
2021 OPERATING BUDGET BRIEFING NOTE

Equity impacts of a 0.7% Residential Property Tax increase

Issue/Background:

- At its meeting of January 22, 2021, Budget Committee requested that the City Manager provide a budget briefing note on the equity impacts of keeping the property tax increase to 0.7% including what assessment of these impacts staff conducted to inform the setting of this property tax increase.

Key Points:

Methodology and Impact of a 0.7% Residential Property Tax Increase:

- The 2021 operating budget includes a 0.7% residential property tax increase. This translates to a:
 - 0.35% commercial property tax increase;
 - 0.23% industrial property tax increase;
 - No increase for multi-residential properties as per provincial regulation; and
 - Ultimately a 0.51% total budgetary increase.
- The impact of a 0.7% residential property tax increase on the average Toronto home valued at \$698,801 is \$22.
- This increase is based on a 12 month trailing average consumer price index (CPI) increase for the Toronto census metropolitan area (CMA) as of September 2020.¹ The staff recommended residential tax rate increase was incorporated as part of the 2021 budget process for Council's consideration.
- The methodology of applying an inflationary residential property tax rate increase based on CPI is consistent with prior years and aligns with the outcome of keeping property taxes affordable.
- Respondents to the Toronto's Office of Recovery & Rebuild (TORR) public survey who commented on property taxes, identified affordability as a key issue: :
 - "The majority of these respondents would like the City to reduce property taxes and improve affordability for taxpayers. Reasons cited for reducing property tax include financial hardship faced by families due to COVID-19 and improving affordability for taxpayers. There were some calls for the elimination of commercial property taxes as a way to support local businesses."²

¹ Toronto CMA CPI figures were obtained from Stats Canada

² [COVID-19: Impacts and Opportunities report](#) Page 165

- The recommended tax increase attempts to balance both feedback from TORR to minimize financial hardships on Torontonians in the context of COVID-19 and the need to sustain vital services that currently serve equity seeking groups.
 - Staff also considered the impact on affordability associated with the 1.5% property tax increase attributed to the City Building Fund, as maintaining the planned City Building Fund increase is critical to supporting capital investment commitments in transit and housing.
- The City offers Property Tax Deferral and Cancellation Programs for low income seniors and low income persons with disabilities to mitigate the impact of property tax increases on vulnerable populations.

Addressing Equity Impacts in the 2021 Operating Budget

- The 2021 operating budget was developed with an equity focus on operating expenditures across all programs and agencies, considering all available funding sources including property tax revenue, as well as continued support from the government of Canada and province of Ontario.
- The City continues to apply an equity and reconciliation lens to the 2021 Operating Budget to identify and address barriers that may be experienced by Indigenous, Black and equity-seeking communities.
 - 2021 Budget Notes included an equity statement for all new / enhanced requests and service changes to highlight both positive and negative impacts related to the proposal as well as an overall equity impact statement that outlines how City services address impacts to Indigenous, Black and equity-seeking communities.
 - All 2021 operating budget enhancements and reductions were reviewed by an external review panel. Panellists received presentations from select divisions and agencies whose proposed budget changes have equity impacts.
 - To strengthen and validate the analyses, panel members provided feedback on the quality of the staff-generated equity impact analyses and commented on the potential equity impacts of proposed budget changes.
 - To further strengthen the process in 2021, Finance staff also presented a budget overview to the panel, noting budget challenges with specific emphasis on COVID-19 impacts and highlighting actions taken as part of City-led mitigation efforts.
 - Further details pertaining to the equity impacts in the 2021 operating budget can be found in SDFA's budget note: [Equity Impacts of Changes in the 2021 Operating Budget](#)³.

³ [2021 OPERATING BUDGET BRIEFING NOTE: Equity Impacts of Changes in the 2021 Operating Budget](#)

- The 2021 operating budget preserves and enhances City services, addresses TORR recommendations, while maintaining commitments previously made to Council addressing an achievable capital plan.
 - One of the guiding principles of the 2021 operating budget was to preserve existing service levels consistent with public health guidelines.
 - To ensure critical social services were funded based on full need, the 2021 Budget process deviated from the past practice of a uniform budget target across all City programs and agencies and instead directed that budget submissions reflect the full costs to preserve services, while also reflecting anticipated COVID-19 related expenditure and revenue impacts.
 - The 2021 operating budget also adds investments that continue to support management of the COVID-19 pandemic and new investments that support building back a prosperous Toronto including:
 - Maintaining TTC services, despite severe revenue losses
 - Adding additional shelter sites to enable physical distancing
 - Additional support and long-term care workers
 - Expanding fare pass eligibility
 - Police reform pilot and community safety
 - Housing initiatives
 - Wheel-Trans call wait time reductions
 - Freezing licensing fees at 2020 levels
 - Further investment in Vision Zero

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