



**STAFF REPORT
ACTION REQUIRED**

**3392 Kingston Road – Designation of a Portion of
Premises as a Municipal Capital Facility**

Date:	September 23, 2016
To:	Government Management Committee
From:	Treasurer
Wards:	Ward 36 – Scarborough Southwest
Reference Number:	P:\2016\Internal Services\rev\gm16018rev (AFS23657)

SUMMARY

This report seeks Council's authority for the adoption of necessary by-laws to designate the premises occupied by the City of Toronto at 3392 Kingston Road as a municipal capital facility for the operation of a licensed Child Care Centre, and to provide a property tax exemption for municipal and education purposes. The municipal capital facility agreement will provide an exemption for approximately 5,500 square feet of interior space that is being subleased for the period of May 1, 2016 to April 30, 2021.

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 Orchard Grove Housing Co-operative Inc., the sub-landlord of 3392 Kingston Road, in respect of approximately 5,500 square feet of interior space subleased to the City of Toronto for the operation of a licensed Child Care Centre;
 - b. exempt the subleased space of approximately 5,500 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 sublease; 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 5,500 square feet of interior space (currently taxable) that is being subleased by the City of Toronto located at 3392 Kingston Road are estimated at approximately \$19,290, comprised of a municipal portion of \$9,956 and a provincial education portion of \$9,334, based on 2016 Current Value Assessment (CVA) and 2016 tax rates.

Providing a property tax exemption for the 5,500 square feet of interior space will result in net savings to the City of approximately \$9,334, 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 - 3392 Kingston Road

	Municipal Taxes	+ Education Taxes	= Total Budget Requirement for Property Taxes
Amounts Payable if Taxable (annual)	\$9,956	\$9,334	\$19,290
Amounts Payable if Exempt	\$0	\$0	\$0
Gross Savings due to Exemption:			\$19,290
Less Reduction in Municipal Tax Revenues:			-\$9,956
Total Net Savings (annual):			\$9,334

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

ISSUE BACKGROUND

A lease signed between Inner City Non-Profit Dwellings (Toronto) Inc. as the landlord and leased to the Sublandlord, Orchard Grove Housing Co-Operative Inc. as tenant was made to construct and operate a non-profit co-operative housing project for a term of 49 years which commenced on September 1, 1990.

A sublease agreement was made between Orchard Grove Housing Co-Operative Inc. and the City of Toronto on April 1, 2016 for part of the six-storey building including a 5,500 square foot child care centre and 5,530 square feet of an exterior playground.

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 3392 Kingston Road is being subleased by the City of Toronto, as opposed to owned, the subleased premises used by city staff would otherwise be subject to taxation at commercial rates. Designating the portion of the property subleased by the City of Toronto as a municipal capital facility and providing an exemption from taxes will reduce the monthly rental amount paid by the City of Toronto.

The property tax exemption on the space subleased by the City of Toronto 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 related to the provision of social and health services” 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