



STAFF REPORT ACTION REQUIRED

315 Front Street West, Suite 300 – Designation of a portion of premises as a Municipal Capital Facility

Date:	April 21, 2016
To:	Government Management Committee
From:	Treasurer
Wards:	Ward 20 – Trinity-Spadina
Reference Number:	P:\2016\Internal Services\rev\gm16008rev (AFS22776)

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 staff of the Chief Corporate Officer Organization through the Office Modernization Program – Pilot Projects located at 315 Front Street West, Suite 300, and to provide a property tax exemption for municipal and education purposes. The municipal capital facility agreement will provide an exemption for approximately 32,745 square feet of space that is being leased for the period of March 1, 2016 to October 31, 2016, however, the tax implications stated below are for the period of July 12, 2016 to October 31, 2016, reflecting the date City Council may pass the by-law allowing the exemption.

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 Oxford Properties Group Inc., the current owner of 315-325 Front Street West, in respect of approximately 32,745 square feet leased by staff of the Chief Corporate Officer Organization through the Office Modernization Program – Pilot Projects;
 - b. exempt the leased space of approximately 32,745 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 32,745 square feet of space (currently taxable) that is being leased by the Chief Corporate Office Organization through the Office Modernization Program – Pilot Projects located at 315 Front Street West, Suite 300 are estimated at approximately \$224,219, comprised of a municipal portion of \$123,574 and a provincial education portion of \$100,645, based on 2016 Current Value Assessment (CVA) and 2015 tax rates. The 2015 tax rates are being used to calculate the estimates as the 2016 education tax rates have not been finalized at this time.

Providing a property tax exemption for the 32,745 square feet of space will result in net savings to the City of approximately \$30,523 for the July 12, 2016 to October 31, 2016 (111 days) period of occupancy, 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 – 315 Front Street West, Suite 300**

	Municipal Taxes	+ Education Taxes	= Total Budget Requirement for Property Taxes
Amounts Payable if Taxable (annual)	\$123,574	\$100,645	\$224,219
Amount Payable for 111 days of occupancy	\$37,477	\$30,523	\$68,000
Amounts Payable if Exempt	\$0	\$0	\$0
Gross Savings due to exemption:			\$68,000
Less Reduction in Municipal Tax Revenues:			-\$37,477
Total Net Savings (111 days):			\$30,523

The period July 12, 2016 to October 31, 2016 reflects the earliest date at which City Council may pass the by-law allowing the exemption.

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

ISSUE BACKGROUND

At its meeting of July 7, 8 and 9, 2015, City Council in its consideration of Item GM5.18: *Office Modernization Program – Pilot Projects* adopted the recommendations approving

an amendment to the 2015 Approved Capital Budget for Facilities Management & Real Estate by adding a new capital project "Office Modernization Program"(OMP) to implement two of the three recommended pilot projects as part of the OMP. As a result of the pilot project, the City entered into a lease with Oxford Properties Group Inc. to occupy approximately 32,745 square feet of space located at 315 Front Street West, Suite 300 for the period of March 1, 2016 to August 31, 2016. On April 14, 2016, a Delegated Approval Form was signed to provide an additional two months of occupancy ending October 31, 2016.

The staff report and Council decision can be accessed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM5.18>

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 315 Front Street West, Suite 300 is being leased by staff of the Chief Corporate Office Organization through the Office Modernization Program – Pilot Projects, as opposed to owned, the leased premises used by city staff would otherwise be subject to taxation at commercial rates. Designating the portion of the property leased by the Chief Corporate Office Organization as a municipal capital facility and providing an exemption from taxes will reduce the monthly rental amount paid by the Chief Corporate Office Organization.

The property tax exemption on the space leased by the Chief Corporate Office Organization 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

Mike St. Amant
Treasurer