

Budget Implementation Including Property Tax Rates, User Fees and Related Matters

Date: February 4, 2025

To: City Council

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

The purpose of this report is to recommend the additional approvals required to give effect to the 2025 Budget and includes the following matters:

2025 Property Tax Rates and Related Matters: City Council must enact a by-law to levy property tax rates that generate the tax revenue set out in the City's budget. This report recommends the 2025 municipal tax rates, reflected in the 2025 Mayor's Proposed Budget.

For 2025, an average budgetary tax rate increase of 4.37 percent is proposed, as detailed in Table 1. This includes a 5.40 percent increase for residential and industrial properties and a 2.70 percent increase for multi-residential and commercial properties. Additionally, this report recommends an incremental tax rate increase for the City Building Fund Levy to support critical capital investments in transit and housing. This includes a 1.50 percent increase for residential and industrial properties, and a 0.75 percent increase for multi-residential and commercial properties.

Table 1: 2025 Recommended Municipal Property Tax Rate Increases

Property Class	2025 Tax Rate Increase for Operating Budget	2025 Tax Rate Increase for City Building Fund	2025 Total Municipal Tax Rate Increase
Residential, New Multi-Residential, Farmland, Managed Forest, Pipelines	5.40%	1.50%	6.90%
Multi-Residential	2.70%	0.75%	3.45%
Commercial	2.70%	0.75%	3.45%
Industrial	5.40%	1.50%	6.90%
Total Tax Rate Increase	4.37%	1.21%	5.58%

This report further recommends:

- annual adjustments to the income threshold for the City's property tax, solid waste and water relief programs;
- creating a new Co-operative Housing Grant Program for eligible low-income seniors or persons with disabilities who are members of, and who reside in, non-profit housing co-operatives;
- extending application deadlines for tax relief programs; and
- applying interest and penalties for the Municipal Accommodation Tax and the Municipal Land Transfer Tax programs in the same manner as property taxes.

2025 User Fees: User fees are reviewed and adjusted through the budget process, including the final rates and service fees for Rate Supported Programs (Solid Waste Management Services and Toronto Water). The 2025 Mayor's Proposed Budget outlines estimated revenues from user fees, subject to City Council approval as required by the *City of Toronto Act*, 2006. This report seeks Council approval for user fee changes and the introduction of new fees.

Provincial Gas Tax and Canada Community Building Fund: In accordance with the directive to report annually to City Council through the capital budget process, this report provides an overview of the Provincial Gas Tax (PGT) and Canada Community Building Fund (CCBF) programs, which are vital to supporting Toronto's public transit and infrastructure investments. These programs, as outlined in the 2025-2034 Capital Budget and Plan, have enabled the City to fund key projects aimed at maintaining and expanding its transit network. Details of the planned eligible projects funded under these programs are included in Appendix B.

Other Items Requiring Council Direction: This report also makes recommendations with respect to matters related to the 2025 Budget that do not fall under the strong mayor powers:

- Requests for Program specific report backs and interdivisional collaboration
- Establishment of a new reserve fund
- Request for an amendment to the *Development Charges Act* to authorize the City of Toronto to prevent or change annual indexing requirements, to aid in incentivizing housing development
- Technical changes to the Toronto Municipal Code to reflect governance changes and responsibilities of the City's Deputy Treasurers
- Amendment of Municipal Code Chapter 743, Streets and Sidewalks, Use of to support the implementation of Road Disruption Activity Reporting System (RoDARS)

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

2025 PROPERTY TAX RATES AND RELATED MATTERS

1. City Council adopt the 2025 tax ratios shown in Column II for each of the property classes set out below in Column I:

Column I	Column II (to be adopted)
Property Class	2025 Recommended Tax Ratios
Residential	1.000000
Multi-Residential	1.795301
New Multi-Residential	1.000000
Commercial	2.390584
Industrial	2.500000
Pipeline	1.923425
Farmlands	0.250000
Managed Forests	0.250000

2. City Council elect to raise the tax rates as follows

(a) On the restricted property classes:

(i) On the Commercial Property Classes, by one-half of the percentage tax rate increase on the residential (and new multi-residential, pipelines, farmlands, and managed forests) property class.

(b) On the unrestricted property classes:

(i) On the Multi-Residential Property Classes, by one-half of the percentage tax rate increase on the residential (and new multi-residential, pipelines, farmlands, and managed forests) property class,

(ii) On the Industrial Property Classes, by the full tax rate increase on the residential (and new multi-residential, pipelines, farmlands, and managed forests) property class.

3. City Council adopt the following tax rates, subject to the 2025 Mayor's Proposed Budget being adopted as the City's 2025 Budget, and in the event City Council amends the 2025 Mayor's Proposed Budget so as to impact the following tax rates and such amendments are not subsequently vetoed by the Mayor, City Council direct the Chief

Financial Officer and Treasurer to report to City Council with any necessary adjustments to the tax rates to reflect the final budget amendments for Council's consideration:

(a) The tax rates set out below in Column IV, which will raise a general local municipal tax levy for 2025 of \$5,993,404,774, inclusive of a 5.4 percent residential, new multi-residential, industrial, pipeline, farmlands and managed forest tax rate increase, and a 2.7 percent commercial and multi-residential tax rate increase.

(b) The additional tax rates set out below in Column V, which will raise an additional special general tax levy of \$69,660,969 dedicated for priority transit and housing capital projects (the "City's Building Fund levy"), in accordance with Council adopted Recommendations of [Item EX11.26](#) (December 17, 2019).

