EX2.1

TORONTO

REPORT FOR ACTION

2019 Property Tax Rates and Related Matters

Date: February 21, 2019
To: Special Executive Committee
From: Chief Financial Officer and Treasurer
Wards: All

SUMMARY

This report recommends the 2019 municipal tax ratios and tax rates arising from the concurrent adoption of the City of Toronto's 2019 tax supported Operating and Capital Budgets.

The 2019 tax rate increases arising from the 2019 tax supported Operating and Capital Budgets and the tax policy decisions recommended by the Budget Committee are as follows:

Table 1 - 2019 Recommended Property Tax Rate Increases

Property Class	2019 Tax Rate Increase for Operating Budget	2019 City Building Fund Tax Rate Increase	2019 Total Tax Rate Increase
Residential, New Multi-Residential, Farmland, Managed Forest, and Pipelines	2.55%	0.50%	3.05%
Multi- Residential	0.0%	0.0%	0.0%
Commercial	1.28%	0.25%	1.53%
Industrial	0.85%	0.17%	1.02%
Total Tax Rate Increase	1.80%	0.35%	2.15%

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. In respect of calculations to establish 2019 tax rates and tax ratios, City Council elect the following in order to determine the notional tax rates to raise the previous year's levies:

(a) subject to receiving the necessary amendment to O. Reg. 121/07 for the 2019 taxation year, 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 2019 tax ratios shown in Column II for each of the property classes set out below in Column I:

Column I	Column II (to be adopted)	Column III (for information only)
Property Class	2019 Recommended Tax Ratios (before Graduated Tax Rates)	2019 Ending Ratios (after Graduated Tax Rates and Levy Increases)
Residential	1.000000	1.000000
Multi-Residential	2.344422	2.275033
New Multi-Residential	1.000000	1.000000
Commercial General	2.780000	2.738860
Residual Commercial –Band 1	2.665000	2.432925
Residual Commercial –Band 2	2.665000	2.738860
Industrial	2.763161	2.708639
Pipeline	1.923564	1.923564
Farmlands	0.250000	0.250000
Managed Forests	0.250000	0.250000

3. Subject to receiving the necessary amendment to O.Reg. 121/07 for the 2019 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 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 2019 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	0.888298
Residual Commercial	Highest Band 2	Greater than $1,000,000	1.000000

5. City Council adopt:

(a) the tax rates set out below in Column V, which rates will raise a local municipal general tax levy for 2019 of $4,383,289,139 inclusive of a 2.55% residential, new multi-residential, pipeline, farmlands and managed forest tax rate increase, a 1.275% commercial tax rate increase, and a 0.85% 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 $15,209,430 dedicated for priority transit and housing capital projects (the "City’s Building Fund levy"), in accordance with Council adopted Recommendation 6 of Executive Committee Report EX22.2 (February 15, 2017).

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Property Class	2019 Tax Rate for General Local Municipal Levy before Graduated Tax Rates	2019 Tax Rate for General Local Municipal Levy After Graduated Tax Rates	2019 Additional Tax Rate to Fund Budgetary Levy Increase	2019 Municipal Tax Rate	2019 Additional Tax Rate to Fund City Building	2019 Municipal Tax Rate Inclusive of City Building Fund Rate
				(excluding Charity rebates)		(excluding Charity rebates)
				(Column III+IV)		(Column V+VI)
Residential	0.440339%	0.440339%	0.011229%	0.451568%	0.002202%	0.453770%
Multi-Residential	1.032342%	1.032342%	0.000000%	1.032342%	0.000000%	1.032342%
New Multi-Residential	0.440339%	0.440339%	0.011229%	0.451568%	0.002202%	0.453770%
Commercial General	1.224144%	1.224144%	0.015608%	1.239752%	0.003060%	1.242812%
Residual Commercial – Band 1	1.173505%	1.087405%	0.013864%	1.101269%	0.002719%	1.103988%
Residual Commercial – Band 2	1.173505%	1.224144%	0.015608%	1.239752%	0.003060%	1.242812%
Industrial	1.216729%	1.216729%	0.010342%	1.227071%	0.002028%	1.229099%
Pipelines	0.847021%	0.847021%	0.021599%	0.868620%	0.004235%	0.872855%
Farmlands	0.110085%	0.110085%	0.002807%	0.112892%	0.000550%	0.113442%
Managed Forests	0.110085%	0.110085%	0.002807%	0.112892%	0.000550%	0.113442%

6. City Council determine that the 2019 Non-Program Tax Account for Rebates to Charities in the Commercial class be set in the amount of $4,615,957 to fund the mandatory 2019 property tax rebates to registered charities in the commercial property classes, which provision is to be funded, for a net impact on the 2019 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 $4,615,957 to fund the total estimated rebates to registered charities for properties in the commercial classes in 2019.

