



Ministry of Finance
Office of the Minister

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His Worship Mayor John Tory
Office of the Mayor
City Hall, 2nd Floor
100 Queen Street West
Toronto, Ontario
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Dear Mayor Tory.

Thank you for your letter regarding the assessments established by the Municipal Property Assessment Corporation (MPAC) for small business properties in downtown Toronto.

The Province shares your interest in ensuring that property assessments are accurate, and that the property tax system is fair and sustainable for small business.

As you may be aware, we commissioned a Special Purpose Business Property Assessment Review in 2013 to address concerns about property assessments, including the concern that some assessments reflected speculative development potential. Following the recommendations arising from this review, we directed MPAC to strengthen their assessment practices for business properties located in areas in transition, clarifying that assessments should be based on the current permitted uses on the site, taking into consideration the land use restrictions and current zoning designations. Consistent with this approach, MPAC has reduced their initial valuations for these properties after taking into consideration the impact of the area being designated as a Heritage Conservation District.

Contrary to some media reports, MPAC has not assessed these small business properties on Yonge Street as though they had been redeveloped as condominium towers. Rather, they have been assessed based on sale prices of similar street-front retail properties in the area.

We value small businesses and steps to support them have included lowering the small business corporate income tax rate from 5.5 per cent in 2009 to the current 4.5 per cent and reducing red tape.

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With respect to the concern expressed in your letter that “MPAC is not working when it comes to small businesses in Toronto,” it is important to keep in mind that all Ontario municipalities are members of MPAC, and the majority of the members of its Board of Directors are municipal representatives, including Toronto's Deputy City Manager and Chief Financial Officer. MPAC and its Board of Directors are always open to working with municipalities to address concerns regarding MPAC's assessment practices and service delivery.

We understand that even when properties have been assessed fairly, based on their current use, they can still experience valuation increases upon reassessment as a result of market demand for a certain type of property or in a certain neighbourhood. That's why the Province requires increases be phased in over four years to provide greater stability to property owners and help mitigate the impact of reassessment increases.

In addition, the Province has made several tax policy tools available to municipalities to further mitigate the impact of assessment changes including graduated tax rates and a number of rebate programs such as the heritage property tax rebate. As well, the City has the ability to implement optional property classes, and the Province may also consider creating additional property classes if first requested by City council.

The City may also choose to reinstate a property tax capping program which provides annual limits on tax increases for business properties. Toronto's decision to remove capping protection for some properties has also contributed to the current impact to businesses on Yonge Street. Ministry staff would be pleased to work with the City to resume the application of tax capping for these commercial properties and discuss additional options related to this program.

While we encourage the City to use existing tools that are already available within the City's power, I am also open to examining options should the City wish to explore additional tax policy to mitigate reassessment changes. The Province would be pleased to work together with the City to examine potential new programs. I have asked Ministry of Finance staff to work with City finance officials to pursue it.

We commend the City of Toronto for the reductions that have been made to the municipal tax rates for business properties. The Province has also made significant reductions to the provincial education tax rates for business properties, including in Toronto. As a result of the latest round of provincial education tax cuts, businesses in Toronto have benefitted from \$45M in reduced education taxes. This has largely addressed a longstanding concern of the City that their business education tax rates were higher than those in neighbouring municipalities.

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Thank you again for sharing your concerns regarding these business properties. The Province recognizes the importance of small businesses to Ontario's economy and we remain committed to fostering a sustainable tax system that supports our small business sector.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Charles Sousa', with a stylized, cursive script.

Charles Sousa
Minister

- c. The Honourable Jeff Leal, Minister Responsible for Small Businesses
John Kiru, Executive Director, Toronto Association of BIAs