Column I	Column II	Column III	Column IV	Column V	Column VI
Property Class	2025 Tax Rate for General Local Municipal Levy	2025 Additional Tax Rate to Fund Budgetary Levy Increase	2025 Municipal Tax Rate (excluding Charity rebates) (Column II+III)	2025 Additional Tax Rate for City Building Fund	2025 Municipal Tax Rate Inclusive of City Building Fund Rate (excluding Charity rebates) (Column IV+V)
Residential	0.562289%	0.030364%	0.592653%	0.008434%	0.601087%
Multi-Residential	1.009478%	0.027256%	1.036734%	0.007571%	1.044305%
New Multi-Residential	0.562289%	0.030364%	0.592653%	0.008434%	0.601087%
Commercial	1.344199%	0.036293%	1.380492%	0.010081%	1.390573%
Industrial	1.405723%	0.075909%	1.481632%	0.021086%	1.502718%
Pipelines	1.081521%	0.058402%	1.139923%	0.016223%	1.156146%
Farmlands	0.140572%	0.007591%	0.148163%	0.002109%	0.150272%
Managed Forests	0.140572%	0.007591%	0.148163%	0.002109%	0.150272%

4. City Council elect to have the subclasses set out in Column II for each of the property classes set out in Column I apply for the 2025 taxation year, and to apply the respective tax rate reductions set out in Column III below.

Column I	Column II	Column III
Property Class	Tax Subclass	Applicable Tax Rate Reduction
Commercial	Creative Facilities Enterprise subclass	50% of Commercial rate
	(Creative Co-location Facilities Subclass)	
	Small Business subclass	15% of Commercial rate
	Excess Land	30% of Commercial rate
	Vacant Land	30% of Commercial rate
	Farmland Awaiting Development (First subclass)	60% of Residential/Farm rate
	Farmland Awaiting Development (Second subclass)	30% of Commercial rate
Industrial	Creative Facilities Enterprise subclass	50% of Industrial rate
	(Creative Co-location Facilities Subclass)	
	Excess Land	35% of Industrial rate
	Vacant Land	35% of Industrial rate
	Farmland Awaiting Development (First subclass)	60% of Residential/Farm rate
	Farmland Awaiting Development (Second subclass)	35% of Industrial rate
Residential	Farmland Awaiting Development (First subclass)	60% of Residential/Farm rate
	Farmland Awaiting Development (Second subclass)	0% of Residential/Farm rate
Multi-residential	Farmland Awaiting Development (First subclass)	60% of Residential/Farm rate
	Farmland Awaiting Development (Second subclass)	0% of Residential/Farm rate
New Multi-residential	New Multi-Residential Property (Municipal Reduction) Tax subclass	15% of Residential/New Multi-Residential rate

5. City Council authorize a rate reduction of 15 percent for the New Multi-Residential Property (Municipal Reduction) Tax Subclass of the municipal portion of the existing New Multi-Residential Property Class rate.

6. City Council request the Province of Ontario to provide an equivalent 15 percent property tax rate reduction for the New Multi-Residential Property (Municipal Reduction) Tax Subclass on the education property tax rate for eligible properties.

7. City Council adopt the following property tax capping polices for the 2025 taxation year:

- (a) limit tax increases for the commercial, industrial, and multi-residential property classes by capping taxes at 10 percent of the preceding year's annualized taxes, by opting to have subsection 292(1), paragraph 1, of the *City of Toronto Act*, 2006, apply for the 2025 taxation year;

(b) continue to provide that the 10 percent cap on tax increases apply to any property within the commercial, industrial and multi-residential classes, regardless of whether the property had reached full Current Value Assessment taxation levels in a prior year, subject to the threshold adopted in Part c. below.

(c) for the purposes of subsection 292(1), paragraphs 3 and 4 of the *City of Toronto Act*, 2006, adopt a threshold limit of \$500 to determine the taxes for municipal and school purposes, such that properties that are within \$500 (plus or minus) of their full Current Value Assessment level of taxation in the current year are taxed at full Current Value Assessment taxation levels for the year, and are therefore excluded from capping/claw-back provisions for that year.

8. City Council determine that:

(a) The instalment dates for the 2025 final tax bills be set as follows:

(i) The regular instalment dates be July 2, August 1, and September 2 of 2025.

(ii) For taxpayers who are enrolled in the monthly pre-authorized property tax payment program, the instalment dates be July 15, August 15, September 15, October 15, November 17 and December 15 of 2025.

(iii) For taxpayers who are enrolled in the two-installment program, the final instalment date be July 2, 2025.

(b) The collection of taxes for 2025, other than those levied under the interim levy [By-law 1238-2024](#), be authorized.

PROPERTY TAX, WATER AND SOLID WASTE RELIEF PROGRAMS

9. Effective January 1, 2025, City Council amend the eligibility criteria for the solid waste single family residential low-income relief program and the water rebate for low-income seniors and low-income disabled persons, and amend, as may be required to give effect to Council's decision, City of Toronto Municipal Code Chapter 844, Waste Collection, Residential Properties, and Chapter 849, Water and Sewage Services and Utility Bill, and any other necessary Municipal Code Chapters, to increase the maximum household income for an eligible person to \$60,000, and for each calendar year after 2025, effective January 1 of the year, to annually adjust the maximum household income for an eligible person in accordance with the Statistics Canada, All-Items Consumer Price Index by City, Annual Change – Toronto.

10. Effective January 1, 2025, City Council amend the deadline to receive applications for the Tax Deferral and Tax Cancellation programs, the solid waste single family residential low-income relief program and the water rebate for low-income seniors and low-income disabled persons from August 31 to October 31 of the year for which the application is made, and amend, as may be required to give effect to Council's decision,

City of Toronto Municipal Code Chapter 767, Taxation, Property Tax, Chapter 844, Waste Collection, Residential Properties, and Chapter 849, Water and Sewage Services and Utility Bill.

11. Retroactive to January 1, 2024, City Council create a new Co-Operative Housing Grant Program, comprised of 3 new grants, for low income seniors and person with disabilities who are members of, and who reside in, a non-profit housing co-operative (as defined in the Co-operative Corporations Act) in accordance with the eligibility criteria and terms and conditions set out in Appendix E to this report, and delegate authority to the Director, Revenue Services to administer the Grant Program, and amend, as may be required to give effect to Council's decision, City of Toronto Municipal Code Chapters 767, Taxation, Property Tax, Chapter 844, Waste Collection, Residential Properties, and Chapter 849, Water and Sewage Services and Utility Bill.

