BU29.1.150

January 12, 2017

Councillor Gary Crawford, Chair
City of Toronto - Budget Committee
10th floor, West Tower, City Hall
100 Queen Street West
Toronto, ON M5H 2N2

Dear Councillor Crawford and Budget Committee

RE: EROSION OF TAX COMPETITIVENESS FOR TORONTO BUSINESSES.
ISSUES TO BE ADDRESSED IN 2017 BUDGET.

Our Commercial Real Estate Industry Coalition has previously expressed support for the City of Toronto's long-term revenue options initiative carried out at the end of 2016. We are grateful to City Councillors and staff for their engagement with us as part of the consultation process so far.

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 Operators 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.

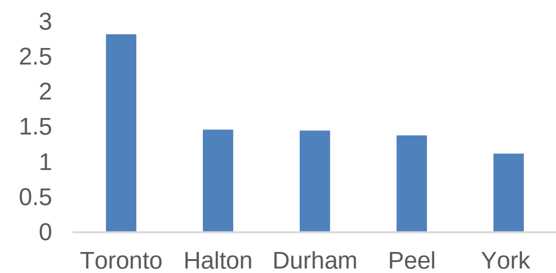
In comparison with other 905 municipalities that our city competes with for attraction and retention of investment (see right), Toronto businesses are at a disadvantage. With respect to Toronto's current tax situation, we have two specific issues we wish to have addressed as part of the 2017 budget process.

PROVIDING BUSINESSES WITH A LONG-TERM TIMETABLE TOWARD COMPETITIVE TAX RATIOS

As part of EX20.2, City staff recommended a deceleration of the commercial-to-residential tax ratio reduction program. Staff suggest this will have only a "symbolic impact" and admit that the program of commercial tax reductions has been a big win for the City over the last 15 years in attracting and retaining investment and jobs in the City of Toronto.

We have expressed support for this plan in the short-term due to budget pressures. However, **a long-term calendar should be put in place, in which Toronto's commercial-to-residential tax rate will reach 2.5 to 1, thereby reducing the disproportionate burden Toronto taxpayers versus those of surrounding municipalities.** When employers are looking to locate in a jurisdiction, they make long-term cost projections. Confidence the City can provide businesses in the long-term will result in increased jobs and investment in Toronto.

2016 COMMERCIAL-TO-RESIDENTIAL TAX RATIOS



Prepared by Adam Found as an update of his 2015 report with Peter Tomlinson, "City of Toronto Property Tax Policy: A Backgrounder."
*** Toronto ratio is lower than the 2.94 reported by the City of Toronto because it factors in a slightly lower rate (already at 2.5x residential) paid by commercial properties worth less than $1 million.*

IMPACT ON SAMPLE TORONTO BUSINESS

EXAMPLE:
Scarborough industrial property valued at $2.5 million.

$16,750
Annual tax premium currently paid by this property in Toronto over relocation to Markham. (This does not include provincial portion where Toronto is also

VACANT UNIT REBATE PROGRAM SHOULD NOT BE ALTERED UNTIL CORE ISSUES HAVE BEEN ADDRESSED IN CONSULTATION WITH TORONTO BUSINESSES

A removal of the Vacant Unit Rebate Program has been addressed in the media and in questions at Council at the end of 2016. However, a reading of the staff report for EX20.2 indicates that the issue has not be sufficiently consulted on with businesses at the City level. The program is also just beginning a process of consultation at the provincial level that should be completed prior to the City having authority to alter the program.

The Vacant Unit Rebate Program was created in the 1990's to address a fundamental shift of taxes onto properties that previously had not paid any taxes at all on vacant space. While not an ideal solution, the program should not be removed until the issue of vacant space has been authentically reviewed and addressed. Vacancy rates of 9%-11% are a reality in a healthy real estate market as large properties deal with movement of employers in and out of their spaces as they grow. This should be addressed with a long-term view on its potential impact due to the possibility of a downturn in the economy leading to disastrous consequences on properties if a haphazard policy of taxing all vacant space at high rates is allowed.

The issue of vacancies on main street retail strips have dominated the conversation while the full impact has not been reviewed. Officials at the City and province have agreed that a one-size-fits-all approach is not appropriate. We are currently working with officials at the province and look forward to working with the City of Toronto as well.

We express caution in relying on any cancellation of funding for the vacant unit rebate program until both the city and province have addressed core issues the program was meant to alleviate.

If you have any questions on these items, please contact me at 416-642-2700 x224, or alternatively at bbarnett@realpac.ca.

Best regards,

Brooks Barnett

Brooks Barnett
Coordinator, Real Estate Industry Coalition

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

Copy to:

Councillor Burnside
Councillor Campbell
Councillor Carroll
Councillor Di Ciano
Councillor Layton
Councillor Nunziata
Jennifer Forkes, Secretariat

Mayor Tory's Office
Peter Wallace, City Manager
Rob Rossini, Deputy City Manager and Chief Financial Officer
Allan Doheny, Assistant Deputy Minister, Ministry of Finance