



STAFF REPORT ACTION REQUIRED

481 University Avenue – Designation of a portion of premises as a Municipal Capital Facility

Date:	January 23, 2009
To:	Government Management Committee
From:	Acting Treasurer
Wards:	Ward 27 – Toronto Centre - Rosedale
Reference Number:	P:\2009\Internal Services\rev\gm09004rev (AFS#8953)

SUMMARY

This report seeks Council authority to adopt the necessary by-laws to designate an additional 17,000 square feet of rentable area to be leased by Court Services located on the ground floor of 481 University Avenue, as a municipal capital facility and to provide a property tax exemption for municipal and education purposes. Providing a tax exemption for the leased space will result in a net financial savings to the City of approximately \$34,762 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 owner, 481 University Avenue Inc., of the property located at 481 University Avenue in respect of approximately 17,000 square feet of rentable area on the ground floor leased by the City of Toronto, Court Services Division; and
 - b. exempt the space to be leased from taxation for municipal and school purposes, which tax exemption is to be effective from the later of the following dates: the commencement date of the lease; 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 space to be leased by Court Services at 481 University Avenue are estimated at approximately \$93,610, comprised of a municipal portion of \$58,848 and a provincial education portion of \$34,762, based on 2008 Current Value Assessment (CVA) and 2008 tax rates, including all capping adjustments.

The annual operating budget for Court Services includes amounts for rent (including any property taxes payable) on leased space, and as such 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 Court Services. However, making the leased space exempt would result in net savings to the City of approximately \$34,762 per year, representing the provincial education share of taxes that would no longer be payable once the exemption takes effect (See Table 1).

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 – 481 University Avenue

	Municipal Taxes	+ Education Taxes	= Total Budget Requirement for Property Taxes
Amounts Payable if Taxable	\$58,848	\$34,762	\$93,610
Amounts Payable if Exempt	\$0	\$0	\$0
Gross Savings due to exemption:			\$93,610
Less Reduction in Municipal Tax Revenues:			-\$58,848
Total Net Savings:			\$34,762

DECISION HISTORY

At its meeting in September 2006, Council authorized the designation of 29,510 square feet of leased premises (2nd and 9th floor) occupied by Court Services at 481 University Avenue as a municipal capital facility and an exemption from property taxes for the leased premises (ref. Report No. 7, Clause No. 10 of the Policy and Finance Committee – *Tax Exemption for Leased Property Occupied by Court Services Division at 481 University Avenue*).

In October 2008, Council authorized that a further Lease Agreement be entered into with the owner of 481 University Avenue to use and occupy an additional rentable area on the ground floor of the building of approximately 17,000 square feet for the operation of City court services (ref. GM 18.9 – *481 University Avenue – New Lease with 481 University Avenue Inc. for the Operation of City Courtrooms*).

Staff reports and Council decision document can be accessed at:

<http://www.toronto.ca/legdocs/2006/agendas/council/cc060925/pof7rpt/cl010.pdf>
<http://www.toronto.ca/legdocs/mmis/2008/gm/bgrd/backgroundfile-16286.pdf>
<http://www.toronto.ca/legdocs/mmis/2008/cc/decisions/2008-10-29-cc25-dd.pdf>

ISSUE BACKGROUND

Court Services currently occupies 29,510 square feet of space on the 2nd and 9th floors at 481 University Avenue and is exempt from taxation through a municipal capital facility agreement. Court Services has entered into a new lease with the owner of 481 University Avenue, 481 University Ave Inc., to occupy an additional 17,000 square feet, for a term of 10 years commencing May 1, 2009 and ending April 30, 2019.

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 the space in question at 481 University Avenue will be leased by the City, as opposed to owned, the leased premises that will be used by Court Services are subject to taxation at commercial rates. Designating the portion of property leased by the City as a municipal capital facility and providing an exemption from taxes will reduce the monthly rental amount paid by Court Services. Although the exemption will result in a reduction in municipal tax revenues of \$58,848 per year, representing the municipal portion of taxes that will no longer be received by the City as tax revenue, this reduction will be offset by a corresponding decrease in Court Services operating budget requirement of the same amount. Overall, the net savings to the City will be \$34,762 per year, representing the education portion of taxes that will no longer be payable to the Province.

The property tax exemption on the space that will be leased by Court Services will not apply unless City Council agrees to provide a tax exemption, by way of a municipal capital facility 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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