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AND WHAT STAFF FOUND THERE … CITY'S PROPOSED REVENUE TOOLS REPRESENT BOLD NEW ERA FOR TORONTO

CITY BUDGET THROUGH THE LOOKING GLASS …

Lana Hall

As the **City of Toronto** approves an unprecedentedly bold plan to implement new municipal revenue tools in the face of a staggering budget shortfall, City staff also warn these tools are not sufficient on their own: other levels of government need to step in. The type of senior government support the City is seeking, experts say, is far from radical—it's simply the reality of how world-class cities across the globe operate, and Toronto needs to start thinking of its municipal finance structure in the same way to be successful.

On September 6, City of Toronto council approved an Updated Long-Term Financial Plan detailing a series of both short and long-term actions to address its looming budget deficit. Among the most immediate actions are: plans to implement graduated municipal land transfer tax rates for properties valued at $3 million and above (this would take effect January 1), developing a multi-year approach for property tax rates generally, removing the rate cap for on-street parking, and reporting on the feasibility of increasing the City's vacant home tax from one to three per cent. The City has also requested that the **TTC** work with the City and **Toronto Arts Council** to find "creative" ways for increasing transit ridership.

In addition, the City requested staff reports exploring the merits of several other new revenue and policy tools. These include the possible introduction of a foreign buyer land-transfer tax, an additional land-transfer tax for Toronto residents purchasing secondary residential properties, an

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Photo showing a view of RendezViews, a colourful and simple installation that used picnic tables and paint to transform a left-over parking lot at 229 Richmond Street West into a place for people to gather. The project was recognized with an award of excellence in the category of large places and/or neighbourhood designs at the City of Toronto's Toronto Urban Design Awards ceremony this week. For more information on the winning projects, see In Brief, page 11.

PHOTOGRAPHER: CURTIS MESSAM
SOURCE: CITY OF TORONTO

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emissions performance charge for buildings, and a commercial parking levy, which would be paid for by large, commercial parking lot operators, such as shopping malls or office complexes.

For some Toronto residents, the proposed revenue tools seem like a lifeline for a city that has long endured service cuts and seen suburban infrastructure underfunded. “These new revenue tools, they’re essential to the livability of the city,” says **WSP Canada** transportation planner and ward 20-Scarborough Southwest council by-election candidate **Kevin Rupasinghe**.

“We’ve had the service cuts over the past few years that have seriously harmed families in Scarborough that depend on these services … The challenge with the budget shortfall we have now is that we can’t continue to slash services in order to close that gap. We’ve already done quite a bit of damage to people.”

Rupasinghe is particularly supportive of the proposed commercial parking levy, which he says would both bring in revenue for the City and potentially incentivize commercial landlords to use their parking lots more efficiently.

“It’s an opportunity to have revenue that we can then invest back into the city, its services and its infrastructure,” Rupasinghe says, “but in the long term, it’s helping de-incentivize these massive parking lots. Ninety-nine per cent of the time they’re not full, so what are we doing to incentivize these large corporate parking

