EX31.1

TORONTO

REPORT FOR ACTION

2018 Property Tax Rates and Related Matters

Date: February 2, 2018
To: Executive Committee
From: Acting Chief Financial Officer
Wards: All

SUMMARY

This report recommends the 2018 municipal tax ratios and tax rates arising from the concurrent adoption of the City of Toronto's 2018 tax supported Operating and Capital Budgets.

The 2018 tax rate increases arising from the 2018 tax supported Operating and Capital Budgets and the tax policy decisions recommended by the Budget Committee are as follows:

Table 1 - 2018 Recommended Property Tax Rate Increases

Property Class	2018 Tax Rate Increase for Operating Budget	2018 City Building Fund Tax Rate Increase	2018 Total Tax Rate Increase
Residential, New Multi-Residential, Farmland, Managed Forest, and Pipelines	2.10%	0.50%	2.60%
Multi- Residential	0.0%	0.0%	0.0%
Commercial	1.05%	0.25%	1.30%
Industrial	0.70%	0.17%	0.86%
Total Tax Rate Increase	1.47%	0.35%	1.82%

RECOMMENDATIONS

The Acting Chief Financial Officer recommends that:

1. Subject to receiving the necessary regulation to provide authority for the 2018 taxation year, in calculating the tax ratios, City Council elect the following in order to determine the notional tax rates to raise the previous year's levies:

   (a) to exclude the assessment of a property in a property class from the calculation of the total assessment of the properties in that property class if the current value of the property has increased by 100 percent or more or decreased by 25 percent or more, in accordance with subsection 2.2(4), paragraph 2 of Ontario Regulation 121/07 ("O.Reg. 121/07"); and

   (b) to adjust the total assessment for property in a property class so that the assessment excludes changes to the tax roll for the previous year resulting from eligible assessment-related losses from prior years, in accordance with an election under subsection 19 (4) of O. Reg. 121/07 to make subsections 19 (4.2), (4.3) and (4.4) apply.

2. City Council adopt the 2018 tax ratios shown in Column II for each of the property classes set out below in Column I:

Column I	Column II	Column III
Property Class	2018 Recommended Tax Ratios (before Graduated Tax Rates)	2018 Ending Ratios (after Graduated Tax Rates and Budgetary Levy Increase)
Residential	1.0000000	1.0000000
Multi-Residential	2.5231058	2.4591678
New Multi-Residential	1.0000000	1.0000000
Commercial General	2.8476492	2.8115682
Residual Commercial –Band 1	2.7000471	2.4351092
Residual Commercial –Band 2	2.7000471	2.8115682
Industrial	2.8359305	2.7880205
Pipeline	1.9235638	1.9235638
Farmlands	0.2500000	0.2500000
Managed Forests	0.2500000	0.2500000

3. Subject to receiving the necessary amendment to O.Reg. 121/07 for the 2018 taxation year, City Council elect to raise the tax rates on the restricted property classes as follows:

(i) on the Commercial Property Classes, by one-half of the percentage tax rate increase on the unrestricted property classes (residential, new multi-residential, pipelines, farmlands, and managed forests),

(ii) on the Industrial Property Classes, by one-third of the percentage tax rate increase on the unrestricted property classes (residential, new multi-residential, pipelines, farmlands, and managed forests),

(iii) on the Multi-Residential Property Classes, no tax rate increase.

4. City Council continue the previous adoption of two bands of assessment of property in the Residual Commercial Property Class, for the purposes of facilitating graduated tax rates for the Residual Commercial property class in 2018 as set out in the Enhancing Toronto's Business Climate initiative, and setting such bands of assessment for each band shown in Column II at the amount shown in Column III, and setting the ratio of the tax rates for each band in relation to each other at the ratio shown in Column IV.

Column I	Column II	Column III	Column IV
Property Class	Bands	Portion of Assessment	Ratio of Tax Rate to Each Other
Residual Commercial	Lowest Band 1	Less than or equal to $1,000,000	0.9134504
Residual Commercial	Highest Band 2	Greater than $1,000,000	1.0000000

5. City Council approve the elimination of the Vacant Commercial and Industrial Tax Rebate Program effective July 1, 2018.

