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Property Tax and Assessment News from Around the World

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BRITISH COLUMBIA - Vancouver architect says the wealthy are cashing in on property tax deferment

The provincial government has loaned out more than $822 million as part of a program that helps seniors and families pay their property taxes.

But there are questions about whether some are cashing in on ultra-low interest rates, and whether the program is effective housing policy.

Under B.C.'s property tax deferment program, owners over the age of 55, who have a deceased spouse or are a person with disabilities, can defer their taxes; the province pays them instead, and owners are charged an interest rate of 0.7 per cent.

People who don't meet those criteria but have children or are under financial hardship can also apply for the program, but pay an interest rate of 2.7 per cent.

Almost $168 million of the money loaned out so far was for taxes due in the last financial year.

Vancouver architect and real estate consultant Michael Geller argues the program amounts to a low interest loan, and that for many seniors facing financial hardship it can be a lifeline.

But he said some seniors, including himself, who don't actually need the program are making use of it to access rock bottom interest rates.

"It actually came up over dinner in a Shaughnessy home Saturday night when a number of the other people were saying they were thinking of taking advantage of this program," he said.

"One of them said she didn't want to because she thought it was wrong that the city would have to struggle without the payment, until I pointed out the city gets the money. It's getting it from the provincial government."

CKNW has reached out to the ministry of finance and ministry of housing for comment.

Geller told CKNW in 2016 that the deferment program had allowed him to save and invest an additional $60,000 over six years.

Gellar said because the program isn't means tested, high-income seniors are able to take advantage of what amounts to a loan at a much better interest rate than a family in need.

"It's a sad irony that I can take advantage of this program at a lower interest rate than a low-income family. That just simply doesn't make sense."

He adds B.C.'s program is particularly worthy of scrutiny, given initiatives in other jurisdictions like the U.K. that encourage seniors to downsize.

"It's ironic that in England the government is doing the exact opposite. It's got programs in place to encourage singles, older people to move out of their homes rather than stay in those homes."

Geller said he doesn't think the program should be scrapped, just rethought.

He added that he believes demand for the program will only climb as more people learn about the low interest rates.

ONTARIO - Yonge St. businesses facing huge property tax increases will be reassessed

Downtown councillor Kristyn Wong-Tam says MPAC will reassess select Yonge Street businesses who have been hit with major tax increases.
Dozens of businesses along Yonge Street that indicated they may have to close in the face of dramatically higher property tax bills will be reassessed, Councillor Kristyn Wong-Tam said Friday.

Dozens of retailers and other service shops along Yonge Street were evaluated by the Municipal Property Assessment Corporation (MPAC) this year at dramatically higher values, causing their commercial property tax bills to spike, even double in some cases.

Paul Burford, the owner of House of Lords hair salon at Yonge and Isabella streets, indicated on Facebook his taxes doubled to $76,000 per year this year. He said that without a change, he would be forced to close by the fall after more than 50 years of business.

"(MPAC takes) a look at what these properties are selling for if there are no adverse conditions, and you have a willing buyer and a willing seller," Wong-Tam said. "What we're saying at the city is you need to take a bit more of a nuanced intelligent approach."

As commercial property tax rates are calculated as a direct function of assessed property values, Wong-Tam said there was no consideration made of the fact that many business properties are quite small, limiting how they can be adjusted or expanded.

There is also a historic conservation district plan registered for the area, further restricting changes that can be made by property owners to enhance the revenue-generating capabilities of their businesses.

After a meeting Thursday between MPAC representatives, the property owners and city staff, MPAC said they will try and make things right.

"They've said they've made mistake – they are going to reassess those properties and they're going to issue a notice of amended tax valuation later on in September," Wong-Tam said.

She estimated as many as 90 businesses, House of Lords, may be impacted by the re-assessment.

