



Humber Bay Shores
Condominium Association

July 7, 2009

Memo to: Laurel Broten
MPP, Etobicoke-Lakeshore

From: Judi Richter-Jacobs
Vice-President, Humber Bay Shores Condominium Association (HBSCA)

Re: Harmonized Sales Tax (HST)

Since you will be meeting with the Board of HBSCA on the evening of July 16th, 2009 to discuss the potential impact of the proposed Harmonized Sales Tax (HST) on condominium homeowners, I am writing on behalf of the Association, in advance of that meeting to summarize the issues identified to date.

As we meet with you, organizations such as the Canadian Condominium Institute (CCI) are engaging condominium owners and government officials in discussions, which included a recent town hall meeting to consider the issues associated with the HST. We understand from information provided by CCI (in their Summer 2009 publication, the **condo**voice) that as a result of connections made at that town hall meeting, the joint CCI-T/ACMO Government Relations Committee secured a meeting with the Parliamentary Assistant to the Minister of Finance on June 15th, 2009 to explore if there are options to easing the impact of the tax on condominium owners.

Property management firms are also encouraging owners of condominiums to understand the impact of the HST and to make their concerns known to Premier Dalton McGuinty.

Since our Association represents 17 condominium corporations with some 6,000 condominium owners, we want to assure that we make the concerns of our member Corporations known to you as our local provincial member and to the provincial government.

Obviously, the most significant issue is the financial burden that the proposed HST will place on condominium owners.

While the proposal being put forward is presented as a simple harmonization of the Federal and Provincial taxes, based on our analysis and that of others, this `harmonization` represents one of the largest tax increases in Ontario's history, as this is not just a blending of current taxes, but would introduce a PST to a range of goods and services that to date have been exempt of this tax.

Analysis undertaken to date, identifies some of the areas where an extra 8% PST would be charged, if the HST is implemented. These include gasoline, home purchase, cable TV Internet services, government and city services, burial costs, banking fees, and insurance fees.

Any service for home or business such as repairs, professional services of any kind, construction materials, etc., would also include an additional 8%. Essentially, almost everything currently without PST (except children's clothing, prescriptions, diapers, and feminine hygiene products) would cost 8% more.

While the list above has an impact on all Ontario citizens, below are the areas that will have an additional impact on condominium homeowners who pay for these services 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 hired through contract and not directly)

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 on average by 6.8%

It is estimated that the overall impact of the harmonized sales tax would be an overall average increase of 6.8%, and does not include any typical inflationary increases in services.

To put this into context, for an average 200 unit condominium with a \$1.5 million yearly budget this represents an additional \$102,000 in expenses to pay the HST which would have a \$510 impact per condominium unit. As stated previously, this is before any inflationary increase.

While such an assessment is speculative, and only represents an average condominium and will vary depending on annual budgets and number of units, it is presented to give you a sense as to the potential financial burden that the HST will have on the owners of condominiums in our area.

Further, as referenced above, 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 condominium 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 proposed 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 \$2M 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 M. 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, prior to considering the impact of inflation.

The, one time, \$1,000 tax credit (to qualified individuals and not corporations) proposed by the Ontario government, will certainly not offset the substantially increased taxes that will likely exist indefinitely.

Summary:

During these difficult economic times where significant financial burdens are already placed on individuals, this HST will create even greater hardship.

We would like to review the potential impacts of the HST with you, when we meet on July 16th, and ask that you consider how you might assist our members with this important issue.

We would welcome any update that you might be able to provide as to the outcome of the discussions referred to above between CCI-T/ACMO Government Relations Committee and the PA to the Minister of Finance on June 15th, 2009.

Sincerely,

A handwritten signature in black ink that reads "Judi Richter-Jacobs". The signature is written in a cursive, flowing style.

Judi Richter-Jacobs

c.c. HBSCA Board and Member Corporations