12. City Council authorize the Co-operative Housing Grant Program be funded as follows:

- (a) the Co-operative Housing Property Tax Grant Program be funded from the Non-Program Tax Deficiency Account.
- (b) the Co-operative Housing Water Grant Program be funded by Toronto Water; and
- (c) the Co-operative Housing Solid Waste Grant Program be funded by Solid Waste Management Services.

13. City Council delegate authority to the Deputy Treasurer, in the Deputy Treasurer's discretion, to accept a late application for the Tax Deferral and Tax Cancellation programs, the solid waste single family residential low-income relief program and the water rebate for low-income seniors and low income disabled persons, received after October 31, but before December 31, of the year for which the rebate is sought, and amend, as may be required to give effect to Council's decision, City of Toronto Municipal Code Chapter 767, Taxation, Property Tax, Chapter 844, Waste Collection, Residential Properties, and Chapter 849, Water and Sewage Services and Utility Bill.

14. City Council direct that the 2025 interim water rebate for eligible low-income seniors and low-income disabled persons set at a rate of \$1.4062 per cubic metre, representing a 30 percent reduction from the Block 1 rate (paid on or before the due date), adopted by Council in [Item EX19.9](#) at its meeting on December 17 and 18, 2024 is the final water rebate for 2025.

15. City Council determine that the 2025 Non-Program Tax Account for Rebates to Charities in the Commercial and Industrial Property Classes be set in the amount of \$6,257,842 to fund the mandatory 2025 property tax rebates to registered charities in the commercial and industrial property classes, which provision is to be funded, for a net impact on the 2025 operating budget of zero, by the following:

- (a) An additional tax rate of 0.004905 percent be levied as part of the general local municipal levy on the commercial class to raise a further additional local

municipal tax levy of \$6,129,555 to fund the total estimated rebates to registered charities for properties in the commercial class in 2025.

- (b) An additional tax rate of 0.001585 percent be levied as part of the general local municipal levy on the industrial class to raise a further additional local municipal tax levy of \$128,287 to fund the total estimated rebates to registered charities for properties in the industrial class in 2025.

USER FEES

16. City Council approve the 2025 fees and charges in Appendix 3 of the 2025 Mayor's Proposed Budget, and amend City of Toronto Municipal Code Chapter 441, Fees and Charges, and any other necessary Municipal Code Chapter accordingly.

17. City Council direct that the water and wastewater consumption rates for metered and flat rate consumers and water and wastewater services fees in the amounts set out in Appendix 5 to the Mayor's Proposed Budget, which is consistent with the 2025 interim water and wastewater consumption rates for metered and flat rate consumers and water and wastewater services fees adopted by Council in [Item EX19.9](#) at its meeting on December 17 and 18, 2024, are the final rates and fees for 2025.

18. City Council direct that the solid waste management service rates and fees in the amounts set out in Appendix 5 to the Mayor's Proposed Budget, which is consistent with the 2025 interim rates adopted by Council in [Item EX19.10](#) at its meeting on December 17 and 18, 2024, are the final rates and fees for 2025.

19. City Council delegate authority to the Chief Financial Officer and Treasurer to approve automatic annual inflationary adjustments to the fees and charges set out in Table 1 of Appendix A in this report, effective January 1 of each year, commencing in January of 2026, and amend City of Toronto Municipal Code Chapter 441, Fees and Charges accordingly.

OTHER

20. City Council authorize that interest be calculated on a monthly basis at a rate of 1.25 percent (15 percent per annum) on the first day of default of any Municipal Accommodation Tax amount or its remittance and every month thereafter where the tax or its remittance remains unpaid, and amend the Municipal Code Chapter 758, Taxation, Municipal Accommodation Tax by removing "to and including the date on which such tax is paid or remitted in full" from the interest calculation accordingly.

21. City Council authorize that interest be calculated on a monthly basis at a rate of 1.25 percent (15 percent per annum) on the first day of default of any Municipal Land Transfer Tax amount or its remittance and every month thereafter where the tax or its remittance remains unpaid, and amend the Municipal Code Chapter 760, Taxation, Municipal Land Transfer Tax by removing "to and including the date on which such tax is paid or remitted in full" from the interest calculation accordingly.

22. City Council approve the establishment of a discretionary reserve fund called the MLTT (Municipal Land Transfer Tax) Stabilization Reserve Fund in City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds, Appendix B, Schedule 7 – Corporate Discretionary Reserve Funds, for the purpose of ensuring stable, sustainable revenue for the City by mitigating fluctuations in MLTT revenue during economic downturns or real estate slowdowns, and supporting uninterrupted city operations and services, with criteria set out in Appendix D of this report.

23. City Council direct that the City Manager establish the cost-of-living adjustment rate for non-union and management employees following the ratification of the collective bargaining agreements for CUPE Local 416 and CUPE Local 79, that takes into consideration the recently approved collective agreements with the City's unions; the previous year's average increase to Toronto's consumer price index (CPI); and the overall economic environment.

24. City Council request the Province of Ontario to amend the Development Charges Act to authorize municipalities to adjust or remove annual indexing provisions without an amendment to the development charge by-law with the objective of incentivizing housing development.

25. City Council request the Chief and General Manager, Toronto Paramedic Services to provide a multi-year staffing plan by June 2025 after completing a detailed staffing analysis for consideration through annual budget processes to add staff resources over the next five years to respond to:

- (a) hospital/health care system pressures,
- (b) rising emergency call demand, and
- (c) increasing response times to critical patients.