ONTARIO - Renewed hope of avoiding 'death by property taxes' for Yonge Street businesses hit by 100% hike

Municipal Property Assessment Corporation re-assessing 80 small commercial properties

The Municipal Property Assessment Corporation will be re-assessing the value of dozens of Yonge Street commercial properties, which could potentially bring business owners some relief after a 100 per cent tax hike, the neighbourhood's councillor announced on Friday.

About 80 small commercial retail properties in the area's heritage conservation district will be re-assessed by MPAC, the not-for-profit corporation that assesses and classifies all properties in Ontario, Coun. Kristyn Wong-Tam said.

"Today was, what I would call, a small victory," she said.

The re-assessment is expected to lead to "some form of tax relief" but the amount is not clear, Wong-Tam added.

The Downtown Yonge BIA has said soaring property tax bills — which have caused some businesses' taxes to double in just a year — could result in more vacant storefronts.

"You need to have small, independent business to make a really vital and vibrant community," said the BIA's chief operating officer and executive director, Mark Garner.

"We look forward to the ongoing conversation," he added, and called this a "temporary" fix.

Wong-Tam said the province needs to agree to a new small commercial property classification to ensure a long-term solution.

"That will give them some surety moving forward that they're not going to be hit with wild assessments of 100 to 300 per cent again in the future," Wong-Tam explained.

"Quite honestly, that's death by property taxes."

Two-decades-old store may shut its doors

In Toronto, the property tax for a commercial space is determined by the building's current assessed value and then multiplied by about 2.5 per cent.

When MPAC rates a property, it bases its value on what buildings have sold in the area and for what price — so when nearby homes are selling for tens of thousands of dollars over asking, prices for all types of properties in the area go up.

One struggling business previously said it was bracing for a possible closure because of the latest tax hike.

Eliot's Bookshop, located at the corner of Yonge and Wellesley Street W., recently announced it may have to close after 22 years because of the tax hike.

Paul Panayiotidis, the independent bookstore's owner, previously told CBC Toronto his taxes doubled from $24,000 a year to $48,000 a year. By 2020, he says his taxes would be $96,000 a year, unless something changes.

Wong-Tam said saving small businesses is key to keep "unique, high-quality" experiences on Yonge Street.

"We've got to help them and protect them," she said.

ONTARIO - MPAC reassessments could mean reprieve for Yonge Street businesses

MPAC plans to provide new valuations for properties in the area

Reports of the death of small business along Yonge Street have been greatly exaggerated.

That's what landlords and tenants of buildings along the street hope, at least, following a Friday afternoon meeting at City Hall that promises relief from massive property tax hikes unveiled earlier this year.

Because of soaring property value assessments made by the province's Municipal Property Assessment Corporation (MPAC), businesses in the Yonge and Wellesley area were looking at tax bills that were double what they were last year and set to increase by 500 per cent in the coming years.

At Friday's behind-closed-doors meeting, however, MPAC vowed to re-examine those valuations, with new figures expected in September.

Business owners noted that the area in question is a historic district, meaning there were restrictions on development in much of the area and, as such, the assessed values were out of whack.

"(MPAC) said they would look at every property within the (historic) district and get back to us in September," said John Anderson, owner of Morningstar Trading.

Some owners has already appealed the valuations in the tax bills they had received earlier this year and had gotten a reprieve. Paul Panayiotidis, owner of the building in which he runs Eliot's Bookshop, said his property tax increase following his appeal dropped from 100 per cent to 40 per cent.

"It's more fair, but it still doesn't mean it's acceptable for all of us," he said, noting that he is still looking for a new tenant as he heads toward retirement. "Instead of paying $24,000 more a year, it means I would be paying $9,600 more a year if my math is correct. It's still significant for small businesses, but there's more room to breathe there."

The property tax increase is but one issue facing business on Yonge Street. Sanjoy Kundu, owner of costume shop Theatrics Plus, said construction along Yonge has led to decreased shopping traffic and added that the increase to Ontario's minimum wage will further impact small businesses.

"It's not like our income in increasing; it's actually depleted with the construction along Yonge Street," he said. "With the property tax and the wage increase, either the cost of my products goes up 30 per cent or I have to lay off people."

