

### City Programs Providing Tax and Fee Waivers, Discounts, Rebates, Deferrals and Exemptions

**Date:** March 5, 2018

**To:** Executive Committee

**From:** City Manager and the Acting Chief Financial Officer

**Wards:** All

#### SUMMARY

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A wide variety of programs exist across the City that provide socio-economic benefits to the City through some form of financial assistance to residents, not-for-profit organizations and businesses. Some of these programs are mandated by legislation while others are at the discretion of Council. These programs support Council's public policy goals and priorities. However, in many cases, discounts, exemptions and deferrals effectively result in foregone revenues. They are often unbudgeted expenditures which are not readily visible to Council and taxpayers.

The purpose of this report is to provide greater transparency and better inform committee and Council of the nature and importance of these programs, the take-up rates, the social benefits and the opportunity cost in terms of reduced revenues.

Benefiting organizations such as charities, not-for-profits, ethno-cultural community groups, veterans' groups, and philanthropic groups have long provided high-quality and valued services to the public. In many instances, the services provided by these organizations offset the need for the City to directly deliver these services.

Fee waivers, rebates, discounts, and tax deferrals and exemptions are a common and long-standing practice across multiple program and policy areas. The estimated annual value of these concessions is \$475 million. However, this does not mean that additional revenues of this magnitude would be available if Council was to eliminate these concessions. For example, elimination of the Welcome Policy Subsidy is unlikely to generate the estimated foregone revenue as many welcome policy recipients who cannot afford access may instead forgo the service rather than pay the full fee.

#### RECOMMENDATIONS

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The City Manager and the Acting Chief Financial Officer recommend that:

1. Executive Committee receive this report for information.

## **FINANCIAL IMPACT**

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There are no direct financial impacts associated with receiving this report.

The estimated annual value of tax and fee discounts, waivers, rebates, deferrals and exemptions is approximately \$475 million. Discounts, exemptions and deferrals are effectively unbudgeted expenditures (foregone revenues) which are not readily visible to Council and taxpayers. Staff will report back, as required, as part of the annual budget process, on an updated, estimated value of program discounts to highlight outcomes and progress of City strategies and actions.

Table 1 of this report provides a summary of the various ways the City provides financial support to organizations and individuals through tax and fee discounts, waivers, rebates, deferrals and exemptions. Additional details are provided in Attachment 1.

## **DECISION HISTORY**

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At its meeting on May 24-26th, 2017, City Council adopted the 2018 Budget Process - Budget Directions and Schedule, including a recommendation directing the City Manager and the Deputy City Manager & Chief Financial Officer to provide a review of existing tax and fee waivers, discounts and exemptions, as part of the 2018 Budget process. That direction can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX25.18>

## **COMMENTS**

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The City of Toronto has long recognized the valuable societal contributions of certain organizations and the unique needs of some residents by granting financial relief from property taxes or other municipal fees. The provision of financial support to organizations and individuals is generally based on specific public policy goals, potentially offsetting the need for the City to directly provide these services.

It is also a common municipal government practice to provide some form of relief for low income residents, disabled individuals or other designated groups. In Toronto, property taxes can be deferred or cancelled based on established criteria, and transit fares are currently waived for children and discounted for students and seniors.

Financial support through tax and fee relief has also been growing as a tool for other public policy initiatives. These include, for example, the Imagination, Manufacturing, Innovation and Technology (IMIT) tax grant program to induce certain types of commercial development, the Municipal Land Transfer Tax (MLTT) exemptions for first time home buyers, and tax and development charge exemptions for new affordable housing units.

Financial support is provided in a variety of ways, including direct grants, subsidies, and rebates, as well as through indirect forms of support such as tax deferrals, exemptions and discounts.

Direct funding is more transparent than indirect funding. Grant, subsidy and rebate programs are budgeted expenditures and subject to an annual review through the budget process. Such review provides an opportunity to ensure that the support continues to align with the City's priorities and policy objectives.