26. City Council authorize the General Manager, Toronto Water, in consultation with the Chief Financial Officer and Treasurer, to accelerate the cash flows included in Toronto Water's 2025- 2034 Capital Budget and Plan as operationally required to enable implementation of the 2025 Mayor's Proposed Budget, consistent with direction communicated in the 2025 Mayor's Proposed Budget.

27. City Council amend City of Toronto Municipal Code Chapter 743, Streets and Sidewalks, Use Of, to include a definition of Road Disruption Activity Reporting System (RoDARS) and a new definition of RoDARS Approval, to create a new Article III.1, RoDARS, and to amend Sections 743-1, 743-7B, 743-18, 743-34 and 743-49A, such amendments to be effective April 1, 2025, generally as set out in Appendix D to the report from the Chief Financial Officer and Treasurer.

28. City Council authorize amendments to the Municipal Code to enable the City's Deputy Treasurers to perform the duties and responsibilities previously performed solely by the City's Controller to reflect organizational and governance changes.

FINANCIAL IMPACT

2025 Property Tax Rates and Related Matters

The tax ratios and rates recommended in this report reflect tax policy decisions previously adopted by City Council as permitted and/or mandated by recent Provincial regulatory changes, including:

- one-half of the tax rate increase on the Residential property class to be applied to the Commercial and Multi-residential property classes;
- the full tax rate increase on the Residential property class to be applied to the Industrial property class; and
- a 15 percent tax rate reduction to be applied to the New Multi-Residential Property (Municipal Reduction) Tax subclass

Municipal Tax Levy

The recommended total municipal tax levy for 2025 is summarized in Table 2:

Table 2: 2025 Municipal Tax Levy

Property Tax Levy	(\$ millions)
2024 Levy	5,658.7
2024 Assessment Growth	83.9
2025 General Levy	5,742.6
2025 Budgetary Levy Increase	250.8
2025 Municipal Levy before City Building Fund	5,993.4
2025 City Building Fund Increase	69.7
2025 Total Municipal Tax Levy	6,063.1

As per the above table, the City will generate \$6.063 billion in municipal property tax funding, including an incremental \$250.8 million associated with the 5.4 percent increase for the budgetary levy and an incremental \$69.7 million reflective of a 1.5 percent increase for the City Building Fund levy.

Impact of Budgetary Levy and City Building Fund Levy Increases

The average residential property value for tax assessment purposes for 2025 is \$692,031. A summary of the 2025 tax impacts on the average residential property, with the above noted adjustments and budgetary tax increases is outlined in Table 3.

Table 3: Impact of Budgetary Levy and City Building Fund Levy Increases in 2025

Impact on Average Residential Household		
	\$	%
2025 Starting Municipal Tax	\$3,892	n/a
Budgetary Levy Increase	\$210	5.40%
City Building Fund Levy Increase	\$58	1.50%
2025 Municipal Tax	\$4,160	6.90%

As per the above table, the average home will receive a municipal property tax bill of \$4,160 for 2025. This excludes provincial education property taxes.

The average 2025 impact of the budgetary levy and city building fund levy increases on the various property classes is outlined in the following table:

Property Class	Budgetary Levy Increase	City Building Fund Levy Increase	2025 Total Municipal Tax Rate Increase
Residential	5.40%	1.50%	6.90%
Multi-Residential	2.70%	0.75%	3.45%
Commercial	2.70%	0.75%	3.45%
Industrial	5.40%	1.50%	6.90%
City Average	4.37%	1.21%	5.58%

New Multi-Residential Property (Municipal Reduction) Tax

In November 2024, City Council adopted a New Multi-Residential Property (Municipal Reduction) Tax subclass to incentivize new purpose-built rental housing. The recommended 15 percent reduction for the subclass is estimated to result in about \$1.01 million in foregone assessment growth in 2025 and will provide property owners with a discount over the residential property tax rate. The actual financial impacts will be determined as new buildings are developed and added to the assessment roll.

2025 User Fees

Adjustments Requiring City Council Approval

In accordance with the City User Fee Policy, Council approval is required for user fee revenue set out in the 2025 Mayor's Proposed Budget, including fee adjustments above inflation, new fees, discontinuations, rationalizations, transfers, and technical adjustments. The proposed changes to user fee adjustments, excluding automatic

inflationary user fees, will generate \$18.56 million in total incremental revenue, including \$0.70 million in new fees. Revenue impacts from the proposed changes are reflected in the Budget Notes for each Program and Agency.

Automatic Adjustments: User Fee Inflationary Increases

Annual inflationary increases are applied under delegated authority, generating an additional \$14.94 million in the 2025 Budget. The Chief Financial Officer and Treasurer has been delegated authority to apply these increases effective January 1 of each year. It is recommended that authority be delegated to apply inflationary adjustments to new fees in 2026, as outlined in Appendix 4 of the 2025 Mayor's Proposed Budget.

Water, Wastewater and Solid Waste Fees

Proposed increases in water, wastewater, and solid waste fees were initially adopted by City Council as part of the 2025 interim rates and service fees ([Item EX19.9](#) and [Item EX19.10](#)), with final approval requested in this report. These fee adjustments are aligned with financial modeling and the 2025-2034 Capital Budget and Plan.

- A 3.75 percent increase in solid waste management and water and wastewater rates are expected to generate \$13.5 million and \$53.35 million in additional revenue for Solid Waste Management Services and Toronto Water respectively to support operational and capital program needs.
- Inflationary increases to water and wastewater service fees for services provided by Toronto Water and Revenue Services are projected to generate an additional \$2.3 million.

Provincial Gas Tax and Canada Community Building Fund in the City's 2025-2034 Capital Budget and Plan

Provincial Gas Tax (PGT):

Introduced in 2004, the PGT permanently allocates two cents per litre of provincial gas tax revenues to municipalities to expand and improve public transit systems. Annual allocations are determined by a provincial formula based on transit ridership (70 percent) and population (30 percent), ensuring funding is responsive to transit demand and population growth.

