Appendix A: 2024 Property Tax Rates and Related Matters

SUMMARY

This report recommends the 2024 municipal tax ratios and tax rates arising from the concurrent consideration of the 2024 Mayor's Proposed Budget (MPB15.1).

For 2024, an overall average budgetary tax rate increase of 6.31 per cent as shown below in Table 1, which includes a tax rate increase of 8.0 per cent for residential and industrial properties, a 4.0 per cent tax rate increase for commercial, and a 2.95 per cent tax rate increase for multi-residential properties, is recommended to raise the tax revenue set out in the 2024 Mayor's Proposed Budget.

The report also recommends the adoption of an incremental tax rate increase of 1.5 per cent to the City Building Fund (CBF) Levy for residential and industrial properties, a 0.75 per cent tax rate increase in the CBF Levy for commercial, and a 0.55 per cent tax rate increase for multi-residential properties in support of critical capital investments in transit and housing.

Table 1: 2024 Recommended Property Tax Rate Increases

Property Class	2024 Tax Rate Increase for Operating Budget	2024 City Building Fund Tax Rate Increase	2024 Total Tax Rate Increase
Residential, New Multi-Residential, Farmland, Managed Forest, and Pipelines	8.0%	1.50%	9.50%
Multi-Residential	2.95%	0.55%	3.50%
Commercial	4.0%	0.75%	4.75%
Industrial	8.0%	1.50%	9.50%
Total Tax Rate Increase	**6.31%**	**1.18%**	**7.49%**

As the next province-wide reassessment continues to be postponed by the Province, property assessments in 2024 will reflect the same assessment valuation date as 2020 and the following years.

This report also recommends that Council approve expanding the eligibility criteria for the small business property tax subclass in order to provide a 15% tax rate reduction to qualifying strip plazas.

This report recommends that Council approve an annual inflationary adjustment be made to the City's tax increase deferral program maximum income threshold so that the income threshold for the tax increase deferral and cancellation programs are equal and are adjusted by an annual inflationary rate increase.

This report also recommends that Council approve amendments to the low-income property tax, water and solid waste relief program eligibility criteria to include low-income seniors and persons with disabilities that are shareholders of Housing Co-Operatives or Co-ownership buildings.

COMMENTS

Assessment Cycle and Changes

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 cycle, reflecting a January 1, 2016, valuation date, was intended to apply for the period 2017 - 2020, with increases phased-in over each year of the four-year cycle. 2020 was the last year of the phase-in, and prior to COVID-19, 2021 was intended to be the first year of the new reassessment cycle.

In view of the unique and unforeseen challenges that all municipalities, residents, and businesses faced as a result of the COVID-19 pandemic, the Provincial government postponed the 2021 reassessment. The Province has not yet announced the timing for the next reassessment cycle or the effective valuation date.

Since the reassessment was postponed by the Province, property assessments in 2024 reflect the same assessment values as 2020, based on the January 1, 2016, valuation date, unless the property experienced changes that affected the assessed value (e.g., renovations, improvements, or demolitions), with no assessment related changes and corresponding tax shifts in 2024. Table 2 below provides the valuation dates used for each taxation year since the four-year cycle was introduced in 2008.

Table 2: 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, 2021, 2022, 2023, 2024	**January 1, 2016**	✓	

Assessment Adjustments

Assessment 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.

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 has elected to apply the adjustment for assessment appeal losses for every year starting in the 2017 taxation year. For 2024, the total assessment value attributable to assessment appeal changes is $176.7 million, which, when factored into the calculation of notional tax rates, will result in an adjustment totalling $1.86 million in the allowable starting revenue limit for 2024. This equates to an impact of approximately $1.25 for the average home in 2024, or 0.035%.

In order to use the assessment appeal loss adjustment in the calculation of Toronto's notional and final tax rates for 2024, Toronto City Council must pass a by-law stipulating its decision to apply the appeal loss adjustment. This report recommends that Council approve the inclusion of an assessment appeal loss adjustment in the determination of the final tax rates for 2024.

Small Business Subclass

On November 9, 2021, City Council adopted the recommendations in Item EX27.7: Implementing a Small Business Property Tax Subclass which included the implementation of a small business tax subclass for the commercial property tax class with a rate reduction of 15 percent of the commercial property tax rate.

Approximately 29,635 commercial properties have been identified as meeting the eligibility criteria for the small business subclass, previously approved by City Council, and will receive a 15% reduction as compared to the commercial general rate in 2024. The Province will provide a corresponding rate reduction in the education tax rate for these properties.

