



STAFF REPORT INFORMATION ONLY

345 and 349 Carlaw Avenue – Rezoning Application – Development Charges and Property Taxes

Date:	July 5, 2010
To:	City Council
From:	Deputy City Manager and Chief Financial Officer
Wards:	Ward 30
Reference Number:	P:\2010\Internal Services\Cf\Cc10033cf (AFS #12476)

SUMMARY

This report responds to Toronto and East York Community Council's request to report directly to City Council on the issues of property taxes and development charges in relation to this rezoning application. Rezoning to permit office uses should have no impact on property taxes, as these properties are already assessed and taxed as a commercial use. With respect to development charges, approval of the rezoning application will not trigger the payment of development charges. Under the City's Development Charges By-law, applicable development charges, if any, are calculated, payable and collected as of the date a building permit is issued. In view of redevelopment reductions afforded under the Development Charges By-law, any amount payable upon redevelopment or a change of use is likely to be considerably less than previously estimated by City Planning staff.

Financial Impact

There is no financial impact associated with this report.

DECISION HISTORY

On June 22, 2010, Toronto and East York Community Council, during consideration of the report titled "Final Planning Report on Rezoning Application 09-145196 STE 30 OZ", requested:

"the Deputy City Manager and Chief Financial Officer, in consultation with the Film Commissioner, to report directly to Council on July 6, 2010, on the rezoning

application for 345 and 349 Carlaw Avenue, in relation to the current land use, tax rates and development charges within the Dundas Carlaw Employment Corridor.”

ISSUE BACKGROUND

On June 22, 2010, Toronto and East York Community Council had before it the Final Planning Report on Rezoning Application 09-145196 STE 30 OZ. The application is to permit office uses in the two industrial buildings at 345 and 349 Carlaw Avenue located in the Employment Area in the Carlaw-Dundas Corridor. The applicant has expressed concern regarding the potential development charges and property taxes payable after rezoning.

COMMENTS

The application is to permit office uses, in addition to the existing permitted industrial uses, within both of the existing three-storey buildings. The request to permit office uses in the existing buildings will provide additional employment opportunities in the Carlaw area and is consistent with the Official Plan.

Zoning

The property is presently zoned I1 D3 which permits a variety of industrial uses up to a density of three times the area of the lot. The height limit is 18 metres. Although offices as a distinct use are not permitted in an industrial zone, accessory office use to a principle use is permitted. Offices as a distinct use are not permitted under this existing zoning, hence the reason for the application.

The existing use of these properties has been related to the film industry and ranged from prop storage, costume design and fittings, payroll and other film-related purposes which are constantly changing given the nature of the film business itself and in Toronto. Under the City's zoning by-law uses such as film production, communications and broadcasting establishment and performing arts studio are classified as industrial.

The proposed use of ‘office’ requires a rezoning application to permit it as a distinct use in an industrial district in the former City of Toronto. In the past office uses were considered a threat to maintaining sufficient industrial land for the former City of Toronto as often commercial uses could drive up the value of land to the point where industrial uses could no longer compete.

Property Taxes

The properties at 345 and 349 Carlaw Avenue are currently assessed at the Commercial property tax class, and have been for many years.

The classification of properties is governed by the *Assessment Act*, and administrated by the Municipal Property Assessment Corporation (MPAC). Ontario Regulation 282/98 made under this Act, defines the criteria that MPAC must follow in classifying the tax

class of a property. To be classified in the industrial tax class, the land must be used for or in connection with: manufacturing, producing or processing anything; or the research or development in direct connection with such use. The commercial property class includes all other commercial activities.

Rezoning the properties at 345 and 349 Carlaw Avenue to permit office uses, being a commercial use, will have no impact on the property taxes for these properties, as they are already taxed as a commercial use. Annual updates to Current Value Assessment may cause relative tax burdens to increase or decrease in relation to changes in property value compared to other commercial properties.

Furthermore, these properties are already eligible for the City of Toronto's small business property tax relief initiative. This initiative provides for a lower tax rate for the first million dollars of assessed value for eligible commercial properties. For 2010, 345 and 349 Carlaw Avenue are each assessed at approximately \$1.6 million in CVA, and are liable for 2010 municipal property taxes of approximately \$30,000 each. This represents a savings of \$1,000 for each property in 2010, as compared to the taxes that would apply if the City did not have the small business tax relief program. The property at 345 Carlaw Avenue receives further tax relief as a result of its taxes being capped under the statutory tax capping/clawback requirement.

Development Charges

Under the City's Development Charges By-law, development charges ("DCs") are payable prior to the issuance of a building permit. If no building permit is sought, no DCs would be payable. In this instance, it is not clear if the applicant will be seeking a building permit.

Further, while industrial uses are exempted from the payment of DCs, all other non-residential uses are assessed DCs on the area on the ground floor only. The DC by-law also provides for a reduction in DCs payable in the event of redevelopment or a change of use. To be eligible for a redevelopment reduction it is necessary to ascertain if the existing use(s) is chargeable and if it was established pursuant to all applicable zoning by-laws and building statutes. If both these criteria are satisfied, and the proposed commercial use is chargeable, DCs would only be assessed on the net increase in the ground floor area between the existing use and the proposed use.

Approval of the present application for rezoning will not trigger a DC payment; such a payment, if any, will only be triggered upon the application of a building permit. If an application for a building permit is made, applicable DCs and redevelopment reductions in DCs, if any, will be addressed and evaluated at that time in accordance with the City's DC policies then in effect.

IMIT Eligibility

In October 2008, City Council adopted the Imagination, Manufacturing, Innovation and Technology (IMIT) Financial Incentives Program, which would provide Tax Increment Equivalent Grants (TEIG's) for eligible employment uses wherein significant investment

is made in the property. Eligible sectors include Creative Industries, which are industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.

IMIT-eligible projects must also have a minimum of \$1 million in construction value, adhere to the City of Toronto Green Standard and participate in a City-endorsed jobs program. The development must be such that it would create an increase in the Current Assessed Value (CVA) of the property as it is the pre- and post-development CVA that creates the increment that determines the actual grant. Qualified applicants who are renovating or expanding an existing building may save up to 60% of the resulting increase in their municipal property tax over a ten-year period. Furthermore, projects that meet the requirements of the IMIT program are currently exempted from the City DC by-law.

A current survey of the existing building tenants at 345 and 349 Carlaw Avenue indicates that there is a significant presence of creative industries. Should the owners, therefore, apply for an IMIT Grant and qualify, they would be exempt from DCs under the current DC by-law.

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SIGNATURE

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