In comparison, discounts, exemptions and deferrals, when not offset in the property tax system, result in foregone revenues and are not a budgeted expenditure. In some cases, they are subject to a formal process to revisit the appropriateness of the concession. For example, with respect to tax exemptions, once exempted, the individual or organization is removed from the tax roll, which results in higher tax deficiency, imposing a budget pressure that must be offset by imposing a higher tax levy on others. Sometimes there is no formal annual mechanism in place to assess the appropriateness or continuing effectiveness of the tax exemption. The provision of discounts and deferrals generally results in a similar concern.

### **Characteristics of Good Program Design**

From a public finance policy perspective, financial assistance programs should be designed with a number of generally accepted principles in mind:

- a) Economic or Public Benefits - the financial assistance triggers an economic benefit for the community, or the group receiving the assistance provides benefits to the City, which might not have happened in the absence of such support.
- b) Fairness (equity) – everyone who is eligible has an equal opportunity to benefit.
- c) *Accountability* – policies should be designed in ways that are clear to taxpayers so that policy makers can be made accountable for the services they deliver and the costs that they incur.
- d) Ease of Administration/Efficiency – all else being equal, programs that can be administered with minimal time and resources are preferred.
- e) *Transparency* – residents, businesses and taxpayers should have ease of understanding and access to program information.

### **Channels for Financial Support Programs**

Table 1 below provides a summary of the various ways the City provides financial support to organizations and individuals through tax and fee waivers, discounts and exemptions. Additional details are provided in Attachment 1.

**Table 1 - Summary of Estimated Financial Support Programs<sup>(1)</sup>**

<b>Category</b>	<b>Estimated Annual Value of Financial Assistance (\$Mil)</b>
A. Property Tax Relief	108.7
B. Rate Program Rebates	29.4
C. Recreation Program Subsidies and Free Programming	19.3
D. TTC Fare Discounts	85.8
E. Open Door Affordable Housing Program	52.2
F. Community Space Tenancy Policy <sup>(2)</sup>	8.5
G. MLTT - First Time Homebuyers Rebate	77.0
H. Development Charges	92.5
<b>Total</b>	<b>473.4</b>

Note:

(1) The annual foregone revenues presented in this report may exclude some concessions, such as property tax relief provided via a municipal capital facility designation, tax exemptions through Private Member's bills and below-market-rent leases that originated many decades ago and for which identifying and locating the related records is challenging.

(2) Very preliminary estimate. Further due diligence required.

(3) The calculations used here assume that all recipients that obtain the benefit would pay the full charge if the benefit did not exist. In many cases this may not happen such as for the use of recreation programs or senior discounts for the TTC.

## **Program Overviews**

### **A. Property Tax Relief - \$108.7 million**

#### **1) Property Tax Assistance for low income seniors and low-income disabled persons - \$2.2 million**

Section 283(1) of the City of Toronto Act (COTA) requires the City to have a by-law either deferring or cancelling all or part of property tax increases imposed on residential property for these groups. The content of the by-law and extent of relief is at the discretion of Council.

##### *a) Tax Increase Deferral for Low Income Seniors and Disabled Persons - \$0.2 million*

This program provides for the deferral of any residential property tax increase for seniors aged 65 years or older, or persons aged 60-64 years who are receiving a Guaranteed Income Supplement (GIS) and/or Spousal Allowance, or persons aged 50 years or older and receiving either a registered pension or pension annuity. For

disabled persons (no age requirement), they must be receiving support from one or more specified disability programs, and have a household income of \$50,000 or less (both seniors and disabled persons). In 2017, the City processed tax deferrals for 330 applicants. Tax deferrals are not a budgeted expenditure, rather they are accrued for in a tax receivable account until such time that the person is no longer eligible for the program. Since the deferrals are provided interest-free, the City foregoes approximately \$0.2 million annually on interest earnings.

