

## Attachment 3: Summary of Stakeholder Consultations

Further to the direction of City Council, staff undertook a stakeholder consultation process to request feedback from stakeholders regarding additional property tax options for 2019 and future years, as well as any potential requests for legislative change. Staff also requested stakeholders to provide feedback on the potential impact on the elimination of the tax rate reduction for commercial and industrial vacant and excess land tax classes.

The consultation process comprised of three phases consisting of a meeting with experts and professionals in the field of assessment and taxation, public consultation sessions open to all interested parties, and an online survey available through the City's website. Stakeholders were able to complete the survey between May 17, 2018 and June 1, 2018. Feedback was received from a wide range of stakeholders ranging from commercial/industrial property owners, tenants, representatives from the City's Business Improvement Areas, representatives from business associations, and tax/legal consultants.

### Stakeholder Consultation Session Participants:

1. **Expert Panel: City of Toronto Discussion on Tax Policy Options, City Hall, East Tower, 7th Floor, Large Boardroom, April 25, 2018, 12:30pm - 3:30pm**

<b>Attendees</b>	<b>Association</b>
Craig Binning	Hemson Consulting Ltd.
David Gibson	Yeoman and Co.
Jack A. Walker	Walker Longo & Associates LLP
Jeff Grad	Equitable Value Inc.
John Kiru	TABIA
Lionel Miskin	TABIA
Mike Real	CREIT Management LP
Nigel Bellchamber	Amberley Gavel Ltd.
Peter Tomlinson	University of Toronto, Department of Economics
Carla Nell	MPAC
Chris Broughton	Ontario Ministry of Finance
Michael Ptolemy	Ontario Ministry of Finance
Diane Ross	Ontario Ministry of Finance
Ryan Fagan	Altus Group

**2. Tax Policy Public Consultation #1, City Hall, Committee Room #4, May 22, 2018, 3:00pm – 5:00pm**

<b>Attendees</b>	<b>Association</b>
John Kiru	TABIA
Tim Kocur	Financial District BIA
Norman Leduc	Ivanhoe Cambridge
Kent Emerson	MPAC
James Harvey	MPAC
Grant Humes	Financial District BIA
Nelia Gelinas	Cadillac Fairview
Melissa Muskat	Minden Gross LLP
Regan Cunningham	Property owner
Belinda Schubert	McCarthy Tetrault
Brooks Barnett	RealPAC

**3. Tax Policy Public Consultation #2, North York Civic Centre, Committee Room #4, May 23, 2018, 3:00pm – 5:00pm**

<b>Attendees</b>	<b>Association</b>
Adam Wetman	Imperial Oil Limited – owner
Peter Kostas	Property owner
Lea Hostelidis	McDonalds
David Gibson	Yeoman and Co.
David Fleet	Fleet Nixon Poole - legal
Scott Niepage	Yeoman tax
Rosalia Benvenuto	RioCan REIT
Vanessa Hvang	RioCan REIT
Lionel Miskin	TABIA
Susanna Ibarra	AEC Property Tax
Katelyn Campbell	AEC Property Tax
Brian Kelcey	Toronto Region Board of Trade
David Coulter	Altus Group
Paul Scrivener	Toronto Industry Network

**4. Tax Policy Discussion with TABIA, City Hall, East Tower, 5<sup>th</sup> Floor, Meeting Room A, February 28, 2018, 3:00 pm – 4:30 pm**

<b>Attendees</b>	<b>Association</b>
Boriana Varleva	City of Toronto
Casey Brendon	City of Toronto
John Kiru	TABIA
Lionel Miskin	TABIA

**5. Tax Policy Discussion with TABIA, City Hall, East Tower, 5<sup>th</sup> Floor, Meeting Room A, July 4, 2018, 11:30 am – 12:30 am**

<b>Attendees</b>	<b>Association</b>
Lionel Miskin	TABIA
John Kiru	TABIA
Casey Brendon	City of Toronto
Boriana Varleva	City of Toronto
Carmela Romano	City of Toronto

**6. Tax Policy Discussion with Property Tax Coalition for Growth, Highest and Best Use (HABU), City Hall, East Tower, 5<sup>th</sup> Floor, Meeting Room A, May 29, 2018, 11:30 am - 12:30 pm**

<b>Attendees</b>	<b>Association</b>
Mike St. Amant	City of Toronto
Casey Brendon	City of Toronto
Carmela Romano	City of Toronto
Adir Gupta	City of Toronto
Boriana Varleva	City of Toronto
Brian Kelcey	State of the City Inc.
Brooks Barnett	REALPAC

**Detailed Feedback – Stakeholders**

Throughout the consultation sessions, stakeholders have provided their feedback on how they feel about the extraordinary tax increases experienced by specific properties within Toronto as a result of the 2016 province-wide reassessment. The general consensus among those in attendance at the consultations is that the City should engage the Provincial government to work towards conducting a detailed and thorough review of the entire assessment and taxation system, especially the method of highest and best use (HABU). The City should involve the Province and the Municipal Property Assessment Corporation (MPAC) to work together to determine the necessary course of action to preserve economic growth, transparency, equity and fairness for all taxpayers. The following is a breakdown of all the stakeholders' feedback.