Column I	Column II	Column III
Commercial Property Classes	Bands	Additional Tax Rate to Fund Rebates to Eligible Charities
Commercial General	Unbanded	0.003939%
Residual Commercial	Lowest Band	0.003499%
Residual Commercial	Highest Band	0.003939%

7. The final Industrial Property Class tax rate be reduced by subtracting 0.011266% 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 that were 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 2019 recommended Non-Program Operating Budget be reduced by the same amount.

8. Allocate $935,000, equivalent to 15 percent of all incremental municipal tax revenue arising from commercial and residential assessment growth in the Tax Increment Financing Zones for 2019, net of any Imagination, Manufacturing, Innovation and Technology Grants attributable to this assessment growth, to the SmartTrack Funding Reserve Fund XR1731, in accordance with Council adopted Recommendation 19 (e) of Executive Committee Report EX33.1 (April 24, 2018).

9. City Council direct the Chief Financial Officer and Treasurer to report in April to Executive Committee, or directly to Council or a special meeting of Council if necessary, on the 2019 tax rates for school purposes, and the 2019 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 2019 'clawback' rates).

10. City Council adopt the property tax capping policy, for the 2019 taxation year, to limit tax increases (for the 2019 taxation year) for the commercial, industrial, and multi-

residential property classes by capping taxes at 10% of the preceding year's annualized taxes, through the adoption of subsection 292(1), paragraph 1, of the City of Toronto Act, 2006.

11. City Council amend the City of Toronto Municipal Code Chapter 767, Taxation, Property Tax (§767-11B) to change the definition of a "low-income disabled person", to add a further category of disability support by adding the words: "(6) Such other financial support(s) or circumstances in respect of a person's disability, that, in the opinion of the Treasurer, establish that a person is a low-income disabled person for the purposes of this section"; and that the necessary corresponding amendments also be made to the definition of "low-income disabled person" in Chapter 849, Water and Sewage Services and Utility Bill (§ 849-14.1) to reflect this change.

12. City Council determine that:

(a) the instalment dates for the 2019 final tax bills be set as follows:

(i) The regular instalment dates be July 2, August 1, and September 3 of 2019.

(ii) For taxpayers who are enrolled in the monthly pre-authorized property tax payment program, the instalment dates be July 15, August 15, September 16, October 15, November 15 and December 16 of 2019.

(iii) For taxpayers who are enrolled in the two installment program, the final instalment date be July 2, 2019.

(b) The collection of taxes for 2019, other than those levied under By-law No. 2-2019 (the interim levy by-law) be authorized.

13. City Council adopt:

(a) the tax rate for municipal purposes for the Creative Co-location Facility subclass of the Commercial and Commercial Residual Property classes be set at a 50% reduction of the Commercial and Commercial Residual Property class tax rate for 2019 and all following years.

(b) the tax rate for municipal purposes for the Creative Co-location Facility subclass of the Industrial Property class be set at a 50% reduction of the Industrial Property class tax rate for 2019 and all following years.

14. 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 2019, 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 2019 is summarized as follows:

Table 2 - 2019 Municipal Tax Levy

	Property Tax Levy $000's
2018 Levy	4,244.6
Traditional Assessment Growth during 2018	40.7
2018 Year End Levy	4,285.3
Adjustment for Appeals	1.9
Adjustment for Outliers	18.5
2019 General Levy	4,305.7
2019 Budgetary Levy Increase (2.55%)	77.6
2019 Municipal Levy before CBF	4,383.3
2019 City Building Fund (0.5%)	15.2
2019 Industrial Vacant Unit Rebate	(0.9)
2019 Total Municipal Tax Levy	4,397.6

2019 is the third year of the current reassessment cycle covering the period 2017-2020. The average residential property value for tax assessment purposes has increased from $626,381 in 2018 to $665,605 for 2019 as a result of the phasing-in of the reassessment change. A summary of the 2019 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 - Average residential property tax impact in 2019 (home assessed at $665,605)