6. City Council adopt:

(a) the tax rates set out below in Column V, which rates will raise a local municipal general tax levy for 2018 of $4,230,920,439 inclusive of a 2.1% residential, new multi-residential, pipeline, farmlands and managed forest tax rate increase, a 1.05% commercial tax rate increase, and a 0.70% industrial tax rate increase.

(b) the additional tax rates set out below in Column VI, which rates will raise an additional special general tax levy of $14,632,835 dedicated for priority transit and housing capital projects (the "City’s Building Fund levy"), in accordance with Recommendation 1.i. of Budget Committee Report BU30.1 (January 24th, 2017).

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Property Class	2018 Tax Rate for General Local Municipal Levy before Graduated Tax Rates	2018 Tax Rate for General Local Municipal Levy After Graduated Tax Rates	2018 Additional Tax Rate to Fund Budgetary Levy Increase	2018 Municipal Tax Rate (excluding Charity rebates)	2018 Additional Tax Rate to Fund City Building	2018 Municipal Tax Rate Inclusive of City Building Fund Rate
				(Column III+IV)		(excluding Charity rebates)
						(Column V+VI)
Residential	0.4537090%	0.4537090%	0.0095279%	0.4632369%	0.0022685%	0.4655054%
Multi-Residential	1.1447558%	1.1447559%	0.0000000%	1.1447559%	0.0000000%	1.1447559%
New Multi-Residential	0.4537090%	0.4537090%	0.0095279%	0.4632369%	0.0022685%	0.4655054%
Commercial General	1.2920042%	1.2920042%	0.0135660%	1.3055702%	0.0032300%	1.3088002%
Residual Commercial – Band 1	1.2250357%	1.1190094%	0.0117496%	1.1307590%	0.0027975%	1.1335565%
Residual Commercial – Band 2	1.2250357%	1.2920042%	0.0135660%	1.3055702%	0.0032300%	1.3088002%
Industrial	1.2866873%	1.2866873%	0.0090068%	1.2956941%	0.0021445%	1.2978386%
Pipelines	0.8727383%	0.8727383%	0.0183275%	0.8910658%	0.0043637%	0.8954295%
Farmlands	0.1134273%	0.1134273%	0.0023820%	0.1158093%	0.0005671%	0.1163764%
Managed Forests	0.1134273%	0.1134273%	0.0023820%	0.1158093%	0.0005671%	0.1163764%

7. Subject to receiving the necessary regulation, City Council adopt:

(a) the tax rate for municipal purposes for the Creative Co-location Facility subclass (or such other name as may be made in the regulation) of the Commercial Residual Property class be set at a 30% reduction of the Commercial Residual Property class tax rate.

(b) the tax rate for municipal purposes for the Creative Co-location Facility subclass (or such other name as may be made in the regulation) of the Industrial Property class be set at a 30% reduction of the Industrial Property class tax rate.

8. City Council determine that the 2018 Non-Program Tax Account for Rebates to Charities in the Commercial class be set in the amount of $5,502,286 to fund the mandatory 2018 property tax rebates to registered charities in the commercial property classes, which provision is to be funded, for a net impact on the 2018 operating budget of zero, by the following:

(a) the additional tax rates set out below in Column III be levied as part of the general local municipal levy on the commercial classes set out in Column I and Column II to raise a further additional local municipal tax levy of $5,502,286 to fund the total estimated rebates to registered charities for properties in the commercial classes in 2018.

Column I	Column II	Column III
Commercial Property Classes	Bands	Additional Tax Rate to Fund Rebates to Eligible Charities
Commercial General	Unbanded	0.0050504%
Residual Commercial	Lowest Band	0.0043742%
Residual Commercial	Highest Band	0.0050504%

9. The final Industrial Property Class tax rate be reduced by subtracting 0.0115724% from the final tax rate, in order to reduce the municipal taxes on the industrial tax class by $943,000 - being one half of the estimated municipal portion of industrial taxes to be rebated under the vacant unit rebate program for 2017, as directed by City Council at its meeting on May 24, 2017, and the Budget Committee 2018 recommended Operating Budget for the Vacancy Rebate Program be reduced by the same amount.

