



## REPORT FOR ACTION

## Properties leased by Real Estate Services - Designation of a Portion of Premises as a Municipal Capital Facility

**Date:** September 6, 2017

**To:** Government Management Committee

**From:** Treasurer

**Wards:** Wards 8 - York West, 20 - Trinity Spadina, 27 - Toronto Centre - Rosedale

### SUMMARY

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This report seeks Council's authority for the adoption of necessary by-laws to designate five (5) properties leased by Real Estate Services and occupied by Shelter, Support, Housing & Administration (SSHA), Public Health (TPH), Toronto Employment and Social Services (TESS) and Toronto Water respectively as municipal capital facilities, and to provide property tax exemptions for municipal and education purposes. The municipal capital facility agreements will provide an exemption for approximately 107,189 square feet of combined space occupied for all 5 properties, located at 1 York Gate Boulevard (Ward 8); 121 Bloor Street East (Ward 27); 345-365 Bloor Street East (Ward 27); 625 Church Street (Ward 27); and 340 College Street (Ward 20).

### RECOMMENDATIONS

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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 municipal capital facility agreements with the landlords of each of the five properties listed in this report, with whom Real Estate Services has a lease (the "Leased Premises"), with respect to approximately 107,189 square feet of combined space, for the purposes of providing a municipal capital facility related to the provision of the general administration of the city and/or social and health services; and

b. exempt the Leased Premises from taxation for municipal and school purposes, which tax exemptions are to be effective from the latest of (i) the commencement date of the Lease, (ii) the date the municipal capital facility agreement is signed and (iii) the date the tax exemption by-law is enacted, respectively.

2. City Council direct the City Clerk to give written notice of the respective by-laws to the Minister of Finance, 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

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The combined annual property taxes on the 107,189 square feet of total space (currently taxable) located at the 5 properties that are being leased by Real Estate Services and occupied by Shelter, Support, Housing & Administration (SSHA), Public Health, Toronto Employment and Social Services (TESS) and Toronto Water respectively are estimated at approximately \$616,582, comprised of a municipal portion of \$335,076 and a provincial education portion of \$281,506 based on 2017 Current Value Assessment (CVA) and 2017 tax rates.

Providing a property tax exemption for the 107,189 square feet of total space will result in net savings to the City of approximately \$281,506, representing the provincial education portion of property taxes that will no longer be payable on these premises once the exemptions for these portions take effect, as shown in Table 1 below.

**Table 1**

**Net Savings due to Property Tax Exemption – Real Estate Services Leased Properties**

	Municipal Taxes	+ Education Taxes	= Total Budget Requirement for Property Taxes
1. 1 York Gate Blvd. (Ward 8) (TESS)	\$37,254	\$32,220	\$69,474
2. 121 Bloor St E (Ward 27) (Toronto Water & SSHA)	\$204,314	\$168,754	\$373,068
3. 345-365 Bloor St E (Ward 27) (SSHA)	\$37,333	\$32,285	\$69,618
4. 625 Church St (Ward 27) (SSHA)	\$52,860	\$45,110	\$97,970
5. 340 College St (Ward 20) (TPH)	\$3,315	\$3,137	\$6,452
<b>Total Combined Amounts Payable if Taxable (annual)</b>	<b>\$335,076</b>	<b>\$281,506</b>	<b>\$616,582</b>
Amounts Payable if Exempt	\$0	\$0	\$0
Gross Savings due to Exemption:			\$616,582
Less Reduction in Municipal Tax Revenues:			-\$335,076
<b>Total Net Savings (annual):</b>			<b>\$281,506</b>

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

## **DECISION HISTORY**

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**1 York Gate Boulevard:** At its December 13, 2016 meeting, Council approved Item GM16.18: "1 York Gate Boulevard, North York - New Lease for Toronto Employment and Social Services Office", authorizing the City to enter into a lease with the landlord for a ten year term commencing December 1, 2017.

A copy of the report and decision can be accessed at: [City Council consideration on December 13, 2016 GM16.18](#)

**121 Bloor St E:** Real Estate Services entered into a lease agreement between the landlord, Credit Suisse Real Estate Fund International (Canada) Leaseholds Inc. at 121 Bloor Street East and Toronto Water and Shelter, Support, Housing & Administration (SSHA) for temporary office space commencing October 1, 2017 and ending April 30, 2018.

**345-365 Bloor Street East:** A Delegated Approval Form approved a five year extension beginning November 1, 2015 between 505896 Ontario Limited, the landlord and Shelter, Support, Housing & Administration (SSHA) at the property located at 345-365 Bloor Street East.

**625 Church Street:** The Manufacturers Life Insurance Company and Shelter, Support, Housing & Administration (SSHA) entered into a lease extension agreement on June 1, 2015 for a five year term at the property located at 625 Church Street.

**340 College Street:** A lease renewal has been approved for a five year term commencing April 1, 2014 between The Kensington Foundation, the landlord of 340 College Street and Public Health to provide free dental care to eligible clients.

## **COMMENTS**

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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 to a tenant, this exemption does not apply.

Given that the space in question at the 5 properties is being leased by Real Estate Services and occupied respectively by Shelter, Support, Housing & Administration (SSHA), Public Health, Toronto Employment and Social Services (TESS) and Toronto Water as opposed to owned, the leased premises used by city staff would otherwise be subject to taxation at commercial rates. Designating the portions of the properties leased by the various divisions as municipal capital facilities and providing an exemption from taxes will reduce the monthly rental amount paid by Real Estate Services under each of the respective leases.

The property tax exemptions on the premises leased by Real Estate 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 "City facilities related to the provision of social and health services, including long-term care homes under Part VIII of the Long-Term Care Homes Act, 2007" and "Facilities used for the general administration of the City" as eligible municipal capital facilities for the purpose of section 252.

The facilities being used for the general administration of the City are as follows:

### **1 York Gate Boulevard**

A lease agreement has been entered into between Toronto Employment and Social Services (TESS) and the landlord of the property, 7506473 Canada Inc. to occupy 26,866 square feet of space for a ten year term commencing December 1, 2017. TESS staff will be occupying the space in order to provide employment and social services at this location.

### **121 Bloor Street East**

As part of the Office Modernization Program, Real Estate Services entered into a lease agreement between the landlord, Credit Suisse Real Estate Fund International (Canada) Leaseholds Inc. and Toronto Water and Shelter, Support, Housing & Administration (SSHA) for 48,957 square feet of temporary office space occupied by staff commencing October 1, 2017 and ending April 30, 2018.

### **345-365 Bloor Street East**

A Delegated Approval Form was approved on November 1, 2015 extending an existing lease occupying 14,790 square feet of space for a five year term ending October 31, 2020 between 505896 Ontario Limited, the landlord and Shelter, Support, Housing & Administration (SSHA) in order for staff to carry out their administrative responsibilities.

### **625 Church Street**

The landlord, The Manufacturers Life Insurance Company and Shelter, Support, Housing & Administration (SSHA) entered into a lease extension agreement to occupy 14,886 square feet of office space on June 1, 2015 for a five year term ending May 31, 2020.

The City facility that relates to the provision of social and health services, including long-term care homes under Part VIII of the *Long-Term Care Homes Act, 2007* is as follows:

**340 College Street**

A lease renewal has been approved for the occupation of 1,690 square feet of space for a five year term commencing April 1, 2014 and ending March 31, 2019 between the landlord, The Kensington Foundation and Public Health to provide free dental care to eligible clients.

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 Finance. 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