

124 Merton Street – Designation of a portion of the Property used by the TTC as a Municipal Capital Facility

Date: January 3, 2019

To: General Government & Licensing Committee

From: Interim Controller

Wards: Ward 12 (previously Ward 22) - Toronto - St. Paul's

SUMMARY

This report seeks Council's authority for the adoption of the necessary by-law to designate a portion of the property owned by Vivian Reiss Living Ltd and occupied by the Toronto Transit Commission (TTC) at 124 Merton Street as a municipal capital facility (MCF) and to provide an exemption for municipal taxes and education taxes. The MCF agreement will provide an exemption for the space currently occupied by the TTC of approximately 3,417 square feet of space.

The privately owned space at 124 Merton Street was selected as the TTC's Central Construction Field Office, housing staff that are managing six TTC construction contracts, because it is centrally located within the City of Toronto, is in close proximity to TTC's head office, and because there are no comparable facilities available within either the City's or TTC's owned or leased property portfolios, that meets the TTC's specific needs. On October 18, 2016, the TTC staff report: "Lease of Office Space for Central Construction Office - 124 Merton Street" received concurrence from the TTC Finance and Administration Committee.

RECOMMENDATIONS

The Interim Controller 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 an MCF agreement with the owner of the property, Vivian Reiss Living Ltd, which leases 3,417 square feet of space in the property known as 124 Merton Street (the "Leased Premises") to the TTC used for telecommunications, transit and transportation systems.

b. exempt the Leased Premises from taxation for municipal and school purposes, with the tax exemption being effective from the latest of (i) the commencement date of the Lease, (ii) the date the municipal capital facility agreement is entered into, 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 Catholique Centre-Sud.

FINANCIAL IMPACT

The annual property taxes on the 3,417 square feet of space (currently taxable) occupied by the TTC are estimated at approximately \$17,903, comprised of a municipal portion of \$9,785 and a provincial education portion of \$8,118, based on the 2018 Current Value Assessment (CVA) and 2018 tax rates.

As shown in Table 1 below, providing a property tax exemption for the 3,417 square feet of space at 124 Merton Street will result in a net annual reduction in property tax revenue to the City of approximately \$9,785, representing the municipal portion of taxes that are currently payable that will no longer be collected once the Leased Premises are designated as a municipal capital facility. The provincial education portion of property taxes of \$8,118 will no longer be required to be remitted to the Province once the exemption for the Leased Premises takes effect.

Table 1: Financial Implication of Property Tax Exemption - 124 Merton Street

	Municipal Taxes	Education Taxes	Total Property Taxes
Amounts Payable if Taxable (annual)	\$9,785	\$8,118	\$17,903
Amounts Payable if Exempt	\$0	\$0	\$0
Reduction in Municipal Tax Revenues			\$9,785
Reduction in Education Taxes Remitted			\$8,118

The resulting impact will be a reduction in property tax revenues to the City of Toronto, and reduced expenditures (lower lease payments) for the TTC.

The Chief Financial Officer and Treasurer 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:

[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%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2017/January%2018/Reports/6%20Property%20Tax%20Exemption%20Report.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%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2017/January%2018/Reports/Decisions/Property%20Tax%20Exemption%20Municipal%20Capital%20Facilities%20Designat.pdf)

COMMENTS

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 that would normally be subject to taxation, this exemption does not apply.

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.

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. However, 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. The TTC use of 124 Merton Street is consistent with the activities prescribed in the regulation.

The space occupied by the TTC at 124 Merton Street was selected as the TTC's Central Construction Field Office, where staff managing six TTC construction contracts are housed. The location was considered ideal because it is centrally located within the City of Toronto, is in close proximity to TTC's head office, and because there are no comparable facilities available within either the City's or TTC's owned or leased property portfolios. The leased space at 124 Merton Street is normally subject to taxation at commercial 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 expenditures 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.

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

Sandra Califaretti
Interim Controller