10. City Council authorize a technical amendment to Council decision of March 10, 2015 to amend the City's tax increase cancellation program, so that the program will automatically adjust the eligible household income by the City of Toronto's rate of inflation, by clarifying 'Toronto's rate of inflation' to be 'Statistics Canada, All-items Consumer Price Index by City, Annual Change - Toronto', and authorize an amendment

to Municipal Code Chapter 767, Taxation, Property Taxation, to give effect to such an automatic annual increase.

11. City Council direct the Acting Chief Financial Officer to report to Executive Committee at its meeting scheduled for April 17, 2018, or directly to Council or a special meeting of Council if necessary, on the 2018 tax rates for school purposes, and the 2018 percentage of the tax decreases required to recover the revenues foregone as a result of the cap limit on properties in the commercial, industrial and multi-residential property classes (the 2018 'clawback' rates).

12. City Council determine that:

(a) the instalment dates for the 2018 final tax bills be set as follows:

(i) The regular instalment dates be July 3, August 1, and September 4 of 2018.

(ii) For taxpayers who are enrolled in the monthly pre-authorized property tax payment program, the instalment dates be July 16, August 15, September 17, October 15, November 15 and December 17 of 2018.

(iii) For taxpayers who are enrolled in the two installment program, the final instalment date be July 3, 2018.

(b) The collection of taxes for 2018, other than those levied under By-law No. 1380-2017 (the interim levy by-law) be authorized.

13. City Council authorize the appropriate officials to take the necessary actions to give effect to Council's decision and authorize the introduction of the necessary bills in Council.

FINANCIAL IMPACT

The tax ratios and rates recommended in this report reflect the policy decisions recommended by Budget Committee and permitted and/or mandated by recent or pending Provincial regulatory changes, including:

- allowing one-half of the tax rate increase on the Residential property class to be applied to the Commercial property class
- continuing the City's tax ratio reduction policy to achieve a business tax ratio target of 2.5-times the residential rate, with a revised target date of 2023 instead of the original 2020
- freezing of the tax burden on the Multi-Residential property class for 2018, as mandated by the Province
- making a property tax rate calculation adjustment to reflect the year-end assessment used in the notional property tax rate calculation to offset changes resulting from certain in-year assessment-related changes (i.e. appeals)

- making an adjustment to the notional property tax rate calculation to exclude assessment of a property in the calculation if the current value assessment of the property has increased by 100% or more or decreased by 25% or more (i.e. filtering of outliers)

The Budget Committee recommended local municipal general tax levy for 2018 is summarized as follows:

Table 2

	Property Tax Levy $000's
2017 Levy	4,101.2
Traditional Assessment Growth during 2017	45.7
2017 Year End Levy	4,146.9
Adjustment for Appeals	1.1
Adjustment for Outliers	21.4
Total Revenue Adjustments	22.5
2018 General Levy	4,169.46
2018 Budgetary Levy Increase (2.1%)	61.5
2018 Operating Budget Levy Requirement	4,230.9
2018 City Building Fund (0.5%)	14.6
2018 Total Property Tax Levy Requirement	4,245.5

2018 is the second year of the current reassessment cycle covering the period 2017-2020. The average residential property value for tax assessment purposes has increased from $585,227 in 2017 to $624,418 as a result of the phasing-in of the reassessment change. A summary of the 2017 tax impacts on the average residential property, inclusive of reassessment together with the above noted adjustments and budgetary tax increases is as follows:

Table 3

	Impact on Average Residential Household	
	$	% Impact
2017 Municipal Tax	2,825	
CVA/Regulatory Impact (including Appeals/Outliers adjustments)	(8.74)	(0.31%)
Policy Impact	17.39	0.62%
Budgetary Levy Increase	59.32	2.10%
City Building Fund	14.12	0.50%
2018 Municipal Tax	2,907	2.91%