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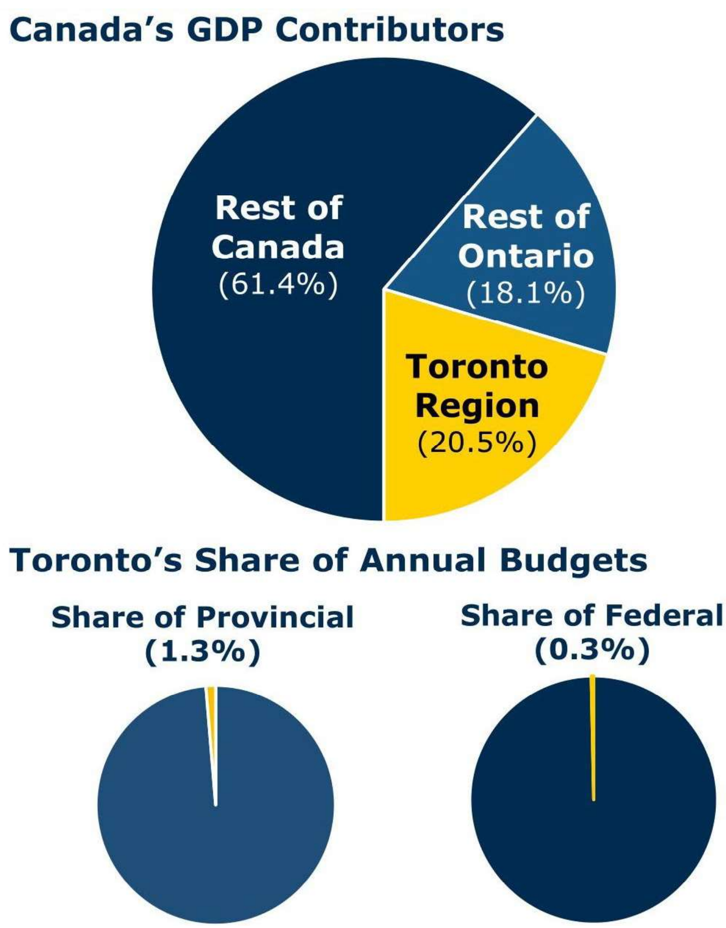
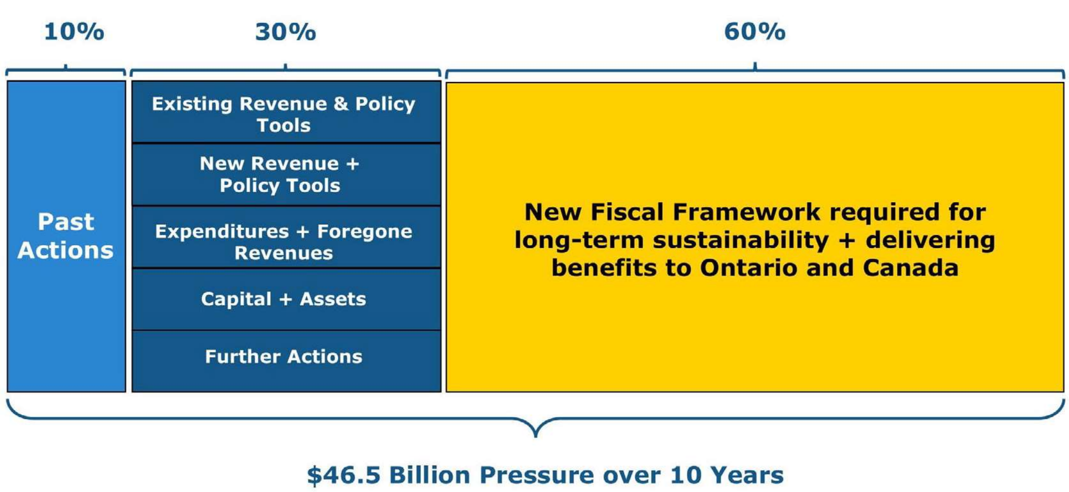


Left: Infographic from the City of Toronto’s Updated Long-Term Financial Plan showing Toronto’s gross domestic product (GDP) contribution to Canada. At 20.5 per cent, the City of Toronto contributes more than the rest of Ontario combined. However, the City does not receive a proportionate amount of funding from the provincial or federal budgets to the GDP it generates. The Updated Long-Term Financial Plan calls on the City to approve more revenue tools to address the City’s $48 billion budget deficit, and for other levels of government to fairly support the City’s provision of critical services, such as housing and transit.

SOURCE: CITY OF TORONTO

Below: Infographic showing how the City of Toronto’s proposed solutions will address its current budget shortfall by percentage. With a projected $46.5 billion budget pressure over the next 10 years, the approved municipal revenue tools will still leave a 60 per cent gap in the City’s budget shortfall. Experts say other levels of government need to either provide financial support some of the City’s services or enable access to revenue tools that will accommodate the City’s growth, such as a municipal sales tax.

