



Small Business Subclass Update

Development Services Committee Meeting

June 22, 2021



Agenda

1. Optional Small Business Subclass (SBC) Announcement Recap
2. SBC New Regulations Highlights
3. Staff Discussions (*Upper & Lower-tier*)
4. Status of Implementation in other Municipalities
5. Composition of Commercial Industrial Properties in Markham
6. SBC Definition Challenges
7. SBC Example
8. Staff Position
9. Next Steps



1. Optional Small Business Subclass (SBC) Announcement Recap

- Small Business Subclass was announced by the Province November 2020, the highlights of the Optional Small Business Subclass;
 - Enables municipalities to target relief by reducing property taxes to eligible small businesses
 - Legislative authority to establish the Optional Small Business Subclass rests with single-tier and upper-tier municipal Councils
 - The Province would consider matching tax reductions to support small businesses
- Staff tabled a report to GC in Feb 2021 with an overview and indicated that staff were awaiting the regulations to be enacted



2. SBC New Regulation Highlights

May 7th, 2021 the Province formally enacted regulations;

- Small business subclass is only applicable to commercial and/or industrial property classes
 - *(Excludes; large industrial, parking lot, vacant land & excess land property classes)*
- Properties can be identified through a criteria-based determination process and/or an application-based process
- The reduction discount range can be set up to 35%
- Funding options of the discount may include:
 - A levy decrease; or
 - Across all property classes; or
 - Within business classes through revenue neutral ratios



2. SBC New Regulation Highlights

- The Region can establish the SBC with;
 - The same criteria and discount for all 9 municipalities; or,
 - Different criteria and discount levels for each lower-tier municipality; or
 - The Region could delegate the authority to each municipality
- The Region must pass a by-law to adopt the subclass
 - provide the Municipal Property Assessment Corporation with a list of properties to be included in the subclass
 - Municipalities are provided the option to require landlords to pass the tax reduction to tenants as an eligibility condition (*be difficult to administer and/or enforce*)
 - Appointment of a Program Administrator & Appellate Authority to administer the program and facilitate any appeals



2. SBC New Regulation Highlights

- Municipalities **must consult** with business stakeholders in advance of implementation of the small business subclass
 - (a “must” to be considered by the Province to provide matching benefits)
- Submissions to the Province by March 31 for the applicable taxation year
 - To have small business properties included on the assessment roll for 2022, everything would need to be completed by November 2021.
 - To implement after receipt of the assessment roll, each small business class property would require a tax adjustment.



3. Staff Discussions (Upper & Lower-tier)

Since the regulations were enacted, Staff met with the Region and local municipalities to discuss;

1. Process and/or criteria required to define properties in the “Small Business Class”
2. Level of tax reductions *(0% - 35%)*
3. Composition of business properties in York Region
4. Funding of the Small Business Class *(All Classes or Revenue Neutral Ratios)*
5. Stakeholder consultation *(Provincial requirement)*
6. Timing Considerations *(implementing for the 2022 taxation year)*



3. Staff Discussions (Upper & Lower-tier)

1. Small Business Class Definition

- Small business can be defined using many different attributes and/or set criteria
 - Area specific - *example: properties within targeted hubs and/or BIA's*
 - CVA thresholds - *example: any property with a CVA less than \$5 million*
 - Property Type - *example: commercial condominiums, retail plazas*
 - Building / Unit SqFt. - *example: may include business space less than 2,000 SqFt.*
 - Hybrid (Property Type / CVA) - *example: retail plazas with a CVA less than \$5 million*



3. Staff Discussions (Upper & Lower-tier)

2. Level of Tax Reductions

- Discount can be set up to 35%
- Province may provide matching reductions on a “case-by-case basis” (evaluation criteria is not available yet)
- Provincial matching would be necessary to provide the greatest benefit
 - Commercial City Share is **13.4%** (*Region 28.0%, Province 58.6%*)
 - Industrial City Share is **14.3%**, (*Region 30.0%, Province 55.7%*)



3. Staff Discussions (Upper & Lower-tier)

3. Composition of Business Properties in York Region

- Wide-range of businesses types & sectors across York
- The definition of a SBC which meets the needs of each lower-tier municipality will require further discussion

4. Funding of the Small Business Class

- i. Absorbing the cost through a levy decrease;
- ii. Funding across all property classes (*Residential & Non-Residential*).
- iii. Funding within the commercial/industrial class (*revenue neutral tax ratios*)



3. Staff Discussions (Upper & Lower-tier)

5. Stakeholder Consultations

- Municipalities must undertake consultations with business stakeholders regarding the small business property subclass.
- Consultation is a requirement for the Province to consider matching relief
- Region is also currently soliciting feedback from all lower-tier EcDev departments



3. Staff Discussions (Upper & Lower-tier)

6. Timing Considerations

- To implement for 2022 taxation year; the following would need to be completed:
 - Develop a definition & criteria of the small business class
 - Determine funding method all classes (including Residential) or just Commercial & Industrial
 - Undertake consultation with business stakeholders
 - Program tax system to facilitate billing of the Small Business Subclass
 - Regional Council enacts Small Business Class By-law
 - Notify the Minister of Finance by March 31st, 2022



4. Status of Implementation in other Municipalities

- City of Toronto
 - Planning to implement the Small Business subclass for 2022,
 - Report expected in September of this year, following consultations with business stakeholders over the summer.
 - Toronto contemplating Commercial properties only
- Region of Peel (*Brampton, Caledon and Mississauga*)
 - Working group has been established by the Region of Peel
 - Targeting a report to Council in September and will provide options / impacts and seek direction from Council.