The average 2018 impact on the various property classes are as follows:

Table 4

	Budgetary Increase	City Building Fund	CVA/ Regulatory	Policy	Total
Residential	2.10%	0.50%	-0.31%	0.62%	2.91%
Multi-Residential	0.00%	0.00%	4.80%	-4.80%	0.00%
Commercial Residual	1.05%	0.25%	1.46%	0.62%	3.37%
Commercial Large	1.05%	0.25%	-0.07%	0.62%	1.84%
Industrial	0.70%	0.17%	-2.12%	0.62%	-0.64%
City Average	1.47%	0.35%	0.54%	0.00%	2.37%

DECISION HISTORY

In each year, Council must pass a by-law for the purposes of raising the general local municipal levy in an amount Council decides to raise in its budget for that year. The by-law shall establish the tax ratios for that year for the City, and shall specify a separate tax rate on the assessment in each property class in the City rateable for municipal purposes, determined in accordance with legislation and regulations.

The “2017 Property Tax Rates and Related Matters” Report can be viewed at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX22.1

At its meeting of May 24, 25 and 26, 2017, City Council adopted Item EX25.10: *Future of the City's Vacant Commercial and Industrial Tax Rebate Program,* as amended, that requested the Province of Ontario to adopt regulations and make any other legislative amendments required to permit, among other things, that, effective July 1, 2018, the vacancy rebate program for commercial and industrial properties be discontinued.

Council's decision is available at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.10

COMMENTS

This report presents, on a preliminary basis as a result of the 2018 Operating Budget recommended by Budget Committee at its meeting of January 23, 2018, the City's 2018 Tax Ratios, Tax Rates and Levy for municipal purposes.

Council will be considering the City’s 2018 Operating Budget and 2018 Tax Levy at a Special Meeting of Council scheduled to be held on February 12 and 13, 2018. Upon conclusion of that meeting and adoption of the City’s 2018 Operating Budget, the City Solicitor will introduce a Bill in Council to enact the City's 2018 Tax Ratios, Tax Rates and Levy for City purposes.

In December 2017, the Province announced that certain tax policy changes, introduced in 2016, would be continued, including:

- a property tax rate calculation adjustment - municipalities have the option to adjust the year-end assessment used in the notional property tax rate calculation to offset changes resulting from certain in-year assessment related changes (i.e. appeals);

- modified levy restriction - continued flexibility to apply a municipal tax increase of one-half or less of the residential increase to the commercial and industrial classes;

- tax ratio flexibility - flexibility to increase ratios to avoid tax shifts that may occur between property classes as a result of reassessment impacts;

In addition, the Province announced it would maintain the freeze in municipal tax burden on the Multi-Residential property class for the 2018 tax year, for municipalities whose tax ratio for that class is above 2.0. Toronto's 2018 tax ratio for multi-residential is 2.5, therefore the freeze on multi-residential tax burden will apply in 2018.

The tax ratios and tax rates recommended in this report incorporate the permissible property tax rate calculation adjustments, an increase in the commercial tax rate of one-half of the residential tax rate increase, an increase in the industrial tax rate of one-third of the residential tax rate increase, and a freezing of the multi-residential tax burden. All of these measures still require Provincial regulations to allow the City to implement them. Accordingly, this Report recommends that these measures be approved subject to receiving the necessary authority.

Assessment Cycle

The assessment of all property in Ontario is carried out by the Municipal Property Assessment Corporation (MPAC), under the Province's Assessment Act. Reassessments are conducted on a four-year cycle with Current Value Assessment (CVA) increases being phased-in between the four-year periods.

The current reassessment update is for taxation years 2017-2020, with the valuation basis being January 1, 2016. Table 5 below provides the valuation dates used for each taxation year from 1998 through 2024.

