



**STAFF REPORT
ACTION REQUIRED**

Continuation of Property Tax Exemption for Ukrainian Cultural Centre (83-85 Christie Street)

Date:	March 20, 2013
To:	Government Management Committee
From:	Treasurer
Wards:	Ward 20 - Trinity Spadina
Reference Number:	P:\2013\Internal Services\rev\gm13005rev (AFS17327)

SUMMARY

This report seeks Council authority to:

- a. amend the existing City of Toronto By-law No. 99-84, pursuant to subsection 3(3) of the *Ukrainian Cultural Centre Act, 1982*, to continue the property tax exemption for 83-85 Christie Street, which is currently owned and occupied by the Ukrainian Cultural Centre (the Centre), after it is sold, provided the Centre continues to occupy the property as a tenant under a lease agreement and uses the premises solely for its intended purposes;
- b. collect property taxes in the amount of approximately \$176,797 foregone in the preceding ten (10) year period prior to the sale of the land, pursuant to the existing agreement between the City and the Centre; and
- c. allow the Centre to retain and transfer its existing property tax exemption, if and when the Centre purchases property and relocates to another location within the City of Toronto, as provided for under subsection 3(3) of the *Ukrainian Cultural Centre Act, 1982*.

The current location (83-85 Christie Street) is exempt from property taxes under private legislation, the *Ukrainian Cultural Centre Act, 1982*, City of Toronto By-law No. 99-84, and an agreement between the City and the Centre dated January 1, 1983.

RECOMMENDATIONS

The Treasurer recommends that:

1. Council authorize the collection of approximately \$176,797 in property taxes foregone in the preceding ten-year period (the “Deferred Taxes”) prior to the sale of the land located at 83-85 Christie Street (the “Current Location”) pursuant to the tax exemption agreement dated January 1st, 1983 between the City and the Centre (the “Agreement”).
2. Provided that the Centre has paid the Deferred Taxes upon the sale of the Current Location:
 - a. Council allow the continuation of the property tax exemption provided to the Centre at the Current Location after the property is sold, provided the Centre continues to occupy the premises as a tenant under a lease agreement and uses the premises solely for its intended purposes;
 - b. Council authorize the removal of the property tax lien from the title of the Current Location;
 - c. As permitted by subsection 3(3) of the *Ukrainian Cultural Centre Act, 1982*, Council authorize the transfer of the property tax exemption provided for the Centre from its Current Location to a future location within the City of Toronto, provided that the new location and premises continues to be entirely occupied and used solely for the Centre's intended purposes (the “Future Location”); and
 - d. Council authorize the Treasurer to amend the Agreement so as to reflect (a) – (c) and, in respect of the Future Location, to delete the requirement to again pay taxes foregone in the preceding 10 years or in the period since the Centre moved to the future location, whichever is shorter, in the event the Centre sells the Future Location.
3. Authority be granted for the introduction of the necessary bills to give effect thereto.

Financial Impact

In terms of current year impacts, the repayment of taxes foregone in the preceding 10-year period will result in additional property tax revenue of approximately \$176,797 in 2013 (City portion: \$122,260 and Education portion: \$54,537), as detailed in Table 1 below. This represents a one-time financial gain for the City of approximately \$122,260.

**Table 1:
Tax repayment schedule for the preceding 10-year period for 83-85 Christie Street**

Taxation Year	Current Value Assessment (CVA) (\$)	Property Taxes foregone in the Preceding 10-Year Period (Residential rates)		
		City Portion (\$)	Education Portion (\$)	Total Taxes (\$)
2003	1,621,000	10,642.76	5,430.35	16,073.11
2004	1,937,000	11,485.53	5,733.52	17,219.05
2005	1,937,000	11,830.10	5,733.52	17,563.62
2006	2,122,000	12,028.74	5,602.08	17,630.82
2007	2,122,000	12,495.26	5,602.08	18,097.34
2008	2,122,000	12,963.78	5,602.08	18,565.86
2009	2,155,750	12,994.44	5,432.49	18,426.93
2010	2,189,500	12,908.63	5,276.70	18,185.33
2011	2,223,250	12,492.92	5,135.71	17,628.63
2012	2,257,000	12,417.97	4,987.97	17,405.94
Total: (\$)		122,260.13	\$54,536.50	176,796.63

In terms of future year financial implications, should Council approve the transfer of the property tax exemption for the Centre from the current location at 83-85 Christie Street to a new future location within the City of Toronto, the net financial impact to the City will be the net difference between the municipal property taxes foregone at the old location (approximately \$12,500 per year), and the municipal property taxes that will be foregone at the future new location within the City of Toronto.

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

DECISION HISTORY

In January of 1984, the former City of Toronto enacted By-law No. 99-84, authorizing an exemption from taxes for lands owned and occupied by the Ukrainian Cultural Centre at 83-85 Christie Street, as permitted under the *Ukrainian Cultural Centre Act, 1982*. The exemption was subject to terms and conditions set out in an agreement between the City of Toronto and the Ukrainian Cultural Centre dated January 1, 1983. This agreement was registered on title to 83-85 Christie Street.

ISSUE BACKGROUND

The Ukrainian Cultural Centre currently owns and occupies the property located at 83-85 Christie Street. The Centre was incorporated by letters patent dated June 17, 1957 and is a registered charitable organization within the meaning of the *Income Tax Act (Canada)*.

