



**STAFF REPORT
ACTION REQUIRED**

20 Lesmill Road – Designation as a Municipal Capital Facility

Date:	April 23, 2009
To:	Government Management Committee
From:	Acting Treasurer
Wards:	Ward 34 – Don Valley East
Reference Number:	P:\2009\Internal Services\rev\gm09013rev (AFS#9455)

SUMMARY

This report seeks Council authority to adopt the necessary by-laws to designate the property at 20 Lesmill Road (27,577 square feet of leased space), occupied by Toronto Employment & Social Services, as a municipal capital facility and to provide a property tax exemption for municipal and education purposes. Toronto Employment & Social Services occupies the entire property. Providing a tax exemption for the leased space will result in a net financial savings to the City of approximately \$56,018 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, Morguard Realty Holding Inc., c/o Morguard Investments Limited of the property located at 20 Lesmill Road in respect of approximately 27,577 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 Toronto Employment & Social Services at 20 Lesmill Road are estimated at approximately \$117,395, comprised of a municipal portion of \$61,377 and a provincial education portion of \$56,018, 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 Toronto Employment & Social 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 Toronto Employment & Social Services. However, making the leased space exempt would result in net savings to the City of approximately \$56,018, 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 – 20 Lesmill Road

	Municipal Taxes	+ Education Taxes	= Total Budget Requirement for Property Taxes
Amounts Payable if Taxable	\$61,377	\$56,018	\$117,395
Amounts Payable if Exempt	\$0	\$0	\$0
Gross Savings due to exemption:			\$117,395
Less Reduction in Municipal Tax Revenues:			-\$61,377
Total Net Savings (annual):			\$56,018

DECISION HISTORY

At its meeting on September 25, 26 and 27, 2006, City Council adopted Clause 30 of Report 6 of the Administration Committee entitled: “Lease Renewal – 20 Lesmill Road – Social 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/2006/agendas/council/cc060925/adm6rpt/cl030.pdf>

ISSUE BACKGROUND

Toronto Employment & Social Services has occupied the property at 20 Lesmill Road since February 1, 1994, leasing a total floor space of 27,577 square feet. The original lease was for a seven year period, ending in 2001, with an option to renew for a further term of five years. Toronto Employment & Social Services renewed the lease for a further five year term ending January 31, 2006. City Council approved renewal of the lease for an additional five year period, commencing February 1, 2006.

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 20 Lesmill Road is leased by the City, as opposed to owned, the leased premises used by Toronto Employment & Social 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 Toronto Employment & Social Services. Although the exemption will result in a reduction in municipal tax revenues of \$61,377 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 Toronto Employment & Social Services’ operating budget requirement of the amount that would have been paid towards property taxes. Overall, the net savings to the City will be \$56,018 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 Toronto Employment & Social 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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