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## **BRIEFING NOTE: 2017 Landlord and Tenant Notification Program for Property Tax Decreases and Rent Reductions**

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### **Issue:**

To provide information about the landlord and tenant notification program for property tax decreases and rent reductions for 2017.

### **Background:**

The *Residential Tenancies Act* (RTA) allows residential tenants to reduce their rents when the rental buildings in which they live have had a property tax decrease between two consecutive years. Municipalities are required to send notices about the tax decrease and rent reduction to landlords of affected buildings by September 15 and to tenants by December 15.

Under the RTA, notices must be sent if the tax decrease is more than 2.49% and there are more than six rental residential units in a building (i.e., multi-residential rental properties). In 2001 Council adopted a policy that notices must also be sent to buildings with six or fewer units (i.e., residential rental properties), to ensure that tenants in smaller rental buildings have the same opportunity as tenants in multi-unit buildings to automatically reduce their rents.

For rental residential properties that experienced **tax decreases of more than 2.49%** between 2016 and 2017, tenants are permitted to automatically reduce their rent beginning December 31, 2017. Under the RTA, the allowable rent reduction percentage for properties in the MT-multi-residential tax class (i.e., rental properties with seven units or more) is equal to 20% of the percentage tax reduction. The allowable rent reduction percentage for other properties (e.g., buildings with six units or less, rooming houses and NT class properties) is equal to 15% of the percentage tax reduction. The new multi-residential (NT) property class refers to multi-residential units that were built or converted from a non-residential use. To illustrate, if the tax decrease is 5% and there are seven or more units in the MT class, the rent reduction percentage would be 1% (5% x 20%). If there are fewer than seven units, the rent reduction percentage would be 0.75% (5% x 15%). The 20% and 15% figures are set by the RTA regulation (O. Reg. 516/06), and cannot be changed by the City. Information about how to calculate the rent reduction amount is included in the notices.

For rental buildings that experienced **tax decreases of 2.49% or less**, no notice is sent by the City, and tenants cannot automatically reduce their rent. Unless the landlord voluntarily agrees to reduce the rent, these tenants must apply to the Landlord and Tenant Board (the Board) for the rent reduction. There is a \$50 charge for making the application; however, the Board may order the landlord to pay said cost(s).

### **Important Note:**

The RTA also exempts certain other types of rental residential properties from the program, including:

- public housing;
- non-profit housing;

- non-profit housing co-operatives;
- rent supplement units in private residential properties;
- vacation homes; and
- housing owned by educational institutions.

Questions about whether a property is exempt from notification/automatic rent reduction provisions must be directed to the Landlord and Tenant Board. Only the Board has the authority to determine whether a property is exempt from the automatic rent reduction provisions under the RTA.

### **Solid Waste Management – Waste Diversion Fees**

Amounts paid by landlords for solid waste management are not considered in the calculation of the rent reduction notice, as this is not permitted under the *Residential Tenancies Act*. Instead, landlords may apply to the Landlord and Tenant Board for an above-guideline rent increase to recover any extraordinary operating costs that may result from municipal charges. Tenants receiving notices are entitled to the full rent reduction set out in the notice, unless a decision of the Board alters the allowable rent reduction amount.

### **Key Points:**

#### Tenant Notices:

Notices are based on assessment information provided by the Municipal Property Assessment Corporation (MPAC). Since the tenancy information received from MPAC is not updated on a regular basis, envelopes for the rent reduction notice are addressed to "current tenant" without using the tenant names. The envelopes are clearly marked as "RENT REDUCTION NOTICE ENCLOSED", with the City logo just above the return address section.

#### Information for Inquiries from the Public:

Councillors may receive calls from the public about these notices, and can refer callers as follows:

### **Tenant Inquiries:**

- (1) The Revenue Services Division will post information about the notification program on their website, [www.toronto.ca/taxes/rent\\_reduction](http://www.toronto.ca/taxes/rent_reduction). This website includes an example of how to calculate the percentage of rent reduction.
- (2) A full listing of all rental residential properties by Ward, indicating whether a notice of rent reduction was issued, along with the reason if a property did not receive a notice, will be posted on the City's Open Data website, <http://www.toronto.ca/open>
- (3) 311 will respond to inquiries from tenants about this notice. Multilingual assistance is available through this service.
- (4) Inquirers about Solid Waste Management fees may also contact 311, or visit the website at <http://www.toronto.ca/garbage/multi/index.htm>.

## **Landlord Inquiries:**

311 will also respond to inquiries from landlords about the notice.

## **All Inquiries:**

The Landlord and Tenant Board has a telephone information line (**416-645-8080**) for inquiries about the rules for calculating rent reductions, exemptions, application to the Board for a rent reduction when the tax decrease is 2.49% or less, application for varying the amount of rent reductions, and application for above-guideline rent increases. Information is also available on their website, <http://www.ltb.gov.on.ca>.

## Information for Councillors:

A sample of the tenant notice package has been attached to this briefing note. Each package consists of:

- a sample notice for each rent reduction percentage (15% and 20%);
- a brochure entitled “Automatic Rent Reductions and Tax Decreases”; and
- an information sheet headed Automatic Rent Reductions and Tax Decreases.

Please note that there are two types of tenant notices - one for properties in the multi-residential class (MT) with seven or more units, to which a rent reduction percentage of 20% applies, and one for other rental residential property types (RT) with six or fewer units and rooming houses, to which a rent reduction percentage of 15% applies. Although the new multi-residential tax class (NT) may have seven or more units, legislation prescribes a rent reduction percentage of 15% for properties in the new multi-residential class.

For immediate assistance, Councillors or their staff may contact:

Questions about property taxes and assessment: Sara Jackson, Revenue Services, 416-395-6960  
Questions about the Residential Tenancies Act: Colette Snyder, Shelter, Support and Housing Administration, 416-338-8226

**Attachments:** Sample tenant notice package (2 notices, 1 brochure, 1 important information insert)

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**Circulated to:** Mayor Tory and Members of Council  
City Manager, Deputy City Managers and Treasurer  
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