



## STAFF REPORT ACTION REQUIRED

### 775-779 The Queensway – Designation of a portion of the premises as a Municipal Capital Facility

<b>Date:</b>	January 26, 2007
<b>To:</b>	General Government Committee
<b>From:</b>	Treasurer
<b>Wards:</b>	Ward 5 – Etobicoke - Lakeshore
<b>Reference Number:</b>	P:\2007\Internal Services\Rev\gg07004Rev (AFS 3722)

#### SUMMARY

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This report seeks Council authority to adopt the necessary by-laws to designate the leased premises at 775-779 The Queensway being occupied by Toronto Social Services as a municipal capital facility, and to provide a property tax exemption for municipal and education purposes for the leased space.

Providing a tax exemption for the space occupied by Toronto Social Services will result in a net financial savings to the City of approximately \$24,034 per year, representing the provincial education share of taxes that will no longer be payable.

#### RECOMMENDATIONS

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**The Treasurer recommends that:**

1. 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 the owner, Dodson-Lesmark Developments, of the property located at 775-779 The Queensway in respect of lands leased by the City to house Toronto Social Services; and

- b. exempt the leased space at 775-779 The Queensway (22,500 square feet) from taxation for municipal and school purposes, which tax exemption is to be effective from the latest of the following dates: the commencement date of the lease between the City and the property owner of 775-779 The Queensway; the date the municipal capital facility agreement is signed; or the date the tax exemption by-law is enacted;
2. The City Clerk be directed to give written notice of the by-law to the Minister of Education, 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;
3. Authority be granted for the introduction of the necessary bills to give effect thereto; and
4. the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

### **Financial Impact**

Exempting the space being leased by Toronto Social Services will allow for a reduction in Toronto Social Services operating expenditures of approximately \$49,427 in 2007 (based on 2007 CVA figures and 2007 estimated tax rates) that would have otherwise been paid as property taxes on the leased space, and similar amounts in subsequent years. This amount consists of approximately \$25,393 in municipal taxes that will no longer be received as revenue by the City, nor will be required to be funded through Toronto Social Services annual budget and a further \$24,034 that would have been payable to the Province for the share of education taxes.

Providing a tax exemption would result in a net financial savings to the City of \$24,034 annually, representing the provincial education share of taxes that will not be payable.

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

### **DECISION HISTORY**

At its meeting on September 25, 26 and 27, 2006, City Council adopted Clause 24 of Report 6 of the Administration Committee entitled: "Lease Renewal of Office Space for Toronto Social Services - 779 The Queensway (Ward 6 - Etobicoke-Lakeshore)", granting authority for the City to enter into an agreement with the landlord to provide for renewal of the existing lease. The report can be accessed at:

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060925/adm6rpt/cl024.pdf>

## **ISSUE BACKGROUND**

The leased space currently occupied by Toronto Social Services at 775-779 The Queensway consists of 22,500 square feet. The lease commencement date was October 16, 2005. The lease term is initially for 5 years and 16 days from the commencement date, with possible extension for another 5 year term.

The Landlord has agreed to enter into a municipal capital facility agreement with the Tenant pursuant to Section 110 of *Municipal Act*, as continued under section 252 of the *City of Toronto Act, 2006*.

## **COMMENTS**

Properties “owned” and “occupied” by a municipality or a local board are exempt from taxation pursuant to section 3 of the *Assessment Act*. However, where a municipality or local board “leases” a property, the exemption under section 3 of the *Assessment Act* does not apply. As such, property that is leased by a municipality or local board is generally subject to property taxation.

Given that the 22,500 square feet of space at 775-779 The Queensway is “leased” as opposed to “owned” by the City, Toronto Social Services is currently responsible for payment of property taxes. In order to provide an exemption from property taxes, this report recommends that a by-law be enacted providing authority for the City to enter into a municipal capital facility agreement with the property owner for the leased space, and that the by-law also provide a property tax exemption from municipal and education taxes on the subject space.

## **Legislation Regarding Municipal Capital Facilities**

Section 252 of the *City of Toronto Act, 2006* (the Act) 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 “facilities used for the general administration of the City” as eligible municipal capital facilities for the purpose of section 252.

Under Section 252 of the *City of Toronto Act*, the legislation requires:

- (a) that the property owner 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 Education. 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**

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Cam Weldon  
Treasurer