

### **1900 Dundas Street West – Designation of a Portion of the Premises as a Municipal Capital Facility**

**Date:** January 4, 2017

**To:** Government Management Committee

**From:** Treasurer

**Wards:** Ward 18 - Davenport

#### **SUMMARY**

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This report seeks Council's authority for the adoption of necessary by-laws to designate the premises occupied by the City of Toronto at 1900 Dundas Street West, municipally known as 72 Sterling Road, as a municipal capital facility for the portion of premises occupied by staff of Toronto Employment and Social Services (TESS), and to provide a property tax exemption for municipal and education purposes. The municipal capital facility agreement will provide an exemption for approximately 25,680 square feet of interior space.

#### **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 a municipal capital facility agreement with Nestle Canada Inc., owners of the property known as 1900 Dundas Street West (municipally known as 72 Sterling Road), or its successors or assigns with respect to approximately 25,680 square feet of rentable area (the "Leased Premises") leased by the City of Toronto for the purposes of providing a municipal capital facility related to the provision of social and health services; and
  - b. exempt the Leased Premises from taxation for municipal and school purposes, which tax exemption is 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.

2. City Council direct the City Clerk to give written notice of the by-law 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 annual property taxes on the 25,680 square feet of space (currently taxable) that is being leased by TESS located at 1900 Dundas Street West are estimated at approximately \$49,624, comprised of a municipal portion of \$26,543 and a provincial education portion of \$23,081, based on 2016 Current Value Assessment (CVA) and 2016 tax rates.

Providing a property tax exemption for the 25,680 square feet of space will result in net savings to the City of approximately \$23,081, 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 – 1900 Dundas Street West**

	Municipal Taxes	+ Education Taxes	= Total Budget Requirement for Property Taxes
Amounts Payable if Taxable (annual)	\$26,543	\$23,081	\$49,624
Amounts Payable if Exempt	\$0	\$0	\$0
Gross Savings due to Exemption:			\$49,624
Less Reduction in Municipal Tax Revenues:			-\$26,543
Total Net Savings (annual):			\$23,081

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

## **DECISION HISTORY**

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Toronto Employment and Social Services has been a tenant at the property located at 1900 Dundas Street West since April 14, 1993. Real Estate Services is currently in the process of renewing the lease with the landlord, Nestle Canada Inc., for a five year term commencing September 1, 2016 and expiring on August 31, 2021 and requesting a lease renewal of five years. The lease includes a provision that TESS has the right to request a municipal capital facility exemption from City Council.

## **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 that would normally be subject to taxation, this exemption does not apply.

Given that the space in question at 1900 Dundas Street West is being leased by the City of Toronto, 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 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, including long-term care homes under Part VIII of the Long-Term Care Homes Act, 2007” 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 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