small businesses, 10 years can be a lifetime. But for businesses on Kennedy Road, they're lucky if they can make it past the first five before crumbling or moving elsewhere.

"Since moving to Kennedy road over eight years ago I have seen a tremendous amount of turnover – people come in for six months and then they are gone," says Craig Gibbs, owner of signs and graphics franchisee Fastsigns Scarborough and a board member of the Kennedy Road Business Improvement Area (BIA). "At any given time there are dozens of locations vacant."

The entrepreneur was initially driven to the strip of retailers for its proximity to Highway 401 and easy access to the rest of the sprawling Greater Toronto Area. For Craig, the strip of retailers has become more than just his place of work; it's his community, a chain where each link is reliant on the success and integrity of its neighbours.

But the healthy community where he built his business, and that he supports, has seen a decline as multiple taxes threaten to squeeze out important links in the community chain.

"When you add your federal, your provincial and your municipal taxes to BIA fees and all these other levies – in my business it's permits and variances – at the end of the day it's very difficult to stay in business and make a profit, it just adds up," he says.

Especially when regions as easily accessible to the 401 – like Durham, Halton and Peel – boast more attractive business education tax (BET) rates of 1.15 per cent, 0.92 per cent and 1.11 per cent compared to Toronto's 1.29 per cent. It may seem like a minimal difference but each 0.1 per cent on the tax rate means an extra $1,000 is paid per $1 million of the business property owner's assessed value.

With his role on the BIA board, Craig's been privy to the growing chorus of concern from his entrepreneurial cohort that high taxes are driving businesses elsewhere.

"I hear time and time again that taxes, particularly on Kennedy Road – but taxes in general – are very high and it's killing small business owners," says Craig. "Ultimately, the consumer has to take the brunt of this burden."

He's concerned that in an economy where e-commerce is already laying siege to small businesses, the hefty taxes on the brick and mortar retailers of Kennedy Road can only expedite the decline of the retail storefront.

"Ultimately, in order for a business to give back to the community it must be a profitable going concern – the more profitable, the greater the ability to help the community," he says. "When you see the amount of businesses closed or with poor street appeal, it is abundantly apparent that the businesses are struggling."

As for Fastsigns Scarborough, Craig says his own place in the Kennedy Road chain is up in the air.

"I was hoping to stay here for a longer period but I can't guarantee that now – I'm looking at maybe finding another location that is more commercial or industrial and not so expensive in taxes," he laments. "I know there are a lot of them in Vaughan, so I'm starting my search now for other locations and it may not be in the GTA."

Craig Gibbs


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Jeff May

Footy fan HQ holds strong while businesses drop around it

Zipping by Scallywags' pub on a cross-midtown streetcar or St. Clair Avenue West commute makes it easy to dismiss it as just another neighbourhood local.

But it's not, says owner Jeff May. It's an institution, home to one of the city's first patios (built in 1985) and a destination for footy fans looking for a spot to unwind with a pint while they keep tabs on their favourite international teams.

"We're not just serving the locals," says Jeff. "We're bringing people from Whitby, from Oshawa, from all over the Greater Toronto Area. They'll call beforehand and make the drive in to support their football clubs because they know we're showing the games."

In a city where the suburbs are divided by highways and transit systems, Scallywags brings them all together at one location. But it's a location on a stretch of road slowly losing its charm, says the small business owner.

"They are trying to put this building up east of Yonge and the developers want it to look like Yonge and Eglinton," says Jeff. "The neighbours will say they don't want to live at Yonge and Eglinton, that's why we chose Yonge and St. Clair."

To make matters worse, the high property taxes as a result of the new developments are cutting into Scallywags' margins and Jeff says it's time for something to be done to help the little guys tackle the prohibitive tax bills.

"Otherwise suddenly I can't afford it and then the developer is saying 'here's lots of money, get out of here' and you think 'maybe I should'," he adds.

But while Scallywags reputation is well-touted and continues to draw both locals and sports fans from the far reaches of the Greater Toronto Area into the downtown core, the restaurant and pub owner has noticed that some businesses haven't been able to overcome the attraction of buyouts.

"At Yonge and St. Clair, I'm not sure what's happened but there are storefronts available all over the place," he says. "I imagine it's a combination of the guys who own the building thinking they can get more and developers I'm sure want to tear all these two-story buildings down."

In an area where towers reign supreme, Scallywags and its fledgling neighbours stand out as the last bastions along the stretch of St. Clair.

"There are tons of vacancies around here," he adds. "As far as property assessments being unfair, because of my property value being pushed up by neighbouring developments I pay $40,000 in a year of property tax, which compared to a location like Queen St. East, well, it's difficult as a restaurateur."

It makes the allure of elsewhere more attractive.

"I'm not saying the city is the sole reason but it's a contributing factor," says Jeff. "When people's margins fall and if they can't afford the tax bill, then it looks good to get out."

Rising property taxes and rent making it difficult for framing business to compete with big box

Four years ago Ellen Davidson and her partner Wendy Palmer decided to pull up their Broadview and Danforth Avenue roots and move their business, Dimensions Custom Framing and Gallery, to Queen East's trendy Riverside neighbourhood.

It was a big decision. The pair had called Broadview home for 11 years, but the small business owners thought heading south would give them an edge.

"It has more boutique shops and better traffic right on the main street which is important to us because now we get a lot of walk-bys," says Ellen. "It has been good for us."