During the consideration of the Small Business Property Subclass Review report (EX8.6) in October, 2023, City Council requested the Chief Financial Officer and Treasurer to:

a. report to the Executive Committee before the end of 2023 on the feasibility and financial and tax rate implications of devising a means to allow property owners and business tenants of strip plaza-type properties (as defined) to qualify for the small business subclass tax rate reduction, effective for the 2024 taxation year; and

b. take into account the financial and tax rate implications of including these additional properties within the small business subclass in determining final property tax rates for the commercial class for the 2024 taxation year. Strip plazas can be defined as properties classified by MPAC as being a neighbourhood retail shopping centre, or a community shopping centre, characterized as being two or more retail stores attached, under one ownership, with or without anchor tenant, and usually with common parking. These properties are identified within MPAC property codes 425, 429 and 430, and generally have 150,000 square feet or less in gross floor area. On this basis, there are approximately 827 properties that could be identified as strip plazas distributed across the entire City. In order to identify the strip plazas that would qualify as small business, staff considered the following definition. A strip plaza must: be located anywhere within the City; be categorized by the Municipal Property Assessment Corporations as one of the following Property Codes 425 Neighbourhood Shopping Centre with anchor, 429 Community Shopping Centre, or 430 Neighbourhood Shopping Centre without anchor; have two or more attached retail establishments and shared or common parking areas; have a Current Value Assessment of $10,000 or more and $7,000,000 or less; and have a site area of less than or equal to 25,000 square feet, and a gross floor area of less than or equal to 25,000 square feet.

Approximately 236 properties qualified for the small business subclass based on the above criteria, which represent about 28.5% of the total strip plaza counts.

The transition of those properties to the small business subclass will result in a shift of approximately $526 million in CVA from the commercial class to the small business tax subclass. The 15% reduction in tax rate on this CVA will require approximately $1.06 million in funding.

Including eligible strip plazas within the small business tax subclass will see represents a 0.06% tax rate increase for the rest of the commercial class and result in an annual $8.65 increase on a fully taxable commercial property with CVA of $1,000,000 in 2024.

Property Tax Ratio Policy for Business Tax Classes

In 2005, Council adopted a policy 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 small business target tax ratio of 2.5 was achieved in 2015 through graduated tax rates, according to the plan, and has further decreased since then.

In 2017, the Province announced a freeze of municipal tax burdens for the multi-residential property tax class, where the tax ratio is above 2.0 in a municipality. This freeze has subsequently been extended to apply for each following year, including 2022, and resulted in accelerated reduction of the multi-residential tax ratio, achieving City Council's target ratio of 2.5 in 2018. In 2023, the ratio also dropped below the Provincial threshold of 2.0 and since 2023 the multi-residential tax class is no longer subject to the legislated tax freeze restrictions. However, to mitigate financial impacts on multi-residential properties, this report recommends applying a tax rate increase of 37 percent of the residential rate rather than the full amount.

Since 2017, City Council has adopted a commercial class tax rate increase of one-half of the residential tax rate increase (vs one-third in previous years). These actions resulted in slowing down the City's tax ratio reduction plan for the commercial and industrial property classes. In 2023, the commercial ending ratio was 2.49 which achieved City Council's target ratio of 2.5 for the commercial tax class.

The industrial ending ratio in 2023 was 2.51 and in order to achieve Council's target ratio of 2.5 in 2024, this report recommends adopting an industrial ratio of 2.5 for 2024, which would have an impact of 0.01% increase for the rest of the tax classes.

Table 3 below shows the ratio reduction progress since 2014 and the only outstanding Council target ratio of 2.5 is achieved for the industrial tax class in 2024. The last column shows the Provincial threshold ratios, which define tax classes as restricted (allowing only half of the residential levy increase or freeze for multi-residential) when ratios are above the threshold.

