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Financing the Smart**Track** line

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Financing the SmartTrack Line

The total cost of the SmartTrack line is \$8 billion. The city's one-third share will be paid for using Tax Increment Financing (TIF). Tax Increment Financing, as introduced in provincial legislation in 2006, allows the City of Toronto to dedicate a portion of tax revenue from development along the SmartTrack line and stations to fund construction. The remaining funding would come from the provincial and federal governments.

TAX INCREMENT FINANCING (TIF)

The Metrolinx Investment Strategy report [AECOM / KPMG (2013)] notes:

“TIF directs a portion of future property tax revenue from a specific area to support and promote development (of municipal infrastructure) within that area, for a defined period of time.”

Ontario's Tax Increment Financing Act was enacted in 2006 and states:

“The Tax Increment Financing Act 2006 (was) enacted to authorize the Province to assist in funding designated municipal projects through tax increment financing. Eligible projects include the construction of..... municipal public transit facilities.

Ontario's former Finance Minister, Greg Sorbara has said:

“I am delighted that the Tax Increment Financing (TIF) Act that I introduced and that the Ontario Legislature passed in 2006 is being discussed in this year's Toronto election as an important financing tool for much needed public transit. This plan is tailor-made for Tax Increment Financing. This legislation was designed to help municipalities upgrade their public infrastructure by providing a tool to harness future growth made possible by such investments and this is indeed what it will do.”

To fund the SmartTrack line, Tax Increment Financing revenue will be leveraged over 30 years as development activity and assessed values increase along a new transit route. It is estimated that \$2.5 billion in present value dollars can be raised over that time.

All revenue estimates are based only on projected new office development in three precincts within the following districts along the SmartTrack line: the Central Core; the East Don Lands site; and Liberty Village. Tax Increment Financing revenue will likely prove higher than \$2.5 billion once development near other stations and residential development

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are added. This requires provincial approval, including a change to the 1 per cent legislative cap.

Tax Increment Financing has been successfully used in recent years on subway projects in New York and Chicago. In New York, a recent \$2 billion subway extension was funded from TIF-backed municipal bond sales.

¹ Of the Line's 53km, 46km is within Toronto city limits. Some of this cost will be borne by municipalities outside Toronto participating in the Line. This will reduce the required amount from the City of Toronto accordingly.

² Ontario Legislative Assembly website

http://www.ontla.on.ca/web/bills/bills_detail.do?locale=en&BillID=477&isCurrent=false&detailPage=bills_detail_about