



## STAFF REPORT ACTION REQUIRED

### 85 Ellesmere Road – Maryvale Branch Library - Designation of a portion of premises as a Municipal Capital Facility

<b>Date:</b>	May 23, 2014
<b>To:</b>	Government Management Committee
<b>From:</b>	Treasurer
<b>Wards:</b>	Ward 37
<b>Reference Number:</b>	P:\2014\Internal Services\rev\gm14015rev (AFS19493)

#### SUMMARY

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This report seeks Council's authority for the adoption of necessary by-laws to designate as a municipal capital facility the premises occupied by the Maryvale Branch Library located at 85 Ellesmere Road within the Parkway Mall, and to provide a property tax exemption for municipal and education purposes. The municipal capital facility agreement will provide for a continued exemption for the space currently occupied by the library of approximately 4,421 square feet, and a new exemption for an additional 577 square feet of new space that is being leased by the library starting May 1, 2014.

#### RECOMMENDATIONS

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##### The Treasurer recommends that:

1. City 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 FCHT Holdings (Ontario) Corporation, the current owner of Parkway Mall at 85 Ellesmere Road, in respect of approximately 4,421 sq. ft. of the current leased space and 577 additional square feet of additional rentable area leased by the Toronto Public Library;
  - b. exempt the additional leased space (577 sq. ft.) from taxation for municipal and education purposes, for which the tax exemption is to be effective from the latest 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.

### **Financial Impact**

The annual property taxes on the additional 577 square feet of space (currently taxable) that is being leased by the Toronto Public Library Board for the expansion of its Maryvale Branch located in the Parkway Mall at 85 Ellesmere Road are estimated at approximately \$5,065, comprised of a municipal portion of \$2,610 and a provincial education portion of \$2,455, based on 2014 Current Value Assessment (CVA) and 2014 tax rates, including capping adjustments.

As the City currently funds the Toronto Public Library the cost of rent (which includes property taxes) on any leased space through an annual budget allocation, there is no net impact on the municipal portion of taxes from the Municipal Capital Facility exemption, as the decrease in municipal tax revenue is offset by a corresponding reduction in the annual budgetary requirement for Toronto Public Library. Additionally, there are no financial implications arising from the continued exemption of the space currently occupied by the Maryvale Library, as this space has been continuously returned on the assessment rolls as exempt from taxation since 1997, under an earlier municipal capital facility agreement with the former City of Scarborough.

However, providing a property tax exemption for the additional 557 square feet of space to be leased starting May 1, 2014 will result in net savings to the City of approximately \$2,455 annually, representing the provincial education portion of property taxes that will no longer be payable once the exemption for this portion takes effect, as shown in Table 1 below.

**Table 1**  
**Net Savings due to Property Tax Exemption – 85 Ellesmere Road**  
(for the additional 577 sq.ft. of new space to be leased beginning May 1, 2014<sup>1</sup>)

	Municipal Taxes	+ Education Taxes	= Total Budget Requirement for Property Taxes
Amounts Payable if Taxable	\$2,610	\$2,455	\$5,065
Amounts Payable if Exempt	\$0	\$0	\$0
Gross Savings due to exemption:		\$5,065	
Less Reduction in Municipal Tax Revenues:		-\$2,610	
Total Net Savings (annual):		\$2,455	

1. The currently leased space occupied by the Maryvale Branch Library (4,421 sq. ft.) has been exempt from property taxation since 1997, under an earlier municipal capital facility agreement between the original property owner and the former City of Scarborough. There are no financial implications arising from the continued exemption of this space.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## ISSUE BACKGROUND

At its meeting on March 24, 2014, the Toronto Public Library Board (the “Library Board”) approved an amendment to the current lease agreement between FCHT Holdings (Ontario) Corporation as landlord of the Parkway Mall located at 85 Ellesmere Road and Toronto Public Library Board, as tenant to increase the library space by approximately 577 square feet (the "Additional Space") effective May 1, 2014 until August 31, 2020, and requested City Council to approve a municipal capital facility agreement for the additional 577 square feet of space.

The Toronto Public Library Board decision document can be accessed at:

<http://www.torontopubliclibrary.ca/about-the-library/board/meetings/2014-mar-24.jsp>

<http://www.torontopubliclibrary.ca/content/about-the-library/pdfs/board/meetings/2014/mar24/14.pdf>

## 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.

The currently leased space (4,421 sq. ft.) occupied by the Maryvale Branch Library located at 85 Ellesmere Road is exempt from municipal and education portion of taxes effective April 1997 as provided under former City of Scarborough by-law (By-law No. 25069) and an agreement between the former owner of the property in 1997 and the City of Scarborough. The leased space occupied by the Maryvale Branch Library at this location has continuously been returned by the Municipal Property Assessment Corporation (MPAC) as exempt from property taxes since 1997.

In order to extend the existing property tax exemption to the additionally acquired leased space, and to execute a new municipal capital facility agreement with the owner to cover the entire space to be occupied by the library, the report seeks Council authority to:

- i. pass a by-law pursuant to section 252 of the *City of Toronto Act, 2006*, providing authority to enter into a new municipal capital facility agreement with the current owner in respect to a total space of approximately 4,998 sq. ft. (4,421 sq. ft. of the current leased space and 577 square feet of additional rentable area) leased by the library branch; and
- ii. exempt the additional leased space (577 sq. ft.) from taxation for municipal and education purposes, for which the tax exemption is to be effective from the latest 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.

Given that the space in question at 85 Ellesmere Road will be leased by the library, as opposed to owned, the leased premises that will be used by the library branch would otherwise be subject to taxation at commercial rates. Designating the new portion of the property leased by the library as a municipal capital facility and providing an exemption from taxes will reduce the monthly rental amount paid by the Toronto Public Library.

The property tax exemption on the space that will be leased by Toronto Public Library 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 “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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Giuliana Carbone  
Treasurer