

Impact on Live Music Venues and Administration of the Creative Co-Location Facilities Property Tax Subclasses

Date: November 5, 2021

To: Toronto Music Advisory Committee

From: Interim General Manager, Economic Development and Culture

Wards: All

SUMMARY

This report summarizes the impact of the Creative Co-Location Facilities Property Tax Subclasses for the Commercial, Commercial Residual and the Industrial property tax classes on live music venues. The report provides a summary on the 2021 applications; status of the current administrative process with a comparison from the previous year; details of the program, promotion and information on the locations, names and beneficiaries and summary of property tax reductions to performance venues as requested by City Council in Item CC21.4 at its meeting of May 28, 2020.

RECOMMENDATIONS

The Interim General Manager, Economic Development and Culture recommends that:

1. The Toronto Music Advisory Committee receive this report for information.

FINANCIAL IMPACT

There is no financial impact arising from this report.

To fund the tax relief measures in this report for the 2020 taxation year, City Council approved the increase to Non-Program Tax Deficiencies 2020 Budget by \$1.06 million gross with a corresponding withdrawal from Assessment Appeal Stabilization Reserve (XQ0706), for \$0 million net change, as outlined in the original staff report CC21.4 that was adopted by City Council at its May 2020 meeting.

In 2021 and in future years, the costs of the tax reductions provided to those properties deemed eligible for inclusion in the class will be funded by corresponding rate increases within the respective tax classes.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

DECISION HISTORY

Applications for the 2021 Creative Co-Location Facilities Property Tax Subclass Designation that supports live music venues closed on March 15, 2021 with City Council authorizing property tax reductions on May 12, 2021 and June 17, 2021.

<https://www.toronto.ca/legdocs/bylaws/2021/law0344.pdf>

<https://www.toronto.ca/legdocs/bylaws/2021/law0478.pdf>

In 2020, the City of Toronto approved the inclusion of live music venues as a third component of the Creative Co-location Facilities Tax Subclass program in order to support a business sector especially hard hit by the COVID 19 pandemic. All property owners who applied in 2020 to the program along with and on behalf of their live music venue operators signed a City of Toronto form attesting that the tax reduction received through the program would be transferred to the music venue operator if the operator was a tenant.

<https://www.toronto.ca/legdocs/mmis/2020/cc/bgrd/backgroundfile-147399.pdf>

At its May 28, 2020 meeting, City Council: (1) approved revised eligibility criteria for the Creative Co-Location Facilities Property Tax Subclasses thereby creating a new live music venue category of eligible properties; (2) directed the General Manager, Economic Development and Culture to report to the Toronto Music Advisory Committee on the impact of the Creative Co-Location Facilities Property Tax Subclasses on live music venues and the status of its administrative process within twelve months; and (3) requested the General Manager, Economic Development and Culture to include in the report information on the locations and names of the live music venues, and an overview of the property tax reductions to performance venue operators.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.CC21.4>

COMMENTS

A. Impact of Creative Co-Location Facilities Property Tax Subclasses on Live Music Venues

The inclusion of live music venues as a third stream of the pre-existing tax subclass program was introduced several months after live music venues were shuttered due to the COVID-19 pandemic. Even without a means to generate revenue, venues still had to meet fixed costs like rent, insurance, and property tax. Having their property tax reduced by up to 50% has been important to the survival of many of these venues to date, although in general, music venues still face serious ongoing threats, including the

delayed return of live touring and lifting of capacity restrictions, consumer confidence, and continuing challenges in securing liability insurance.

This review has determined that the Creative Co-Location Facilities Property Tax Subclass has had a significant positive impact on local live music venue operators, aiding in the sustainability of the venues during the COVID-19 pandemic and related public health measures that impacted venues.

Of the 48 successful applications in 2020, cumulatively \$911,801.23 was received in property tax relief by landlords, which was passed on to the live music venue operators.

RESULTS OF THE 2020 APPLICATION SUBMISSIONS

A review of the 2020 application submissions for the Creative Co-Location Property Tax Subclass reveals further positive impacts:

96% (46 of 48) of successful 2020 applicants re-applied for the program in 2021, suggesting that at that time, they intended to be fully operational whenever public health restrictions would allow. (EDC recognizes, however, that the ongoing pandemic and associated challenges to the sector mean that some successful applicants may face further obstacles in surviving and re-opening);

35% (17 of 46) of successful applicants that partner with live music venue operators are within listed or designated heritage properties; and

10% (4 of 46) of successful applicants operate outside the downtown core.

