

The Honourable Dalton McGuinty
Premier
Legislative Building
Queen's Park
Toronto, Ontario
M7A 1A1

Dear Mr. McGuinty:

I am writing to you to evidence our concerns regarding the proposed Harmonized Sales Tax (HST).

As a condominium homeowner, we are concerned with the financial burden the proposed HST will place on us. However, before proceeding with our concerns, we thought it would be best to outline to you our understanding of the Ontario Government's plan and the subsequent impact condominium residents specifically. If our understanding is correct, then we would ask that you respond to this letter in writing, with an explanation as to why the proposal is being put forward as a simple harmonization of the Federal and Provincial taxes, when, our deliberations indicate it represents one of the largest tax increases in Ontario's history.

As we understand it, the intended purpose is to blend the GST and the PST into one tax. This will cut down the paperwork burden for Ontario businesses and lessen Government staffing requirements by merging GST and PST departments. In theory, this could be a noble attempt to reduce costs. There is just one problem: rather than just blending the products and services that now charge both taxes, the provincial government appears determined to apply this new tax to almost all goods and services that do not attract PST today!

To begin, cited below are just a few things that are to be charged the extra 8%:

Gasoline
Home heating fuel
Home purchase
Hydro
Cable TV/Internet Services
Government and city services
Burial costs (particularly offensive)
Banking fees
Insurance fees

Any service for home or business such as repairs, professional services of any kind, construction materials, etc. will now attract an additional 8%.

Actually almost everything currently without PST (except children's clothing, prescriptions, diapers, and feminine hygiene products) will now cost 8% more.

With the proposed HST in mind we have itemized the areas below: standard services and goods utilized by condominium corporations and for which all condominium homeowners pay through their monthly common element fees.

CONTRACTED SERVICES:

Repairs and Maintenance (service contracts for the maintenance and repair of major mechanical equipment like centralized heating and air conditioning systems, elevators, landscaping, etc.)

On-site Personnel (including security staff)

UTILITIES:

Hydro

Natural Gas

Diesel Fuel (for the required Emergency Generator)

RESERVE FUND CONTRIBUTION: The present value of all Reserve Fund Items will have to be increased by 8% **

It is estimated that the overall impact of the harmonized sales tax would be an increase of 6.8%

** Note: Brookfield Residential Services Ltd., the largest professional condominium management company in Ontario, manages our condominium. In their portfolio, they have a number of condominiums whose next fiscal year ends beyond July 1, 2010, the proposed for the implementation of the Harmonized Sales Tax, thereby requiring consideration of the anticipated impact of the HST. For this reason, Brookfield Residential Services Ltd. has had to become quite knowledgeable on the subject of HST. They have been proactive in analyzing Corporations' budgets and have confirmed that a percentage increase of 6.8% would be an average increase for a condominium in Ontario with standard amenities and services. This increase is before any typical inflationary increases in manpower and services.

For an average 200 unit condominium with a 1.5 million yearly budget this equates to an additional \$102,000 in expenses to pay the HST which translates into \$510 per unit. As stated previously, this is before any inflationary increase. These figures are speculative and only represent an average condominium and will vary depending on annual budget and number of units.

In addition, each condominium in Ontario must have a reserve fund study and must contribute annually to the reserve fund from its operating budget. A reserve fund study takes into account major repairs and replacements for the next 30 years. With the implementation of the new Condominium Act in 2001 any condo built prior to 2001 had ten years in which to be "fully funded" in accordance with their professionally prepared reserve fund study. Condominiums built after 2001 must be "fully funded" in accordance with the professionally prepared reserve fund study from the first year. The impact of the HST will greatly impact all line items in a reserve fund study. With the ten-year compliance window for "full funding" rapidly approaching an end and the numerous new condominiums built after 2001, the impact of the proposed HST on condominium homeowners will be even greater. For example, a condominium that has a current reserve fund balance of \$2,000,000 for future major repairs and replacements, those expenses will now increase by 6.8%. This means that to be fully funded the reserve fund must now have \$2,136,000. This means the common expenses relating to the required contribution to the reserve fund will need to rise by this \$136,000 – immediately in order that condominiums remain in compliance with the *Condominium Act, 1998*. Together with the aforementioned 6.8% for operating expenses, we are now looking at a 13.6% increase before considering the routine impact of inflation!

The, one time, \$1,000 tax credit (to qualified individuals) proposed by your government, will certainly not offset the substantially increased taxes that will most likely exist in perpetuity.

It is our sincere hope that we have grossly misunderstood the HST proposal and you will clarify our understanding. If our concerns are valid, we trust that the Government of the Province of Ontario will immediately commence a process to truly "harmonize" taxes without obscene tax increases.

With your permission it is our intention to ask Brookfield Residential Services Ltd. to share your reply with all the condominiums under their management.

We respectfully await your response, and, if deemed necessary we will make ourselves available to further discuss our findings.

Sincerely yours,