Table 3: Tax Ratio Projections

<table>
<tr><th>Tax Class/ Subclass</th><th colspan="10">Actual</th><th>Proj.</th><th>Prov. Threshold</th></tr>
<tr><th>Year</th><th>2014</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th><th>2023</th><th>2024</th><th></th></tr>
<tr><td>Commercial</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>2.65</td><td>2.61</td><td>2.58</td><td>2.50</td><td>2.39</td><td>1.98</td></tr>
<tr><td>Industrial</td><td>2.83</td><td>2.76</td><td>2.71</td><td>2.62</td><td>2.59</td><td>2.51</td><td>2.51</td><td>2.50</td><td>2.63</td></tr>
<tr><td>Multi-Residential</td><td>2.66</td><td>2.46</td><td>2.28</td><td>2.10</td><td>2.05</td><td>1.96</td><td>1.90</td><td>1.80</td><td>2.00</td></tr>
<tr><td>Small Business</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>2.43</td><td>2.43</td><td>2.19</td><td>2.12</td><td>2.03</td><td></td></tr>
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Property Tax Assistance for Low-Income Seniors and People with Disabilities

The City provides both a Tax Increase Cancellation Program and a Tax Increase Deferral Program for low-income seniors and low-income persons with disabilities that meet certain eligibility criteria. Under the Tax Increase Cancellation program, eligible homeowners can have their annual tax increases cancelled. Under the Tax Increase Deferral program, eligible homeowners can have their tax increases deferred without interest, and only repayable once they are no longer the homeowner. Table 4 provides a summary of the eligibility criteria for these programs.

In March 2015, City Council adopted a motion enhancing the tax increase cancellation programs for seniors and people with disabilities 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.

In February 2017, City Council adopted the maximum 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. Since the 2024 taxation year is based on the assessment values of 2020, the maximum CVA threshold will remain at $975,000. There is no household CVA value threshold for the Deferral Program.

On February 15, 2023, City Council adopted a motion under item CC4.1 - Property Taxes, User Fees and Related Matters, which amended the income threshold for eligible persons for the tax increase deferral and cancelation programs to $55,000 for 2023. The same income threshold was adopted for the solid waste and water rebates programs.

In order to continue to have the same maximum household income threshold apply to all of the low income relief programs, including tax increase cancelation and deferral programs and water and solid waste rebate programs, staff are recommending that maximum household income threshold be adjusted annually to reflect the CPI annual change for all items for Toronto from the current income threshold of $55,000 for all of the above programs in 2024 and future years.

Applying the annual change of CPI of 3.84% for Toronto establishes the income threshold at $57,112 for all tax and utility relief programs for 2024.

Table 4: Property Tax Assistance for Low-Income Seniors and Low-Income Persons with Disabilities

	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 $57,112 or less.	Aged 65 years or older; or 60-64 years and receiving a Guaranteed Income Supplement (GIS) and/or Spousal Allowance Household income $57,112 or less Property CVA equal to or less than $975,000 for 2024.
Persons With Disabilities	No age requirement Receiving support from one or more specified disability programs Household income $57,112 or less.	No age requirement Receiving support from one or more specified disability programs Household income $57,112 or less Property CVA equal to or less than $975,000 for 2024.

In 2023, these programs benefitted over 8,600 households. Since the inception of these programs, the City has funded over $31.035 million from its operating budget for the Tax Increase Cancellation Program for the City portion of taxes (an additional $11.18 million in provincial education taxes were also cancelled), and deferred over $8.19 million in tax increases, of which the current receivable to the City is $3.104 million. There is no interest charged under the Deferral Program.

It should also be noted that low-income seniors and low-income people with disabilities who 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. Since April 1, 2019, eligible homeowners also receive the benefit of a higher rebate adjustment on the solid waste management component of their utility bill.

Extended Eligibility for Low Income Relief Program

At its meeting on March 9, 2022, City Council adopted member motion, "MM41.9 – Changing the Low Income Solid Waste Relief Program Eligibility Criteria to Include Low-Income Seniors and Persons with Disabilities that are Shareholders of Housing Co-Operatives", requesting staff to report to the Executive Committee on the feasibility and financial implications of amending the solid waste relief program eligibility to include eligible persons that receive a separate solid waste bill and that are shareholders of a housing co-operative corporation. City staff have been asked to expand on this motion to allow eligible shareholders living in a housing co-operative or co-ownership building to apply for the tax, water and solid waste relief programs.

Currently, the tax, water and solid waste relief program requires the applicant to be the assessed owner of the tax and utility accounts. Since the housing co-operative/co-ownership corporation is the assessed owner of these properties, individual shareholders are not eligible to apply for these programs under the current eligibility requirements. Should Council wish to amend the eligibility criteria for all relief rebate programs, the applicant would have to meet some of the current program requirements, such as age and income requirements, and demonstrate they occupy the unit as their principal residence and have been a shareholder of the housing co-operative/co-ownership building for at least one year. The application process will be the same as for the current low-income relief programs.