*b) Tax Increase Cancellation for Low Income Seniors and Disabled Persons - \$2.0 million*

This program provides for the cancellation of any residential property tax increase for seniors aged 65 or older, or persons 60-64 years who are receiving a Guaranteed Income Supplement (GIS) and/or Spousal Allowance, or who are disabled persons (no age requirement). Household income must be \$40,600 or less (for both seniors and disabled persons), the person must have occupied their home for at least one year, and the home's assessed value must be less than \$850,000. In 2017, the City processed tax cancellations to 5,513 applicants, foregoing \$2.0 million in property tax revenue. Tax cancellation expenditures are budgeted for in the non-program operating budget.

**2) New Multi-Residential Property Tax Relief - \$14.7 million**

To induce development of purpose built rental properties, Council adopted a policy to tax new purpose-built residential rental buildings (7 units or more) at the residential rate (0.52%) rather than the multi-residential rate (currently 1.6%) for a period of 35 years following construction. As of 2017, there were 134 new multi-residential buildings taxed at the residential rate, representing a discount of \$14.7 million annually over the multi-residential tax rate. Such foregone revenue is not a budgeted expenditure. The tax concession for properties placed in the new multi-residential class must be continued for 35 years, and therefore the tax relief reported would not mean additional revenue if the policy was cancelled. Cancellation of the policy would mean that future purpose-built residential buildings that would otherwise be eligible for tax relief would no longer be afforded these concessions.

**3) Non-Residential Tax Rate Increase Relief - \$0.5 million**

In 2005, Council adopted a strategy ("Enhancing Toronto's Business Climate") to reduce business tax rates to 2.5 times the residential rate by 2020. While Provincial regulation requires commercial, industrial and multi-residential tax rate increases to be restricted to no more than one-half of any residential tax rate increase, with the exception of 2017, the City has been applying a non-residential tax rate increase of one-third of the residential tax rate increase in order to accelerate the reduction of non-residential tax ratios. Since non-residential tax rate relief results in a shift in the property tax burden between classes, it is recognized that this form of relief is different than a traditional property tax rebate form of tax relief.

In 2017, Provincial regulation placed a temporary freeze on property tax increases to the multi-residential property tax class. In addition, Council approved a revised tax policy for the 2017 Budget by applying a tax increase of one-half of the residential tax

rate increase for the commercial property tax class (versus a one-third increase as per past policy), being the maximum permitted by legislation, and an increase of one-third of the residential tax rate for the industrial property tax class (consistent with past policy), The value of providing the industrial class with such additional relief is estimated at \$0.5 million for 2017. This form of relief, while not directly budgeted for, is subject to regulatory limits and Council's adoption of tax policies and tax ratios from year to year. The relief to the multi-residential class of tax increase is valued at \$4.0 million, however, this is not included in the calculation of foregone revenue as it was prescribed by regulation for 2017.

#### **4) Small Business Class Tax Relief - \$35.6 million**

To help reduce property taxes for small businesses, Council adopted the residual commercial class, to which a lower tax rate has been applied to the first \$1 million of assessed value. The lower tax rate was based on an accelerated reduction in the tax ratio to 2.5-times the residential rate by 2015. In 2017, the commercial general rate was 1.3744% while the residual commercial band 1 rate was 1.1996%, representing a discount of \$35.6 million over the general commercial tax rate. Again, this form of relief, while not directly budgeted for, is subject to Council's adoption of tax policies and tax ratios from year to year.

#### **5) Imagination, Manufacturing, Innovation & Technology (IMIT) Tax Increment Equivalent Grants (including Brownfield Remediation Program) - \$30.2 million**

In order to induce new employment related development, Council adopted a policy to grant-back municipal taxes to eligible development, equivalent to 60% of the municipal tax increment paid over a ten year period. The basis of the grants is that if the financial incentives were not provided, the development would not occur. Since the inception of the program, 31 IMIT agreements have been signed with projected grants estimated at \$30.2 million in 2017. This grant program is a budgeted expenditure within the non-program operating budget. This program is subject to reviews every four years.