The property tax increase has impacted Business Improvement Areas across the city, with Yonge Street's 100 per cent increase over each of the next four years posing a massive threat. Mark Garner, executive director of the Downtown Yonge BIA, noted that if small business is priced out, neighbourhood character will disappear along with it.

"You need that small fruit stand, the chocolatier, the butcher — we can't have nothing but (retail) chains," he said.

MPAC's willingness to work on a solution with store owners and reassess the properties will hopefully serve as a permanent stay of execution on that front, Anderson said.

"Yonge Street got taken care of today," he said. "For our neighbourhood, it's a mammoth win. It's great."

Saskatoon - Making waste a utility could drop property tax hike

City council's governance and priorities committee will consider ideas from city staff on how to reduce a projected 5.77 per cent property tax increase for 2018.

Among them is turning waste collection into a utility, which could save $8.9 million next year and reduce the hike by 4.04 per cent, according to an administration report to be received by the committee at its Monday meeting.

A waste utility would also increase awareness of the full costs of managing waste, reward waste reduction and diversion and extend the life of the landfill, the report says.

Coun. Troy Davies said the concept might make sense in a perfect world, but at the moment he's not supportive.

"Unfortunately I know there are going to be instances happening where I'm going to have people putting garbage in other people's garbage cans, and if you go this route it opens the door that we're going to have more dumping outside of the city, or back alleys, or wherever it might be, where in turn we're going to have to pay for staff to go pick this up, so are we actually saving money at the end?"

Coun. Darren Hill said it's unfortunate this conversation is being had separately from the curbside recycling and organics programs. Most people who attended community consultations were clear they want the burden placed on people who throw away more garbage and rewards for those who recycle more, he said.

His goal is a system that enables responsible recyclers to pay less than they do now, he said.

Staff also suggested removing the dedicated snow and ice levy, saving 0.55 per cent of the tax hike, and reintroducing an amusement tax, saving another 0.45 per cent.

Saskatoon had an amusement tax until 2007. The report notes many other municipalities charge an amusement tax, such as Regina and Winnipeg, which have a 10 per cent levy on the price of admission to events and theatres.

"An amusement tax would provide a better source of funding than general taxation for amusement related infrastructure and events, as there is a direct correlation between the users and costs," the report says.

Hill noted he led the charge in scrapping that tax. He said a detailed Toronto study shows an amusement tax leads to a decrease in attendance and revenue.

"You have to look at the repercussions and what you might be impacting by introducing that new tax or levy."

ONTARIO - Toronto councillor calls for property tax reform for Yonge St. businesses

A Toronto city councillor is pushing for changes to how property tax is appraised on Yonge Street after many businesses were recently served with costly assessments that threaten their viability.

Toronto Centre-Rosedale councillor Kristyn Wong-Tam says she will be meeting with the Municipal Property Assessment Corporation (MPAC) and city revenue service on Friday to talk about ways to reassess properties that saw high increases this year.

"These property owners are feeling the heat, and many of them have said that they're not going to be able make it to the next year," Wong-Tam told AM 640's Kelly Cutrara Show. "So we're bringing MPAC to the table, and we want them to reassess those properties."

According to Wong-Tam, the current evaluation system "takes a very broad one-size-fits-all approach" in which multi-residential industrial or commercial properties on Yonge Street are all appraised the same way.

"They are evaluated for highest and best use, which means that it doesn't matter if you're a two- or three-storey storefront plus apartment, or parking lot — you get assessed in exactly the same fashion as a major development site."

Wong-Tam added that current planning tools which MPAC uses to assess taxes are likely overvaluing the actual worth of a building and property. She worries the methodology will soon spill over to other iconic main streets such as Queen, King, or even the Danforth.

The planning staff's strategy on Friday will start by developing a case with property owners for a reassessment, before moving to more complicated and longer-term conversations with the city and province to define a new small-business category or perhaps a smaller-building classification.

