

PROPERTY TAXATION OF THE 407 AND FUTURE EXPRESS TOLL ROADS (ETR)

Recommendation

The Commissioner of Finance & Corporate Services, in consultation with the Director of Finance and the Manager of Property Tax & Assessment recommends:

That the following resolution be adopted.

Whereas the 407 ETR is being operated on a for-profit basis through tolls paid by those using the highway;

And Whereas the 407 ETR operates in a number of municipalities;

And Whereas the Province plans to expand the use of toll roads in Ontario;

And Whereas municipal roads connected to the 407 ETR are subject to increased vehicular traffic placing additional demand on the local infrastructure;

And Whereas the land occupied by the 407 ETR is not available to generate property tax revenue to the local municipality;

And Whereas the Province of Ontario makes payments-in-lieu of taxes on lands owned or controlled by the Province where taxable tenants occupy the land;

And Whereas the current Assessment Act exempts from taxation, toll highways, and the current Municipal Tax Assistance Act excludes highways from a payment in lieu of property taxes (PIL);

And Whereas the Mayor of the City of Vaughan, Mayor Michael Di Biase raised this issue with the Minister of Finance on March 18, 2004, during the Province's Pre-Budget Discussions;

Now, therefore be it resolved that the Province of Ontario make the necessary legislative/regulatory changes regarding the 407 and all future express toll roads, to provide local municipalities with;

The ability to charge property taxes, or

The ability to charge payments in lieu of taxes (PIL's) at the commercial rate that would be payable if property taxes were applicable, or

An equivalent portion of the revenues received from Express Toll Roads.

And that a copy of this resolution be forward to the Premier of Ontario, Dalton McGuinty, the Honourable Greg Sorbara, Minister of Finance, the Honourable Harinder Takhar, Minister of Transportation, the Honourable John Gerretsen, Minister of Municipal Affairs and Housing, local members of Provincial Parliament, the Association of Municipalities of Ontario (AMO), the Region of York and other municipalities that have 407 ETR lands.

Purpose

To provide Council with a resolution regarding the removal of the current exemption for the 407 and future toll roads from property taxation.

Background - Analysis and Options

On March 18, 2004, the Commissioner of Finance & Corporate Services provided a memo to Members of Council identifying solutions to local municipal finance issues, see Attachment 1. One of the solutions raised was the fact that the 407 is operated on a for-profit basis, but does not pay property taxes. The City of Vaughan raised this issue with the Minister of Finance in mid March. This resolution will formally confirm Council's position on this issue.

For-profit businesses operating in the Province of Ontario are required to pay their fair share of municipal property taxes. The Province of Ontario also makes Payments-In-Lieu of taxes (PIL's) on lands owned or controlled by the Province where profit oriented businesses occupy the land. In the interest of equity in property taxation, the 407 and all future ETR's should be treated in a similar manner as other for-profit businesses in Ontario and be subject to property taxes.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Conclusion

This resolution recognizes that toll roads place a demand on local services and promotes equity and fairness among all for-profit businesses in the Province of Ontario.

Attachments

Attachment 1 – March 18, 2004 memo

Respectfully submitted,

Clayton D. Harris, CA
Commissioner of Finance & Corporate Services



March 18, 2004

To: Councillor Tony Carella

RE: Discussions with the Minister of Finance

As requested, staff have identified the following topics for discussion with the Minister of Finance. The topics and a brief description are provided in the following paragraphs.

1 Amendments to the Development Charges Act

Growth should pay for growth. There are two issues to be considered

- i) Some capital costs are not eligible for inclusion in development charges. For example the capital cost for computer equipment and the headquarters for the general administration of municipalities can not be included in the charge. As a municipality grows so does the need for additional staff to service growth. Additional administrative space (i.e. City Hall expansions) and computers are necessary to service and support growth. Capital costs for these items were eligible for inclusion in development charges prior to the changes in the legislation in 1998.
- ii) Only 90% of the growth related portion of the capital cost of "soft" services can be collected through development charges. Soft services refer to services such as libraries, parks development and recreation. The alternative to development charges is taxation. The financial impact to Vaughan of this aspect of the legislation is approximately \$19 million over the next 10 years. Prior to the legislative changes in 1998, 100% of the capital cost of growth related services was included in the development charge.

2. Share in the Gasoline Tax

The objective of the gasoline tax should be to collect funds to repair and replace transportation infrastructure. Local municipalities are responsible for a significant amount of that infrastructure; yet do not receive any of the gasoline tax. The magnitude of the issue has increased in recent years as a result of the Province downloading the responsibility for additional roads to local municipalities.

memorandum

The transportation infrastructure is integrated across the province and requires a broad funding strategy that doesn't depend entirely on the individual financial resources of each municipality.

3. Exempt Municipalities from PST

Recently the Federal government announced a full GST credit for municipalities. This was a very positive change and reflects the fact that government should not tax government. The Provincial government should follow the lead of their Federal counterparts and exempt local municipalities from PST. This is estimated to save the City of Vaughan approximately \$1 million based on 2003 activity.

4. Eliminate the Exemption for Toll Highways Under the Assessment Act

Currently the toll highways are exempt under the Assessment Act. Consequently no property taxes or payments-in-lieu (PIL's) of property taxes are paid on toll highways. The 407 is operated on a for profit basis. However unlike other for profit businesses no property taxes or PIL's are paid. The toll highway is connected to and places a demand on local infrastructure and occupies land that could otherwise generate property tax or PIL revenue to the local municipality.

I trust that the above is helpful. If you require any assistance please do not hesitate to call me at extension 8475.

Sincerely,



Clayton D. Harris, CA
Commissioner of Finance & Corporate Services

c Mayor Michael Di Biase and Members of Council
Michael DeAngelis. City Manager
Senior Management Team