The 2018 IMIT grants budget is a \$38 million, and the budget is projected to grow to approximately \$50 million over the next few years based on applications in the pipeline. The IMIT Program is under review and a new report is expected to be considered by Executive Committee in April 2018.

Existing IMIT agreements cannot be revoked retroactively. Cancellation of the IMIT Program would mean that new developments that would otherwise be eligible would no longer be afforded these concessions, and that some projects may not proceed as a result of the cancellation.

#### **6) Municipal Capital Facilities - \$14.7 million**

As permitted under Section 252 of COTA, City Council can declare privately-owned facilities that are tenanted by not-for-profit organizations, who provide eligible services and public use, as a Municipal Capital Facility (MCF) for the purposes of exemption from property taxes and/or other fees. Based on readily available records, there are approximately 100 properties (excluding Toronto Community Housing Corporation

properties) classified as MCFs receiving MCF-permitted property tax exemptions totalling \$14.7 million in 2017. Nothing prevents existing MCF designations from being revoked by Council, however, consideration must be given to the organization's ability to absorb the financial impact of the removal of the MCF designation. There may be additional historic MCF designations that staff have yet to identify. Relief by way of tax exemption and/or fee waiver is not a budgeted expenditure.

With respect to Toronto Community Housing Corporation (TCHC) properties, in 2011, Council adopted a strategy to exempt approximately 300 TCHC properties by designating them as a MCF, relieving TCHC from approximately \$60 million in municipal taxes and \$10 million in provincial education taxes. To offset the City's foregone municipal revenue, the strategy included reducing the City's subsidy to TCHC by the same amount, resulting in a net savings to TCHC of \$10 million annually in education taxes, to be applied to its state of good repair program. Because there was no net financial impact to the City from this MCF designation, it has not been included in the figure above.

### **7) Heritage Property Tax Rebate Program (HPTR Program) – \$0.8 million**

Section 334 of COTA requires the City to provide a rebate program providing a property tax rebate of not less than 10% and not more 40% for eligible heritage properties. Council's adopted program provides for a 40% tax rebate on taxes paid for properties for which there is a heritage easement agreement, such rebate being capped at 50% of the cost of eligible maintenance/conservation work and subject to a maximum annual rebate of \$500,000 annually. Applicants are also required to demonstrate that there is a minimum expenditure equivalent to 20% of taxes paid for properties subject to a Heritage Easement Agreement or Maintenance and Conservation Agreement.

In 2017, 10 properties are expected to receive a heritage property tax rebate, providing municipal property tax relief of \$1.1 million. This rebate program is a budgeted expenditure within the non-program operating budget. To the extent that a significant portion of the rebate amount is discretionary (40% adopted rebate compared to the 10% mandatory), \$0.8 million is estimated as discretionary foregone revenue.

### **8) Ethno-Cultural Rebates - \$1.0 million**

As authorized by Article VII of the Chapter 767 of the City of Toronto Municipal Code, ethno-cultural centres may receive a 100% rebate on property taxes. This is a discretionary program. The City's requirements for eligibility is that an organization must be a registered charity, own, occupy the subject property for the purposes of an ethno-cultural centre, and demonstrate a going concern for promoting culture within the multi-cultural context of Canadian society and facilitating communication and understanding of culture, education, arts and trade.

In 2017, 11 ethno-cultural centres received 100% rebates on property taxes providing municipal tax relief of \$1 million. This rebate program is a budgeted expenditure within the non-program operating budget.

## **9) Veterans' Clubhouse Rebates - \$0.3 million**

Eligible clubhouses and legion halls may receive a 100% rebate on property taxes payable on facilities for veterans, including memorial homes. This is a discretionary program.

In 2017, 25 clubhouses and legion halls received 100% rebates on property taxes totalling \$0.3 million. This rebate program is a budgeted expenditure within the non-program operating budget.