The dynamics of a community like Riverside are vital for the business's custom framing and gallery side, which showcases art from emerging and established photographers, sculptors and artists – especially given that they offer a relatively niche service to an often affluent clientele.

"We're a bit of an odd bird," says Ellen.

The energy of Riverside instills the business with the accessibility and charm of an area known for being tight-knit. But as property taxes rise, it becomes more difficult for Dimensions to call Riverside home.

"With taxes going up my landlord is looking to increase my rent – that's where it affects us and our prices back to our clients," says Ellen. "We already offer a high end product so having to increase our rates is always tough to do."

But it's not just the framing business and gallery that is bearing the brunt of the property taxes, the high cost of being in the Riverside area has rippled out through the small business community that calls it home.

"We're evolving but I think we take two steps forward and three steps back," says Ellen referring to the neighbourhood itself. "Lots of shops were here and now we've seen lots of shops leaving."

What particularly worries her is the recent closure of a Montreal-based epicurean grocery shop's Queen East location, a staple of the neighbourhood. Although the business has stayed mum about its reasons for shuttering its Toronto locations, Ellen can't help but feel like the rising cost played a small part in it.

"Olive and Olives was such a major presence on this strip and they're gone now, and if they're gone it's like wow, how does that affect everyone else," says Ellen. "And what we see coming in is the Dollar Store, Wind Mobile and BMO – the larger conglomerates, because that's the only people that can afford it."

She likens it to what happened on the Danforth with business like Tim Hortons and Canadian Tire taking up residence on the heels of the little guys moving out.

"That is what's unfortunate, we're going to lose the small boutique hip community I think our clients are looking for," she says.

Although her customer-base is drawn to the personable, one-on-one relationship Ellen and Wendy have built their business around, the small business owner says she's not delusional about the fact that raising prices as a result of her rent going up is going to deter some of her clientele.

"Our clients could go to the big boxes and get ready-made frames, so we're definitely at risk," she laments. "Every day we ask ourselves, are we going to be able to afford to be here?"

Ellen Davidson

Leo Quan

Chiropractor worried rising taxes will cost him his Entertainment District locale and clientele

Inspired by a stellar experience with his chiropractor, Leo Quan ditched a career in graphic design and moved from B.C. to Toronto to attend chiropractic college. As graduation neared, he made plans to make the move back to B.C. and open a practice.

That is until fate conspired to keep him in Toronto.

"I came across an amazing opportunity in the entertainment district with a chiropractor looking to sell her practice," recalls the Source Centre for Health and Wellness owner. "This was a clinic that's been in existence since the late 1990s and it seemed like a perfect fit – there was an existing client base and it was an established business, I felt like I hit the jackpot."

Now, four years on, Leo has built up his practice in an area better known for theatres and clubs.

"It's been a really challenging time, I'll be honest," he says. "Coming straight out of school with maybe a smidge of business experience, I very quickly realized all the moving parts to run a business."

And the changing face of the area has proved to be a challenge for the small business owner as well, both physically and financially.

"I'm in the centre of all the new tower developments and that's had a huge impact," he says. "During the construction I had a big site being excavated right next to me at Peter and Adelaide, and with all the signage and hoarding, it had a negative impact on my business because people had trouble finding me."

Then there's the rising cost of Leo's lease, which is partly a result of higher taxes imposed on the building owners – itself due to an increase in the value of the building where his business is located. That's because the new tower developments going up around him are increasing the value of all nearby properties

"I had a five-year lease and within a year or two, boom, they jacked it up another seven per cent," he says, explaining that the owners sent him a notice advising they had to make an adjustment to the variable part of the lease, the Taxes, Maintenance and Insurance portion commonly referred to as a TMI, because the assessed value of the property had increased.

The climbing lease is also affecting his bottom line.

"(During the growth period) I was focusing on staying afloat rather than investing and upgrading my facilities, upgrading my own skills as a chiropractor or upgrading the technology so that I can handle more clients without having a spike in my employment costs," says Leo. "It also meant I had to keep my employment costs low, impacting my ability to attract talent and take some of the burden off my shoulders."

As his lease nears the four-year mark and the window for renegotiation, Leo is worried about the effects it could have on his business.

"I'm scared I'll get kicked out of the neighbourhood because it's rapidly becoming very expensive," he says. "About 75 per cent of my client base would not follow me if I moved, as a lot of them are hyper local and work or live in the area."

Small Business Council Advisory Body

Last Name	Title	Organization
Tony Bolla	Chair of the Board	Regal Height Villiage BIA & President/CEO of NaberNet/Bridgelin
Tony Elenis	President and CEO	ORHMA
Djanka Gajdel	Visual Consultant	Edward Gajdel Inc.
Brian Gregoire	Internet Consultant	WSI Web Marketing Matters
Richard Healy	Vice President, Administration & Special Program Initiatives	Youth Employment Services
Grant Humes	Executive Director	Financial District BIA
John Kiru	Executive Director	TABIA
Zoran Kocovski	Principal	Sassafraz
Fred Luk	Owner	Fred's Not Here Restaurant
Nic Morgan	VP, Business Development	Morgan Solar
Ian Morton	Founder	Summerhill Group Inc.
Jose Ortega	Owner	Lula Lounge (W18)
James Rilett	Vice President - Ontario	Restaurants Canada
Rob Sysak	Executive Director	West Queen West BIA

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