Summary of Cumulative Property Tax Reductions in 2020

Range of Property Tax Relief to Live Music Venue Operators	\$2,700 to \$105,000
Average Amount of Property Tax Relief to Live Music Venue Operators	\$18,995
Median Amount of Property Tax Relief to Live Music Venue Operators	\$12,628
Smallest Amount of Eligible Gross Floor Area within a Live Music Venue	500 square feet
Largest Amount of Eligible Gross Floor Area within a Live Music Venue	17,481 square feet
Number of Successful Applications	48
Total Amount of Property Tax Reduction in 2020 to Live Music Venues	\$911,801

REVIEW OF THE 2021 APPLICATION SUBMISSIONS

Applications for the 2021 Creative Co-Location Facilities Property Tax Subclass Designation that support live music venues opened on February 19, 2021 and closed on March 15, 2021. There was a 21% increase in successful applications in 2021 over the previous year (58 in 2021 over 48 in 2020) as reflected in Bylaws 344-2021 and 478-2021

<https://www.toronto.ca/legdocs/bylaws/2021/law0344.pdf>

<https://www.toronto.ca/legdocs/bylaws/2021/law0478.pdf>

The 2021 bylaws identifying the 2021 properties for inclusion in the Creative Co-Location Facilities property tax subclass for the Commercial, Commercial Residual and the Industrial property tax classes were immediately forwarded to the Municipal Property Assessment Corporation (MPAC) where staff at MPAC reviewed the by-laws, verified the space that is described in the bylaw and applications; then calculated a value for the space, where required. Once completed, MPAC sent the information to City of Toronto Revenue Services to calculate the property tax amount through their supplementary review in Q4 of 2021.

The results of the 2021 submissions as they relate to property tax reductions will be known by the end of the calendar year.

B. Administrative Process

The administrative process is led by Economic Development and Culture Division (EDC), with the criteria for eligibility, intake deadlines, and terms and conditions of the program defined by EDC, and the review of applications done by EDC staff. EDC staff are supported in this work by staff in Corporate Real Estate Management (CREM), Revenue Services, in consultation with Legal Services. Coordination with MPAC is also required as it is MPAC that calculates the assessed value of properties before Revenue Services is able to prepare tax billings.

Once completed, MPAC issues a supplementary assessment notice to the property owners advising of the change to the tax classification and notifies Revenue Services of the change. Revenue Services then calculates the property taxes based on the change in tax class and issues a supplementary tax bill. This review will be completed in Q4 of 2021.

In 2020, two applications were rejected due to the venues not meeting the eligibility criteria, and two other applications were withdrawn by the applicants. In addition, two other live music venues, while successful in receiving a property tax reduction, closed permanently during the pandemic.

While the 2020 program was labour intensive with regard to the amount of information requested in order to determine eligibility, the 2021 rollout of the program was slightly less onerous since successful 2020 applicants were processed through simple attestations rather than entirely new applications. MPAC requested additional documentation in 2021 (i.e. floor plans or photographs as well as breakdown of the floor

area by levels within the property) since site visits to applicants' properties were not viable due to the pandemic.

C: How the Program Has Been Promoted

Efforts to promote the live music venue tax program in 2020 included a media release, inclusion in EDC's CultureTO newsletter, development of a City of Toronto website, engagement of Toronto Music Advisory Committee (TMAC) members, notification to a Toronto music venue owners' association ("Love You Live"), direct email from EDC's Music Office to a list of individuals and organizations active in the music community, as well as coverage in local publications (i.e. Toronto Star, Toronto Sun, NOW, exclaim.ca, FYI Music News, and newsletter from Toronto Arts Council).

In 2021, the Music Office emailed all successful 2020 applicants and additional live venue music operators not included in 2020's program since they were not aware of the program and therefore didn't apply. The Music Office also reached out to all 25 Councillors asking them for suggestions of venues in their wards that might be eligible for the program with follow-up emails to any potentially eligible for the program. Again in 2021, CultureTO promoted the program, program information was accessible on the City of Toronto website, and TMAC members and Love You Live were made aware of the program and asked to spread the word.

D: Efforts to Ensure the Tax Benefit Reaches Live Music Venues

On March 9, 2021, City staff sent letters by email to all property owners who participated in the live music venue stream of the City of Toronto's 2020 "Creative Co-location Facilities Property Tax Subclass" tax reduction program. The purpose was to remind landlords of their obligations regarding the transfer of the 2020 property tax reduction to the live music venue operator renting space within their properties. As the great majority of live music venues are tenants as opposed to property owners, the live music venue operators were copied on those letters.

Each letter identified the property by municipal address, the live music venue operator, and the exact amount of the tax reduction received in 2020. The letter also emphasized that the music venue tenant must benefit from the tax reduction and explained that property owners who had not transferred the tax reduction to their music venue tenants would be ineligible to participate in the program in 2021 while also having to repay to the City of Toronto the full amount of the tax reduction received in 2020.

Applications for the 2021 Creative Co-Location Facilities Property Tax Subclass program were available at the time the letters were sent, with a March 15, 2021 submission deadline.

At that time there were no issues identified by the live music venue operators complaining that the property tax reduction had not been passed on. This information was helpful when closing the 2020 program before evaluating the 2021 applications.

City staff recognize the program benefits property owners while the policy intent is to provide property tax relief aimed at supporting live music venue operators. In some

situations there are conflicts between landlords and tenants that may arise and will need to be dealt with expeditiously.

