



## MEMORANDUM

**TO:** Mayor John Tory and Executive Committee

**FROM:** Toronto Commercial Real Estate Coalition

**RE:** EX22.2 - 2017 Capital and Operating Budgets  
**Proposal for industry to self-fund and improve Vacant Unit Rebate and avoid further erosion of Toronto's economic competitiveness**

The City of Toronto's review and removal of the Vacant Unit Rebate (VUR) program has proceeded without any consultation with the commercial real estate industry

Public discussion of this issue has been inaccurate and misleading. Landlords do not leave properties vacant to make a profit and the VUR program is only a one-third rebate – landlords still pay two-thirds of the regular tax burden for their vacant space. Most importantly, the program was originally intended as a partial mitigation for land owners when business and realty taxes were combined in the 1990's. Prior to the current tax regime, land owners paid no business tax on vacant space. This mitigation was meant to deal with the 40-45% increase in realty tax to landlords on vacant space when the business tax was amalgamated. .

### Industry proposal to self-fund and strengthen Vacant Unit Rebate program

- Self-funding of the VUR program from commercial real estate contributions (avoiding residential or other revenue contributions).
- Pop-up or temporary retail activation allowance without removing program eligibility.
- Three-year time limit for same space rebate to ensure spaces are not kept intentionally vacant but accounting for realities of economic downturns.
- Application fees for program – on a graduated scale based on size of property applying.

We have developed a proposal (*summarized briefly at right*) that would decrease the burden of the VUR on non-commercial revenue sources while maintaining the mitigation elements of the current program. We strongly encourage the City of Toronto to work with our industry to develop this program further.

### INCREASING CONCERN WITH CITY OF TORONTO'S EROSION OF ECONOMIC COMPETITIVENESS WITH VUR AND OTHER RECENT DECISIONS

With a rushed approach to removing the VUR and other City decisions, including the deceleration of commercial-to-residential tax ratio reductions in the 2017 budget, the City of Toronto appears to have an impression that businesses are not paying their fair share.

Toronto's commercial tax burden is still nearly three times that borne by its residential properties of equivalent value. This is more than double the burden of all the surrounding 905 municipalities where commercial pays 1.5x or less compared to residential in Durham, Peel and York. The provincial education tax burden is also borne disproportionately by Toronto's commercial properties – our businesses pay 36% more than they would if they were located in Halton Region for no added benefit or service – and the City of Toronto has had no part in challenging this inequity.



---

It is true that the City of Toronto has made progress on attracting investment in the last decade. The City Manager's office recently stated that the commercial-to-residential tax ratio reduction program has "likely been one of the contributors to low commercial vacancy rates and a resurgence in commercial development in Toronto" ([LINK](#), Pg. 18).

With such a successful program, these reductions should continue as soon as possible to increase business confidence in the City of Toronto. Our industry is ready to lead the discussion about what the City of Toronto can do to grow our economy.

**ATTACHED DOCUMENT:**  
Letter to Ontario Ministry of Finance from REALPAC, "Confirmation of Outcomes from December 13 Vacant Unit Rebate Meeting," December 20, 2016

All the people of Toronto benefit when we have an environment that can attract and retain investments and jobs across the City, including Etobicoke, North York and Scarborough that are especially disadvantaged due to proximity to lower tax jurisdictions. We have a lot of work to do on this front and encourage the City to work closely with us on economic competitiveness overall and a strengthening of the VUR program.

Best regards,

Brooks Barnett  
Coordinator, Real Estate Industry Coalition

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

Copy to: Peter Wallace, City Manager  
Rob Rossini, Deputy City Manager and Chief Financial Officer  
Michael Williams, General Manager, Economic Development and Culture

---

#### **ABOUT OUR COALITION**

The Commercial Real Estate Industry Coalition includes the Real Property Association of Canada (REALPAC), the Toronto Financial District BIA, NAIOP Greater Toronto and the Building Owners and Managers Association (BOMA). 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.