Since 2005, Toronto has received over \$3.2 billion in PGT funding, with the 2023-24 allocation confirmed at \$178.2 million. The 2025-2034 Capital Budget and Plan includes approximately \$866 million in PGT-funded investments, supporting essential transit projects. Specific details are provided in Appendix B, Table 1.

Canada Community Building Fund (CCBF)

Initially established in 2005 and formerly known as the Federal Gas Tax Fund, the CCBF allocates over \$2 billion annually to Canadian municipalities, distributed on a per

capita basis. Since its inception, Toronto has received \$2.8 billion, primarily directed toward the Toronto Transit Commission to support transit system investments.

In 2024, Toronto received \$176.6 million from the CCBF. Over the next decade, the City projects \$1.9 billion in CCBF funding to support projects such as fleet replacement and state of good repair initiatives, ensuring the ongoing functionality of Toronto's transit network. Full details of planned projects can be found in Appendix B, Table 2.

DECISION HISTORY

2025 Property Tax Rates and Related Matters:

Each year, Council must pass a by-law for the purposes of raising the general local municipal levy in an amount Council decides to raise in its budget for that year. The by-law shall establish the tax ratios for that year for the City and shall specify a separate tax rate on the assessment in each property class in the City rateable for municipal purposes, determined in accordance with legislation and regulations.

The "2024 Property Tax Rates and Related Matters" report with the adopted motions can be viewed at [Item CC15.1](#).

On December 17, 2019, City Council adopted an increase for the City Building Fund Levy by adding 1 percent in 2020 and 2021 to the existing 0.5 percent increment, and an additional 1.5 percent annually from 2022-2025, inclusively ([Item EX11.26](#)). Further, at its meeting on February 15, 2023, City Council expressed its support for a 1.5 percent annual increase for the City Building Fund Levy for priority transit and housing projects through to 2023 and requested the Mayor to include such revenue in their future proposed annual budgets ([Item CC4.1](#)).

On November 9, 2021, City Council adopted a small business tax subclass for the commercial property tax class, approved the subclass eligibility criteria, the process to approve the inclusion of properties in the subclass, as well as a tax rate reduction for the subclass of 15 percent of the commercial property tax rate ([Item EX27.7](#)).

On November 13, 2024, City Council adopted the New Multi-Residential Property (Municipal Reduction) Tax subclass (the "Subclass"), approved the Subclass eligibility criteria and amended City of Toronto Municipal Code Chapter 767, Taxation, Property Tax, to add the Subclass ([Item EX18.2](#))

2025 User Fees:

City Council reviews and approves user fee adjustments as part of the annual budget process. Under the *City of Toronto Act*, 2006, Council must approve the implementation of user fees, including new fees or changes to existing fees, to ensure the City raises the necessary revenue for its operations. Exceptions include automatic annual inflationary adjustments, which have previously been approved through delegated authority and take effect on January 1 of each year.

On April 12, 2011, City Council adopted the User Fee Policy ([Item EX10.2](#)), establishing a consistent and transparent framework for setting and managing user fees. This policy mandates that fees should recover the full cost of services, except where this conflicts with City policy objectives or legislation ([User Fee Policy](#)).

On December 17 and 18, 2024, City Council adopted 2025 interim rates and service fees for water and wastewater consumption ([Item EX19.9](#)) solid waste management services ([Item EX19.10](#)), both effective January 1, 2025. These interim fees remain in effect until amended or repealed by City Council.

Provincial Gas Tax and Canada Community Building Fund in the City's 2025-2034 Capital Budget and Plan:

On January 29 and 30, 2014, City Council adopted recommendations in the report (January 16, 2014) from the City Manager on Federal Gas Tax Fund Renewal ([Item EX37.1](#)) directing staff to report annually to City Council through the capital budget process on planned eligible projects funded by the Provincial Gas Tax and Canada Community Building Fund.

Other Items Requiring Council Direction:

At its meeting of March 20, 2024, City Council requested that the General Manager, Transportation Services, to strategize road occupancy congestion management recovery fee that would be implemented in the Transportation Services 2025 budget proposal ([Item IE11.1](#)).

At its meeting on October 9 and 10, 2024, City Council directed Transportation Services to establish a new Road Disruption Activity Reporting System (RoDARS) ([Item IE16.4](#)) fee for temporary street occupation permit applicants, as soon as possible after the General Manager, Transportation Services has confirmed that implementation of the new Road Disruption Activity Reporting System has been completed and that all other necessary steps associated with creating and adding a new Road Disruption Activity Reporting System fee have been completed.

COMMENTS

2025 Property Tax Rates and Related Matters:

Council will consider the 2025 Mayor's Proposed Budget and Tax Levy at a Special Meeting on February 11, 2025. In accordance with the *City of Toronto Act*, 2006, Council is required to approve the tax rates to generate the approved tax revenue by enacting a municipal tax levy by-law.

This report recommends on a preliminary basis the City's 2025 Tax Ratios, Tax Rates and Levy for municipal purposes, concurrent with the 2025 Mayor's Proposed Budget on January 30, 2025. If Council amends the 2025 Mayor's Proposed Budget affecting

property taxes revenue, the tax rates recommended in this report will have to be adjusted accordingly.

Council must also make tax policy decisions, including setting tax ratios per statutory requirements. The Province restricts levy increases for tax classes exceeding certain thresholds. The tax ratios and tax rates recommended in this report include a full increase for all classes, except for the commercial and multi-residential classes. The commercial tax class remains above the Provincial threshold in 2025, limiting increases to half the residential rate increase.

The City of Toronto's multi-residential tax class tax ratio for 2025 is 1.795, which is below the Provincial threshold of 2.0, allowing for a full levy increase. However, this report recommends applying only 50 percent of the residential increase to mitigate impacts on multi-residential properties, considering Provincial Rent Guidelines and the 3.75 percent threshold for extraordinary rent increases in 2025. By keeping annual property tax increases below this threshold, the City aims to limit applications to the Landlord and Tenant Board to raise rents above the annual guideline of 2.5 percent.

