

From: [Celeste Wright](#)
To: [councilmeeting](#)
Cc: [Michael Brooks](#); [Gayle Nathanson](#); [Amy Harrell](#)
Subject: [External Sender] Submission re: Agenda Item EC 16.2 - Sidewalks to Skylines: An Action Plan for Toronto's Economy (2025-2035)
Date: November 12, 2024 11:21:47 AM
Attachments: [image002.png](#)
[image003.png](#)
[image004.png](#)
[Sidewalks to Skylines Report and Commercial Rent Control.pdf](#)

Good morning,

Please find attached a letter on behalf of REALPAC, NAIOP GTA and the Toronto Financial District BIA for the November 13, 2024 City Council meeting regarding [Item EC 16.2 - Sidewalks to Skylines: An Action Plan for Toronto's Economy \(2025-2035\) \(Ward All\)](#).

If you have any questions or would like to discuss further, we would be pleased to arrange a meeting.

Thank you,

Celeste Wright
Manager, Government Relations & Policy



t [416.642.2700](tel:416.642.2700) x230 **m** [647.668.2071](tel:647.668.2071) **e** cwright@realpac.ca **/** [LinkedIn](#) **w** realpac.ca [Disclaimer](#)



77 King St W, TD North Tower, Suite 4030, PO Box 147, Toronto ON, M5K 1H1 Canada

November 12, 2024

Mayor Olivia Chow and Council Members
100 Queen St W, 2nd Floor
Toronto, ON M5H 2N2
By email: councilmeeting@toronto.ca

Dear Mayor Chow and Members of Toronto City Council:

RE: Agenda Item EC 16.2 - 'Sidewalks to Skylines: An Action Plan for Toronto's Economy and Recommendation for Implementation of Commercial Rent Control

We are writing to you in response to the recently released 10-year Action Plan for Toronto's Economy "Sidewalks to Skylines", specifically regarding the recommendation for the provincial government to implement commercial rent control for small businesses by 2030.

While we commend the City for their efforts to support small business and preserve the character of these communities, rent controls while well intentioned, have significant unintended consequences, harming not only the businesses they are trying to support but communities and consumers as well. As we mentioned in a separate recent letter, the report does not address additional taxation measures currently being considered by the City like the commercial parking levy or a stormwater charge, which would affect these same small businesses. The cumulative effects of all of these policies must be considered collectively.

A [recent paper](#) by the Institute of Economic Affairs provides a global overview of the negative consequences of rent control policies, reviewing 196 studies over 60 years, across almost 100 countries. The paper finds that rent controls result in higher rents for all exempt from the controls, negative impacts on supply and new construction, reduced quality and maintenance and reduced tenant mobility.

The recommendation in Action 12 was included in the report without industry consultation and the opportunity to hear about real implications. Commercial rent control would create a preference for owners to lease to larger, established or chain businesses, stifling growth, deterring investment and reducing the quality of available commercial spaces. This will ultimately negatively affect these small businesses.

Key Concerns with Commercial Rent Control

1. **Preference for owners to lease to larger, long-standing or chain businesses** over small or new businesses who have caps on what they can offer in rent. Larger businesses would gain an unfair advantage, limiting competition and reducing the diversity of businesses in Toronto's commercial landscape.
2. **Lack of turnover:** rent control is associated with reduced supply and turnover, limiting the availability of spaces for new enterprises. By decreasing the natural cycle of businesses moving in and out, rent control can prevent innovation as fewer opportunities arise for businesses to enter and enrich neighbourhoods. For small business entrepreneurs, this

lack of turnover can make it challenging to find affordable, well-located commercial spaces, reducing the vibrancy of commercial districts.

3. **Reduced incentive for property maintenance and improvement:** building owners may lack the resources or motivation to maintain buildings to competitive standards if their income potential is restricted, leading to lower-quality commercial spaces.
4. **Lower property standards:** over time, this can result in outdated infrastructure and facilities as we have seen in the residential sector, making commercial areas less attractive to businesses and consumers.
5. **Discouraged Development:** Potential investors and developers might be reluctant to build new commercial properties where profits are capped, limiting the potential for future commercial property growth.
6. **Conversion to Alternative Uses:** Landlords may convert commercial spaces to residential or other uses not subject to rent control, further decreasing the availability of commercial properties.
7. **Tax Revenue Implications:** From a municipal perspective, at a time when the City's budget is already overstretched, less property tax revenue may be collected based on lower assessed property values, further impacting public services that benefit the small business community and their customers.
8. **Significant legal and administrative challenges:** the administrative and legal challenges of implementing and enforcing commercial rent control would be significant. Rent control policies require significant resources to establish compliance frameworks and handle potential disputes. There is also a risk that owners may find other ways to recover costs by imposing fees for services on amenities, undermining the policy's intent. As a result, there would be increased burden on the legal systems, potentially creating conflicts between landlords and tenants that further diminish the intended benefits for small businesses.
9. **Commercial rent control risks sustaining unviable business models and inefficient operators, often to the detriment of building owners,** who are frequently small businesses themselves. This policy effectively selects business 'winners' based solely on the terms of existing leases.

As you note in the report, supporting small business is essential to maintaining community character that makes the city dynamic and inclusive. Toronto's small businesses are the lifeblood of our communities and neighborhoods, providing unique services, employment opportunities, and cultural diversity that make our city vibrant.

While we recognize the concerns of the city and advocates on behalf of small businesses, it is imperative that the industry be engaged to get an understanding of the impacts of measures like commercial rent control which have the opposite effect they intend to. Commercial rent control is not a practice that has been adopted in our country for the reasons outlined above, and it is vital that we preserve Toronto's unique commercial landscape and maintain the city's diverse businesses and economic resiliency.

We urge City Council to reconsider this recommendation in the implementation of the Economic Action Plan to ensure a healthy, sustainable future for Toronto's business community and their customers.

We would be pleased to discuss further at any time.

Sincerely,

NAIOP GTA

REALPAC

Toronto Financial District BIA