	Impact on Average Residential Household	
2018 Municipal Tax	$2,916	% Impact
CVA Impact	($20)	(0.70%)
Appeals and Outliers Adjustment Impact	$14	0.48%
Policy Impact	$21	0.75%
Budgetary Levy Increase	$74	2.55%
City Building Fund	$15	0.50%
2019 Municipal Tax	$ 3,020	3.58%

The average 2019 impact on the various property classes are as follows:

Table 4 - 2019 average tax impact by property class

	Average CVA Impact	Appeals and Outliers Impact	Average Policy Impact	Budgetary Increase	City Building Fund	Total
Residential	(0.70%)	0.48%	0.75%	2.55%	0.50%	3.58%
Multi-Residential	3.63%	0.48%	(4.11%)	0.00%	0.00%	0.00%
Commercial Residual	0.72%	0.48%	0.77%	1.28%	0.25%	3.50%
Commercial Large	(0.52%)	0.48%	(0.41%)	1.28%	0.25%	1.08%
Industrial	(2.39%)	0.48%	0.70%	0.85%	0.17%	(0.19%)
City Average	0.0%	0.48%	0.00%	1.80%	0.35%	2.63%

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 “2018 Property Tax Rates and Related Matters” Report can be viewed at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX31.1

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

In July of 2018, Executive Committee considered and received for information Item EX36.7: Additional Property Tax and Legislative Change Options to Support Small Businesses that reported on the results of the City's consultations, and identified a series of considerations for tax policy options for 2019 and beyond. The report can be viewed at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX36.7

COMMENTS

This report presents, on a preliminary basis as a result of the 2019 Operating Budget recommended by Budget Committee at its meeting of February 20, 2019, the City's 2019 Tax Ratios, Tax Rates and Levy for municipal purposes.

Council will be considering the City’s 2019 Operating Budget and 2019 Tax Levy at a Special Meeting of Council scheduled to be held on March 7, 2019. Upon conclusion of that meeting and adoption of the City’s 2019 Operating Budget, the City Solicitor will introduce a Bill in Council to enact the City's 2019 Tax Ratios, Tax Rates and Levy for City purposes.

The Province has indicated that it would maintain the freeze in municipal tax burden on the Multi-Residential property class for the 2019 tax year, for municipalities whose tax ratio for that class is above 2.0. Toronto's 2018 ending tax ratio for multi-residential is 2.46, therefore the freeze on multi-residential tax burden will apply in 2019.

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 amendments to provincial regulations to allow the City to implement them, as is the case *with all other municipalities in Ontario.*. Accordingly, this Report recommends that these measures be approved subject to receiving the necessary regulatory amendment.

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 in equal increments in each year of the four year phase-in period.

The current reassessment update is for taxation years 2017-2020, with assessments based on a valuation date of January 1, 2016. Table 5 below provides the valuation dates used for each taxation year since the four-year cycle was introduced in 2008.

The next reassessment cycle will start in 2021, reflecting a valuation date of January 1, 2019.

Table 5: Assessment Cycle

Taxation Year	**Valuation Date**		
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, 2019		

2019 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. 2019 is the third year of the phase-in, with an average city-wide assessment increase of 6.7%. For 2019, the residential property class has appreciated by 6.3%, 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 10%, while the Industrial class has experienced the lowest rate of appreciation at 4.6%. In general, tax classes that have appreciated at a rate below the city-wide average will experience a decrease in tax burden (due to CVA changes), as shown in Table 6, and without additional policy impacts, the classes that have appreciated at a rate above the city-wide average will experience an increase in tax burden

Table 6: Re-Assessment Changes

Cycle Valuation Date	‘17-’20 Jan. 1, 2016	‘17 Phased-in	'18 Phased-in	'19 Phased-in
Residential	28.6%	7.0%	6.7%	6.3%
Multi-Residential	54.4%	13.1%	12.2%	10.9%
Commercial	33.6%	7.8%	7.8%	7.1%
Industrial	18.8%	3.3%	4.9%	4.6%
City Wide	30.9%	7.5%	7.2%	6.7%

2019 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 taxation of multi-residential properties in response to concerns over the property tax burden borne by multi-residential apartment buildings and the potential effects on housing affordability.

