



STAFF REPORT ACTION REQUIRED

Cliffcrest Branch Library (2965 - 3049 Kingston Rd.) – Designation as a Municipal Capital Facility

Date:	September 24, 2007
To:	Government Management Committee
From:	Treasurer
Wards:	Ward 36 – Scarborough Southwest
Reference Number:	P:\2007\Internal Services\rev\gm07028rev (AFS # 5474)

SUMMARY

This report seeks Council authority to adopt the necessary by-laws to designate the leased premises at 2965-3049 Kingston Road to be occupied by Cliffcrest Branch Library as a municipal capital facility and to provide a property tax exemption for municipal and education purposes for the space which the Library will be occupying commencing January 1, 2008.

Providing a tax exemption for the space that will be occupied by Cliffcrest Branch Library will result in a net financial savings to the City of approximately \$8,415 per year, representing the provincial education share of taxes that will no longer be payable.

RECOMMENDATIONS

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, Cliffcrest Plaza Limited, of the property located at 2965-3049 Kingston Road in respect of lands leased by the Cliffcrest Branch Library; and
 - b. exempt the leased space at 2965-3049 Kingston Road (4,850 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 2965-3049 Kingston Road; 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

The annual property taxes on the new space to be leased by the Toronto Public Library Board for its Cliffcrest Branch are estimated at approximately \$17,433, comprised of a municipal portion of \$9,018 and a provincial education portion of \$8,415, based on 2007 Current Value Assessment (CVA) and 2007 tax rates.

As the City currently funds the requirements of the Toronto Public Library Board (including any property tax liability) through an annual budget allocation, there would be no net impact on the municipal portion of taxes, as the decrease in municipal tax revenue of \$9,018 would be offset by a corresponding reduction in the annual budgetary requirement for the Library Board. However, a tax exemption would result in net savings to the City of \$8,415 per year, representing the provincial education share of taxes that would no longer be payable once the exemption takes effect (See Table 1).

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

Table 1
Financial Savings due to Property Tax Exemption - Cliffcrest Branch Library

	Municipal Taxes	+ Education Taxes	+ Other Rental Amount	= Total Budget Requirement
Amounts Payable if Taxable	\$9,018	\$8,415	\$80,457	\$97,890
Amounts Payable if Exempt	\$0	\$0	\$80,457	\$80,457
Gross Savings due to exemption:				\$17,433
Less Reduction in Municipal Tax Revenues:				-\$9,018
Total Net Savings:				\$8,415

DECISION HISTORY

At its meeting on June 11, 2007, the Toronto Public Library Board (the “Library Board”) approved a ten-year lease agreement with Cliffcrest Plaza Limited, commencing January 1, 2008, for the relocation and expansion of the Cliffcrest Branch Library located in the Cliffcrest Plaza at 2965-3049 Kingston Road. The Library Board also approved a request to City Council to pass the necessary by-laws to designate the new space which will be occupied by the library as a municipal capital facility in order to provide a property tax exemption.

ISSUE BACKGROUND

The Cliffcrest Branch Library opened in October 1972. The library currently leases a total floor space of 2,800 square feet and serves 15,000 clients per year. The current lease ends on August 31, 2007 and notice has been given by the landlord that the Library will not receive a further lease extension in the current space but has been offered alternate locations; one being 4,850 square feet.

The land that the library branch currently occupies is exempt from property taxes. However, when the library moves to its new space, even though it is within the same property, the library will lose the exempt status and will become liable for property taxes for the new space. The annual taxes on the new space, based on 2007 commercial tax rates, have been estimated at \$17,433, of which the City portion is \$9,018 and the education portion is \$8,415.

COMMENTS

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

The Cliffcrest Branch Library, which currently occupies 2,800 square feet of space in Cliffcrest Plaza, will be relocating and expanding its space to a total of 4,850 square feet in the same shopping centre beginning January 1, 2008.

Given that the property in question is “leased”, as opposed to “owned” by the Library Board, the Library Board would normally be responsible for payment of property taxes. Designating the premises to be occupied by the library as a municipal capital facility and providing an exemption from taxes will reduce the monthly rental amount paid by the Library Board. Although the exemption will result in a reduction in municipal tax revenues of \$9,018 per year, representing the municipal portion of taxes that will no longer be payable, this reduction will be offset by a corresponding decrease in Toronto Public Library Board’s operating budget requirement of the same amount. Overall, the net savings to the City will be \$8,415 per year, representing the education portion of taxes that will no longer be payable to the Province.

The property tax exemption on the space currently occupied by the library branch will not be automatically extended to its new space unless City Council agrees to provide a tax exemption on the new premises, by way of a municipal capital facilities agreement under section 252 of the *City of Toronto Act, 2006*.

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 “City facilities for public libraries” 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

Giuliana Carbone
Director, Revenue Services
Phone: (416) 392-8065
Fax: (416) 696-3778
E-mail: gcarbone@toronto.ca

SIGNATURE

Cam Weldon
Treasurer