STAFF REPORT
ACTION REQUIRED

1 Eglinton Square – Eglinton Square Branch Library -
Designation of a portion of premises as a Municipal
Capital Facility

<table>
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<tr>
<th>Date:</th>
<th>December 10, 2015</th>
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<tbody>
<tr>
<td>To:</td>
<td>Government Management Committee</td>
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<tr>
<td>From:</td>
<td>Treasurer</td>
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<td>Wards:</td>
<td>Ward 35 – Scarborough Southwest</td>
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<td>Reference Number:</td>
<td>P:\2015\Internal Services\rev\gm15026rev (AFS22116)</td>
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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 Eglinton Square Branch Library located at 1 Eglinton Square within the Eglinton Square Shopping Centre, 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 4,716 square feet, and a new exemption for an additional 5,284 square feet of new space that is being leased by the library for twenty years with an estimated effective date of October 1, 2015.

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 KS Eglinton Square Inc, the current owner of Eglinton Square Shopping Centre at 1 Eglinton Square, in respect of approximately 4,716 square feet of the current leased space and 5,284 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 4,716 square feet;

c. exempt the additional leased space of approximately 5,284 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 5,284 square feet of space (currently taxable) that is being leased by the Toronto Public Library Board for the expansion of its Eglinton Square Branch located in the Eglinton Square Shopping Centre at 1 Eglinton Square are estimated at approximately $50,962, comprised of a municipal portion of $27,211 and a provincial education portion of $23,751, based on 2015 Current Value Assessment (CVA) and 2015 tax rates.

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 Eglinton Square Library, as this space has been continuously returned on the assessment rolls as exempt from taxation, under an earlier municipal capital facility agreement with the former City of Scarborough.

However, providing a property tax exemption for the additional 5,284 square feet of space to be leased will result in net savings to the City of approximately $23,751 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 – 1 Eglinton Square
(for the additional 5,284 sq.ft. of new space1)

<table>
<thead>
<tr>
<th>Amounts Payable if Taxable</th>
<th>Municipal Taxes</th>
<th>+ Education Taxes</th>
<th>= Total Budget Requirement for Property Taxes</th>
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</thead>
<tbody>
<tr>
<td>Amounts Payable if Exempt</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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Gross Savings due to exemption: $50,962

Less Reduction in Municipal Tax Revenues: -$27,211

Total Net Savings (annual): $23,751

1. The currently leased space occupied by the Eglinton Square Branch Library (4,716 sq. ft.) is exempt under an earlier municipal capital facility agreement between the original property owner and the former City of Scarborough. 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 to a twenty-year lease agreement between Bentall Kennedy (Canada) LP (the real estate management company for the Eglinton Square Shopping Centre) as landlord of the Eglinton Square Shopping Centre located at 1 Eglinton Square and Toronto Public Library Board, as tenant to increase the library space by approximately 5,284 square feet (the "Additional Space") with an estimated effective date of October 1, 2015, and requested City Council to approve a municipal capital facility agreement for the additional 5,284 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

At its meeting of September 30 and October 1, 2015, City Council in its consideration of Item EX8.31: Toronto Public Library – 2015 Capital Budget Adjustment for Eglinton Square Branch and New Lease Agreement, adopted the recommendations approving a new lease agreement between the Toronto Public Library, as tenant, and Bentall Kennedy (Canada) LP, as Landlord for a 10,000 square foot premises at 1 Eglinton Square.

The staff reports and Council decisions can be accessed at:
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 (4,716 sq. ft.) occupied by the Eglinton Square Branch Library located at 1 Eglinton Square is exempt from municipal and education portion of taxes effective February 1997 as provided under former City of Scarborough by-law (By-law No. 25021) and an agreement between the former owner of the property in 1997 and the City of Scarborough. The leased space occupied by the Eglinton Square Branch Library at this location has continuously been returned by the Municipal Property Assessment Corporation (MPAC) as exempt from property taxes.

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 10,000 square feet (4,716 square feet of the current leased space and 5,284 square feet of additional rentable area) leased by the library branch;

ii. continue the exemption on the existing leased space of approximately 4,716 square feet;

iii. exempt the additional leased space of approximately 5,284 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 1 Eglinton Square 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

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Mike St. Amant
Treasurer