Stakeholders who are small business owners provided the following feedback:

- Some owners stated that the property taxes billed is greater than the rent being collected.
- Due to the large assessment-related tax increases, some tenants are having difficulty paying their rent due to their lease agreements.
- Properties need to be assessed on current use, not future use.
- Small businesses within large buildings should be protected from large assessment-related tax increases.
- More pressure should be placed on the Province to pay for things they used to pay for like the Don Valley Parkway.

Stakeholders who are large business owners provided the following feedback:

- Franchisees of large national brands are struggling to pay their property tax because of the large assessment-related tax increases. Franchisees need protection too because they are also small business owners.
- Small tenants in large business properties need to be protected from large assessment-related tax increases.
- HABU is the main reason for all the large assessment-related tax increases.
- Tax policies need to be easily explainable and transparent because it is difficult to explain tax policies to tenants.
- Owners do not want the City or Province to intervene in landlord and tenant matters because it will get more complicated.

Stakeholders who are tenants provided the following feedback:

- Tenants do not understand how their current value assessment (CVA) has increased by 600%.
- There is concern over the next reassessment in 2020 because tenants do not want to face huge assessment-related tax increases. Tenants want the Province to step in and provide protection from the large tax increases.

Stakeholders representing Business Improvement Areas (BIA) provided the following feedback:

- Graduated tax rates complicate the system for very little benefit. Depending on the type of building, the benefit of graduated tax rates can be insignificant.
- Graduated tax rates within the commercial class should be discontinued.
- BIAs question how properties can receive large tax increases without any change in use to the property. If the City wants to preserve its communities, they need to find better ways of protecting properties from substantial increases.
- Any changes in property tax policies must be carefully thought over in consideration of the community as a whole. A small change in policy can change

the character of an entire neighbourhood, such as driving out small commercial retailers.

- Policies need to be tailored to protect everybody in a community. Every neighbourhood needs amenities offered by both small and large businesses, and maintaining a well-mixed community is important.
- BIAs stress the importance of protecting and preserving all types of properties because communities require both small and large businesses.
- If there is capping, funding should be applied across all tax classes. Large businesses properties should have protection too.
- BIAs propose 'capping assessments' to protect business properties from large assessment-related tax increases. This tool requires increases to be approved by 2/3 of the electorate to go through. It also restores an element of certainty and avoids shifting the burden to other classes. This method will be administratively simpler than tax capping and will not affect City revenues and budgeting. However, this option would require the Province to change its policies. Thirteen states (i.e. California) have already implemented capping assessments.
- The City needs to reach out to the Province to help with protecting businesses against large assessment-related tax increases.

Stakeholders representing business associations provided the following feedback:

- The assessment system causes disparity and inequity because of the highest and best use (HABU) model. This has caused assessment spikes in certain neighbourhoods.
- Look at the spike in assessment rather than the property make-up when formulating a new policy to protect business properties facing large assessment-related tax increases.
- Graduated tax rates complicate the system for very little benefit. Depending on the type of building, the benefit of graduated tax rates can be insignificant.
- Graduated tax rates within the commercial class should be discontinued.
- Any shortfall in taxation revenues should be funded by increasing tax rates across all classes, including residential, to avoid a budgetary increase.
- All properties need to be protected. A policy needs to apply to everybody because if a policy targets only one group it will affect another group.
- The City is qualified to intervene in landlord and tenant issues, but this does not mean it should.
- High assessments can be brought down after an appeal. An example is 401 Richmond Street West who was hit with a large tax increase. They appealed and are now in a separate tax class.
- The City needs to reach out to the Province to help with protecting businesses against large assessment-related tax increases.
- The reason behind the large increase in assessments is because of the spikes in assessment, and HABU is a part of that. The City must talk with the Province because it is a matter of time before other municipalities experience the same problem.

- The assessment should not be based on future use but current use. The development permit should be the trigger as to when there should be a change in assessment. Zoning should not be the trigger because you want to minimize the impact on tenants.
- Need to deal with the problem of large tax increases now before the next reassessment because more properties will see a large tax increase towards their property. It will go from 111 properties assessed on highest and best use to over 1,000 properties. The City needs the Province's help to fix this problem.

