



STAFF REPORT ACTION REQUIRED

123 Rexdale Boulevard – Northern Elms Branch Library - Designation of a portion of premises as a Municipal Capital Facility

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| Date: | December 10, 2015 |
| To: | Government Management Committee |
| From: | Treasurer |
| Wards: | Ward 2 – Etobicoke North |
| Reference Number: | P:\2015\Internal Services\rev\gm15027rev (AFS22117) |

SUMMARY

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 Northern Elms Branch Library located in a strip mall at 123 Rexdale Boulevard, 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 3,078 square feet and a new exemption for an additional 858 square feet of new space that is being leased by the library.

RECOMMENDATIONS

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 994480 Ontario Limited, the current owner of the strip mall at 123 Rexdale Boulevard, in respect of approximately 3,078 square feet of the current leased space and 858 additional square feet of additional rentable area leased by the Toronto Public Library;
 - b. continue the exemption for the leased space currently occupied by the library of approximately 3,078 square feet;

- c. exempt the additional leased space of approximately 858 square feet 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. City Council direct the City Clerk 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.

Financial Impact

The annual property taxes on the additional 858 square feet of space (currently taxable) that is being leased by the Toronto Public Library Board for the expansion of its Northern Elms Branch located at 123 Rexdale Boulevard are estimated at approximately \$4,512, comprised of a municipal portion of \$2,613 and a provincial education portion of \$1,899 based on 2015 Current Value Assessment (CVA) and 2015 tax rates, including claw-back 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 Northern Elms Library, as this space has been continuously returned on the assessment rolls as exempt from taxation since 2005, under an earlier municipal capital facility agreement.

However, providing a property tax exemption for the additional 858 square feet of space to be leased will result in net savings to the City of approximately \$1,899 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 – 123 Rexdale Boulevard
(for the additional 858 sq.ft. of new space¹)

| | Municipal Taxes | + Education Taxes | = Total Budget Requirement for Property Taxes |
|---|-----------------|-------------------|---|
| Amounts Payable if Taxable | \$2,613 | \$1,899 | \$4,512 |
| Amounts Payable if Exempt | \$0 | \$0 | \$0 |
| Gross Savings due to exemption: | | | \$4,512 |
| Less Reduction in Municipal Tax Revenues: | | | -\$2,613 |
| Total Net Savings (annual): | | | \$1,899 |

1. The currently leased space occupied by the Northern Elms Branch Library (3,078 sq. ft.) has been exempt from property taxes since 2005, under an earlier municipal capital facility agreement between the original property owner and the City of Toronto. There are no financial implications arising from the continued exemption of this space.

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

ISSUE BACKGROUND

At its meeting on June 22, 2015, the Toronto Public Library Board (the “Library Board”) approved an amendment to the current lease agreement between 994480 Ontario Limited as landlord of the Rexdale strip mall located at 123 Rexdale Boulevard and Toronto Public Library Board, as tenant to increase the library space by approximately 858 square feet (the "Additional Space") and requested City Council to approve a municipal capital facility agreement for the additional 858 square feet of space.

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

<http://www.torontopubliclibrary.ca/about-the-library/board/meetings/2015-jun-22.jsp>
<http://www.torontopubliclibrary.ca/content/about-the-library/pdfs/board/meetings/2015/jun22/20-northern-elms-branch-lease-expansion-and-extension-agreement.pdf>

At its meeting of September 30 and October 1, 2015, City Council in its consideration of Item EX8.32: *Toronto Public Library – 2015 Capital Budget Adjustment for Northern Elms Branch*, adopted the recommendations approving a new lease agreement between the Toronto Public Library, as tenant, and 994480 Ontario Limited, as Landlord for a 3,936 square foot premises at 123 Rexdale Boulevard.

The staff reports and Council decisions can be accessed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX8.32>

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 (3,078 sq. ft.) occupied by the Northern Elms Branch Library located at 123 Rexdale Boulevard is exempt from municipal and education portion of taxes as provided under City of Toronto by-law (By-law No. 818-2005) and an agreement between 994480 Ontario Limited and the City of Toronto in 2005. The leased space occupied by the Northern Elms Branch Library at this location has continuously been returned by the Municipal Property Assessment Corporation (MPAC) as exempt from property taxes since December 2005.

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 3,936 square feet (3,078 square feet of the current leased space and 858 square feet of additional rentable area) leased by the library branch;
- ii. continue the exemption on the existing leased space of approximately 3,078 square feet;
- iii. exempt the additional leased space of approximately 858 square feet 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 123 Rexdale Boulevard 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

Mike St. Amant
Treasurer