As property taxes and utilities are not billed to the individual unit, but rather to the entire co-operative or co-ownership corporation, staff are recommending a flat annual rebate amount of $250 for property taxes and water per qualifying residential unit, with an additional solid waste rebate of $163.76 for applicants who live in a property that receives garbage pick up from the City.

Based on recent property assessment data provided by the Municipal Property Assessment Corporation (MPAC), there are currently 20,195 units within 274 properties listed as housing co-operatives in the City of Toronto. The rebate amounts for tax and water were determined using property tax and utility data from the housing co-operatives based on the average per unit property tax increase from 2022 to 2023 and the average historical water consumption per unit applied against the 2023 water rebate of $1.316 per cubic meter. These amounts are $50 and $200 for property tax and water respectively. The solid waste rebate is the equivalent 2023 rebate for a medium bin.

Using the residential tax base in the City and the number of applications approved for the 2022 property tax increase cancellation program, staff estimate approximately 1% of the

20,195 shareholders or 202 applications will be received for the relief programs. The financial impact among all programs would be $83,580 which has been factored into the 2024 budget. The financial impact by program is shown in the table below.

Table 5: Financial Impact of Relief Programs for Housing Co-operatives

Program	Financial Impact ($)
Property Tax Rebate	$10,100
Water Rebate	$40,400
Solid Waste Rebate	$33,080
Total	$83,580

Funding Rebates for Registered Charities

Provincial legislation requires that the City must adopt a tax rebate program for charities located in properties in the commercial or industrial property classes. The tax rebate must be not less than 40%. The 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 2024, the estimated charity rebates' funding requirements is based on 1,054 applications received in 2022. For commercial charity rebates, the funding requirement for 2024 is $6.565 million, offset by a surplus of $1.043 million in 2022, for a net requirement of $5.522 million. For industrial charity rebates, the funding requirement for 2024 is $0.086 million, which is offset by a surplus of $0.068 million in 2022, for a net requirement of $0.018 million.

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 (Item EX22.1). On December 17, 2019 City Council adopted a further increase to the City Building Levy of an additional 1 percent in both 2020 and 2021, followed by an additional 1.5 percent annually from 2022-2025, inclusively (Item EX11.26).

During the 2023 budget process, City Council endorsed an extension of the 1.5% annual increase to the City Building Fund levy to 2035 to continue to support investments in transit and housing. The incremental increase of 1.5% to the City Building Fund levy will raise an additional $62 million, resulting in total expected revenue of $314 million in 2024.

Graduated Residential and MLTT Rates for high value properties and non-primary residences

As part of the Updated Long-Term Financial Plan (EX7.1), on September 6, 2023, City Council directed the Chief Financial Officer and Treasurer to report back on an approach to graduated municipal property tax rates for high value residential properties, estimated incremental revenue, and provincial authorities that would be required for implementation. In addition, Council requested a report back on an approach to graduated municipal property tax rates and higher municipal land transfer tax (MLTT) rates for properties that are not the owner's primary residence, with appropriate exceptions such as property purchased for a direct family member.

Under current provincial legislation, the City of Toronto does not have authority to apply graduated residential property tax rates, including for high-value residential properties or for properties that are not the owner's primary residence. In order for the City to implement graduated rates for residential properties the Province of Ontario would need to make legislative and regulatory amendments to the *City of Toronto Act*.

Preliminary analysis of applying graduated residential property tax rates to high-value residential properties with an assessed value of over $3 million indicates there is potential annual incremental revenue of $30 to $50 million. This assumes graduated rates of up to 15% to 50% over current residential property tax rates, based on a series of property value ranges. It should be noted that the new legislation would also need to allow additional revenue to be collected by the City. The City's starting maximum property tax levy amount, prior to budgetary levy increase, is restricted by the allowable revenue limit, which doesn't allow for additional revenue from graduated rates. In addition, applying residential graduated tax rates higher than the current residential rate will result in shifting the tax levy burden onto the residential tax class from the non-residential tax classes, which will have an impact on the tax ratios within those classes.

With regards to applying graduated residential rates on properties that are not primary residences, while the City doesn't have legislative authority to implement higher tax rates for non-primary residences, staff are working with MPAC on validating the information on property ownership. Initial estimates demonstrate that a graduated tax or MLTT rate on properties that are not the principal residence of the property owner would apply to a very small number of property owners, and even smaller number of actual transactions in a year and would likely not yield significant revenues that would warrant implementing such measures.

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