## **10) Charity Rebates - not included as foregone revenue**

Section 329 of COTA requires the City to provide a minimum rebate of 40% of property taxes to registered charities who occupy space in the commercial or industrial property classes. Municipalities may provide rebates of up to 100% and may include similar organizations as may be defined by by-law.

The City has adopted a charity rebate program to provide a rebate of 40% of property taxes for registered charities. In 2017, 711 charities received a 40% rebate on property taxes totalling approximately \$5.9 million (based on taxes paid in 2016). Charity rebates are budgeted expenditures funded through an additional tax rate on the commercial and industrial property classes. Since the Council adopted 40% rebate is non-discretionary, the amount of the rebate is not included for the purpose of estimating foregone revenue.

## **11) Private Provincial Bills Providing Property Tax Exemptions - \$8.7 million**

Properties may receive an exemption from property taxes by virtue of special legislation, introduced either through a Government Bill, as in the case of large public institutions (e.g. The Royal Ontario Museum Act), through a Private Member's Public Bill or Private Bill introduced by an individual Member of Provincial Parliament that provides an exemption for a specific property or organization, usually associated with a charitable, cultural or philanthropic organization. Some of these Private Bills give the City discretion to approve the exemption, while others directly mandate the exemption.

Based on readily identifiable private bills, staff identified 27 properties that are exempt from property taxes through these private bills, providing an estimated \$8.7 million in tax exemptions. These tax exemptions are not budgeted expenditures. There are almost three thousand private bills dating back to the 1800's. Staff will continue to go through these private bills and special legislation to identify other properties/organizations potentially receiving property tax exemptions in Toronto, as well as to help determine which ones may have been at the discretion of the local Council. Subject to further research, it may be possible that those Bills that provide discretion to the City to approve the exemption could be revoked by Council, however, consideration would have to be given to the organization's ability to absorb the financial impact of the elimination of the tax exemption.



## **B. Rate Program Discounts - \$29.4 million**

### **12) Industrial Block 2 Water Rate Discount - \$21.0 million**

City Council, as part of its broader economic competitiveness strategy, adopted a policy that supports industries that have process uses of water with a 30% reduction in their water rate on volumes greater than 5,000 cubic metres per year ("block 2 rate"). The discount is intended to reflect the lower marginal costs of water at very high consumption levels and acts as an economic incentive for the industrial manufacturing sector.

In 2018, 146 industrial customers are expected to receive an estimated \$21.0 million in discounts under the Program. This form of relief, while not directly budgeted for, is subject to Council's adoption of water rate policies from year to year.

### **13) 30% Water Rate Discount for Low Income Seniors and Disabled Persons – \$0.9 million**

The City also offers a water rate reduction for low-income seniors and low-income persons with disabilities who meet the eligibility criteria for relief under the City's property tax relief programs for seniors and disabled persons. This discount is set at the difference between the Block 1 and Block 2 rates, which represents a 30% reduction in their billing (similar to the industrial rate discount). The rebate is only applicable if the household annual consumption is less than 400 cubic meters per year, to provide assistance to those most in need.

In 2017, approximately 5,300 low income individuals received \$0.9 million in discounts under the Program. This form of relief, while not directly budgeted for, is subject to Council's adoption of water rate policies from year to year.

### **14) Basement Flooding Protection Subsidy Program - \$6.4 million (2017 projection)**

The City offers owners of single-family, duplex and triplex residential homes a financial subsidy of up to \$3,400 per property to install flood protection devices including a backwater valve, a sump pump, and pipe severance and capping of the home's storm sewer or external weeping tile connection.

As at the end of 2016 over 4,300 applicants were processed under the Program resulting in a subsidy of \$5.7 million. The estimate for 2017 was \$6.4 million. This subsidy is a budgeted expenditure within Toronto Water's operating budget.

### **15) Waste Diversion Rate Waiver Program for Charitable Organizations - \$1.1 million**

Non-residential customers who are registered charitable organizations can apply to have Solid Waste fees waived. Participating charities need to demonstrate a commitment to waste diversion strategies to be eligible for a 100% waiver on the solid waste rate based on a waste audit compliance inspection.

