



### **305 Dawes Road – Designation of the Property as a Municipal Capital Facility**

**Date:** June 18, 2018

**To:** Government Management Committee

**From:** Treasurer

**Wards:** Ward 31 - Beaches-East York

#### **SUMMARY**

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This report seeks City Council's authority for the adoption of the necessary by-law to designate the property occupied by the Children's Peace Theatre at 305 Dawes Road as a municipal capital facility, and to provide a property tax exemption for municipal and education purposes. The municipal capital facility agreement will provide an exemption for approximately 5,000 square feet of exclusive space for the entire property.

Children's Peace Theatre is a not-for-profit community arts organization, serving the children and youth of east Toronto. It is committed to creating a culture of peace by engaging children and youth through the practice of art and theatre. Children's Peace Theatre uses collaborative creation and the philosophy of conflict transformation to guide young people in addressing the many forms of conflict in their lives and in the broader community. Theatre projects include school workshops, after-school programs, a three-week summer camp, and youth led initiatives.

#### **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 Children's Peace Theatre, with whom the City of Toronto has a lease, for the property known as 305 Dawes Road, with respect to approximately 5,000 square feet of exclusive space (the "Leased Premises") owned by the City of Toronto, to provide a municipal capital facility used for cultural purposes;
  - 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 entered into, and (iii) the date the tax exemption by-law is enacted.

2. City Council pass a resolution that the above municipal capital facility is for the purposes of the City and is for public use.

3. 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 Leased Premises located at 305 Dawes Road is owned by the City of Toronto. Although properties owned by the City of Toronto are generally exempt from taxation, Children's Peace Theatre is a tenant and the Leased Premises is therefore subject to taxation. The annual property taxes on the Leased Premises located at 305 Dawes Road for the 5,000 square feet of space are estimated at approximately \$101,595, comprised of a municipal portion of \$54,730 and a provincial education portion of \$46,865, based on 2018 Current Value Assessment (CVA) and 2018 tax rates.

Providing a property tax exemption for 305 Dawes Road will result in a net annual reduction in property tax revenue to the City of approximately \$54,730, representing the municipal portion of taxes that will no longer be collected once the Leased Premises are designated as a municipal capital facility, as shown in Table 1 below. The provincial education portion of property taxes of \$46,865 will not be required to be remitted to the Province once the exemption for the Leased Premises takes effect, with no net impact to the City.

**Table 1: Financial Implications of Property Tax Exemption - 305 Dawes Road**

	Municipal Taxes	+ Education Taxes	= Total Property Taxes
Amounts Payable if Taxable (annual)	\$54,730	\$46,865	\$101,595
Amounts Payable if Exempt	\$0	\$0	\$0
Reduction in Municipal Tax Revenues:			\$54,730
Reduction in Education Taxes Remitted:			\$46,865

The Interim Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

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Children's Peace Theatre occupies the property owned by the City of Toronto located at 305 Dawes Road. Children's Peace Theatre's existing Below-Market Rent (BMR) lease with the City expired March 31, 2018. An eligibility review and performance assessment was conducted by the Economic Development and Culture Division at the City of Toronto in April 2018. The organization was deemed eligible to continue occupying the City-owned space as a community partner tenant.

At its June 5, 2018 meeting, Government Management Committee approved item GM28.19 including the following recommendations:

1. City Council authorize the City to enter into a Community Space Tenancy lease (the "Lease") with Children's Peace Theatre ("CPT") pursuant to the Community Space Tenancy Policy ("CST Policy") for the property located at 305 Dawes Road (the "Leased Premises") for a five (5) year term, with an option to extend for a further five (5) year lease period, substantially on the terms and conditions set out in the attached Appendix A to the report (May 18, 2018) from the Director, Real Estate Services and the General Manager, Economic Development and Culture, with such revisions thereto and on such other or amended terms and conditions acceptable to the Deputy City Manager, Internal Corporate Services, in consultation with the General Manager, Economic Development and Culture, and in a form acceptable to the City Solicitor.
2. City Council direct the Director, Real Estate Services, in consultation with the City Treasurer, to report back on the designation of the leased premises as a municipal capital facility.

Item GM28.19 is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.GM28.19>

## **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 305 Dawes Road is owned by the City of Toronto and is currently leased to the Children's Peace Theatre, the leased premises would be subject to taxation at commercial rates.

Children's Peace Theatre is a not-for-profit community arts organization that provides access to arts and cultural programming to the children and youth of east Toronto. Designating the property leased by the Children's Peace Theatre as a municipal capital facility and providing an exemption from taxes will assist the Centre in providing services to the public which are in line with those services provided by the City.

The property tax exemption on the space leased by Children's Peace Theatre will only apply if 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 “cultural, recreational or tourist purposes” as eligible municipal capital facilities for the purpose of Section 252. As required by the regulation, the City owns the property. The regulation also requires that City Council pass a resolution that the facility is for the purposes of the City and is for public use before entering into an agreement for the provision of a municipal capital facility.

Section 252 of the City of Toronto Act, 2006 requires:

- a. that the tenant and the City enter into an agreement for the provision of a municipal capital facility for the space being leased.
- 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