ONTARIO - Land transfer taxes hurt competitiveness and fail to reduce speculation

It can cost almost $100,000 to move house these days, mostly due to a tax that stalls the market and does nothing to ease speculation

In Canada, most provinces impose taxes on the transfer of ownership in real estate, called land transfer taxes. The rates vary from 0.2 per cent in Alberta (almost like a registration fee) to 5 per cent in Toronto where the City of Toronto doubles up the provincial pain. Most provincial rates are below those of some countries such as Germany (5.3 per cent) and Australia (5.6 per cent) and they are certainly not as severe as in China (until recently 9 per cent) and Zambia (10 per cent).

I happen to know several young couples with a growing family looking to buy a larger home but they have simply given up the search. Their decision is not just due to the sky-high prices seen in cities such as Toronto or Vancouver but also results from the extraordinary moving costs they would incur.

In Toronto, a $1 million single-family home will be subject to almost $33,000 in land transfer taxes. In Vancouver, a similar property would be subject to $18,000 in provincial taxes. Add on real estate fees (typically 5 per cent of the purchase price) and other moving costs, and it would not be unusual to face close to $100,000 in costs just to change locations. Many decide it makes more economic sense to renovate rather than to move.

It would not be unusual to face close to $100,000 in costs just to change locations

Transfer taxes therefore cause people to hang onto their property for long periods, making it harder for new homebuyers to enter the market. These taxes also increase the cost to assemble land and materials to build homes, thereby reducing the supply of property. Even labour mobility is affected as it becomes too expensive to move. If commercial property is also taxed, a business changing ownership could trigger new transfer taxes even though there is no change in the use of the property.

It is therefore not surprising that several recent economic studies have focused on this nefarious tax. Two German studies have found that real estate transfer taxes sharply lower housing sales as people hold property for many more years. Landlords see falling rental prices reducing the incentive to build multi-residential property that is crucial to immigrants and young owners. Other studies in Australia, the U.K. and Canada also find that real estate transfer taxes lower sales substantially.

Real estate transfer taxes also hurt business competitiveness. In Canada, land transfer taxes increase the effective tax rate on new investments by close to 1 percentage point or by 5 per cent. The Australian, U.K. and German effective tax rates on capital each rise by almost 3 percentage points due to their various transfer taxes.

Given these distortions, it is not surprising that these various studies find that an increase in transfer taxes are zingers when it comes to the economic cost of taxation. An Australian treasury study suggests that stamp duties, a form of transfer tax of which real estate is the most important component, add another 72 cents in economic costs to each dollar of tax being raised — the highest cost for any Australian tax. The economic cost of the German real estate transfer tax is estimated to be 67 cents per tax dollar.

Further, significant tax planning opportunities are available to lessen the effect of real estate transfer taxes, especially for commercial property. Even when ownership changes, it is possible to avoid the transfer tax altogether by having a corporation, trust or a partnership own the property with the ultimate owners selling the property free of transfer tax. In Germany, ownership is based on 95 per cent of the property value — so a company will sell somewhat less than 95 per cent ownership in the property so that the purchases can avoid the tax.

From a tax policy perspective, transfer taxes, relics of stamp duties introduced centuries ago, have little to commend them. When governments raise revenues, it makes sense to tax people according to their well being as measured by their enjoyment of goods and services, their income or even by the value of property (wealth). Whether a household or business decides to move or change use of a property, it is not clear at all why they should be taxed.

The only argument for real estate transfer taxes is to reduce speculation in markets. Several recent studies, however, have suggested that such taxes ultimately have little impact on price volatility since more informed speculators are driven out of the market, leaving the ill-informed left to buy and sell property.

For these various reasons, a real estate transfer tax is one of the worst levies to raise revenues. Indeed, several governments in 2016 have eliminated or reduced real estate transfer taxes. Ireland has lowered its tax from 6 per cent to 2 per cent, China eliminated a business transfer tax on real estate equal to 3 per cent and Spain lowered its real state transfer tax from 1.38 per cent to 1.13 per cent.