Assessment Cycle and Changes

Property assessments are conducted by the Municipal Property Assessment Corporation (MPAC), under the *Assessment Act, 1990*. Reassessments have traditionally been carried out on a four-year cycle with Current Value Assessment (CVA) increases phased-in equally over each year of the proceeding four-year period. The most recent reassessment cycle, based on a January 1, 2016, valuation date, was intended to cover the period from 2017 to 2020, with increases applied annually throughout the four-year phase in. 2020 marked the final year of that phase-in.

In 2021, the Provincial government postponed the scheduled 2021 reassessment, and to-date the Province has not announced the timing for the next reassessment cycle or the effective valuation date. As a result of this postponement, property assessments for 2025 remain unchanged from those applied in 2020, based on the January 1, 2016, valuation date, unless the property has undergone changes that affected the assessed value, such as renovations, improvements, or demolitions.

Property Tax Class Ratio Policy

In 2005, City 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. 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 ratio target was met in 2015 and has continued to decrease. By 2024, all ratios reached Council's 2.5 target, meaning no further policy ratio reductions are needed in 2025.

In 2017, the Province set a 2.0 threshold for the multi-residential property tax class, restricting the City's ability to raise property tax rates. However, by 2023, the City's ratio dropped below this threshold, removing the restriction on tax rate increases for multi-residential tax properties. Since that time, the City has chosen to apply a reduced rate to the multi-residential class to limit potential impacts.

Table 4 below shows progress of the ratio reductions since 2015 and compares them with the Province's threshold ratios. The last column indicates the Provincial threshold, which limits tax rate increases when ratios exceed the threshold.

Table 4: Tax Ratio Projections

Tax Class/ Subclass	Actual										Projected	Provincial Threshold
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Commercial	3.00	2.90	2.85	2.81	2.74	2.65	2.61	2.58	2.50	2.39	2.31	1.98
Industrial			2.83	2.76	2.71	2.62	2.59	2.51	2.51	2.50	2.50	2.63
Multi-Residential			2.66	2.46	2.28	2.10	2.05	1.96	1.90	1.80	1.74	2.00
Small Business	2.50	2.50	2.49	2.44	2.43	2.43	2.43	2.19	2.12	2.03	1.97	

Small Business Subclass

On November 9, 2021, City Council adopted the recommendations in [Item EX27.7](#) to implement a Small Business Subclass for the commercial property tax class with a rate reduction of 15 percent of the commercial property tax rate.

In 2025, approximately 28,038 commercial properties, including eligible strip plazas approved as part of the 2024 budget process are expected to benefit from this subclass. The 15 percent municipal reduction will result in \$39.35 million in levy savings. The Province will also provide a corresponding reduction in the education tax rate, with an additional estimated savings of over \$24 million for these properties.

New Multi-Residential Subclass

In the 2024 Ontario Budget, the Province introduced an optional subclass within the New Multi-Residential property class, enabling municipalities to offer reduced municipal property tax rates for eligible new multi-residential rental properties. On November 13, 2024, City Council adopted the New Multi-Residential Property (Municipal Reduction) Tax subclass and approved its eligibility criteria ([Item EX18.2](#)). The subclass bylaw ([1251-2024](#)), enacted on November 14, 2024, applies to new multi-residential developments receiving a building permit after that date, qualifying them for a discounted rate for a 35-year period. This report recommends a 15 percent municipal rate reduction for this subclass, effective January 1, 2025.

This report also requests that the Province match the 15 percent reduction for the provincial education property tax rate for eligible properties, as it does for the Small Business Subclass. Additionally, City Council has requested that MPAC ensure that properties eligible for rate reductions continue to receive those benefits in future assessments (Item [EX18.2](#)). Specifically, the City is requesting that assessments should not be increased to reflect the reduced impact of property taxes on the expense ratio of qualifying new multi-residential properties. These measures are designed to support the development of purpose-built rental properties, aligning with the Province's goals to address the housing crisis and improve housing affordability.

Over the past five years, an average of twenty-four (24) new multi-residential buildings were added annually, with a total Current Value Assessment (CVA) of \$1.12 billion. At the recommended 2025 municipal tax rate, this would generate a \$6.72 million annual tax levy, with \$1.01 million in foregone revenue from the 15 percent rate discount. As more properties are added, the financial impact is expected to grow. For example, for a development with a CVA of \$405,000, the discount would reduce an annual municipal property tax bill of \$2,434 by \$365 in 2025.

Property Tax Assistance for Low-Income Seniors and People with Disabilities

The City offers two property tax assistance programs for eligible low-income seniors and people with disabilities:

- **Tax Increase Cancellation Program:** This program cancels annual property tax increases for eligible homeowners.
- **Tax Increase Deferral Program:** This program allows eligible homeowners to defer tax increases without interest, with repayment due when the homeowner no longer owns the property.

In February 2017, City Council established a maximum household Current Value Assessment (CVA) threshold for the Tax Increase Cancellation Program. The threshold was set at \$850,000 for 2017 and 2018 and increase to \$975,000 for 2019 and 2020. Since the 2025 taxation year is based on 2020 assessment values, this threshold will remain at \$975,000 until next the reassessment. The Deferral Program does not have a CVA threshold.

In 2024, City Council updated the eligibility criteria for both programs, increasing the household income threshold to \$57,112. Since their inception, the programs have benefitted over 10,219 households and the City has allocated approximately \$37.7 million for the Tax Increase Cancellation Program (City portion) and deferred over \$8.6 million in tax increases (including provincial education taxes). In addition, \$13.1 million in provincial education taxes were also cancelled, with \$3.4 million remaining as a receivable to the City. These figures highlight the broad financial assistance provided to qualifying households, offering vital financial relief for seniors and persons with disabilities.

