

December 12, 2016

Mayor John Tory and Toronto City Council
City of Toronto
10th Floor, West Tower, City Hall
100 Queen Street West
Toronto, ON M5H 2N2

Dear Mayor Tory and City Council:

RE: SUPPORT FOR REVENUE OPTIONS PACKAGE AND REQUEST FOR ECONOMIC COMPETITIVENESS AS PRIMARY CONSIDERATION MOVING FORWARD
EX20.2 The City of Toronto's Immediate and Longer-term Revenue Strategy Direction

The Toronto Financial District BIA would like to begin by commending the Mayor and City Staff for presenting a bold plan for Toronto's economic health both in the near- and long-term. As a representative of the City's primary employment hub where 200,000 people work each day, we use a lens of continued economic competitiveness to review all proposals for revenue and funding. This includes whether revenue options are dedicated, transparent and equitable. We are very encouraged to see a similar methodology present through the KPMG Economic Assessment, Staff Report, and in the Mayor's remarks on November 24.

We support further study of tolling that includes more complete analysis of economic and traffic impacts, particularly in the downtown core.

We thank City Staff for engaging with business and industry groups on potential road tolling of the Gardiner and DVP. In addition to our feedback in consultations, **we request that City Staff address the following concerns as they advance studies:**

- A detailed economic impact assessment - not present in the current KPMG report – must be completed in consultation with industry groups. This assessment will be critical as rates and implementation are planned. Specifically, a systematic analysis of tolling on goods movement and any potential impacts on the cost-of-doing-business must be included in further study; and
- Technologies should only be considered that ensure the system can be easily adapted to permit time-of-day, demand response congestion pricing, as well as a lowest cost per revenue impact.

We strongly request that the City show a commitment to long-term tax competitiveness that will attract business investment.

Commercial businesses will see a significant impact of the changes proposed today in two areas. Potential cancellation of the Vacancy Unit Rebate will be a disincentive for commercial real estate investment in the City. This program aimed to partially address the unfair burden on commercial property when in 1998 the Province eliminated the Business Tax charged directly to tenants and allowed municipalities to recover that lost revenue by increasing the realty tax rate charged to owners of non-residential property. Prior to that date, there was no business tax levied on vacant space. This rebate program mitigated the increased tax costs on vacant space resulting from Provincial tax reform. Both new builds and buildings waiting for large new tenants to move in and out can have significant vacancies even in a strong market. **There must be a mechanism to handle the market reality of long-term vacancies in large office complexes and we encourage the City to work with our industry towards a stable long-term solution.**

The other area where commercial properties will be hit is in the deceleration of reductions in the commercial-to-residential tax ratio. At present, Toronto commercial properties pay 2.94x more than residential properties. This puts us at a competitive disadvantage as a City when competing for business investment when surrounding municipalities are all 1.5x or lower. The City Staff Report itself highlights the strong investments Toronto has seen over the past 10 years as it has reduced its commercial-to-residential tax ratio through a program of reductions toward a target of 2.5x commercial-to-residential. While we see the City now slowing these reductions in this report, **we strongly encourage that a timetable be put in place to show when Toronto will reach a 2.5x commercial-to-residential tax ratio and continue lowering toward a 2x ratio that would make us more competitive against**

surrounding municipalities. When businesses are looking at where to locate, they make long-term revenue and expense calculations. Showing them a long-term timetable commitment to lower commercial tax burdens will spur the creation of investment and jobs in Toronto.

Should you have any questions, please contact me at ghumes@torontofinancialdistrict.com.

Best regards,



Grant Humes
Executive Director