Windsor-Essex chamber sounds alarm over high business tax rates

Jason Ilijanic is photographed in downtown Windsor on Tuesday, June 11, 2013. Ilijanic has authored a report which looks at the shrinking tax assessments and continued tax rates in the city of Windsor. (TYLER BROWNBRIDGE/The Windsor Star)

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The Windsor-Essex Regional Chamber of Commerce is sounding the alarm over high business taxes and declining property values in a 30-page report that calls on municipal officials to take action.

The city’s declining population and sliding revenues have left its industrial and commercial sectors paying higher rates than counterparts across the province, the report said. That has made it difficult for the city to retain or attract corporate investors.

Matt Marchand, Windsor-Essex Regional Chamber of Commerce president and CEO. (Windsor Star files)

And the situation threatens to get worse, the chamber said.

“In the short-term, we are in an OK position, but there is a concern in five to 10 years as to what the situation will be locally,” said Matt Marchand, the chamber’s CEO. “There is no easy answer or quick fix to this.

“It’s very complicated and that’s why we want to start the dialogue on how best we can solve this important issue facing our region.”

The report examined local property taxes, property values, municipal budget priorities and comparisons with other cities. It concluded that when utility rates, licensing or other municipal user fees are added on to taxation costs, doing business locally can be a struggle.

“The core of a sustainable community is a thriving private sector,” the report said. “Windsor-Essex must become a competitive, business-friendly location. It must focus on business and retention strategies.”

The report recommends that within a year a forum led by the chamber be held involving area municipal leaders, business owners, academics, labour leaders and experts to establish a more business-friendly taxation blueprint.

Other recommendations include a request for area municipalities to adopt multi-year plans to reduce business property taxes and make efforts to lower licensing or other user fees.

The city should also review its current 15 per cent penalty for tax arrears, pump more dollars into business startup programs and join with other area municipalities to challenge the province’s arbitration system which has partially led to high wages for police, fire and other municipal services.

“The paper was meant to illustrate how as a whole we are generally higher in all business (tax) classes and we want to move more toward provincial averages,” said Jason Ilijanic, chairman of the chamber’s tax and finance committee and an author of the report. “We recognize that is easier said then done, but we are uncompetitive. We have to bridge the gap.

“We want lower rates with the aim of being a place with a lower cost of doing business. The question is how to do that. The way we are going is unsustainable.”

The chamber report said that according to a 2012 study by BMA Management Consultants, 74 per cent of Ontario municipalities surveyed shifted some of the property tax burden from the residential to non-residential classes.

Of them, Windsor shifted more of the burden than any other municipality except Toronto.

In a comparison of tax rates for large industrial properties, the report found that Windsor was highest among 16 Ontario municipalities in 2012. That year the Windsor rate was $1.79 per square foot; in London, it was $1.03.

City of Windsor CAO Helga Reidel reads through a report in this 2012 file photo. (Windsor Star files)

City administrators do not argue with the chamber’s findings, but CAO Helga Reidel said they focus on one sector while municipal leaders are forced to consider how tax rates affect everybody — including homeowners.

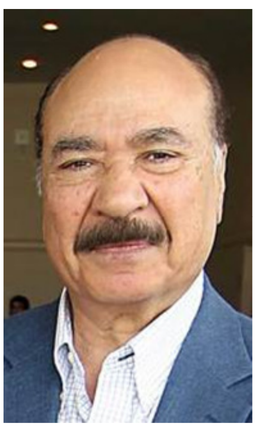
“They have done a lot of work and really captured how the tax system works in Windsor and other cities,” she said. “But they have done this on behalf of the group they represent. On behalf of that group they have made some good recommendations. We do recognize it is a challenge for industrial and commercial taxpayers.”

But city council has taken a position to freeze the burden on residential taxpayers given the city’s double-digit unemployment rate, Reidel said. That has left a higher burden on other tax classifications.

“The people (council) represents is where the high unemployment exists,” she said. “It’s where (councillors) see people who lose their homes or struggle with high taxes. They have felt this is the only way to respond to that.

“They agree the (business tax) ratios have to come down, but it has to be in measured doses. There are two sides to the equation and they have been trying to make headway on the residential (rate). We don’t disagree the industrial and commercial rates need to be lower, it’s just going to take time to get there.”

A factor has been the city’s history of relying on the manufacturing sector which essentially collapsed in the past decade.



Alfie Morgan

The chamber’s report found that in 2002 seven of Windsor’s top 10 business taxpayers were Big 3 industrial properties, but that dropped to only three in 2012.

Several successful tax appeals has also reduced municipal revenues.

The city’s population is also a factor in eroding tax revenues. It was 210,891 in 2011 — about the same as what it was in 1971 — but 2.6 per cent lower than in 2006, when the population was 216,473.

Taxation and other costs of doing business in Windsor has “discouraged (investors) from coming here and hurts the people already here,” said Alfie Morgan, a retired University of Windsor business professor, former city CAO and chamber board member.

Reducing the tax ratio burden on commercial and industrial sectors will keep existing businesses running, encourage greater investment and as a result increase the city’s tax base, he said.

“Business people are the goose that lays the golden egg,” Morgan said. “You always hear the municipality is hurting for money, but then you see them splurging on different initiatives. There has been nothing coming for the business people. Some balance is needed and that’s what this report is trying to say.”