

# EX15.1.5



May 20, 2016

Mayor John Tory and members of Council  
City Hall, 2nd Floor  
100 Queen Street West  
Toronto, ON M5H 2N2

**RE: EX15.1: The City of Toronto's Long-term Financial Direction- Toronto Commercial Real Estate Coalition Perspectives on Funding Mechanisms**

Dear Mayor Tory and members of Council,

On behalf of the Real Property Association of Canada (REALpac), the Building Owners and Managers Association Toronto (BOMA), NAIOP Greater Toronto, the International Council of Shopping Centres (ICSC), the Building Industry and Land Development Association (BILD) and the Toronto Financial District BIA, we would like to commend the City's finance staff, on beginning a thoughtful conversation around Toronto's long term fiscal position. Toronto's real estate industry is a key driver of the municipal, as well as provincial economy, and is collectively represented by the aforementioned industry associations. By way of background, this coalition of associations has been involved in past municipal and provincial funding discussions, and considers our industry an active partner in city-building. Our coalition is a key stakeholder in Toronto's revenue tools conversation and will be a key player moving forward. As such, we have read with great interest staff report EX15.1: The City of Toronto's Long-term Financial Direction and believe that further inclusions are necessary at this time.

## **Initial Perspectives following EX15.1 Release**

Toronto's commercial real estate industry recognizes that the government has significant fiscal and economic challenges presently before it. We recognize that the city will need to make important decisions as to how to limit and manage these challenges. We understand that the City has significant capital commitments that have been approved, unfunded, as well as growing operating budget pressures. We believe that solutions to these problems ought to be broad-based, transparent, equitable, and contribute to an improvement in the cities economic competitiveness overall.

We note that the cities growing revenue gap, specifically, a 14% unresolved pressure on a net basis, is most acutely felt in budget years 2017 and 2018. According to EX15.1, there is a budget gap of \$483 million in 2017 and \$199 million in 2018. We also note that the gap is likely to grow larger if Council takes no further steps to either enhance revenues, or constrain spending. Reasonable and broad-based funding can be realized within the existing revenue toolbox, without necessarily the need to introduce more mechanisms. **We believe that the City has not properly exhausted all alternatives as of yet. The staff report indicates that there are several "inside of government" strategies that may lessen the severity of the potential fiscal challenges that exist.** These include:

- Undertaking formal efficiency reviews;
- preventing further capital and operating expenses and commitments;

- expanding the fee-for-service model;
- sustaining service levels at current standards; and
- integrating program planning and financial/budget planning

EX15.1 indicates that staff will return to committee and Council in the fall of 2016 with potential revenue tool strategies. We believe, that if the City is going to undertake an examination of new and existing revenue mechanisms that certain considerations be taken into account in this endeavor, and in EX15.1 specifically.

### Coalition Requests

We respectfully request that the City consider the inclusion of the following policy items;

- a. **City staff to include within future report, an analysis of economic impacts of potential new and existing revenue enhancement mechanisms.**

We believe that any report on funding tools should include clear and reasonable cost-benefit analyses, potential impact studies, and implementation calendars that will give municipal policy-makers an honest sense of what tools will be most effective. The key consideration in determining what potential funding strategies are most effective for the city should be: economic competitiveness. Therefore any staff report on suggested tools, ought to include a cost-benefit analysis on those tools themselves.

- b. **Future report to contain heavy focus on impact of revenue tools on jobs and employment**

The coalition believes that Toronto's economic competitiveness depends in large measure on the city's ability to create and sustain good, well-paying jobs. Given that potential revenue may contribute to a burden on Toronto businesses, there is a potential direct impact on Toronto's ability to create jobs for residents. We believe that future reports, likely within an economic impact analysis, should contain information relating to potential challenges for job creation in Toronto. This is key for our industry, and indeed every other one as well.

- c. **Council to mandate robust and transparent stakeholder consultation schedule**

In 2013, the coalition was involved in the provincial consultations for the proposed revenue tools to fund the provincial 'Big Move' Transit Plan. Our coalition was pleased to partner with provincial policy-makers in identifying fair, reasonable and effective funding options then, and we would be happy to work collaboratively with the City now. We would request that the City work transparently, and build an active stakeholder engagement program that fully explores all impacts (positive and negative) of the proposed options. We believe that this matter should closely resemble the public engagement process of the 2013 provincial effort and would suggest that the City examine that process for key lessons learnt.

- d. **Include "inside of government" strategies, and impact of strategies on overall budget gap, inside of future report.**

The City has made it clear in EX15.1, that further revenue is needed to meet operating and capital challenges. The report also indicates that there may be ways that the government can address these challenges with internal options and opportunities that could change the fiscal position of the City. As mentioned above, these include: efficiency reviews, the prevention of further capital and operating expenses, the expansion of the fee-for-service model, an asset optimization review, and the integration of program planning and financial planning. We believe that it would be helpful if the City determined which of these mechanisms can and impact on the city's fiscal position, and whether further tools would be necessary to meet the identified challenges.

The coalition's suggestions are not only limited to the above. The coalition will be making further recommendations as this conversation unfolds as well. We would note that we have commissioned an econometric firm to study potential revenue tools and strategies, and will be presenting this report formally to Committee this summer and fall.

We hope that you will carefully consider this matter. We look forward to working with City policy staff moving forward.

Respectfully submitted,



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