



**STAFF REPORT  
ACTION REQUIRED**

**Kennedy/Eglinton Library (2380–2386 Eglinton Avenue East) – Designation as a Municipal Capital Facility**

<b>Date:</b>	February 8, 2008
<b>To:</b>	Government Management Committee
<b>From:</b>	Treasurer
<b>Wards:</b>	Ward 37 – Scarborough Centre
<b>Reference Number:</b>	P:\2008\Internal Services\Rev\gm08003rev (AFS#7029)

**SUMMARY**

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This report seeks Council authority to adopt the necessary by-laws to designate the leased premises at 2380-2386 Eglinton Avenue, a portion of the property municipally known as 2378-2410 Eglinton Avenue East, to be occupied by the Kennedy/Eglinton 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 April 15, 2008.

**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, Milord Realty Inc., of the property located at 2378-2410 Eglinton Avenue East in respect of lands leased by the Toronto Public Library Board; and
  - b. exempt the leased space at 2380-2386 Eglinton Avenue East (6,713 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 Toronto Public Library Board and the property owner of 2378-2410 Eglinton Avenue East; 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 total space to be leased (after expansion) by the Toronto Public Library Board for its Kennedy/Eglinton Branch are estimated at approximately \$31,520, comprised of a municipal portion of \$16,305 and a provincial education portion of \$15,215, based on 2007 Current Value Assessment (CVA) and 2007 tax rates.

In the absence of a property tax exemption, these leased premises would be taxable at commercial rates at the estimated amounts above, as the property is leased, rather than owned, by the Toronto Public Library Board. Therefore, any property tax liability would have to be funded through an annual budget allocation. In this case, however, the premises currently leased by the library are already exempt from taxation. As the Toronto Public Library Board's 2008 Operating Budget did not identify any additional funding requirement for the potential property taxes arising from the library expansion, there are no financial savings that arise from providing an exemption on the expanded leased area, but there are also no additional costs in 2008 or future years.

The savings from the property tax exemption on the entire leased premises are therefore hypothetical savings, as this space would otherwise be taxable in the absence of the municipal capital facility designation. This designation will also ensure that the leased premises remain exempt from taxation for the entire duration of the lease, and thus will provide potential savings for the entire duration of the lease.

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 June 11, 2007, the Toronto Public Library Board (the "Library Board") approved a report concerning the potential capital project for the Kennedy/Eglinton branch expansion as well as the terms of a lease to be negotiated if the project funding was approved. This report can be accessed at:

<http://www.torontopubliclibrary.ca/pdfs/board/07jun11/27.pdf>

This report is supplementary to a staff report from the City Librarian dated January 31, 2008, entitled “Lease Expansion and Renewal – 2380-2386 Eglinton Avenue East – Toronto Public Library” (GM 12.14), which will be considered at the February 14, 2008 meeting of the Government Management Committee.

## **ISSUE BACKGROUND**

The Kennedy/Eglinton Branch Library is located within one of the City’s Thirteen Priority Neighbourhoods. The library currently leases a total floor space of 3,854 square feet and is planning to expand its total leased area to 6,713 square feet in order to improve service delivery to the public. The term of the lease is for a ten year period, commencing April 15, 2008 and ending April 14, 2018.

The land that the library branch currently occupies is exempt from property taxes. Although the space occupied by the library branch prior to the expansion (2380 and 2382 Eglinton Avenue East) is currently classified as exempt from property taxes and the library does not pay property taxes on it, the newly incorporated leased space of 2,859 square feet at 2384 and 2386 Eglinton Avenue East is taxable at commercial rates and therefore the library would be liable to pay property taxes on this portion of the land. The estimated annual taxes on the total space (after expansion), based on 2007 commercial tax rates, have been estimated at \$31,520, of which the City portion is \$16,305 and the education portion is \$15,215.

## **COMMENTS**

Properties “owned” and “occupied” by a municipality or by a 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 Kennedy/Eglinton Branch Library, which currently occupies 3,854 square feet of space at 2378-2410 Eglinton Avenue East, will be expanding its space to a total of 6,713 square feet in the same location beginning April 15, 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 that would have otherwise been payable by the Library Board.

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. This report recommends that a new municipal capital facility agreement be put in place for the entire premises leased by the Toronto Public Library Board 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* 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.

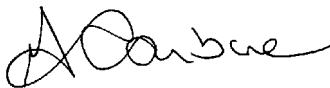
Upon the passing of this by-law, the City Clerk must give written notice of the by-law to the Minister of Education. For the tax exemption, the City Clerk must also provide a written notice of the contents of the by-law to the Municipal Property Assessment Corporation and the Secretary of any affected school board(s).

### **CONTACT**

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### **SIGNATURE**



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Cam Weldon  
Treasurer