



TTC Occupied Properties – Designation of a Portion of the Properties as Municipal Capital Facilities

Date: May 16, 2018

To: Government Management Committee

From: Treasurer

Wards: 15 - Eglinton-Lawrence, 27 - Toronto Centre-Rosedale

SUMMARY

This report seeks Council's authority for the adoption of necessary by-laws to designate portions of 2 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 24,807 square feet of combined space occupied at both properties.

RECOMMENDATIONS

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 two properties located at 120 Cartwright Avenue and 345-365 Bloor Street East, with whom the TTC has a lease (the "Leased Premises"), with respect to approximately 24,807 square feet of combined space, for the purposes of providing municipal capital facilities related to the provision of telecommunications, transit and transportation systems.

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.

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

The annual property taxes on the 24,807 square feet of total space (currently taxable) located at the 2 properties that is being leased and occupied by the TTC are estimated at approximately \$84,178, comprised of a municipal portion of \$44,759 and a provincial education portion of \$39,419, based on 2018 Current Value Assessment (CVA) and 2017 tax rates.

The City currently provides funding to the TTC for 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 24,807 square feet of total space will result in net savings to the City of approximately \$39,419, representing the provincial education portion of property taxes that will no longer be payable once the exemption takes effect, as shown in Table 1 below.

Table 1: Net Savings Due to Property Tax Exemption - TTC Occupied Properties

Location	Municipal Taxes	+ Education Taxes	= Total Budget Required for Property Taxes
120 Cartwright Avenue	\$34,043	\$30,568	\$64,611
345-365 Bloor Street East	\$10,716	\$8,851	\$19,567
Total:	\$44,759	\$39,419	\$84,178
Total Gross Savings due to Exemption:			\$84,178
Less Reduction in Municipal Tax Revenues:			-\$44,759
Total Net Savings (less reduction in Municipal Tax Revenues):			\$39,419

The Interim Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

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 requests for municipal capital facility exemptions for all future eligible locations.

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

[TTC Staff Report Property Tax Exemption - Municipal Capital Facilities Designation - Multiple Locations](#)

[TTC Decision](#)

COMMENTS

Properties "owned and occupied" by a municipality or local board are exempt from taxation pursuant to section 3 of the *Assessment Act*. 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 2 properties is leased by the TTC, as opposed to being owned by the TTC, it would normally be subject to taxation at commercial and industrial rates. Designating the portion of each 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 only apply if 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. Section 252 of the *City of Toronto Act* requires:

(a) that the landlord 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

Mike St. Amant
Treasurer