For 2025, staff are recommending the income threshold be established at \$60,000, reflecting a 5 percent increase over the 2024 amount. This adjustment is informed by

findings of a [2024 Bank of Canada Study](#), which highlighted that lower-income households face higher inflation rates compared to higher-income households. Specifically, households earning less than \$60,000 experienced an inflation rate 2.5 percent higher than the overall CPI for Toronto by Statistics Canada. It is estimated that approximately 13,000 households will benefit from these programs in 2025.

It should 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 percent 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.

Table 5 below provides a summary of the eligibility criteria for these programs.

Table 5: Property Tax Assistance for Low-Income Seniors and Low-Income Persons with Disabilities

	Tax Increase	
	Deferral Program	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.	Aged 65 years or older; or 60-64 years and receiving a Guaranteed Income Supplement (GIS) and/or Spousal Allowance
	Household income \$60,000 or less.	Household income \$60,000 or less
		Property CVA equal to or less than \$975,000 for 2025.
Persons With Disabilities	No age requirement	No age requirement
	Receiving support from one or more specified disability programs	Receiving support from one or more specified disability programs
	Household income \$60,000 or less.	Household income \$60,000 or less
		Property CVA equal to or less than \$975,000 for 2025.

Creating a new Co-Operative Housing Grant Program

At its meeting on March 9, 2022, City Council adopted member motion, ([Item MM41.9](#)), 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 were 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.

In the [2024 Budget Implementation Including Property Tax Rates, User Fees and Related Matters](#) report, staff recommended that the low-income tax, water and solid waste relief programs be extended to non-profit co-operative housing and co-ownership buildings. In the same report, a recommendation was adopted to provide co-operative housing with the opportunity to apply for a deferral of property taxes. With the current deferral program, the City has legal authority to apply a lien on the property if payment is not remitted once the deferral amount becomes due. However, with regards to co-operative housing, the City does not have the legal authority to place a lien on the entire property for one unit holder who is liable for the repayment of the deferral when the assessment roll is assigned to the entire building. Upon further review, it was determined that a grant program should only be extended to eligible co-operative housing as the previous recommendation is unworkable since “co-ownership” cannot be defined.

Staff recommend the creation of a new Co-Operative Housing Grant Program for low-income seniors or person with disabilities who are members of, and who reside in, a non-profit housing co-operative, as defined in the *Co-operative Corporations Act*, 1990, in accordance with Appendix E to this report. As members of housing co-operatives do not receive individual property tax or utility bills, staff have determined that if all other eligibility criteria have been met, a flat rate amount can be issued to the individual applying for the Grant Program. Appendix E outlines the eligibility criteria with respect to property tax, utility and solid waste. The assessment value of co-operative housing exceeds the current assessed value threshold of \$975,000 given that there are multiple residents at the property. In order to be eligible for the tax cancellation program, it is recommended that the threshold not apply to eligible persons residing in co-operative

Funding Rebates for Registered Charities

Provincial legislation requires the City to adopt a tax rebate program for charities located in properties of the commercial or industrial property class. The rebate must be no less than 40 percent. The regulation also permits higher tax rates and ratios for these classes to fund charity rebates from within the commercial and industrial classes. The Province funds the education share of the rebates.

For 2025, the estimated funding requirements is based on 1,004 applications received in 2023. The funding requirements are as follows:

- **Commercial Charity Rebates:**
 - Funding requirement for 2025: \$6.730 million
 - Less surplus from 2023: \$0.6 million
 - Net requirement of 2025: \$6.130 million.
- **Industrial Charity Rebates**
 - Funding requirement for 2025: \$0.102 million
 - Plus deficit from 2023: \$0.026 million
 - Net requirement for 2025: \$0.128 million.

City Building Fund

On February 15, 2017, City Council approved a dedicated property tax levy for priority transit and housing capital projects equal to a 0.5 percent residential property tax increase in 2017, followed by additional 0.5 percent increases each year from 2018 to 2021 ([Item EX22.1](#)).

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

In 2023, City Council endorsed extending the 1.5 percent increase until 2035 to support ongoing investments in transit and housing ([Item CC4.1](#)). The incremental increase of 1.5 percent will raise an additional \$69.7 million, resulting in total expected revenue of \$384 million in 2025.

2025 User Fees

Adjustments Requiring City Council Approval

In accordance with the City User Fee Policy, City Council must approve the following adjustments: changes to certain market-based fees, the creation of new user fees, any changes to existing user fees beyond inflation, and user fees requiring technical adjustments, transfers, discontinuations or rationalizations as outlined in Appendix 3 to the 2025 Mayor's Proposed Budget. New fees, added under the existing delegated authority for annual inflationary adjustments are also included. Details on these fees are provided in Table 1 of Appendix A.

The City provided public notice of its intent to change existing user fees and introduce new fees. The [public notice](#) was posted on the City of Toronto website more than five business days before the Budget Committee public hearings, where constituents were given the opportunity to provide input or depute on the proposed changes to fees.

Automatic Adjustments: User Fee Inflationary Increases

As part of the City User Fee Policy, annual inflationary adjustments are applied to user fees based on the applicable inflation rate. Authority to implement these adjustments is delegated to the Chief Financial Officer and Treasurer, and the expected incremental revenue generated from these adjustments is included in the 2025 Mayor's Proposed Budget. Details of user fees with previously approved delegated authority are provided in Appendix 4 of the 2025 Mayor's Proposed Budget.

Rates and Service Fees - Solid Waste Management Services and Toronto Water

On December 17, 2024, City Council approved interim rates and service fees for Solid Waste Management Services and Toronto Water to take effect on January 1, 2025. These rates align with the financial modelling and required increases presented during

the 2025 budget process and are consistent with the 2025-2034 Capital Budget and Plan. This report recommends adopting these interim rates and service fees as final for 2025.