Table 5 - Assessment Cycle

Taxation Year	Valuation Date		
1998, 1999, 2000	June 30, 1996		
2001, 2002	June 30, 1999		
2003	June 30, 2001		
2004,2005	June 30, 2003		
2006, 2007, 2008	January 1, 2005		
2009, 2010, 2011, 2012	January 1, 2008		Increases phased in over 4 years
2013, 2014, 2015, 2016	January 1, 2012		
2017, 2018, 2019, 2020	January 1, 2016	✓	
2021, 2022, 2023, 2024	January 1, 2020		

2018 Assessment Changes and Tax shifts

The current reassessment cycle, reflecting a January 1, 2016 valuation date, will apply for the period 2017-2020, with increases phased-in over four years, with 2018 being the second year of the phase-in, with a city-wide assessment change of 7.2%. For 2018, the residential property class has appreciated by 6.7%, which is slightly less than the average rate of appreciation for all classes. The Multi-residential class has the highest rate of appreciation of over 12%, while the Industrial had the lowest rate of appreciation of 4.9%.

Table 6 - Re-Assessment Changes

Cycle Valuation Date	‘17-’20 Jan. 1, 2016	‘17 Phased-in	'18 Phased-in
Residential	28.6%	7.0%	6.7%
Multi-Residential	54.4%	13.1%	12.2%
Commercial	33.6%	7.8%	7.8%
Industrial	18.8%	3.3%	4.9%
City Wide	30.9%	7.5%	7.2%

2018 Multi-Residential Tax Burden Freeze

As part of the 2016 Economic Outlook and Fiscal Review, the Province of Ontario announced that they were undertaking a review of the property taxation of multi-residential properties in response to concerns about the significantly higher property tax burden for multi-residential apartment buildings and its effect on housing affordability.

Over the past year, the Province has been working in consultation with municipalities, as well as other affected stakeholders, to examine issues related to the tax inequity between multi-residential and other residential properties. As a result of the review, the Province is mandating continuation of the freeze on the municipal property tax burden on multi-residential properties where the multi-residential tax ratio is greater than 2.0. Since the multi-residential tax ratio in Toronto is above 2.0, a full levy restriction is to be implemented, and the recommended 2018 tax rates and ratios for the multi-residential tax class will generate a 2018 multi-residential tax levy equal to the 2017 year-end municipal tax levy on that class.

Assessment Adjustments

Appeal Loss Adjustments
In 2016, in response to requests by certain municipalities, the Province introduced regulatory amendments that allowed those specified municipalities, for the first time, to include an adjustment for assessment appeal losses from the prior year in the determination of assessment that is used as a starting point to establish the annual maximum property tax levy amount (allowable revenue limit) for the following taxation year.

The adjustment for assessment appeal losses recognizes that reductions in assessment from successful assessment appeals over the course of a year result in property tax reductions. As a consequence, a municipality, once having set tax rates to raise its budgetary requirements, never collects the full amount of the property tax levy due to assessment appeal-related tax reductions that occur after the levy is set. There is an annual shortfall in the amount of property taxes payable and the original tax levy amount. This annual shortfall in tax revenue is compounded each year, and reduces the allowable revenue limit that forms the basis of each subsequent year's levy.

By recognizing increases in assessment growth occurring over the course of a year (from new construction, building improvements, etc.) plus actual assessment appeal losses during the year that reduce taxation revenues, the City more accurately captures the full effect of assessment changes that occurred during the year. Those assessment changes are used in calculating the notional rates and determining a municipality's allowable revenue limit for the following year.

Toronto City Council opted to apply the adjustment for assessment appeal losses for the first time for the 2017 taxation year. For 2018, the total assessment value attributable to assessment appeal changes is $138.3 million, which, when factored in to the calculation of notional tax rates, will result in an additional $1.1 million in related property tax revenue for the City in 2018.

In order to use the assessment appeal loss adjustment in the calculation of Toronto's notional and final tax rates for 2018, Toronto Council must approve by resolution their intention to have the appeal loss adjustment apply, and the Minister of Finance must be notified. This report recommends that Council approve the inclusion of an assessment appeal loss adjustment in the determination of the final tax rates for 2018.