Canada is on a different course. Ontario has raised the land transfer tax rate as of this year. Some provinces are introducing real estate transfer taxes on non-Canadians hoping to reduce housing pricing pressures.

If there were ever a candidate for tax elimination, it is the land transfer tax. No province is contemplating a reduction in land transfer taxes but they should. There are other taxes less harmful to the economy.

N.B. cities and municipalities want voice heard in property tax fiasco

Municipal groups in New Brunswick have called on the province to provide compensation in the wake of the upcoming property tax assessment freeze.

Cities of New Brunswick Association president and Fredericton Coun. Eric Megarity said that freezing assessments means lost revenue for areas throughout the province and without any prior warning it will be difficult for many to adjust.

"It's going to create some hardships for some municipalities and some cities," Megarity said of the government decision. "It definitely ripples right through every municipality's budget.

"Those budgets drive those services and if we cant find the money to drive those services then we have to cut back somewhere."

He said the total loss in revenue for the New Brunswick capital is estimated to be $1.7 million.

This loss makes balancing the books for the next year's budget more difficult for city staff.

"That $1.7 million we have to find elsewhere," Megarity explained. "And the last few years we've been working very hard at doing more with less."

Recently the Cities Association, The Francophone Association and the Union of Municipalities met with the Department of Environment and Local Government.

Megarity said the meeting gave them the chance to voice their concerns.

"We asked for three things, one is compensation for the tax freeze, two is any new body that they're planning to set up we have to be heavily involved because it directly affects the cities and municipalities," he said. "And three, going forward, the system's broke, it's a leaking ship and there's no more bandage to put on. We have to find a new system."

In a statement the department said "government believes that a freeze to most assessments until the property tax assessment system has been improved is the only responsible choice," citing an exemption to new construction and real estate sales from the freeze which should ensure some of the revenue is maintained.

The government also said the freeze is only for the coming year and therefore shouldn't have any lasting negative impact on municipalities' revenue.

BRITISH COLUMBIA - Maybe Vancouver didn't fix its housing bubble, after all

For a while, it seemed like Canada had solved one of the thorniest problems that plague many big cities, from London to San Francisco, Sydney, and beyond: how to get an overheating property market under a control.

A year ago, house prices in Vancouver were rising by more than 30% year-on-year. In August 2016, the regional government imposed a 15% tax on foreign property buyers. It was an effort to deter overseas buyers—many of whom were from China—who used the weak Canadian dollar to help purchase investment property, along with other measures to rein in domestic buyers who took advantage of low interest rates to take out hefty mortgages.

And it looked like it worked.

The growth in Vancouver house prices markedly slowed. Notably, the share of houses bought by foreigners fell from 13% in August 2016 to just under 3% in May 2017, according to the British Columbia Ministry of Finance.

But it's not clear that this scheme has been a complete success. Prices for new houses, which are arguably the most attractive to foreign buyers, started to climb again at the start of the year. In June, new house prices rose 6% from a year earlier, the most since mid-2010.

This all suggests that the impact of the foreign-buyer tax may be temporary. This could serve as a warning to Toronto, which imposed a similar tax in April this year. Canada's largest city has seen breakneck property price growth slow down recently, but it's too early to say whether the tax permanently deters foreign demand.

In Vancouver, although property prices overall have decelerated in recent months, the average price of a home in the city was a record C$1,019,400 (US$802,800) in July. That's hardly comforting for most ordinary buyers.

ONTARIO - Property-tax hikes prompt Yonge Street's small businesses to consider closing

The atmosphere among the small business community on Yonge Street is tense.

George Giaouris is considering shutting down his Toronto business, Northbound Leather Ltd., after 30 years because of a devastating setback: After paying $4,000 per month in property taxes for 2016, Mr. Giaouris, 54, is now being asked to pay double that.