SOURCE: CITY OF TORONTO



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operators to consider using them for things like affordable housing, which is directly tackling the biggest challenge our city has?"

According to a staff report, implementing a commercial parking levy could generate up to 500 million dollars in City revenue. To make that same amount with property taxes or increased TTC fares, says Rupasinghe, would be challenging, and unfairly penalize homeowners, renters and transit riders.

"If we tried to increase property taxes to try and raise the same amount of money to invest in services, it would be something like an extra six hundred dollars a year, which is a lot to be putting on owners or on renters who pay property tax through their rent," he says.

"Similarly, TTC fares: They increased by 10 cents this year because of the budget shortfall on the TTC, and that was projected to bring in 16 million. You'd have to do that 30 times to get to your five hundred million from a parking lot. You'd be doubling transit fares in order to [raise $500 millon], and we'd see transit ridership plummet."

But even implementing the revenue tools recommended in the report at a municipal level will not be enough to fill the $46.5 billion shortfall Toronto will face over the next 10 years. According to the City's Updated Long-Term Financial Plan, presented to council by City of Toronto interim chief financial officer and treasurer **Stephen Conforti**, the recommended municipal tools will cover approximately 40 per cent of the City's deficit without support from both the provincial and federal government. This is not an accident. Though the plan references sustained pandemic impacts, inflation and rising interest rates as drivers of the City's operating costs, much of the Toronto's deficit, say some experts, comes from years of the City having to absorb costs downloaded to it from higher orders of government.

"Why are we in this mess? It's because the provincial government … downloaded TTC and social housing and other services onto the City of Toronto taxpayers with no revenue source," says former City of Toronto chief planner **Paul Bedford**. "It's unprecedented on earth. There's no city on earth that runs a major transit system like Toronto's based on property taxes. It's impossible."

Indeed, the Updated Long-Term Financial Plan references a need for both the provincial and federal governments to enable access to revenue tools that capture the City's economic growth, and to provide a fair contribution to some of the City's critical services, such as transit and housing. One of these suggestions is to implement a municipal sales tax, which Toronto would need the **Province of Ontario** to authorize.

"New York, London, Paris, European cities, L.A., they all have a municipal sales tax, or a municipal income tax," says Bedford. "None of this stuff is radical. It's the reality of big cities around the world. That's the only way they can function. And senior governments, whether they're provincial or federal, recognize that in all those places, and they give them the revenue tools to allow them to sustain themselves."

For Toronto to re-envision itself—and to operate—as a world-class city, it needs to view itself – and its financial structure—as being on par with the assets and responsibilities of some of those larger, global destinations.

For **University of Toronto** School of Cities Institute on Municipal Finance director **Enid Slack**, that means thinking critically about what expenses the City can realistically shoulder, and what it should request from senior levels of government.

"I think we also need to think about what the city is doing; [Toronto's] municipal responsibilities have expanded over time," she tells *NRU*. "And should we be doing all of this? Or should the provincial government be taking up some of these? ...We've been focusing on the revenue side, but we have to figure out what responsibilities the City should be responsible for."

Slack too, notes that other large cities, such as **Chicago** or **New York City** have implemented sales tax with success, although she notes that implementing this type of localized tax needs to be carefully considered.

"If you implement a sales tax for Toronto, people are going to cross the border and shop elsewhere. So should we be doing it on a regional basis, rather than a city basis? Those are some of the other issues I think we need to think about."

Either way, she says, Toronto's financial future requires careful consideration, and support to continue reaching its potential. "I don't think it's in the federal or the provincial governments' interest for Toronto to fail."

As City staff begin work on the reports detailing the feasibility of implementing some of these tools, Bedford says it's time for the City to be bold, both in terms of implementing its own revenue tools and in seeking support from other levels of government.

"Council has a choice - and Torontonians have a choice - of managing our future or managing our decline."