Thursday December 8, 2016

Mayor John Tory
Members of the Council
Toronto City Hall 100 Queen St. West
Toronto, ON M5H 2N2 City of Toronto

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

Email: clerk@toronto.ca

Dear Mayor and Members of Council,

The Ontario Restaurant Hotel and Motel Association (ORHMA) and our Toronto membership strongly opposes the Toronto hotel tax, the Toronto toll fees, Toronto liquor tax and a Toronto business parking tax. All of these taxes being considered by you have a DIRECT impact on hotels and restaurants in the City of Toronto.

We appreciate that the City of Toronto Executive Committee has agreed not to bring forward liquor tax and parking taxes however they are planning to bring forward the tolls and hotel tax for the 2017 Budget that Council is considering next week.

ORHMA ADVOCATES FOR AN ECONOMIC ANALYSIS: We believe that these purposed NEW taxes are not fully understood and as a result we believe that it is necessary for the City of Toronto and the provincial government to understand the significant economic consequences associated with these new taxes before approving.

It is imperative that the city and the provincial government recognize that our industry has many other policies coming forward at one time that impact business budgets and adding new taxes is only penalizing us further. The City needs to consider the impact of a hotel tax on other tourism and hospitality businesses such as transportation, restaurants, attractions, retail and entertainment which combined employ 315,000 people in Toronto and that is why we expect an economic review of these purposed taxes being imposed on the hospitality sector before asking for the government of Ontario to give you regulatory authority.

ORHMA opposes any new hotel tax and has warned it will cause job loss, reduction of foreign direct investment in the hotel industry and other economic harm. **Toronto's hotel industry** is already burdened by some of the **highest property taxes in North America**. Imposing a tax on hotel rooms in Toronto, and not in areas surrounding the city, will set up two different competitive zones which will likely cause a decline in business opportunities for Toronto hoteliers. Toronto's 25,000 rooms already pay 13 per cent HST, so add a hotel tax and whatever the number is you're going to change the competitive balance.

If hotels in Toronto get more expensive, they may become too costly to successfully bid on music, sporting and business events. This **hotel tax will set a precedent** in other municipalities eliminating existing DMP's and stopping new ones. This is very concerning for our industry.

The City needs to consider the impact of a hotel tax on other tourism and hospitality businesses such as transportation; restaurants; attractions; retail and entertainment which combined employ 315,000 people in Toronto. These businesses rely on the hotel sector's leadership and funding for destination sales and marketing. This funding comes from both the Destination Marketing Program and other direct investments from the hotel community to attract meetings, conventions and events to the City. No other sector has provided dedicated consistent funding since 2004.

When comparing Toronto's consumer burdens to other cities within our competitive set it is important to note that 30 of the 55 states do not have a state/ hotel lodging tax. With no state/ lodging tax these cities consumer burdens start at 0%, whereas in Ontario our consumer burden starts at 13% because of HST; making us right away 13% more expensive.

ONTARIO HOSPITALITY INDUSTRY RECOVERING: Back in 2004 following 9/11 and SARS Toronto's hospitality industry was devastated. There was not sufficient funding to promote the city. The industry came up with a solution to this industry problem in the Destination Marketing Fee an initiative that added enormous value in a very tough business climate.

It has taken 15 years for the hotel industry to start recovering from average profit margins that dropped by 50% across Ontario ……..and Toronto has not been immune to it. Recently hotel revenue growth has been healthy but the margins are only **crawling** upwards.

A **Toronto room tax will damage the industry** solution and future success. Toronto's hotel industry is different than New York and other major destinations mainly due to underperformance in the REVPAR and most importantly the Average Rate that flows straight down to the Net Operating Income.

Toronto does not have the ROI other major cities enjoy and we are highlighting property taxes as a concern as these have being questioned by investors to the point that recent and projected product investment is mostly build around and not in the City of Toronto.

The Restaurant sector has unique challenges. It is not about the line ups, it's about the pressures on the expense lines leading to unprecedented slim margins.

In the 1990's the industry was achieving 6% to 10% plus in pretax profit margins. Since the year 2000 the Ontario restaurant sector dropped by 56% performing 2% less than the National Average and less than any other province. The average profit of a restaurant is at 3.5% and it includes big and small players. It does not take much to determine that independent owners are straggling closer to a profit of 1%.

It's been about **rising labour costs, food commodity hikes and the hydro's** global adjustment calculated at 65% of a total invoice for both restaurants and hotels but the P&L line that influences Ontario's profit to be the lowest in Canada is the Rental and Leasing expense stemming from the City of Toronto.

With rigid price elasticity model restaurants continue to face enormous regulatory expenses from all levels of government and trust me its tough for the City's restaurants. There is fear in this sector in Toronto more than any other Ontario city of continues bombardment of darts thrown at them. The decline in margins tells the story. When will this stop?

The road tolls, a parking levy and new liquor taxes are worrisome. On the Liquor tax option the KPMG report failed to mention anything about licensees and the impact to an industry that pays $10 more for a case of beer than the consumer. Not to mention that many operators currently purchase their products from the Mississauga LCBO warehouse creating more complexity.

Furthermore a proposed hotel room tax is a major concern to the city's restaurants as they prosper from conventions and many events generated through the sales activities through the DMP. The proposed tax is a deterrent and will hurt.

This is the time to support the hospitality industry for business growth and jobs not impose new taxes.

For example taking action on the inequality that exists on the amount of property related taxes paid by small business on the:

1. Disparity between residential and commercial property tax rates.
2. Disparity between the levels of the business education tax in Toronto versus neighbouring municipalities.
3. Commercial property assessment levels in rapidly developing areas.

We are entering a future where global travel and tourism is showing the highest growth than any other industry ………and Canada ……..and definitely Toronto are well positioned in a very competitive market however imposing new taxes on our industry will hinder any new growth opportunities.

Thank you for your time and consideration.

Yours truly,

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