In 2017, approximately 750 Charities, Institutions and Religious Organizations (CIROs) participated in the Rate Waiver Program resulting in waived fees estimated at \$1.1 million. Foregone revenues associated with these waived fees is not a budgeted expenditure.

## **C. Recreation Program Subsidies and Free Programming - \$19.3 million**

### **16) Welcome Policy Subsidy - \$8.6 million**

The City of Toronto Welcome Policy provides a fee subsidy program to help low income individuals and families who live in Toronto access City-operated recreation programs.

In 2016, approximately 92,750 registrations were processed that resulted in \$8.8 million in program subsidies. For 2018, the program subsidies are budgeted to be \$8.6 million. These subsidies are budgeted expenditures based on forecasted annual registrations. Low income individuals must re-apply annually unless they are Ontario Works recipients. It should be noted, however, that cancelling this program would not necessarily result in an increase in revenue, as some welcome policy recipients who cannot afford access may instead forego the service rather than paying the full fee.

### **17) Free Recreation Programs in 39 community centres - \$10.7 million**

Parks, Forestry and Recreation operates 39 community centres with free programming. The 39 community centres are located in high needs/low income neighbourhoods and the programs are intended to improve access to recreation programs.

Foregone revenues associated with providing the free programming was estimated to be \$10.7 million in 2017. Foregone revenues associated with the free programming is not a budgeted expenditure. It should similarly be noted, however, that cancelling this program would not necessarily result in an increase in revenue, as some program recipients who cannot afford access may instead forego the service rather than paying a fee.

## **D. TTC Fares – \$85.8 million**

### **18) TTC Fare Discounts**

Certain designated transit customers are eligible for fare discounts relative to the standard adult cash fare and monthly Metropass charge (\$3.25 single fare; \$146.25 Metropass). These include:

- Students (13-19) and Seniors (65+) \$2.10 single fare: \$116.75 Metropasses;
- Post-Secondary Students \$116.75 Metropasses;
- Children 12 & under - No charge.
- Canadian National Institute for the Blind (CNIB) Pass Subsidy Program – No Charge.

In 2017, Seniors/Students made 78.0 million trips, Post-Secondary Students made 52.7 million trips and Children made 25.0 million trips. Foregone revenues associated with

these TTC fare discounts against the adult cash fare and Metropass charge are not budgeted expenditures.

TTC Fares by Fare Type	Estimated Value of Discount \$ Mil.
a) Seniors	24.6
b) Students	28.9
c) Post-Secondary Students	15.6
d) Children (Children 12 and under ride free)	14.5
e) CNIB pass subsidy	2.2
<b>Total - TTC Fares Discounts</b>	<b>85.8</b>

**E. Open Door Affordable Housing Program - \$52.2 million**

**19) Open Door Affordable Housing Program**

The City's affordable rental housing incentives include one-time fee exemptions from Development Charges, building permit, planning application and parkland application fees, as well as an exemption from property taxes for the term of the affordability. These financial contributions for the development of much-needed new affordable rental housing have been in effect since the early 2000's and have incentivized the development of thousands of new homes for lower-income Torontonians.

The City also makes direct capital contributions for new affordable housing from the Development Charges Reserve Fund for Subsidized Housing and the Capital Revolving Fund for Affordable Housing. New affordable housing developments may also qualify for federal and provincial program funding through the Investment in Affordable Housing (IAH) Program.

In 2017, the City approved incentives and/or capital assistance for the development of 1,216 affordable rental units under the Open Door Program, with the value associated with the fees, charges and tax relief estimated at \$52.2 million.

**F. Community Space Tenancy Grants – \$8.5 million (order of magnitude estimate)**

**20) Community Space Tenancy ("CST") Policy**

The City has a Community Space Tenancy Policy (formerly Below-Market-Rent Policy) that allows some non-profit community groups providing key services to Toronto residents to lease City space for nominal rent. In return, these community agencies provide important programs to Toronto residents at a lower cost than the City could provide.