The Province has been working in consultation with municipalities and other stakeholders to examine issues related to the tax inequity between multi-residential and other residential properties. As a result of the review, the Province has mandated a continuation of the freeze on property tax burdens on the multi-residential class where the multi-residential tax ratio is greater than 2.0. Since the multi-residential tax ratio in Toronto is 2.46, a full levy restriction applies. As such, the recommended 2019 tax rates and ratios for the multi-residential tax class will generate a 2019 multi-residential tax levy equal to the 2018 year-end municipal tax levy on that class.

Assessment Adjustments

Appeal Loss Adjustments

In 2016, the Province introduced regulatory amendments that allowed municipalities 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 2019, applying this adjustment will result in an additional $1.9 million in related property tax revenue for the City.

In order to use the assessment appeal loss adjustment in the calculation of Toronto's notional and final tax rates for 2019, 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 2019.

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 2017 and 2018 taxation years. This report recommends Council elect to apply this rule in its notional tax rate calculation for 2019 as well. For 2019, this adjustment will result in an additional $18.5 million in property tax revenue 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 commercial, industrial and multi-residential tax classes 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 ratio 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 annual 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 municipal tax burdens 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 and 2019. For 2019, 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 and 2018 (vs one-third in previous years). These actions resulted in a slowing down of the City's tax ratio reduction plan for the commercial and industrial property classes, 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 Table 7.

Table 7 – Revised Tax Ratio Projections

<table>
<tr><th>Tax Class</th><th colspan="7">Actual</th><th>Projected 2019</th><th>Original Target</th><th>Revised Projection</th></tr>
<tr><td></td><td>2012</td><td>2013</td><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td><td>2019</td><td>2020</td><td>2023</td></tr>
<tr><td>Commercial</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>2.74</td><td rowspan="3">2.50</td><td rowspan="2">2.50</td></tr>
<tr><td>Industrial</td><td>2.83</td><td>2.76</td><td>2.71</td></tr>
<tr><td>Multi-Residential</td><td>3.26</td><td>3.18</td><td>2.66</td><td>2.46</td><td>2.28</td><td>2.0</td></tr>
<tr><td>Small Business</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>2.43</td><td>2.50</td><td>2.35</td></tr>
</table>

The multi-residential tax freeze policy in 2017, 2018 and 2019 resulted in a ratio reduction for the multi-residential tax class from 2.9 in 2016 to 2.28 in 2019, shifting the tax burden to the remaining classes. Assuming the multi-residential freeze policy continues in the last year 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 the eligibility criteria for 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 Consumer Price Index (CPI) annual change for all items for Toronto.

Accordingly, based on the 2018 Consumer Price Index, All Items - Toronto of 2.54%, the household income eligibility for the Cancellation Program will be increased to $41,228 for 2019. 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.

This report also recommends that the City of Toronto Municipal Code (Chapter 767, Taxation, Property Tax - §767-11B) be amended to change the definition of a "low-income disabled person", to add a further category of disability support by adding the words: "(6) Such other financial support(s) or circumstances in respect of a person's disability, that, in the opinion of the Treasurer, establish that a person is a low-income disabled person for the purposes of this section".

This amendment provides additional discretion to the Treasurer to consider other forms of supports that would establish a person is a low-income disabled person, beyond those supports already specified by the Municipal Code's provisions (e.g., a disability pension under the Canada Pension Plan Act, income supports under ODSP, or benefits under the Workplace Safety and Insurance Act, etc.).

This recommended amendment comes as a result of a 2018 recommendation made by the Toronto Ombudsman. The Ombudsman had noted that the current eligibility criteria required that an applicant be in receipt of certain specific financial supports in order to qualify, but that there may be circumstances or other supports not identified in the Code provisions that would establish that a person was, in fact, a low-income person with a disability. This change simply grants the Treasurer the discretion to consider and accept other forms of disability supports in determining eligibility for these programs. As similar provisions for low-income disabled persons are also set out elsewhere in Chapter 849, Water and Sewage Services and Utility Bill of the Municipal Code (under § 849-14.1), it is recommended that the corresponding section in Chapter 849 be amended to reflect the above changes.

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

	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 $41,228 or less Property CVA equal to or less than $975,000 for 2019.
Persons with Disability	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 $41,228 or less Property CVA equal to or less than $975,000 for 2019.