Stakeholders representing business owners or tenants (i.e. tax agent or legal/paralegal counsel) provided the following feedback:

- When all properties are taxed at full CVA taxation levels, there is a problem with determining fairness because it is assumed that the CVA is accurate.
- Stakeholders are uncertain if tax protection against CVA-related increases should be continued once all properties are at full CVA taxation because it depends on what will happen at full CVA and on future reassessments.
- The phase-in of assessment is the measurement of protection. In their opinion, clients would like to get rid of claw-back.
- The use of highest and best use (HABU) is driving people out of business. The Province needs to step in to protect small business tenants.
- In order to fund shortfalls in taxation revenues, their clients would most likely prefer the status quo. They are against the capping and claw-back option.
- Any shortfall in taxation revenues should be funded by increasing tax rates across all classes, including residential, to avoid a budgetary increase.
- Properties under \$5 million (i.e. small parking lots, commercial condos) will not see any benefits from graduated tax rates.
- Graduated tax rates within the commercial class should be discontinued.
- It is not a good idea to get involved in landlord and tenant issues.
- Depending on the lease agreement, tax policies like banding and capping can become insignificant for a tenant or owner. Would like to have tenant capping and business tax reintroduced.
- Tenant capping protects tenants against large tax increases because there is a limit in increase.
- The difference between the bands is insignificant, and those with proportionate shared leases see little to no benefit. In most cases, the owners get a break but this break does not flow down to their tenant(s).
- Capping assessments is not needed because assessments are phased-in. Phasing-in allows owners and tenants to plan for the tax increases. Owners and tenants can also appeal if they are not in agreement with their CVA.
- Properties are being valued using HABU (e.g. residential condo), however being taxed at the commercial rate (3x).
- Surface parking lots are the most heavily capped.
- In 2004, TABIA put forward a small business class proposal but it was rejected.

- The City needs to reach out to the Province to help with protecting businesses against large assessment-related tax increases.
- Currently, any property is a target for reassessment without any triggers for redevelopment. There is a discrepancy between value and use. Lands next to development lands should not be assessed the same until there is a change in use to the property.
- A problem with using a change in zoning as the trigger to a reassessment is that some people choose to rezone their property when they purchase the property and still can run their business (sit on it for 20 to 30 years).
- Rezoning or sale of land would trigger change in use, and then there should be a change in valuation.

### **Detailed Feedback – Options**

Three tax policy options were discussed at the Tax Policy Public Consultation sessions. All stakeholders felt it was difficult to decide on an option due to the numerous variables at play. The stakeholders want the City to provide a final option that is clear, transparent and equitable. Stakeholders provided feedback on the following three options:

- University of Toronto Study (6 months ago) - school of urban studies, alternatives

#### Option 1: Should protection against large tax increases be provided to only small (i.e. low-valued) business properties, with all others moving to full CVA?

- BIAs say that if there is capping, funding should be applied across all tax classes. Large businesses properties should have protection too.
- A commercial and multi-residential owner inquired if protection would be given to small tenants in large business properties.
- A representative of a business association said that this option would shift the burden to small businesses in large business properties. This option exacerbates the problem over time.
- Representatives of business owners or tenants (i.e. tax agent or legal/paralegal counsel) say this option will force vacancies.

#### Option 2: Should tax protection be offered through a deferral program and annual application?

- There was an overwhelming negative response towards this option from all stakeholders.
- Commercial owners and representatives of business owners or tenants (i.e. tax agent or legal/paralegal counsel) say this option does not make sense for any other class aside from the residential tax class.
- Deferral program - get to fairness (full CVA) and recognize that inequities will continue - use this program to address
- A representative of business owners or tenants (i.e. tax agent or legal/paralegal counsel) is concerned that if highest and best use (HABU) victims defer their

taxes, the amount deferred is still based on a HABU assessment and this deferred amount will become a burden to the individual who purchases the property. There is a possibility that the deferred amount is excessive and may exceed the value of the property.

Option 3: Should protection for small business be offered as a rebate to only those properties demonstrating financial need?

- The general consensus was 'no' for Option 3.
- Commercial owners and representatives of business owners or tenants (i.e. tax agent or legal/paralegal counsel) say this option would be an administrative nightmare. This option is even more complicated than the vacancy rebate and it will be difficult to establish the criteria of those in financial need.

**Detailed Feedback – Eliminating the Tax Rate Reduction for Commercial and Industrial Vacant/Excess Lands**

Stakeholders provided the following feedback on eliminating the tax rate reduction for commercial and industrial vacant/excess land tax classes:

- Large commercial owners have expressed that commercial vacant/excess land is beneficial because it can be used as greenspace and community space.
- Some representatives of business owners or tenants (i.e. tax agent or legal/paralegal counsel) suggest that eliminating the tax rate reduction for commercial and industrial vacant/excess land tax classes will drive businesses out of the city.
- A representative of a business owner or tenant (i.e. tax agent or legal/paralegal counsel) says there needs to be justification as to why reduced rates for commercial and industrial vacant/excess lands should be kept in light of the fact that the vacancy rebate program was eliminated.
- Representatives of business associations do not support eliminating the tax rate reduction because vacant/excess land is vital towards the strategic planning and economic health of the City. This would be 'rocket fuel for gentrification', and it would serve to drive business out of the City.
- Excess land is rare in the city and is important for long-term growth in the city.