Assessment Outliers Adjustments
Since 2012, O.Reg. 121/07 has permitted the City, when calculating notional tax rates (the revenue-neutral starting point for the following year's taxes), to exclude the assessment of any properties from the calculation of the total assessment of the properties in that property class if the current value of the property has increased by 100 per cent or more or decreased by more than 25 per cent. The intention of this provision is to temporarily remove extraordinary outliers from the calculation of the notional tax rate which could distort true assessment change for the City.

Toronto City Council opted to apply the adjustment for assessment outliers for the first time for the 2017 taxation year. This report recommends Council elect to apply this rule in its notional tax rate calculation for 2018 as well. For 2018, the total assessment value attributable to assessment outliers is 13.0 billion, which, when applied in the calculation of the notional tax rates, will result in an additional $21.4 million in property tax revenue in 2018 for the City.

Property Tax Assistance for Multi-residential and Business Tax Classes

Council's adopted policy in 2005 under the 'Enhancing Toronto's Business Climate' initiative to reduce the tax ratios for the multi-residential class and the business classes (commercial and industrial) to 2.5-times the residential tax rate by 2020 (a 15 year plan). The plan also provided for an accelerated reduction in tax rates for small businesses, with a target of 2.5-times the residential rate by 2015.

The policy of reducing tax ratios, implemented since 2006, was accomplished by: (i) limiting the budget-related tax increases on these classes to 1/3 of that for the residential class (below the 1/2 mandated through Provincial legislation); and (ii) shifting part of the tax burden from these classes onto the residential class.

The planned shift in the tax burden from non-residential tax classes to the residential tax class continued from 2006 to 2016, as illustrated in Table 7. The small business target tax ratio of 2.5 was achieved in 2015, according to the plan, and has slightly decreased further over the last two years.

For 2017, the Province announced a freeze in the municipal tax burden on the multi-residential property class for municipalities whose tax ratio for that class was above 2.0, and subsequently extended this rule to apply for 2018. For 2018, Budget Committee is also recommending a commercial class tax rate increase of one-half of the residential tax rate increase, as was the case for 2017 (vs one-third in previous years). These actions resulted in a slowing down of the City's tax ratio reduction plan, with an estimated revised target date of 2023, instead of 2020, to achieve a ratio of 2.5-times the residential rate, as shown in the Table 7.

Table 7 – Revised Tax Ratio Projections

<table>
<tr><th>Tax Class</th><th colspan="7">Actual</th><th>Projected</th><th>Original Target</th><th>Revised Projection</th></tr>
<tr><td></td><td>2011</td><td>2012</td><td>2013</td><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td><td>2020</td><td>2023</td></tr>
<tr><td>Commercial</td><td rowspan="2">3.23</td><td rowspan="2">3.17</td><td rowspan="2">3.12</td><td rowspan="3">3.07</td><td rowspan="3">3.00</td><td rowspan="3">2.90</td><td>2.85</td><td>2.81</td><td rowspan="3">2.50</td><td rowspan="2">2.50</td></tr>
<tr><td>Industrial</td><td>2.83</td><td>2.79</td></tr>
<tr><td>Multi-Residential</td><td>3.31</td><td>3.26</td><td>3.18</td><td>2.66</td><td>2.46</td><td>2.0</td></tr>
<tr><td>Small Business</td><td>2.93</td><td>2.81</td><td>2.76</td><td>2.63</td><td>2.50*</td><td>2.50</td><td>2.49</td><td>2.44</td><td>2.50</td><td>2.35</td></tr>
</table>

The multi-residential tax freeze policy in 2017 and 2018 resulted in a ratio reduction for the multi-residential tax class from 2.9 in 2016 to 2.66 in 2017 and to 2.46 in 2018, shifting tax burden to the remaining classes. Assuming the multi-residential freeze policy continues for the remaining 2 years of the current re-assessment cycle, a tax ratio of 2.0 for the multi-residential tax class can be achieved in 2020.

Property Tax Assistance for Low-Income Seniors and Disabled Persons

The City provides both a Tax Increase Cancellation Program and a Tax Increase Deferral Program for low-income seniors and low-income disabled homeowners that meet certain eligibility criteria. Under the Tax Increase Cancellation program, eligible homeowners can have their tax increases, whether CVA or budgetary related, cancelled. Under the Tax Increase Deferral program, eligible homeowners can have their tax increases, whether CVA or budgetary related, deferred without interest, and only repayable once they are no longer the homeowner. Table 8 provides a summary of these programs.