The Centre located at 83-85 Christie Street is currently exempt from property taxes so long as the property remains occupied and used solely for the purposes of the Ukrainian Cultural Centre. The tax exemption for said property was permitted under private member legislation, the *Ukrainian Cultural Centre Act, 1982*. The Act's provisions surrounding the property tax exemption are permissive, rather than mandatory, meaning

that the municipality could elect whether or not to pass a by-law to allow the exemption. Council of the former City of Toronto authorized the exemption in 1984 under former City of Toronto By-law No. 99-84, together with an agreement between the former City of Toronto and the Ukrainian Cultural Centre. This agreement is registered on title to the property at 83-85 Christie Street.

Under the terms of the agreement, if the land or any part thereof is sold, granted, transferred or conveyed, the owners are required to pay the City an amount equal to the taxes foregone in the preceding 10-year period. This was a common requirement in agreements where the former City of Toronto granted property tax exemptions under private legislation, as a means of ensuring that if an organization received the benefit of a tax exemption and subsequently sold the property to achieve a profit, the property taxes that would have been payable in the preceding 10-year period were repayable to the City. Both the private legislation and the agreement also include provisions that allow for the transfer of the property tax exemption to a different property without invoking the requirement to repay the deferred taxes. Amounts payable under the agreement constitute a lien or charge upon the property.

COMMENTS

In late 2012, the City of Toronto was notified that the Ukrainian Cultural Centre intended to sell its property located at 83-85 Christie Street, with a projected final closing date of April 1, 2013. However, the Centre would continue to occupy the entire premises and operate the Centre as a tenant under a short-term six (6) month renewable lease agreement with the new owner. As advised by the Centre's legal representatives, this arrangement will remain in place at the 83-85 Christie Street location until the Centre purchases another suitable property.

In accordance with the existing agreement between the former City of Toronto and the Ukrainian Cultural Centre, pursuant to By-law No. 99-84 and as provided for under subsection 3(1) of the *Ukrainian Cultural Act, 1982*, if the land exempted from taxes is sold, the taxes foregone in the preceding period of 10 years becomes immediately payable.

Therefore, the Centre is required to repay the City an amount equal to the property taxes foregone in the previous 10-year period, prior to the final sale, which are estimated at approximately \$176,797 (\$122,260 representing the municipal portion and \$54,537 representing education portion). On receipt of this amount, the City would be required to:

- i. repay an amount equivalent to the education portion of these taxes to the province/school boards, estimated at approximately \$54,537; and
- ii. remove the property tax lien from the title of 83-85 Christie Street foregone in the preceding ten-year period prior to the sale of the lands, estimated at approximately \$176,797.

As part of the property sale notification, the Centre requested that the City continue to provide the property tax exemption for 83-85 Christie Street after the planned April 1, 2013 sale date. The Centre will continue to occupy the entire premises as a tenant under a short-term six (6) month renewable lease agreement with the facility being used solely for its intended purposes. The Centre's private legislation allows the municipality to continue the existing property tax exemption after the sale through a by-law amendment, which is provided for in subsection 3(3) of the *Ukrainian Cultural Centre Act, 1982*. The City will not incur any detrimental financial impact as a result of the continuation of the tax exemption at this location, as the property at 83-85 Christie Street is already exempt from property taxes.

Additionally, at a future point in time once the Centre is in the position to execute the purchase of land within the City of Toronto, they have requested that the City transfer the property tax exemption to their new location within the City of Toronto. Subsection 3(3) of the *Act* allows the City, through a further by-law amendment, to transfer the existing property tax exemption, provided that the Centre occupies the entire premises solely for its intended purposes. The recommendations in this report provide the requisite authority to further amend the by-law to allow for the transfer of the property tax exemption to a new location once the sale has occurred without the need for Council's further approval.

While the Act contemplates a transfer of the property tax exemption to a new location without triggering the requirement to pay to the City the Deferred Taxes by postponing that requirement, this becomes problematic in the current circumstances as the Centre has not yet purchased the property for its new location. If the Deferred Taxes were not collected by the City now, there would be a risk that the Centre would never purchase property in the City for its new location, thereby risking the City's ability to collect the Deferred Taxes. Furthermore, the Act does not authorize the collection of Deferred Taxes on both the Current Location and a Future Location; it only authorizes the postponement of the collection of the Deferred Taxes until the sale of the Future Location. Accordingly, the recommendations of this report are to collect the Deferred Taxes now upon the sale of the Current Location, and to transfer the tax exemption to the Future Location once one is found without further imposing the requirement under an amended agreement to pay the Deferred Taxes upon the sale of the Future Location.

In recognition of the invaluable contributions to cultural enrichment, education and diversity provided by the Ukrainian Cultural Centre, staff are recommending that Council approve the continuation and ultimate transfer of the property tax exemption for the Ukrainian Cultural Centre respectively at its current location at 83-85 Christie Street (as a tenant) and to a future location within the City of Toronto. The above recommendation to transfer and continue the property tax exemption for the Centre to a future location is consistent with prior Council decisions for Ronald McDonald House and the Bathurst Jewish Centre. In both of these cases, Council approved that existing property tax exemptions established by private legislation could be transferred to a new location within the City, but at the time of Council approval, these properties had already identified and purchased a new location to which the exemption could be transferred.

If Council decides not to approve the continuation and transfer of the property tax exemption, the requirement to repay the taxes foregone in the previous 10-year period and to begin paying annual property taxes would undoubtedly jeopardize the Centre's current agreement of sale and could potentially jeopardize their continued operation.

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SIGNATURE

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