Northbound Leather Ltd. is one of several small businesses along Yonge Street dealing with higher property-tax bills. Some owners, such as Mr. Giaouris, are facing hikes of 100 per cent or more according to their 2017 property assessments – which, critics say, is a result of an unfair and unpredictable tax system that treats big and small buildings the same way.

"I can't afford to build a 50-storey building, let alone pay my taxes and neither can my neighbours. We don't want anything more, we are just asking to be treated fairly within our limits," said Mr. Giaouris.

The Municipal Property Assessment Corporation (MPAC), which assesses the property values for all buildings in Ontario every four years, said the concerns of these businesses are being heard and a review of these properties is happening.

"Property assessments within the Heritage District on Yonge Street, between Bloor and College, are in the process of being revised to ensure the values reflect the local market," an MPAC spokesperson said in an e-mail to The Globe and Mail.

But with the 51-year-old House of Lords hair salon set to close in October partly due to increasing property taxes, many entrepreneurs on Yonge Street are afraid. The Yonge Street Small Business Association is organizing meetings and handing out pamphlets to make the public aware of the issue.

MPAC assesses properties according to potential value of the land and "best use" rather than its actual use. This means that small businesses, in places such as Yonge Street, are expected to pay similar property tax as if they were to develop a 40-storey condo. As prices for nearby homes soar, prices for all types of properties in the area rise, whether it's a stubby shop or a towering plaza.

While cities and towns rely on the taxes as an important revenue source, critics say the assessment system is unfair. Queen Street and King Street have faced similar difficulties with property assessments, said Councillor Kristyn Wong-Tam, who represents Ward 27, Toronto Centre-Rosedale.

"Right now the MPAC model of the assessment is not working. Small two- to three-storey buildings should not be assessed in the same way as a large development site is assessed," said Ms. Wong-Tam. "It's very disturbing; small business owners and operators are the lifeline of Yonge Street in many ways. We need them."

Mr. Giaouris said he believes too much is being expected from these businesses, adding, "We can't be expected to both add character and vibrancy to the street and make 'best use' of the property. It's like trying to get two types of milk from one cow."

Sanjoy Kundu, a landlord and owner of costume shop Theatrics Plus, paid $20,000 in property taxes last year. This year, he estimates it will be close to $40,000. The hikes may mean his business will have to shut down as well, he said.

"I don't want to close down – this is my livelihood, it's what I use to take care of my family," Mr. Kundu said. "There is a service that I offer to our community that no other store in Canada has. I don't want to lose that."

Along with encouraging businesses on Yonge Street to appeal their assessments, Ms. Wong-Tam said she is working to get MPAC to change the way it assesses smaller properties.

"In the long term, we will ask them to reconsider the way they evaluate these properties so people don't have to be shocked every four years when their properties are reassessed," she said.

The atmosphere among the small business community on Yonge Street is tense. Typically, commercial real estate landlords pass tax increases directly to tenants, who pay a "base rent," as well as an additional rent that includes a yearly adjusted tax. Some landlords have not told their tenants about the tax increases because they are afraid they will close up shop.

"I've never seen anything like it," said John Kiru, executive director of the Toronto Association of Business Improvement Areas, which represents more than 40,000 local businesses. "Small businesses in this city are starting to reach the tipping point, which is when tenants are actually paying more annually for taxes than they are for rent to the landlord."

ONTARIO - 500-per-cent property tax increase will change the face of Yonge St.

The increase is based on the potential value of the land. For small business owners that means if a 40-storey condo is built next door, they are taxed as if they had a 40-story condo.

Might as well start with a disclosure: 20 years ago, I worked for a summer for the Yonge Street Small Business Association, and for John Anderson, the proprietor of a furniture shop called Morningstar and the ringleader of the merchant and landlord group. So I know, and have warm memories of, the people and area I'm writing about here — I have a conflict of interest in this story because I made a little money once upon a time from these people and places.