E: Suggested Program Improvements

Live music operators who operate as tenants have requested earlier communication on the amount of property tax relief. An improvement to the program would be for the tax relief to be determined and communicated earlier in the year since receiving the property tax relief early is helpful to the live music venue operators to avoid paying their full share of the property tax until the exact amount is determined as part of their rent. Therefore, going forward in 2022, City staff will work to get the authorizing by-law approved earlier by City Council; MPAC then could issue the supplementary notices earlier and Revenue Services would adjust the taxes accordingly (i.e. timing of first supplementary/omitted billing each year is in June versus the last supplementary bill is in November).

Also, this review determined that live music venue operators would appreciate the City communicating to their landlords as early and unequivocally as possible that (a) the venue has qualified for the year's tax reduction; (b) the exact amount of the reduction; and (c) the fact that that exact amount, no less, must flow through to the tenant. City staff administering the program at EDC will, working with both MPAC and Revenue Services, make best efforts to ensure this information is shared as soon as possible, especially given there was a 21% increase in the number of applications in 2021 than the year prior.

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SIGNATURE

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Economic Development and Culture

ATTACHMENTS

Attachment 1 - Live Music Venues Operators that received Property Tax Reductions from the City of Toronto in 2020 and/or 2021

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Live Music Venue	Address
Adelaide Hall (2020 & 2021)	250 Adelaide Street West
Alchemy (2020 & 2021)	890 College Street
Baby G (2020 & 2021)	1608 Dundas Street West
Bovine Club (2020 & 2021)	542 Queen Street West
BSMT 254 (2020 & 2021)	254 Lansdowne Avenue
Burdock Music Hall (2020 & 2021)	1184 Bloor Street West
C'est What (2020 & 2021)	67 Front Street East
Cameron House (2020 & 2021)	408 Queen Street West
Cherry Cola's Rock n Rolla Cabaret (2020 & 2021)	200 Bathurst Street
CODA (2020 & 2021)	794 Bathurst Street
Dakota Tavern (2020 & 2021)	249 Ossington Avenue
Dora Keogh (2020 & 2021)	141 Danforth Avenue
Drake Hotel / Drake Underground (2020 & 2021)	1150 Queen Street West
DROM Taberna (2020 & 2021)	458 Queen Street West
Duffy's Tavern (2020 & 2021)	1238 Bloor Street West
Dundas Video (2020 & 2021)	831 Dundas Street West
EFS Toronto (2020 & 2021)	60 Stewart Street
Free Times Café (2020 & 2021)	320 College Street

Live Music Venue	Address
Friday Roots and Vibes (2020 & 2021)	876 Dundas Street West
Grossman's Tavern (2020 & 2021)	377 Spadina Avenue
Horseshoe Tavern (2020 & 2021)	370 Queen Street West
Houndstooth (2020 & 2021)	818 College Street
Jazz Bistro (2020 & 2021)	251 Victoria Street
Lee's Palace (2020 & 2021)	529 Bloor Street West
Lula Lounge (2020 & 2021)	1585 Dundas Street West
Mod Club (2020 & 2021)	722 College Street
Monarch Tavern (2020 & 2021)	12 Clinton Street
Mrs. Robinson (2020 & 2021)	574 College Street
Phoenix Concert Theatre (2020 & 2021)	410 Sherbourne Street
Relish Bar & Grill (2020 only)	511 Danforth Avenue
Revival (2020 & 2021)	783 College Street
Rex Hotel (2020 & 2021)	194 Queen Street West
Rivoli (2020 & 2021)	332 Queen Street West
Sauce (2020 & 2021)	1376 Danforth Avenue
South Side Johnnys (2020 & 2021)	3653 Lakeshore Boulevard West
Supermarket (2020 & 2021)	264 Augusta Avenue
The Boat (2020 only)	158 Augusta Avenue
The Linsmore Tavern (2020 & 2021)	1298 Danforth Avenue
The Paddock Restaurant (2020 & 2021)	178 Bathurst Street
The Painted Lady (2020 & 2021)	218 Ossington Avenue
The Piston (2020 & 2021)	937 Bloor Street West
The Rec Room (2020 & 2021)	255 Bremner Boulevard
Touche Studio Lounge (2020 & 2021)	669 College Street

Live Music Venue	Address
Velvet Underground (2020 & 2021)	508 Queen Street West
Wayward (2020 & 2021)	1096 Queen Street West
Toybox (2020 & 2021)	473 Adelaide Street West
The Garrison (2020 & 2021)	1197 Dundas Street West
Reposado Bar (2020 & 2021)	136 Ossington Avenue
3030 Dundas West (2021 only)	3030 Dundas Street West
Black Swan (2021 only)	154 Danforth Avenue
Eton House Tavern (2021 only)	710 Danforth Avenue
Hirut Cafe and Restaurant (2021 only)	2050 Danforth Avenue
Lost and Found (2021 only)	577 King Street West
Mr. Wolf (2021 only)	567 Queen Street West
Poetry Jazz Cafe (2021 only)	224 Augusta Avenue
Smokeshow BBQ and Brew (2021 only)	744 Mount Pleasant Road
The Old Sod (2021 only)	2396 Bloor Street West
Tonight Live Happenings Bar (2021 only)	1704 Queen Street West
Queen Elizabeth Theatre (2021 only)	2 Strachan Avenue
APT 200 (2021 only)	1032 Queen St West