

## A Financial Plan for the City

It is generally acknowledged that the city's financial position is not sustainable – the city does not have the ability to generate the revenues needed for the large expenses it must meet. As well, its major source of tax revenue, the property tax system, is in such disarray that it has been frozen for two years by the province. Further, some tax and revenue policies encourage outcomes (such as sprawl) which the city wishes to discourage.

### A. Changing the property tax system

We can't make taxation popular, but surely we can make it fair.

Toronto's property Tax System is not fair. Punishing increases are handed out to some, while small tax cuts are delivered to others. Neither reality bears any relationship to an ability to pay or accurately reflects the services being consumed.

An assessment system based on perceived value is at the root of the problem. Allowing speculation to drive the tax system creates a situation that penalizes those who improve or maintain their property. It encourages inefficiencies by placing an increased cost on intensification while rewarding the under utilization of land. This is not a sustainable model.

Older neighbourhoods bear the brunt of this flawed system. In particular young families and people on fixed incomes are facing difficult choices. A tax system that forces people out of their homes, and out of their community is not constructive. It does not contribute to a stronger sense of community. In fact it undermines it.

Taxes are levied to provide the services needed to protect and build neighbourhoods. When a tax system destabilizes neighbourhoods by pushing people out, disrupting lives while rewarding financial speculation, and not social investment, change is needed.

Strong stable neighbourhoods require a degree of financial stability and social cohesion to succeed. The system of taxation, and the delivery of services, needs to be fair and reasonable.

City Hall is aware of the inequities, and yet is silent on reform. Currently a freeze is in place courtesy of Queen's Park. The province has been pushed to review the property tax system because of an inaccurate and unequal and confusing assessment system. City Council must take the lead and make sure that all Toronto neighbourhoods, and the property taxpayers within them are protected. City Council must make sure its tax system is fair. It must fight for a system that supports efficient and sustainable residential land use policy.

The inequities faced by business taxpayers in Toronto are well understood. Commercial and industrial ratepayers in the city pay more in property tax for education than similar enterprises elsewhere in Toronto. This needs to be addressed and equalize. This however is not the only area in need of reform.

The city must also address challenges faced by small businesses on our main streets. Local commercial landowners and community-based merchants help sustain neighbourhoods and support intensification. The tax system does not reflect or differentiate between big, regional or multi-national corporations and small, local enterprises or family run businesses.

Sustaining local business districts is vital to maintaining healthy neighbourhoods. Our tax system needs to recognize this and take steps to create a climate of support.

Here's an action plan on property tax

1. The city should create a task force to examine and propose solutions to reform the property tax system. The panel should include but not be limited to representatives of neighbourhood associations, local Business Improvement Associations, the Board of Trade and experts in the field. It should be provided with the funds needed to review existing materials, engage in public consultation and communication. It should report by January 2008.
2. Ideas to be considered by the task force should include investigating the possibility of instituting a system of taxation that integrates Unit Value Assessment with Market Value Assessment. Unit Value Assessment bases the assessed value of a property on fixed characteristic such as lot size and building form and not just speculative value.
3. The task force should consider reclassifying business properties with new categories and tax rates assigned to different property classes. Heritage districts,

small business and live workspaces should all be considered for new and different mill rates.

4. A stronger programme to protect seniors from unfair tax hikes should be considered.

5. Multi-residential buildings should also be included in the review with an eye to making sure tenants get fair treatment.

#### B. Dealing with other financial issues

1. City Council should assess its needs for the next ten years in respect to funds required for existing and new affordable housing; public transit; immigrant settlement; and social and welfare services. Council should then approach the provincial and federal governments to determine if they will enter into a ten year binding agreement to meet these costs.

2. If senior governments are unwilling to enter into a long term agreement to cover these costs, City Council should seek legislation permitting it to levy a Goods and Service Tax, a sales tax, and a tax on incomes generated from work in Toronto. For instance, if the city had been able to take over the one per cent decrease in GST instituted by Premier Stephen Harper, this one per cent could generate about \$1 billion a year in Toronto. That would be significant in resolving Toronto's financial issues in a way which very few Torontonians would object to. City Council should also seek the support of neighbouring municipalities for these new tax sources.

3. Since it is important that revenue sources discourage undesirable activity Council should undertake a study concerning tax shifting to ensure that the revenue sources are thought through in a way that they do not discourage activities that should be encouraged. For example, the study should recommend tax shifting that encourages intensification, less expensive housing, and energy conservation.

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