Back then, they had funding from the federal government to pay me minimum wage to paint storefronts. For a summer, I lugged cans of paint up and down a 36-foot extension ladder, putting colour on the first and second floors of restaurants and clothing stores on Yonge between College and Bloor.

On Wednesday evening, I went back to Anderson's Morningstar storefront — now moved across the street — for an emergency meeting of the business association. A lot of the businesses there have endured the ups and downs of the two decades since: Nail's Attraction, Rock Variety, Hockridge china shop (there since 1900), Cat's Cradle, ABC Books. Many of them still occupy the two- and three-storey storefronts that have long defined the strip.

But a lot has changed in the area since then, too. The laneway food stands of Roy's Square are gone, replaced by a giant glass condo tower at Bloor. Across the street, Stollerys is gone, replaced by a construction site that will be a condo tower. North and south of Wellesley, whole blocks have now been turned into giant holes in the ground that will become condo towers.

And these changes, inevitably, bring other changes. And those changes, the merchants and landlords gathered Wednesday night said, represent a crisis for small businesses.

While the meeting was taking place, the Star reported that rock 'n' roll haircut institution House of Lords was closing up shop because, after 51 years in business, a property tax hike — "double taxation," the owner called it — was just too much to absorb.

At the meeting a half a block south, John Anderson was telling about 40 assembled merchants sitting among the carved wooden doors for sale in the rear of his shop that he expected House of Lords closing would be just the beginning — as many nodded along, he proposed tracking the businesses that shuttered due to tax increases and labeling them the “Mayor Tory Cemetery.”

Although the discussion soon made clear it isn’t John Tory who’s responsible for the tax increases they are complaining about. It’s the provincial agency that does property tax assessments, MPAC. Because of the recent sales in the neighbourhood to condo developers, every building on the strip has been reassessed according to the value of its “highest and best use,” in the lingo of the province. Which means a little T-shirt shop in a 14-foot-wide, two-storey Victorian brick building is assessed taxes as if it were a 40-storey condo with a Shopper’s Drug Mart in the podium.

House of Lords owner Paul Burford called it “double tax.” John Anderson was talking about a “100 per cent tax increase in one year.” Other landlords, pointing to the assessments, were talking about a 500 per cent increase in their taxes by 2020.

It looks like this: one landlord in attendance showed me the tax bill on his building in the 500-block of Yonge. In 2016, he paid just over $22,000 in property tax. In 2017, he was asked to pay more than $48,000. And that increase was the first year of a four year phase in — so he was told to expect similar increases every year until 2020.

It is standard in commercial real estate for landlords to pass property tax increases directly to tenants — commercial leases include a “base rent” paid to the landlord and then an “additional rent” premium that absorbs all costs such as taxes, which is adjusted each year. But landlords in attendance said they couldn’t pass these increases to tenants, because the small retailers would be bankrupted, leaving the space vacant and the landlord with the bill.

George Giaouris owns a building in the 500 block (“I’ve been here on Yonge St. since I was 9 years old,” he says) and operates his own shop, North Bound Leather, on the main floor. “My second floor tenant,” he said at the meeting, “I’m supposed to tell them, ‘Your base rent is $15 per square foot, now the assessment says your share of the (taxes), according to the assessment, is $22 per square foot?’ That’s just wrong. I can’t do that.”

Some would say Giaouris and others like him ought to just sell their buildings to developers who can build something to justify the “highest use” taxation. But adding insult to injury, the landlords along Yonge don’t even believe the valuations mean anything. The area is now covered as part of a Heritage Conservation District, which means the many existing two- and three-storey buildings that remain must be protected, as is. Any new towers to be built would have to be set behind the existing storefront buildings, in order to preserve the character of the neighbourhood.

Which means the option of building a big condo there to cash in isn’t even really available.

This is, in a nutshell, very similar to the problem facing the converted warehouse building at 401 Richmond St. I wrote about earlier this year, where property taxes charged to little gallery and artist studio spaces were set to triple — again thanks to “highest and best use” assessments reflecting condos going up on other lots in the neighbourhood.