4. Status of Implementation in other Municipalities

- City of Ottawa
 - Planning to implement the Small Business subclass for 2022.
 - Currently proposing a 10% reduction for small business properties
 - All Com / Ind properties less than 15,000 Sq.Ft would be eligible
 - Includes small office, small retail, various mixed-use properties, restaurants, fast food, small auto-repair/detailing shops, driving ranges, marinas and independent cinemas.
 - There is currently over 12,000 businesses in Ottawa and about 4,700 would meet their criteria



5. Composition of Commercial Industrial Properties in Markham

There is **10,562** Commercial / Industrial properties in Markham (excluding land)

Composition of CVA for Commercial / Industrial Properties in Markham				
CVA Range	Property Count	% of Total		Comments
> \$100M +	7	0.07%	5% have a CVA between \$5M - >\$100M	Large retail and large office buildings
\$50M - \$100M	20	0.19%		Large retail and large office buildings
\$20M - \$50M	66	0.62%		Hotels, Big Box Retail, Industrial, office bldgs.
\$10M - \$20M	137	1.30%		Hotels, retail, industrial, office, auto dealerships
\$5M - \$10M	291	2.76%		Multiple commercial / industrial types
\$2.5M - \$5M	379	3.59%	95% of all Com/Ind have a CVA < \$5M	Multiple commercial / industrial types
\$1.5M - \$2.5M	343	3.25%		Multiple commercial / industrial types
\$1M - \$1.5M	224	2.12%		Multiple commercial / industrial types
\$0.5M - \$1M	734	6.95%		Multiple commercial / industrial types
\$50K - \$500K	5,252	49.73%	65% (6,917 properties) are between \$50K - \$5M	Commercial / Industrial condos
< \$50K	3,109	29.44%		Commercial Condo parking & lockers
Grand Total	10,562	100.00%		



6. SBC Definition Challenges

Definition Approach	Example	Pro	Con
Area specific	<ul style="list-style-type: none">Targeted HUB or BIA	<ul style="list-style-type: none">Small affordable program, easy to administer	<ul style="list-style-type: none">Excludes similar businesses outside boundary
CVA thresholds	<ul style="list-style-type: none">CVA up to \$5M	<ul style="list-style-type: none">Easy to administer	<ul style="list-style-type: none">Excludes similar businesses in higher CVA properties
Property Type (code)	<ul style="list-style-type: none">Commercial Condos	<ul style="list-style-type: none">Easy to administer	<ul style="list-style-type: none">Excludes similar business who are in a different property types
Hybrid (Type / CVA)	<ul style="list-style-type: none">Retail Plaza with a CVA < \$5 million	<ul style="list-style-type: none">Relatively easy to administer	<ul style="list-style-type: none">Excludes similar business who are in a different types or high valued properties
Building / Unit Sq.Ft	<ul style="list-style-type: none">Up to 2,000 Sq.Ft	<ul style="list-style-type: none">Equitable approach for similar business across the Region regardless of building type or CVA	<ul style="list-style-type: none">Will create some administrative challenges based on volume of applications



7. SBC – (Sq.Ft Example)



8505-8601 Warden Ave - Markham Town Square

- Total CVA \$50.8M
- Total taxes \$778K or \$4.30 / Sq.Ft
- 32 stores covering 180,000 Sq.Ft
 - Small units: (800 – 2,000 Sq.Ft) Mr. Sub, Teriyaki Experience, First Choice Haircutters
 - Large units: (up to 55,000 Sq.Ft)
 - TD Bank, No Frills, McDonald's

20% SBC Discount

Small units (800-2,000 Sq.Ft) who pay (\$3,440 - \$8,600) could realize a savings of \$688 - \$1,700 (City \$92-\$230, Region \$192 - \$481, Province \$688 - \$1,720)



7. SBC – (Sq.Ft Example)



4441 Hwy 7 East.

- Total CVA: \$832,000
- Total taxes \$12.7K or \$6.42 / Sq.Ft
- 2 stores covering 1,977 Sq.Ft
- 2 Small units: Pawty Time, Salon on 7

20% SBC Discount

Small unit tenants could realize a savings of
\$2,520 or (\$1,270 each)

(City \$339, Region \$711, Province \$688 - \$1,488)



8. Staff Position

1. Region-wide SBC definition preferred
2. An application based approach preferred
3. Percentage of SBC tax reduction will be determined after development of SBC definition
4. Funding within the commercial/industrial class (*revenue neutral tax ratios*) preferred
5. Request the Province to commit to matching reductions and not just on a “case-by-case basis”
6. City Staff will undertake further analysis of a Sq.Ft Cap definition



9. Next Steps

- YR Staff are bringing forward a report to Regional Council on June 24
- City Staff will report back to Council in the Fall once further direction is received from the Region on the feasibility of implementing for the 2022 taxation year