



STAFF REPORT ACTION REQUIRED

1880 Eglinton Avenue East – Designation of a portion of premises as a Municipal Capital Facility

Date:	May 3, 2010
To:	Government Management Committee
From:	Treasurer
Wards:	37 – Scarborough Centre
Reference Number:	P:\2010\Internal Services\rev\gm10011rev (AFS 11866)

SUMMARY

This report seeks Council authority to adopt the necessary by-laws to designate 50,000 square feet of space to be leased by Toronto Employment and Social Services at 1880 Eglinton Avenue East as a municipal capital facility and to provide a property tax exemption for municipal and education purposes. Providing a tax exemption for the leased space will result in a net financial savings to the City of approximately \$176,041 per year, representing the provincial education share of taxes that will no longer be payable.

RECOMMENDATIONS

The 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, Loblaw Properties Limited, of the property located at 1880 Eglinton Avenue East in respect of approximately 50,000 square feet (45,000 sq. ft on the ground floor and 5,000 sq. ft. on the mezzanine) of rentable area leased by the City of Toronto; and
 - b. exempt the leased space from taxation for municipal and education purposes, which 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; 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 to be leased by Toronto Employment and Social Services at 1880 Eglinton Avenue East are estimated at approximately \$407,899, comprised of a municipal portion of \$231,858 and a provincial education portion of \$176,041, based on 2010 estimated Current Value Assessment (CVA) and 2010 tax rates, including all capping adjustments.

The annual operating budget for Toronto Employment and 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 and Social Services. However, making the leased space exempt would result in net savings to the City of approximately \$176,041, representing the provincial education share of taxes that would no longer be payable once the exemption takes effect (See Table 1).

Table 1
Financial Savings due to Property Tax Exemption – 1880 Eglinton Avenue East
(Based on 2010 CVA and Tax Rates)

	Municipal Taxes	+ Education Taxes	= Total Budget Requirement for Property Taxes
Amounts Payable if Taxable	\$231,858	\$176,041	\$407,899
Amounts Payable if Exempt	\$0	\$0	\$0
Gross Savings due to exemption:			\$407,899
Less Reduction in Municipal Tax Revenues:			-\$231,858
Total Net Savings (annual):			\$176,041

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

DECISION HISTORY

At its meeting on November 30 and December 1 and 2, 2009, City Council adopted a report (GM 26.29) of the Government Management Committee entitled: “Leased Space to Meet Toronto Employment and Social Services Recession Plan Requirements”, granting authority for the City to enter into a lease agreement with the landlord to accommodate the expansion of service capacity for Toronto Employment and Social Services. The Real Estate Services Division and Loblaw Properties Limited have both signed a Lease Proposal letter and a lease agreement is currently in the process of being finalized.

The staff report, appendix and Council decision document can be accessed at:

<http://www.toronto.ca/legdocs/mmis/2009/gm/reports/2009-11-09-gm26-cr.htm#GM26.29>

<http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-25123.pdf>

ISSUE BACKGROUND

Toronto Employment and Social Services will be occupying 45,000 sq. ft. of space on the ground floor plus an additional 5,000 sq. ft. of rent free space on the mezzanine. The expected occupancy date is August 1, 2010 and the term of the lease is for a ten year period with the option to extend the lease for two additional 5 year terms.

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 1880 Eglinton Avenue East will be leased by the City, as opposed to owned, the leased premises that will be used by Toronto Employment and 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 and Social Services. Although the exemption will result in a reduction in municipal tax revenues of \$231,858 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 and 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 \$176,041 per year, representing the education portion of taxes that will no longer be payable to the Province.

The property tax exemption on the space that will be leased by Toronto Employment and 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 related to the provision of social and health services, including homes under the *Homes for the Aged and Rest Homes Act.*” 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
Treasurer