Since the inception of these programs, the City has funded over $13.7 million from its operating budget for the Tax Increase Cancellation Program for the City portion of taxes (an additional $5.4 million in provincial education taxes were also cancelled), and deferred over $7.2 million in tax increases, of which the current receivable to the City is $3.3 million. 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, and for 2019, eligible homeowners will see their rebate adjustments maintained on their solid waste management component of their utility bill.

Funding Rebates for Registered Charities

Provincial legislation requires that the City must adopt a tax rebate program for Registered 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 2019, the estimated City funding requirement for commercial charity rebates is $4,615,957 based on the 1,057 applications processed in 2018. The total gross estimated amount for commercial charity rebates for 2019 is $6.042 million, which is offset by a 2018 surplus of $1.428 million, for a net 2019 requirement of $4.616 million. The 2019 funding requirement for industrial charity rebates is estimated at $105,702. Since at the end of 2018 the industrial charity rebate account had a surplus of $166,602, no additional levy is required to fund industrial charity rebates in 2019.

City Building Fund

At its meeting on February 15, 2017, City Council approved 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 an additional $15.209 million in 2019, and is projected to raise $75 million annually in the fifth year (2021) and thereafter, as shown in Table 9.

Table 9 - City Building Fund Revenue

	2017	2018	2019	2020	2021
Annual Increase, %	0.5%	0.5%	0.5%	0.5%	0.5%
Annual Increase, $ million	14.0	14.6	15.2	15.3	15.8
Cumulative Annual Revenue, $ million		28.7	43.9	59.2	75.0

Vacancy Rebate Program for Commercial and Industrial Properties

At its meeting of May 24, 25 and 26, 2017, City Council adopted that effective July 1, 2018, the vacancy rebate program for commercial and industrial properties be discontinued.

In May, 2017 City Council also directed that for the 2018 taxation year, the final municipal tax rates for the industrial class 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 that were rebated under the vacant unit program for 2017 is $943,000, and the recommended 2019 final industrial tax rates have been reduced to reflect this reduction in the industrial levy amount.

Tax Increment Financing Allocation

At its meeting on April 24, 2018 Council adopted a funding strategy for a Smart Track Station Program (EX33.1). The strategy includes funding from Federal Government contributions, Development Charges, the City Building Fund, and Tax Increment Funding (TIF).

With respect to TIF, Council directed that, commencing in 2019, 15% of all commercial and residential tax revenue from assessment growth in the SmartTrack Zones in each year be allocated to the SmartTrack Funding Reserve Fund, less any reduction for tax increment grants that may be payable in these zones, for a period of 25 years.

In 2019, the municipal revenue from assessment growth for the SmartTrack Zones was $ 6,233,113, resulting in a 15% TIF allocation of $ 934,967.

Tax and Legislative Changes to Support Businesses

In January 2018, City Council, in adopting Item EX30.5: Tax Policy Tools to Support Businesses, directed the Interim Chief Financial Officer to engage in public consultations to review additional property tax options for 2019 and future years, and to identify any legislative changes needed to enable such options. Subsequently, in July of 2018, Executive Committee considered and received for information Item EX36.7: Additional Property Tax and Legislative Change Options to Support Businesses that reported on the results of the City's consultations, and identified a series of considerations for tax policy options for 2019 and beyond.

This report concluded, among other things, that volatile real estate markets and the impact of "highest and best use" valuations on certain properties can adversely impact business owners and tenants, and that the range of currently permissible tax policy options are inadequate to balance the need to ensure equity in tax treatment (by bringing properties to full CVA taxation levels) while maintaining protection against large tax increases. While the City's consultations yielded a number of suggestions for potential legislative and regulatory changes that would allow for tax protection measures to be targeted to properties in need, (e.g., small businesses, properties in transition, business tenants, etc.), no changes have been enacted. City staff continue to meet with business stakeholders, the Ministry of Finance and MPAC to explore alternative policy options.

As a result, for 2019, this report recommends that Council maintain policies surrounding tax protection for business properties similar to those adopted for 2018, as set out below. This approach ensures a level of protection against unmanageable increases, while providing a measure of certainty and predictability for property owners and business tenants.

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. 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.

This report recommends for the 2019 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 annualized 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 2018 annualized taxes will have its tax increases capped at 10% of its prior year's annualized 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 2019, or directly to Council or a special meeting of Council if necessary, on the 2019 tax rates for school purposes, and the 2019 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 2019 ‘clawback’ rates).

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