

### **TTC Occupied Properties – Designation of a Portion of the Premises as a Municipal Capital Facility**

**Date:** April 3, 2017

**To:** Government Management Committee

**From:** Treasurer

**Wards:** Wards 5 - Etobicoke-Lakeshore, 8 - York-West, 15 - Eglinton-Lawrence, 22 - St. Paul's, 23 - Willowdale, 27 - Toronto Centre-Rosedale, 28 - Toronto Centre-Rosedale, 30 - Toronto-Danforth, 34 - Don Valley East

#### **SUMMARY**

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This report seeks Council's authority for the adoption of necessary by-laws to designate a portion of 16 properties leased and occupied by the Toronto Transit Commission (TTC) as municipal capital facilities, and to provide property tax exemptions for municipal and education purposes. The municipal capital facility agreements will provide an exemption for approximately 543,312 square feet of combined space occupied for all 16 properties.

#### **RECOMMENDATIONS**

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The Treasurer recommends that:

1. City Council Pass a by-law pursuant to section 252 of the City of Toronto Act, 2006, providing authority to:

a. enter into municipal capital facility agreements with the landlords of each of the sixteen properties listed in Attachment 1 to this report, with whom the TTC has a lease (the "Leased Premises"), with respect to approximately 543,312 square feet of combined space, for the purposes of providing a municipal capital facility related to the provision of telecommunications, transit and transportation systems; and

b. exempt the Leased Premises from taxation for municipal and school purposes, which tax exemption is to be effective from the latest of (i) the commencement date of the Lease, (ii) the date the municipal capital facility agreement is signed and (iii) the date the tax exemption by-law is enacted; and

2. City Council direct the City Clerk to give written notice of the by-law to the Minister of Finance, the Municipal Property Assessment Corporation, the Toronto District School Board, the Toronto Catholic District School Board, the Conseil Scolaire de District du Centre-Sud-Ouest, and the Conseil Scolaire de District du Catholique Centre-Sud.

## **FINANCIAL IMPACT**

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The annual property taxes on the 543,312 square feet of total space (currently taxable) located at the 16 properties that is being leased and occupied by the TTC are estimated at approximately \$8,243,526, comprised of a municipal portion of \$4,462,511 and a provincial education portion of \$3,781,015, based on 2016 Current Value Assessment (CVA) and 2016 tax rates.

As the City currently funds the TTC the cost of rent (which includes property taxes) on any leased space through an annual budget allocation, there is no net impact on the municipal portion of taxes from the Municipal Capital Facility exemption, as the decrease in municipal tax revenue is offset by a corresponding reduction in the annual budgetary requirement for the TTC.

Providing a property tax exemption for the 543,312 square feet of total space will result in net savings to the City of approximately \$3,781,015, representing the provincial education portion of property taxes that will no longer be payable once the exemption for this portion takes effect, as shown in Table 1 below.

**Table 1**

### **Net Savings due to Property Tax Exemption – TTC Occupied Properties**

	Municipal Taxes	+ Education Taxes	= Total Budget Requirement for Property Taxes
Amounts Payable if Taxable (annual)	\$4,462,511	\$3,781,015	\$8,243,526
Amounts Payable if Exempt	\$0	\$0	\$0
Gross Savings due to Exemption:			\$8,243,526
Less Reduction in Municipal Tax Revenues:			-\$4,462,511
Total Net Savings (annual):			\$3,781,015

Attachment 1 to this report provides a breakdown of the net savings due to the property tax exemption for each of the 16 properties leased and occupied by the TTC.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

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Prior to enactment of the City of Toronto Act, the TTC has previously explored the feasibility of receiving a municipal capital facility exemption for its leased properties however, at that time, the legislation was restrictive and did not allow for the exemption to be granted by Council.

The legislation has since changed thereby allowing the TTC to meet the eligibility requirements.

At its January 18, 2017 meeting, a report entitled "Property Tax Exemptions - Municipal Capital Facilities Designation - Multiple Locations" was approved by the TTC Board authorizing staff to proceed with the request for municipal capital facility exemptions for the 16 properties identified in the report as well as any future eligible locations.

A copy of the report and decision can be accessed at:

[http://www.ttc.ca/About\\_the\\_TTC/Commission\\_reports\\_and\\_information/Commission\\_meetings/2017/January\\_18/Reports/6\\_Property\\_Tax\\_Exemption\\_Report.pdf](http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2017/January_18/Reports/6_Property_Tax_Exemption_Report.pdf)

[http://www.ttc.ca/About\\_the\\_TTC/Commission\\_reports\\_and\\_information/Commission\\_meetings/2017/January\\_18/Reports/Decisions/Property\\_Tax\\_Exemption\\_Municipal\\_Capital\\_Facilities\\_Designat.pdf](http://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Commission_meetings/2017/January_18/Reports/Decisions/Property_Tax_Exemption_Municipal_Capital_Facilities_Designat.pdf)

## **COMMENTS**

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Properties "owned and occupied" by a municipality or local board are exempt from taxation pursuant to section 3 of the Assessment Act. However, where a municipality or local board leases property to a tenant, this exemption does not apply.

Although properties owned and occupied by the TTC are exempt from taxation, they are subject to a Payment in Lieu of Taxes (PILT) under section 27 of the Assessment Act.

Given that the space in question at the 16 properties is being leased by the TTC, as opposed to owned, the leased premises used by TTC staff would otherwise be subject to taxation at commercial and industrial rates. Designating the portion of the property leased by the TTC as a municipal capital facility and providing an exemption from taxes will reduce the monthly rental amount paid by the TTC.

The property tax exemption on the space leased by the TTC will not apply unless City Council agrees to provide a tax exemption, by way of a municipal capital facility agreement under section 252 of the City of Toronto Act, 2006.

### Legislation Regarding Municipal Capital Facilities

Section 252 of the City of Toronto Act, 2006 allows the City to enter into agreements with any person for the provision of municipal capital facilities, and allows City Council to exempt from taxation for municipal and school purposes, land or a portion of land, on which municipal capital facilities are or will be located.

Ontario Regulation 598/06 prescribes “City facilities related to the provision of telecommunications, transit and transportation systems” as eligible municipal capital facilities for the purpose of section 252. Under Section 252 of the City of Toronto Act, the legislation requires:

- (a) that the property owner and the City enter into an agreement for the provision of a municipal capital facility for the space being leased; and
- (b) that a by-law be passed by Council permitting the City to enter into the agreement, and to exempt the property to which the municipal capital facility agreement applies from taxation for municipal and school purposes.

Upon the passing of this by-law, the City Clerk must give written notice of the by-law to the Minister of Finance. For the tax exemption, the City Clerk must also provide a written notice of the contents of the by-law to the Municipal Property Assessment Corporation and the Secretary of any affected school board(s).

## **CONTACT**

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## **SIGNATURE**

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Mike St. Amant  
Treasurer

## **ATTACHMENTS**

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Attachment 1: Breakdown of Property Tax Savings for each of the 16 properties leased and occupied by the TTC