



## REPORT FOR ACTION

## 2233 Sheppard Avenue West - Designation of a Portion of the Property used by the Toronto Transit Commission as a Municipal Capital Facility

**Date:** June 22, 2020

**To:** General Government and Licensing Committee

**From:** Controller

**Wards:** Ward 7 - Humber River-Black Creek

### SUMMARY

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This report seeks Council's authority for the adoption of the necessary by-law to designate a portion of the property owned by I.G. Investment Management Limited and leased by the Toronto Transit Commission (TTC) as a Municipal Capital Facility, and to provide an exemption for the municipal taxes and education taxes. The Municipal Capital Facility agreement authorized by the by-law will provide an exemption for approximately 544,382 square feet of space.

The newly constructed privately owned space at 2233 Sheppard Avenue West was selected to consolidate and modernize the TTC's existing warehouse needs as well as to provide additional space to accommodate future growth. The property will be used to centrally receive, test and store inventory such as parts, oil and lubricants needed for the maintenance of buses, streetcars, service vehicles and rolling stock owned by the TTC. Ancillary offices and employee space in support of the ordering, storage, and distribution of inventory to TTC maintenance facilities form part of the leased facility as do loading docks and parking for delivery vehicles, employees, visitors and outdoor storage.

### RECOMMENDATIONS

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The 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 a Municipal Capital Facility Agreement with I.G. Investment Management Limited, which leases approximately 544,382 square feet of space at 2233 Sheppard

Avenue West (the "Leased Premises") to the TTC, related to the provision of 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: (1) the commencement date of the Lease, (2) the date the Municipal Capital Facility Agreement is entered into, and (3) 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, le Conseil scolaire Viamonde, and le Conseil scolaire catholique MonAvenir.

## FINANCIAL IMPACT

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The annual property taxes on the 544,382 square feet of space (currently taxable) occupied by the TTC are estimated at \$229,165, comprised of a municipal portion of \$124,861 and a provincial education portion of \$104,304, based on 2020 Current Value Assessment and 2020 tax rates.

As shown in Table 1 below, providing a property tax exemption for the 544,382 square feet at 2233 Sheppard Avenue West will result in a net annual reduction in property tax revenue to the City of approximately \$124,861, representing the municipal portion of taxes that is 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 \$104,304 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- 2233 Sheppard Avenue West

Location	Municipal Taxes	Education Taxes	Total Property Taxes
2233 Sheppard Avenue West – 1908-01-2-090-00102	\$124,861	\$104,304	\$229,165
Total Amounts Payable if Exempt	\$0	\$0	\$0
Reduction in Municipal Tax Revenues			\$124,861
Reduction in Education Taxes Remitted			\$104,304

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

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At its meeting on October 16, 2017, a report titled "Materials and Procurement Warehouse Lease Authorization", was approved by the TTC Board authorizing the lease for the Consolidated Warehouse at 2233 Sheppard Avenue West. A copy of the report and decision can be accessed at:

[Materials and Procurement Warehouse Lease Authorization - 2233 Sheppard Avenue West](#)

[Decision: Materials and Procurement Warehouse Lease Authorization - 2233 Sheppard Avenue West](#)

At its meeting on October 16, 2017, a report titled "Consolidated Warehouse Strategy", was approved by the TTC Board. A copy of the report and decision can be accessed at:

[Consolidated Warehouse Strategy](#) and [Decision: Consolidated Warehouse Strategy](#)

At its meeting on January 18, 2017, a report titled "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](#)

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

## COMMENTS

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The TTC currently utilizes four warehouses located across the City. Two of the properties have expiring leases that will not be renewed by the landlords due to redevelopment and the other two properties owned by the TTC are at full capacity. The Leased Premises at 2233 Sheppard Avenue West was selected to facilitate current warehousing needs as well as to provide additional space to accommodate future growth.

The new location will modernize the TTC's warehouse operations and distribution processes by incorporating technology, automation, and industry best practices to reduce inventory levels. Parts, oil and lubricants will be centrally received, tested for quality and compliance with specifications and stored. The facility will enable the TTC to advance in preventative maintenance for buses, subways and streetcars providing adequate space for staging areas and kit materials. Transportation time and costs associated with transporting inventory to four separate locations will be reduced with one centralized location having access to major highways. In addition to accommodating future TTC inventory growth, the existing 69,000 square feet of space within internal facilities will be available for other TTC needs, saving future lease costs.

## **Municipal Capital Facility Designation**

Section 252 of the City of Toronto Act, 2006 allows City Council to exempt from taxation for municipal and school purposes land or a portion of land on which a municipal capital facility is or will be located once the City enters into an agreement with the landlord or tenant for the provision of the municipal capital facility.

Ontario Regulation 598/06 prescribes facilities providing telecommunications, transit and transportation systems as eligible municipal capital facilities for the purpose of section 252.

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

## **CONTACT**

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## **SIGNATURE**

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Andrew Flynn  
Controller