Based on available data, there are approximately 100 City-owned or managed spaces that are leased at lower than market value under the CST Policy or through historical or special lease arrangements. For some of the historical arrangements, the current

foregone revenue is not precisely known. In many of these situations, the non-profit lessee covers the state of good repair and other expenses that a landlord would normally be expected to bear.

Based on staff's best efforts, an order of magnitude value of \$8.5 million below fair market value related to CST leases has been estimated. Going forward, a more comprehensive review will be conducted to identify any historical or special lease arrangements not included in this figure. Foregone revenues associated with CST leases is not a budgeted expenditure.

Leasing arrangements would have to be examined in detail to determine when and if a CST arrangement may be modified.

## **G. Municipal Land Transfer Tax - \$77 Million**

### **21) Municipal Land Transfer Tax - First Time Home Buyers Rebate (FTHB Rebate)**

The City's Municipal Land Transfer Tax By-Law incorporates rules mirroring the Provincial Land Transfer Tax in a 2017 adopted harmonized rate.

A key City rebate relates to first-time home buyers. The City offers the rebate at the time of payment for buyers who identify themselves as first-time home buyers. The maximum City rebate is \$4,475 (corresponding to the MLTT on a \$400,000 home). The FTHB Rebate is intended to provide an incentive to first-time home buyers to encourage home ownership by lowering their upfront costs.

In 2017, 17,855 FTHB rebates were approved resulting in \$77 million in rebates. Foregone revenues associated with these rebates is not a budgeted expenditure.

## **H. Development Charges - \$92.5 million**

### **22) Development Charges Exemptions**

Development charges are fees collected from developers to help pay for the cost of infrastructure required to provide municipal services to new development. However, the provincial Development Charges Act restricts municipalities from recovering the full cost related to development from certain types of uses, such as expansions of 50% or less, or from some organizations, such as universities, colleges, school boards or hospitals. Furthermore, City Council has adopted discretionary discounts to development charges recoveries to achieve specific public policy objectives, such as affordable housing or job creation including exemptions for industrial and certain commercial uses, and commercial development above the ground floor.

Discretionary exemptions total approximately \$92.5 million annually, and statutory exemptions total approximately \$37.1 million, as shown in the following table. Foregone revenues associated with these exemptions are not budgeted expenditures.

Type	Est. Annual Impact
Discretionary Exemptions:	
Residential (excluding Open Door Affordable Housing Program component to avoid double count)	\$1.4
Non-residential - Use exemptions	\$17.3
Non-residential - Non-ground floor	\$71.7
Tier 2 Toronto Green Standard DC Refund Program	\$2.1
Subtotal discretionary	\$92.5
Statutory Exemptions*	\$37.1
Total DC incentives and relief	\$129.6

\*including estimated exemptions through enabling statutes

The City's Development Charges by-law and related policies are reviewed at a minimum of every five years, as required under provincial legislation. The City's Development Charges by-law is currently being reviewed, with the intention of having a new by-law and associated discretionary polices in place in 2018.

**CONCLUSION**

The City provides financial support totalling approximately \$475 million annually to organizations and individuals through a variety of programs involving tax and fee waivers, discounts, deferrals and exemptions. These programs provide value to residents and businesses that in some instances would otherwise have to be delivered and funded directly by the City. However, there is no formal process to revisit the appropriateness of some of these forms of financial relief. An annual reporting of the fiscal costs associated with these programs going forward as well as identifying the public policy benefits that the City is trying to achieve through these programs would continue to improve the transparency to Council and the public and would help determine if any changes to these programs are warranted.

## **CONTACT**

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## **SIGNATURE**

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Peter Wallace  
City Manager

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Joe Farag  
Acting Chief Financial Officer

## **ATTACHMENTS**

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Attachment 1 - Annual Foregone Revenue Estimates by Program/Policy Area