



**STAFF REPORT
ACTION REQUIRED**

**Designation of sites leased by Toronto Public Health at
2300 Sheppard Avenue West, 2340 Dundas Street West
and 225 Duncan Mill Road as Municipal Capital Facilities**

Date:	November 5, 2008
To:	Government Management Committee
From:	Acting Treasurer
Wards:	Ward 7 – York West Ward 14 – Parkdale – High Park Ward 34 – Don Valley East
Reference Number:	P:\2008\Internal Services\Rev\gm08028rev (AFS#8689)

SUMMARY

This report seeks Council authority to adopt the necessary by-laws to designate the following three Toronto Public Health (TPH) sites as municipal capital facilities and to provide a property tax exemption for municipal and education purposes for each site:

- 1) 2300 Sheppard Avenue West - Ward 7
- 2) 2340 Dundas Street West - Ward 14
- 3) 225 Duncan Mill Road - Ward 34

Providing a tax exemption for the leased space will result in a net financial savings to the City of approximately \$81,632 per year, representing the provincial education share of taxes that will no longer be payable.

RECOMMENDATIONS

The Acting 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 owners, Shepbram Investments Inc., of the property located at 2300 Sheppard

Avenue West, 690981 Ontario Limited, of the property located at 2340 Dundas Street West and Dunbourne Properties Inc., of the property located at 225 Duncan Mill Road in respect of lands leased by the City of Toronto, Public Health Division; and

- b. exempt the leased spaces at 2300 Sheppard Avenue West (6,960 square feet), 2340 Dundas Street West (34,940 square feet) and 225 Duncan Mill Road (14,859 square feet) from taxation for municipal and school purposes, which tax exemption is to be effective from the later 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 premises leased by Toronto Public Health at 2340 Dundas Street West, 2300 Sheppard Avenue West and 225 Duncan Mill Road are estimated at approximately \$311,385 in total, comprised of a municipal portion of \$229,753 and a provincial education portion of \$81,632, based on 2008 Current Value Assessment (CVA) and 2008 tax rates, including all capping adjustments.

As the City currently funds the requirements of Toronto Public Health (including any property tax liability) through an annual budget allocation, a property tax exemption will allow for a decrease in Public Health's operating expenditures equivalent to the municipal and education property taxes that would have otherwise been payable if the premises remained taxable (approximately \$311,385 annually). However, the exemption will also result in a reduction in municipal tax revenue of approximately \$229,753 per year (i.e., the municipal portion of taxes that will no longer be collected). Overall, the net savings to the City will be approximately \$81,632 per year, representing the education portion of taxes that will no longer be payable to the Province once the exemption takes effect. (See Table 1 below).

The Acting 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
2300 Sheppard Avenue West, 2340 Dundas Street West, 225 Duncan Mill Road

	Property	Municipal Taxes	+ Education Taxes	= Total Taxes
Amounts Payable if Taxable	2300 Sheppard Ave W	\$11,822	\$9,965	\$21,787
	2340 Dundas Street W	\$174,867	\$48,043	\$222,910
	225 Duncan Mill Road	\$43,064	\$23,624	\$66,688
	Total:	\$229,753	\$81,632	\$311,385
Amounts Payable if Exempt		\$0	\$0	\$0
Gross expenditure savings due to property tax exemption:				\$311,385
Less Reduction in Municipal Tax Revenues:				-\$229,753
Total Net Savings:				\$81,632

DECISION HISTORY

Facilities and Real Estate Division has requested that the necessary by-laws be enacted to grant authority to enter into a municipal capital facilities agreement with the owners of three properties, 2340 Dundas Street West, 2300 Sheppard Avenue West and 225 Duncan Mill Road respecting the premises occupied by Toronto Public Health in these locations, and to provide a property tax exemption for the leased premises.

ISSUE BACKGROUND

2300 Sheppard Avenue West

Toronto Public Health currently occupies 6,960 square feet of space at 2300 Sheppard Avenue West. The rentable space also includes a storage space of approximately 1,000 square feet in the basement. The term of the lease is for a two-year period commencing February 1, 2008 and expiring January 31, 2010 with an option to renew for an additional two years. The premises are currently subject to taxation at the full commercial tax rate.

2340 Dundas Street West

Toronto Public Health presently leases a total of 34,940 square feet of office space at 2340 Dundas Street West, consisting of 33,900 square feet of office space identified as Suites G-09 and G-10 on the ground floor and 1,040 square feet of storage space identified as G-42 in the basement. The lease term is for ten years less one day from the commencement date of December 15, 2001 and ending December 13, 2011. The premises are currently subject to taxation at the full commercial tax rate.

225 Duncan Mill Road

Toronto Public Health currently occupies 14,859 square feet of office space at 225 Duncan Mill Road under two separate lease agreements. The original lease, dated November 7, 1988 was amended on May 1, 2004 to provide an effective date of February

1, 2004. The term of the renewed lease was for a five-year period, ending on January 31, 2009. Under the original lease Public Health had been occupying a space of 7,168 square feet (Suite 205). Under the second lease, which was effective June 1, 2006 for a term of two years and seven months, 5,330 square feet office space (Suite 202) was acquired on the second floor of the property. In addition, Public Health has assumed an additional 2,361 square feet of space (Suite 200) to occupy. Both leases will expire in January 2009 and the lease will be renewed on February 1, 2009 for a total occupied space of 14,859 square feet (Suites 200, 202 and 205). The premises are currently subject to taxation at the full commercial tax rate.

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 that would normally be subject to taxation, this exemption does not apply.

Given that 2300 Sheppard Avenue West, 2340 Dundas Street West and 225 Duncan Mill Road are leased by Toronto Public Health they are currently responsible for an annual payment of property taxes totalling approximately \$311,385. Toronto Public Health has requested that approximately 56,759 square feet of space it occupies in these three sites be designated as municipal capital facilities, and as such, made exempt from taxation.

The property tax exemption on the space currently leased by Toronto Public Health will not apply unless City Council agrees to provide a tax exemption, 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 “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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