In 2015, City Council adopted a motion enhancing the seniors and disabled tax relief programs by adopting an automatic adjustment of the income criteria in future years based on the City of Toronto rate of inflation.

The motion in 2015 directed that automatic annual adjustments to the cancelation program be made according to the City of Toronto's rate of inflation, without specifying which rate of inflation. The Consumer Price Index (CPI) for all items for Toronto has been applied in 2016 and 2017, increasing the income criteria from $38,000 in 2015 to $38,570 in 2016 and $39,380 in 2017.

This report is recommending a technical amendment to City Council decision of 2015, to clarify that the automatic adjustment of the Cancellation Program income criteria be based on Statistics Canada CPI, All Items - Toronto, and the Municipal Code Chapter 767 be amended accordingly.

In accordance with the above, and based on the 2017 Consumer Price Index, All Items - Toronto of 2.1%, the household income eligibility for the Cancellation Program will be increased to $40,207 for 2018. The threshold for household income for the deferral program remains at $50,000.

In February, 2017 City Council adopted the household CVA value threshold for 2017 and 2018 for the Tax Increase Cancellation Program to be $850,000, and to be $975,000 for 2019 and 2020. There is no household CVA value threshold for the Deferral Program.

Table 8 – Property Tax Assistance for Low-Income Seniors and Low-Income Disabled Persons

	Tax Increase Deferral Program	Tax Increase Cancellation Program
Seniors	Age 65 years or older; or aged 60-64 years and receiving a Guaranteed Income Supplement (GIS) and/or Spousal Allowance; or aged 50 years or older and receiving either a registered pension or pension annuity. Household income $50,000 or less	Aged 65 years or older or 60-64 years and receiving a Guaranteed Income Supplement(GIS) and/or Spousal Allowance Household income $40,207 or less Property CVA equal to or less than $850,000 for 2018.
Disabled Persons	No age requirement receiving support from one or more specified disability programs Household income $50,000 or less	No age requirement Receiving support from one or more specified disability programs Household income $40,207 or less Property CVA equal to or less than $850,000 for 2018.

Since the inception of these programs, the City has funded over $11.3 million from its operating budget for the Tax Increase Cancellation Program for the City portion of taxes (an additional $4.6 million in provincial education taxes was also cancelled), and deferred over $7.0 million in tax increases, of which the current receivable to the City is $3.2 million in deferred taxes. There is no interest charged under the Deferral Program.

It should also be noted that Low-Income Seniors and Low-Income Disabled Persons that are eligible for either of the above property tax assistance programs are also eligible for a 30% rebate on their water bill, so long as their water consumption is less than 400 m3 annually.

Funding Rebates for Registered Charities

Provincial legislation requires that the City must adopt a tax rebate program for Charities located in properties in the commercial or industrial property classes. The tax rebate must be not less than 40%. Regulation also provides that the tax rates and tax ratios for the commercial and industrial classes may be greater than would be allowed in order to fund rebates to charities from within the commercial and industrial classes. The Province funds the education share of the rebates.

For 2018, the estimated City funding requirement for commercial charity rebates is $5,502,286 based on the 1,019 applications processed in 2017. The 2018 funding requirement for industrial charity rebates is estimated at $106,773. Since at the end of 2016 the industrial charity rebate account had a surplus of $284,748, no additional funding is required for industrial charity rebates in 2018.

City Building Fund

At its meeting on January 24, 2017, Budget Committee recommended that City Council approve a special dedicated property tax levy for priority transit and housing capital projects equal to a 0.5 percent residential property tax increase in 2017, with additional 0.5 percent increases in each year from 2018 to 2021.

The 0.5% City Building Fund levy will raise $14.63 million in 2018, and is projected to raise $73 million in the fifth year (2021) and thereafter.

