



STAFF REPORT ACTION REQUIRED

1118 Finch Avenue West – Designation of a portion of premises as a Municipal Capital Facility

Date:	April 23, 2009
To:	Government Management Committee
From:	Acting Treasurer
Wards:	Ward 8 – York West
Reference Number:	P:\2009\Internal Services\rev\gm09014rev (AFS#9456)

SUMMARY

This report seeks Council authority to adopt the necessary by-laws to designate 11,483 square feet of leased space occupied by Children’s Services at 1118 Finch Avenue West, 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 \$12,488 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, Century Standard Development Corp., of the property located at 1118 Finch Avenue West in respect of approximately 11,483 square feet of rentable area leased by the City of Toronto; and
 - b. exempt the leased space 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 space leased by Children’s Services at 1118 Finch Avenue West are estimated at approximately \$38,171, comprised of a municipal portion of \$25,683 and a provincial education portion of \$12,488, based on 2008 Current Value Assessment (CVA) and 2008 tax rates, including all capping adjustments. Final 2009 property taxes have not yet been established.

The annual operating budget for Children’s 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 Children’s Services. However, making the leased space exempt would result in net savings to the City of approximately \$12,488, 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 – 1118 Finch Avenue West

	Municipal Taxes	+ Education Taxes	= Total Budget Requirement for Property Taxes
Amounts Payable if Taxable	\$25,683	\$12,488	\$38,171
Amounts Payable if Exempt	\$0	\$0	\$0
Gross Savings due to exemption:			\$38,171
Less Reduction in Municipal Tax Revenues:			-\$25,683
Total Net Savings (annual):			\$12,488

DECISION HISTORY

At its meeting on June 19, 20 and 22, 2007, City Council adopted a report (GM 5.28) of the Government Management Committee entitled: “Leasing 1118 Finch Avenue West – 11,483 sq.ft. for Children’s Services”, granting authority for the City to enter into an agreement with the landlord to provide for renewal of the existing lease. The report can be accessed at:

<http://www.toronto.ca/legdocs/mmis/2007/gm/bgrd/backgroundfile-4205.pdf>

ISSUE BACKGROUND

Children’s Services leased spaces at 5150 Yonge Street and 2363 Finch Avenue West. These spaces could no longer meet their requirements and house the number of staff due to expansion, therefore, Children’s Services amalgamated these two offices into a larger space at 1118 Finch Avenue West. The commencement date of the lease was November 1, 2007, for an initial term of five years, with the option to renew for another 5 year term.

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 1118 Finch Avenue West is leased by the City, as opposed to owned, the leased premises used by Children’s Services is 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 Children’s Services. Although the exemption will result in a reduction in municipal tax revenues of \$25,683 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 Children’s Services operating budget requirement of the amount that would have been paid towards property taxes. Overall, the net savings to the City will be \$12,488 per year, representing the education portion of taxes that will no longer be payable to the Province.

The property tax exemption on the space leased by Children’s 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

Giuliana Carbone
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