

## City Council

### Notice of Motion

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| MM35.16 | ACTION |  |  | Ward:All |
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**Saving Toronto's Small Businesses and Character Streets with Intelligent Tax Reform - by Councillor Kristyn Wong-Tam, seconded by Councillor Michael Thompson**

*\* Notice of this Motion has been given.*

*\* This Motion is subject to referral to the Executive Committee. A two-thirds vote is required to waive referral.*

### Recommendations

Councillor Kristyn Wong-Tam, seconded by Councillor Michael Thompson, recommends that:

1. City Council direct the Interim Chief Financial Officer to:
  - a. undertake a review of various tax policy tools that can be used to provide relief to small business owners facing unsustainable Current Value Assessment-related tax increases;
  - b. report back to the February 6, 2018 Executive Committee meeting with recommendations on which tool or tools would most effectively achieve this; and
  - c. include evaluations and costing of the following specific mechanisms in the review:
    1. the creation of a small business tax classification for independently owned, non-franchise businesses operating in a low-rise built-form context;
    2. changes to commercial graduated tax rate bands to lessen the burden on small businesses by either adjusting the graduated rates or creating a third band;
    3. a capping mechanism for properties experiencing Current Value Assessment-related tax increases substantially higher than average; and
    4. examining the frequency of Municipal Property Assessment Corporation's reassessment of Ontario property values to mitigate significant changes in assessment values.

### Summary

In 1998, the Province of Ontario adopted the Current Value Assessment model for determining the assessed value of properties. Administered today by the Municipal Property Assessment Corporation, all properties in Ontario are re-assessed every four years and municipal property taxes are levied against these updated values.

The impact of Current Value Assessment on tax levels in 1998 was so substantial that a capping system was put in place to provide a measure of protection against unmanageable tax increases on all businesses including commercial, industrial and multi-residential classes.

Many properties have had their capping protection expire, as they have now reached full Current Value Assessment taxes. Since Municipal Property Assessment Corporation tends to use comparable sales data in urban centres, development assemblies and land speculation in Toronto is resulting in unprecedented property assessment that is a threat to many surrounding small businesses and the character of cherished neighbourhoods. With a commercial tax rate still several times higher than residential properties, commercial property owners are being forced to pass on massive costs to their business tenants.

Small business and low-rise commercial property owners, like those on historic Yonge Street, need to see a change in how they are taxed if the retail and built-form character of these neighbourhoods is to survive. The Minister of Finance has written to the Mayor and stated explicitly that the Province is willing to consider the creation of a new tax classification if City Council endorses a strategy. It now falls on City Council to receive the best advice from staff on policy solutions and, if necessary, to seek the Province's support.

Tax policy changes are complex and Toronto should evaluate a broad range of municipal and provincial options in deciding how best to serve its struggling small business and low-rise commercial property owners.

### **Background Information (City Council)**

Member Motion MM35.16