



September 1, 2023

Mayor Olivia Chow and Members of Toronto City Council

City of Toronto
100 Queen Street West
Toronto, ON M5H 2N2

Sent via email to councilmeeting@toronto.ca

Re: Executive Committee Report EX7.1—Updated Long-Term Financial Plan

Dear Mayor Olivia Chow & Members of Toronto City Council:

On behalf of the hospitality industry in the City of Toronto, we at the Ontario Restaurant Hotel & Motel Association (ORHMA) thank you for the opportunity to submit our comments relating to the City's Financial Plan report.

We understand the financial pressures facing the City of Toronto and the exploration to find new revenue sources. This letter serves to highlight the current climate experienced by the City's small and mid-sized restaurants and the concern existing by the sector's operators on any financial impact stemming out of financial plan decisions.

Current Restaurant Climate

Coming out of COVID-19 with marginal cash flow, we are seeing more restaurants close than open. This is a first. Restaurant traffic is improving and menu price increases have risen, but are not enough to mitigate high expenses mainly due to workforce and inflation.

Critical workforce pressures are resulting in closed sections and restrictions of opening hours. While overall inflation is coming down, food inflation continues to be much higher and adds financial pressures on an expense line that represents more than 35 percent of the total expenses. Furthermore, energy price hikes and overall inflation are affecting all goods and services and commercial insurance rates have now somewhat stabilized but these rates have seen significant increases and continue to stay at these high levels.

Today's restaurant model is concerning because most businesses are either breaking even or operating at a loss with many restaurant operators continue to carry pandemic-inflicted debt.

Proposed Parking Levy

It is important to note that a parking levy is not the same as a parking tax. It will not change driving behaviour. While parking sales taxes are very common across various North American cities, such as Vancouver, Pittsburgh, Miami, Seattle, Los Angeles, and New York, a parking levy is unprecedented. For example, a small restaurant that is still struggling with post-pandemic debt and facing inflation woes would be charged \$11,497 a year for its 21 parking spots. This will be a significant cost to a small and mid size business.

Toronto restaurants pay the highest rent/leases in Canada, and this is greatly impacting their bottomline which is the lowest across the country. Rent and leases continue to dramatically increase and where landlords own a restaurant's parking area the cost of a potential parking levy will be passed on to the tenant.

Beverage Alcohol Tax

The KPMG in 2016 reported that no other Canadian jurisdiction has imposed a local alcohol tax. The City of Toronto rejected such a tax back then citing that:

1. *An additional sales tax rate of 8% to 10% would have a noticeable impact on retail sales prices and could result in significant levels of avoidance, such as through a shift in sales to outlying jurisdictions.*
2. *It would be challenging to add an alcohol tax component to the existing HST. Thus it has been assumed that the alcohol tax would be implemented and administered by the City as a separate tax regime. Given the many thousands of locations that sell alcohol this would be a substantial administrative undertaking and would be costly and clearly identifiable with City Hall at every point of sale.*
3. *High potential for revenue leakage given the thousands of business establishments within Toronto selling alcohol and tobacco, potentially increasing administrative burden/compliance.*

Toronto's thousands of struggling licensed restaurants are concerned and agree with these key findings.

On behalf of our City of Toronto restaurant members, we appreciate you reviewing our submission.

Please do not hesitate to contact our team at the ORHMA office should you have any questions. We remain available by email at info@orhma.com or with me directly at (647) 204-6633.

Sincerely,

ONTARIO RESTAURANT HOTEL & MOTEL ASSOCIATION



Tony Elenis
President & CEO