



STAFF REPORT ACTION REQUIRED

North York Civic Centre Underground Parking – Designation as a Municipal Capital Facility

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| Date: | September 24, 2007 |
| To: | Government Management Committee |
| From: | Treasurer |
| Wards: | Ward 23 – Willowdale |
| Reference Number: | P:\2007\Internal Services\rev\gm07027rev (AFS # 4959) |

SUMMARY

This report seeks Council authority to adopt the necessary by-laws to designate the North York Civic Centre staff parking spaces (underground parking – 180 stalls) leased from an office tower located at 5150-5160 Yonge Street as a municipal capital facility and to provide a property tax exemption for municipal and education purposes.

Providing a tax exemption for the leased parking spaces will result in a net annual financial savings to the City of approximately \$44,800, 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, SITQ National Inc., of the property located at 5150-5160 Yonge Street in respect of the underground parking spaces (180 stalls) leased by the City of Toronto; and
 - b. exempt the leased parking spaces at 5150-5160 Yonge Street from taxation for municipal and school purposes, which tax exemption is to be effective from the latest of the following dates: 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 180 parking stalls leased by Facilities and Real Estate Division for staff parking at the North York Civic Centre from an office tower located at 5150-5160 Yonge Street are estimated at approximately \$92,804, comprised of a municipal portion of \$48,008 and a provincial education portion of \$44,796, based on 2007 Current Value Assessment (CVA) and 2007 tax rates.

As the City currently funds Facilities and Real Estate Division for the rent (which includes property taxes) on the leased parking spaces through an annual budget allocation, there would be no net impact on the municipal portion of taxes from the exemption, as the decrease in municipal tax revenue would be offset by a corresponding reduction in the annual budgetary requirement for Facilities and Real Estate Division. However, making these parking spaces exempt would result in net savings to the City of \$44,796 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
North York Civic Centre Underground Parking

| | Municipal Taxes | + Education Taxes | + Other Rental Amount | = Total Budget Requirement |
|---|------------------------|--------------------------|------------------------------|-----------------------------------|
| Amounts Payable if Taxable | \$48,008 | \$44,796 | \$174,859 | \$267,663 |
| Amounts Payable if Exempt | \$0 | \$0 | \$174,859 | \$174,859 |
| Gross Savings due to exemption: | | | | \$92,804 |
| Less Reduction in Municipal Tax Revenues: | | | | -\$48,008 |
| Total Net Savings: | | | | \$44,796 |

DECISION HISTORY

Facilities and Real Estate Division has requested that City Council pass the necessary by-laws to designate 180 parking stalls in the underground parking garage at 5150-5160 Yonge Street, that are used for staff parking, as a municipal capital facility in order to provide a property tax exemption.

ISSUE BACKGROUND

In 1989, by a lease agreement with the City Centre Development Corporation, the Corporation of the City of North York rented 350 underground parking stalls for staff parking from the office tower located at 5150-5160 Yonge Street. Currently, the number of parking stalls being leased is 180.

According to the lease, the City is responsible for the property taxes and utility charges, which are included in the monthly rental amounts. Facilities and Real Estate staff advise that the City currently pays \$22,305 as monthly rent (\$267,663 annually) on 180 parking stalls, or \$124 per month per parking space. The rent includes GST, PST and property taxes.

According to the Municipal Property Assessment Corporation, 5150-5160 Yonge Street has a total of 1,633 parking stalls, of which the City is leasing 180 stalls. The Current Value Assessment (CVA) on the parking spaces leased by the City is \$2,676,230. The annual taxes on the leased parking spaces, based on 2007 commercial tax rates, have been estimated at \$92,804, of which the City portion is \$48,008 and the education portion is \$44,796.

COMMENTS

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

Given that the parking stalls used for staff parking at the North York Civic Centre are “leased”, as opposed to “owned” by the City, they are currently taxable, i.e. the monthly rent includes an amount to cover the property taxes payable.

Designating these parking stalls as a municipal capital facility and providing an exemption from property taxes would effectively reduce the monthly rental amount paid by Facilities and Real Estate from \$124 to \$81 per stall. Although the exemption will result in a reduction in municipal tax revenues of \$48,008 per year, representing the municipal portion of taxes that the City will no longer collect, this reduction will be offset by a corresponding decrease in Facilities and Real Estate’s operating budget of the same amount. Overall, the exemption will result in net savings to the City of \$44,796 per year, representing the education portion of taxes that will no longer be payable to the Province.

Facilities and Real Estate staff have advised that the property owner has expressed willingness to reduce rents in proportion to the property tax reduction should the leased parking spaces become exempt from taxation.

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” and “parking facilities ancillary” to such facilities 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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