Provincial Gas Tax and Canada Community Building Fund in the City's 2025-2034 Capital Budget and Plan:

The Provincial Gas Tax (PGT) and Canada Community Building Fund (CCBF) are essential funding sources that enable Toronto to sustain and enhance its public transit system. These programs ensure that critical investments in transit infrastructure align with the City's operational and strategic goals, as reflected in the 2025-2034 Capital Budget and Plan for the Toronto Transit Commission.

Provincial Gas Tax funding supplements municipal transit expenditures, addressing both operating and capital needs. The allocation formula ensures that funding is responsive to transit ridership and population trends, enabling the Toronto Transit Commission to meet evolving needs. Projects funded by the PGT are detailed in the 10-year capital plan provided in Appendix B.

The Canada Community Building Fund offers municipalities flexibility to select priority projects from 18 eligible infrastructure categories, with Toronto directing its allocation primarily to transit-related projects. This funding's inflation-indexed structure ensures stability for long-term projects, while the Administrative Agreement with the Government of Canada, the Ontario Government, and the Association of Municipalities of Ontario ensures that funding is distributed in a structured and transparent manner, aligned with the City's strategic goals.

Together, these programs support Toronto's long-term infrastructure needs and contribute to the City's ability to meet growing demands for public transit and related services. The 2025-2034 Capital Budget and Plan, with its detailed Appendix B lists all planned projects reflects the significant role these funding sources play in Toronto's infrastructure future.

Other Items Requiring Council Direction:

Amendment to the Interest Application for the Municipal Accommodation Tax and Municipal Land Transfer Tax Programs

In an effort to be more efficient and consistent with the way penalty and interest are applied where a property owner is in default of paying property taxes, it is recommended that penalty and interest for the Municipal Accommodation Tax and the Municipal Land Transfer Tax be applied in the same manner as property taxes, applying interest monthly rather than daily.

The operating system used by Revenue Services is not equipped to calculate interest daily for Municipal Accommodation Tax and Municipal Land Transfer Tax as originally prescribed in the Municipal Code. This change would allow staff to collect interest immediately and improve collection efforts.

Development Charges By-law

Per the City of Toronto's in-force Development Charges By-law, rates will be indexed on May 1, 2025, to account for non-residential consumer price index changes. For the most recent period available, the third quarter of 2023 to third quarter of 2024, the non-residential construction index for Toronto increased by 3.3 percent. Currently, should the City wish to make adjustments or provide relief from indexing, it would require the City to follow the statutory methodology outlined through Section 5 of the *Development Charges Act*, including a mandatory 60-day public review period before amending the by-law which creates administrative challenges and prevents the City from being able to respond to market conditions in a timely manner.

The report includes a recommendation requesting the Province to authorize municipalities to adjust or remove annual indexing provisions without amendment to the development charge by-law with the objective of incentivizing housing development. Greater flexibility could also allow the City to consider temporary rate reductions or targeted exemptions, in support of housing objectives.

Toronto Paramedic Services Multi-Year Staffing Plan

In 2024, the Auditor General conducted an operational review of Toronto Paramedic Services, identifying opportunities for improvement. The Chief and General Manager, Toronto Paramedic Services is expected to conduct a detailed staffing analysis to determine an appropriate staffing level. By June 2025, Paramedic Services staff will report back, prior to the 2026 Budget process, on a detailed multi-year staffing plan that will help Toronto Paramedic Services to optimize staffing levels and ambulance resources to enhance emergency response across the city and address opportunities for improvement identified by the Auditor General.

Toronto Water

This report enables implementation of the 2025 Mayor's Proposed Budget by authorizing the General Manager, Toronto Water, in consultation with the Chief Financial Officer and Treasurer, to accelerate project cash flows included in Toronto Water's 2025-2034 Capital Budgets and Plan, as operationally required and consistent with direction communicated in the 2025 Mayor's Proposed Budget, with the objective of awarding capital project contracts as early as possible in the year in order to leverage any potential market and construction season benefits by early project start.

Transportation Services

Road Disruption Activity Reporting System (RoDARS) is a new online platform designed to enhance coordination and streamline approvals for temporary road closures within the City's right-of-way. To support the implementation of the RoDARS and the related full cost recovery fees in the 2025 Mayor's Proposed Budget, staff are recommending amendment to Municipal Code Chapter 743, Streets and Sidewalks, Use of, as generally outlined in Appendix D. The proposed amendments will define RoDARS and road occupancy application requirements to support cost recovery for staff time spent reviewing RoDARS applications, assessing potential conflicts, and developing traffic and transit mitigation plans where applicable. Additionally, the amendments will help

prevent system overbooking by discouraging unnecessary road occupation requests, ensuring fair and efficient use of the City's right-of-way.

Financial Oversight and Operational Flexibility

By enabling the City's Deputy Treasurers to perform duties and responsibilities previously performed solely by the City's Controller, this will enhance operational flexibility by ensuring adequate coverage for essential financial sign-off responsibilities. In addition, it aligns the duties and responsibilities of the roles more closely with divisional responsibilities, allowing the Executive Director, Finance Shared Services to maintain oversight over key divisions in Finance Shared Services while enabling the Controller and Chief Accountant to focus on core financial management duties. This follows City Council's adoption of [Item CC20.15](#) which appointed the City's Controller and Chief Accountant and the Executive Director, Finance Shared Services to the statutory office of Deputy Treasurer.

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SIGNATURE

Stephen Conforti
Chief Financial Officer and Treasurer

ATTACHMENTS

Appendix A: Summary of New Chapter 441 Fees Moving to Delegated Authority for Automatic Annual Inflationary Adjustment

Appendix B: Provincial Gas Tax and Canada Community Building Fund Projects Funded Through the City's 2025-2034 Capital Budget and Plan

Appendix C: Municipal Land Transfer Tax Stabilization Reserve Fund Criteria

Appendix D: Road Disruption Activity Reporting System (RoDARS)

Appendix E: Co-operative Housing Grant Program for Eligible Members