December 12, 2016

EX20.2.27

Mayor John Tory, Chair, Executive Committee
City of Toronto
100 Queen Street West
Toronto, ON M5H 2N2

Dear Mayor Tory and Members of Toronto City Council:

RE: EX20.2 The City of Toronto's Immediate and Longer-term Revenue Strategy Direction

Our Commercial Real Estate Industry Coalition is sympathetic to the City's objective to build transit and create long-term fiscal stability towards further infrastructure investments. We applaud the Mayor on his November 24th announcements related to revenue options. We are also encouraged that City Staff have reflected a very fair and common sense approach to property tax conversations in Toronto for our industry. We are also grateful for our inclusion in the consultation process so far and are committed to working with the City to ensure we have a competitive environment to attract investment and jobs to the City of Toronto in the future.

The Commercial Real Estate Industry Coalition includes the Real Property Association of Canada (REALPAC), the Toronto Financial District BIA, NAIOP Greater Toronto, the Building Industry and Land Development Association (BILD), International Council of Shopping Centres (ICSC), the Building Owners and Managers' Association (BOMA Toronto) and the Retail Council of Canada (RCC). We are generally supportive of tax proposals that are dedicated to appropriate investments, transparent in their application, and equitable in that they are broad-based and don't harm a single industry or taxpayer group. Ultimately, we review these proposals from a perspective of economic competitiveness.

We are supportive of the general package of recommendations involving revenue options and the long-term fiscal direction of the City of Toronto. Our thoughts, requests and notes on specific issues are included here:

1) **Our industry supports further study of road tolling and requests that its impact on business become a key area of focus**.

   Many types of business activities will be impacted by a charge on driving the Gardiner and DVP. We request that a full economic assessment of these impacts be brought forward publicly in a way that business groups can clearly evaluate and offer feedback.

2) **We are pleased to see the parking levy rejected as non-viable in the KPMG economic assessment, Staff Report and the Mayor's recent remarks.**

   This option would have been disastrous for businesses across Toronto, their employees and their customers. As a de factor commercial tax increase, City Staff themselves have indicated that some businesses that rely on parking would have paid 200% to 300% more in taxes to the City. As opposed to a sales tax on paid parking spaces – a user fee – the parking levy would also not be supportive of the City's goal of changing behavior away from driving. As a couple quick examples, an industrial complex on Steeles in Ward 10 with 520 parking spaces would have been charged an additional $285,700 each year. A retail complex on Ellesmere in Ward 43 with 578 parking spaces would have split a new bill for $316,000 between its retailers.

   In the future, we are committed to working with policy staff at the City and province on the prospect of a parking sales tax on paid parking if a charge on parking is to be seriously considered as an alternative in the future.

3) **The commercial real estate sector will receive a significant hit in this package of revenue options. We strongly encourage to the City work with our industry in a consultative fashion to identify long-term stability related to market realities of a) vacancy unit rebate reductions, and b) deceleration of commercial-to-residential tax ratio reductions.**

a) **Short-term deceleration of reductions in commercial-to-residential tax ratio must be followed by a long-term timetable showing businesses when they will see further reductions.**

At present, the municipalities surrounding the City of Toronto have commercial rates that are 1.5x or less when compared with residential rates. Compare this to Toronto's 2.94x in 2016 and we are not competitive for businesses looking to locate in the Greater Toronto and Hamilton Area.

The City of Toronto now has an official target of reaching 2.5x by 2020 that will be broken with this package of revenue tools. While we understand the need for the City to increase contributions of commercial properties toward this package in the near-term, we strongly urge that it show its long-term timetable to 2.5x and lower over the next few years, and toward ratios competitive with the surrounding municipalities after that.

b) **Reduction or removal of the Vacancy Unit Rebate program must be met with explanation of how large commercial space vacancies will be dealt with in the future.**

It is very important to remember the reason why the Vacancy Unit Rebate was put in place. Until the late 1990's, vacant space was not taxed at all because business occupants were taxed directly. When the tax regime moved to taxing building owners, it meant significant new tax bills for property owners facing large vacancies. The VUR program was developed to offer a 1/3 rebate in this new tax regime.

It is a reality of the real estate market that large vacancies must be tolerated by building owners related to the time it takes for one large occupant to leave and another large occupant to enter. Cancellation of the VUR program will have a negative impact on business growth in the City due to the disincentive it provides for owning a large commercial complex when even vacant units are being taxed. This also discourages new builds that have to wait years for their large tenants to take occupancy.

Without the VUR program, the impact of an economic downturn could see disastrous results on properties if a mitigation such as the VUR is not in place. We strongly encourage the City to fully explain its long-term strategy to handle these market realities if the VUR is to be reduced or removed.

We reiterate that Toronto is definitely on the right track with its new revenue options and long-term framework toward building critical infrastructure that will keep Toronto moving people and building its economy. As the Staff Report states, the last 15 years of the Toronto economy has seen tremendous growth due to some of the policies that are now being altered.

We too are committed to building this great city and look forward to working closely to ensure an environment of economic competitiveness is continued in the City of Toronto.

Best regards,

Brooks Barnett

Brooks Barnett
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Manager, Government Relations and Policy
Real Property Association of Canada (REALPAC)

cc: Executive Committee
City Manager's Office