Unless we want every neighbourhood where a new residential condo is built to soon be razed and replaced by walls of identical towers, it’s a problem with our tax system we need to find a solution for.

Those in attendance seemed to feel that taxes should be based on the current use of a property — not some speculative “higher” or “better” use. A tiny book shop should be taxed as a tiny book shop, not as a massive condo that may or may not be viable on that site 20 years from now.

Linda Malone, director of the IAM Yoga studio at 680 Yonge, told the meeting very specifically she and others were not anti-condo. In fact, she said, it was customers who live in some of the more recently built new units who she thought made her fledgling business viable.

As the city changes, she said, it may even be that a lot of the businesses on Yonge would have to find a side-street location—perhaps even her own. “But who here feels that we are being penalized at the expense of big developers?” she asked, and almost everyone in the room raised their hands. “We want a reasonable increase so we, as business owners, can find out if our businesses can grow with the city of Toronto. A 500 per cent tax increase is pushing us out.”

ONTARIO - 'No one can afford' 100% property tax increase, Yonge Street business owner says

Small business association plans to fight 100% property tax hikes

The Yonge Street Small Business Association met Wednesday night to voice their concerns about property tax increases.

Flipping through a stack of property tax bills from businesses around his neighbourhood, John Anderson says he's worried about the future of Yonge Street as some of them face a 100 per cent tax hike.

Anderson owns Morningstar Trading, a furniture store between Isabella Street and Gloucester Street. He says he used to pay $5,600 a month for taxes, maintenance and insurance as a tenant in the building, but that's expected to go up to as much as $9,000 a month.

"I can't afford that," he said. "No one can afford that."

"What will happen up and down Yonge Street is you will see a lot of businesses closing."

The Yonge Street Small Business Association, which includes properties between Charles Street and Grosvenor Street, met Wednesday night to voice their concerns about the tax increase.

"You're going to gut out and you're going to destroy half of the main street in the city of Toronto," Anderson said.

Paul Burford, who owns the House Of Lords hair salon, a fixture on Yonge Street for decades, posted his tax bill on Facebook Tuesday, saying the increase is forcing him to close his shop in October.

Sanjoy Kundu, the owner of costume shop Theatrics Plus, is also thinking about calling it quits after nearly 50 years on the block.

"They've assessed my building at a rate that I can't believe," Kundu told CBC Toronto.

He said he paid $20,000 in property taxes last year. This year, he estimates it will be close to $40,000.

"What we've been hearing is a very legitimate concern about the increase in property taxes," said Tristan Downe-Dewdney, a planning adviser to Coun. Kristyn Wong-Tam, who represents Ward 27, Toronto Centre-Rosedale.

"There's a number of business owners up and down Yonge Street that have seen increases in the order of 100 per cent or more, and that obviously has major consequences for what Yonge Street looks like," he said.

"What [the increase] really says is that the only viable use of the land here is for development. And that really is what's at the root of the problem."

Taxation the problem, some say

In Toronto, the property tax for a commercial space is determined by the building's current assessed value and then multiplied by about 2.5 per cent.

When nearby homes are selling for tens of thousands of dollars over asking, prices for all types of properties in the area go up. So when the Municipal Property Assessment Corporation (MPAC), the not-for-profit corporation that assesses and classifies all properties in Ontario, comes around to rate a property, it bases its value on what buildings sold in the area and for what price.

"We have two and three-story commercial buildings that are getting assessed at the same rates as large condominium buildings," Downe-Dewdney said.

"We have a system that reacts to development but ends up actually promoting it, which I don't think is anybody's intention."

Still, despite the effect these developments have on taxes, Anderson said business owners on Yonge Street are aware of the positive side of things.

"My customers are in these condo buildings," he said. "I have no problem, and most of our merchants have no problem, with condos. But we've got to survive as it's being built. The taxation system is broken."

Wong-Tam's office is expected to meet with MPAC and the city's revenue department about the issue in the coming weeks.