Vacancy Rebate Program for Commercial and Industrial Properties

At its meeting of May 24, 25 and 26, 2017, City Council adopted Item EX25.10: *Future of the City's Vacant Commercial and Industrial Tax Rebate Program,* as amended, that requested the Province of Ontario to adopt regulations and make any other legislative amendments required to permit, among other things, that rebate percentages for commercial properties be reduced by one-half, to 15%, for the period July 1, 2017 to June 30, 2018, and that effective July 1, 2018, the vacancy rebate program for commercial and industrial properties be discontinued.

The Province, on December 20, 2017, enacted O. Reg. 582/17, amending the *City of Toronto Act*, that prescribes a reduction of the commercial rebate percentage consistent with Council's request, and that provides that the City is no longer required to have a program to provide tax rebates to owners of property that have vacant portions after July 1, 2018. This report recommends that Council approve the elimination of the

Vacant Commercial and Industrial Tax Rebate Program effective July 1, 2018, consistent with Council's earlier request to the Province to enable this change.

In May, 2017 City Council also directed that for the 2018 taxation year, the final municipal tax rates for the industrial classes be reduced by an amount equivalent to half of the estimated municipal portion of industrial taxes to be rebated under the vacant unit program for 2017, with the other half to be reduced in 2019.

The estimated one-half of the municipal portion of industrial taxes to be rebated under the vacant unit program for 2017 is $943,000, and the recommended 2018 final industrial tax rates will be reduced to reflect this amount.

Creative Co-location Facility Sub-classes

The concurrent report 'Creative Co-Location Facilities Property Tax Subclasses' from the General Manager of Economic Development also before Executive Committee on February 6, 2018 recommends, pending provincial regulation, the adoption of the:

- Optional Creative Co-Location Facility subclass in the Commercial Residual Property class, and
- Optional Creative Co-Location Facility subclass in the Industrial Property class

with the tax rates levied for those property subclasses at a 30% reduction of their respective property class tax rates, as shown in Table 9.

Table 9 - Creative Co-Location Facility Tax Rates

Property Class/Subclass	2018 Municipal Tax Rates, including City Building Fund
Commercial Residual -Band 1	1.1335565%
Commercial Creative Co-Location Facility subclass- Band 1 (30% reduction)	0.7934896%
Commercial Residual -Band 2	1.3088002%
Commercial Creative Co-Location Facility subclass- Band 2 (30% reduction)	0.9161601%
Industrial Tax Class	1.2978386%
Industrial Creative Co-Location Facility subclass (30% reduction)	0.9084870%

Capping and Clawback

The City of Toronto Act, 2006, mandates capping protection which limits CVA-related tax increases on the commercial, industrial and multi-residential classes. The Act provides the City with a number of capping options, which can be used independently or in any combination, in order to increase progress towards fully implementing CVA taxation. These capping options are: (i) a cap of not less than 5% and not more than 10% of prior years' annualized taxes; (ii) a cap of not less than 5% and not more than 10% of prior years' CVA taxes; (iii) a threshold of up to $500 wherein if a property is within that threshold, it may be moved directly to full CVA taxes; and (iv) removing a property from capping eligibility once it reaches its full-CVA level of taxation.

A by-law needs to be enacted in each year to identify which capping option(s) applies.

At its meeting on January 24th, 2018 Executive Committee recommended for the 2018 taxation year to:

- limit tax increases for the commercial, industrial and multi-residential property classes by capping taxes at 10% of the preceding year's taxes; and
- discontinue the policy of removing a property from capping eligibility once it reaches its full-CVA level of taxation.

Those two recommendations provide that any property that has experienced a property tax increase greater than 10% over 2017 annualized taxes will have its tax increases capped at 10% of its prior year's taxes, regardless of whether or not the property had reached its full CVA level of taxation in a prior year.

Staff will be reporting to Executive Committee at its meeting scheduled for April 17, 2018 on the 2018 tax rates for school purposes, and the 2018 percentage of the tax decreases required to recover the revenues foregone as a result of the cap limit on properties in the commercial, industrial and multi-residential property classes (the 2018 ‘clawback’ rates).

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