



REPORT FOR ACTION

Properties leased by Real Estate Services - Designation of a Portion of Premises as a Municipal Capital Facility

Date: October 25, 2017

To: Government Management Committee

From: Treasurer

Wards: Wards 22 - St. Paul's, 20 - Trinity Spadina, 11 - York South-Weston, 42 - Scarborough-Rouge River

SUMMARY

This report seeks Council's authority for the adoption of necessary by-laws to designate four (4) properties leased by Real Estate Services and occupied by Social Development, Finance & Administration (SDFSA), two properties by Shelter, Support, Housing & Administration (SSHA), and a City Councillor's office respectively as municipal capital facilities, and to provide property tax exemptions for municipal and education purposes. The municipal capital facility agreements will provide an exemption for approximately 49,439 square feet of combined space occupied for all 4 properties, located at 160 Eglinton Avenue East (Ward 22); 2 Murray Street (Ward 20); 731 Runnymede Road (Ward 11); and 1371 Neilson Road (Ward 42).

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 municipal capital facility agreements with the landlords of the following four properties:

160 Eglinton Avenue East, with respect to approximately 13,875 square feet of space leased by Real Estate Services on behalf of Social Development, Finance & Administration (SDFSA) for the continued use as a community centre.

2 Murray Street, with respect to approximately 14,967 square feet of space leased by Real Estate Services on behalf of Shelter, Support, Housing & Administration (SSHA) for administration.

731 Runnymede Road, with respect to approximately 19,777 square feet of space leased by Real Estate Services on behalf of Shelter, Support, Housing & Administration (SSHA) for use as an emergency men's shelter.

1371 Neilson Road, with respect to approximately 820 square feet of space leased by Real Estate Services on behalf of City Councillor Neethan Shan for use as office space.

b. exempt the Leased Premises from taxation for municipal and school purposes, which tax exemptions are to be effective from the latest of (i) the commencement date of the Lease, (ii) the date the municipal capital facility agreement is signed and (iii) the date the tax exemption by-law is enacted respectively.

2. City Council direct the City Clerk to give written notice of the respective by-laws to the Minister of Finance, 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 combined annual property taxes on the 49,439 square feet of total space (currently taxable) located at the 4 properties that are being leased by Real Estate Services and occupied by Social Development, Finance & Administration (SDFA), two properties by Shelter, Support, Housing & Administration (SSHA), and a City Councillor's office respectively are estimated at approximately \$336,177, comprised of a municipal portion of \$181,644 and a provincial education portion of \$154,534 based on 2017 Current Value Assessment (CVA) and 2017 tax rates.

Providing a property tax exemption for the 49,439 square feet of total space will result in net savings to the City of approximately \$154,534, representing the provincial education portion of property taxes that will no longer be payable on these premises once the exemptions for these portions take effect, as shown in Table 1 below.

Table 1**Net Savings due to Property Tax Exemption – Real Estate Services Leased Properties**

	Municipal Taxes	+ Education Taxes	= Total Budget Requirement for Property Taxes
1. 160 Eglinton Avenue East (Ward 22) (SDFA)	\$47,635	\$40,794	\$88,428
2. 2 Murray Street (Ward 20) (SSHA)	\$55,034	\$46,905	\$101,939
3. 731 Runnymede Road (Ward 11) (SSHA)	\$77,677	\$65,607	\$143,284
4. 1371 Neilson Road (Ward 42) (City Councillor's Office)	\$1,298	\$1,228	\$2,526
Total Combined Amounts Payable if Taxable (annual)	\$181,644	\$154,534	\$336,177
Amounts Payable if Exempt	\$0	\$0	\$0
Gross Savings due to Exemption:			\$336,178
Less Reduction in Municipal Tax Revenues:			-\$181,644
Total Net Savings (annual):			\$154,534

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

DECISION HISTORY

160 Eglinton Avenue East: 1594342 Ontario Limited and Social Development, Finance & Administration (SDFA) entered into a lease extension agreement on November 30, 2017 for a five year term at a portion of the premises located at 160 Eglinton Avenue East.

2 Murray Street: Real Estate Services entered into a sublease agreement between the sublandlord, Toronto Community Housing Corporation at 2 Murray Street and Shelter, Support, Housing & Administration (SSHA) for a portion of the premises commencing May 1, 2005 and ending August 31, 2029.

731 Runnymede Road: At its July 4, 2017 meeting, Council approved Item EX26.15: "731 Runnymede Road - New Lease for Emergency Men's Shelter", authorizing the City to enter into a lease with the landlord, 1310984 Ontario Inc. for a ten year term commencing the earlier of June 1, 2018 or the completion by the Landlord of all the Landlord's and Tenant's work.

A copy of the report and decision can be accessed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX26.15>

1371 Neilson Road: Real Estate Services entered into a net lease agreement between the landlord, 1191373 Ontario Inc. at 1371 Neilson Road and a City Councillor for a portion of the premises commencing May 1, 2017 and ending November 30, 2018.

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 a property that would otherwise be taxable, this exemption does not apply. As such, property that is “leased” by a municipality or local board is generally subject to property taxation.

Given that the space in question is being leased by Real Estate Services and used for the City's purposes, the leased premises would otherwise be subject to taxation at commercial rates. Designating the portions of the properties leased by the various divisions as municipal capital facilities and providing an exemption from taxes will reduce the monthly rental amount paid by Real Estate Services under each of the respective leases.

The property tax exemptions on the premises leased by Real Estate 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 "City community centres", "City facilities related to the provision of social and health services, including long-term care homes under Part VIII of the *Long-Term Care Homes Act, 2007*" and "Facilities used by the council" as eligible municipal capital facilities for the purpose of section 252.

The facility being used as a community centre is as follows:

160 Eglinton Avenue East

A lease renewal has been approved for the occupation of 13,875 square feet of space for a five year term commencing November 30, 2017 between the landlord, 1594342 Ontario Limited and Social Development, Finance & Administration (SDFA) for continued use as a community centre.

The City facilities that relate to the provision of social and health services, including long-term care homes under Part VIII of the *Long-Term Care Homes Act, 2007* are as follows:

2 Murray Street

A sublease agreement has been entered into between Shelter, Support, Housing & Administration (SSHA) and the sublandlord of the property, Toronto Community Housing Corporation to occupy 14,967 square feet of space commencing May 1, 2005 and ending August 31, 2029. SSHA staff will be occupying the space for administration of the social housing waiting list at this location.

731 Runnymede Road

A lease agreement has been entered into between Shelter, Support, Housing & Administration (SSHA) and the landlord of the property, 1310984 Ontario Inc. to occupy 19,777 square feet of space for a ten-year term commencing the earlier of June 1, 2018 or the completion by the Landlord of all the Landlord's and Tenant's work. SSHA will be occupying the space in order to provide service as an emergency men's shelter at this location.

The facility being used by council is as follows:

1371 Neilson Road

A net lease agreement has been entered into between Real Estate Services and the landlord of the property, 1191373 Ontario Inc. to occupy 820 square feet of space commencing May 1, 2017 and ending November 30, 2018. City Councillor Neethan Shan will be occupying a portion of this property for use as an office.

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 Finance. 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