



REPORT FOR ACTION

30 Adelaide Street East - Designation of a Portion of the Property Used by Toronto Court Services as a Municipal Capital Facility

Date: February 21, 2020

To: General Government and Licensing Committee

From: Controller

Wards: Ward 13 - Toronto Centre

SUMMARY

This report seeks Council's authority for the adoption of the necessary by-law to designate a portion of the property owned by 30 Adelaide Street East Limited Partnership, leased to State Street Trust Company Canada and subleased to Toronto Court Services, as a Municipal Capital Facility, and to provide an exemption for municipal taxes and education taxes. The Municipal Capital Facility agreement authorized by the by-law will provide an exemption for approximately 24,370 square feet of interior space, which is the entire 7th floor of 30 Adelaide Street East subleased to Toronto Court Services.

The privately-owned space at 30 Adelaide Street East was selected as a temporary office space location for Toronto Court Services staff until the required work is completed for relocation to a city-owned property, scheduled for 2022.

RECOMMENDATIONS

The Controller 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 the Head Landlord, 30 Adelaide Street East Limited Partnership ("Dream") and the Sublandlord, State Street Trust Company Canada, which leases approximately 24,370 square feet of space on the 7th floor at 30 Adelaide Street East (the "Subleased Premises") to the City of Toronto, used for the general administration of the City; and

b. exempt the Subleased Premises from taxation for municipal and school purposes, with the tax exemption being effective from the latest of: (1) the commencement date of the Lease, (2) the date the Municipal Capital Facility Agreement is entered into, and (3) 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, le Conseil scolaire Viamonde, and le Conseil scolaire catholique MonAvenir.

FINANCIAL IMPACT

The annual property taxes on the 24,370 square feet of space (currently taxable) that is being leased by Toronto Court Services located on the 7th floor at 30 Adelaide Street East are estimated at approximately \$214,554, comprised of a municipal portion of \$116,860 and a provincial education portion of \$97,694, based on 2019 Current Value Assessment (CVA) and 2019 tax rates.

As shown in Table 1 below, providing a property tax exemption for the 24,370 square feet of space on the 7th floor at 30 Adelaide Street East will result in a net annual reduction in property tax revenue to the City of approximately \$116,860, representing the municipal portion of taxes that is currently payable that will no longer be collected once the Subleased Premises are designated as a Municipal Capital Facility. The provincial education portion of the property taxes of \$97,694 will no longer be required to be remitted to the Province once the exemption for the Leased Premises takes effect.

Table 1: Financial Implication of Property Tax Exemption – 30 Adelaide Street East

Location	Municipal Taxes	Education Taxes	Total Property Taxes
30 Adelaide Street East – 1904-06-4-450-00700	\$116,860	\$97,694	\$214,554
Total Amounts Payable if Exempt	\$0	\$0	\$0
Reduction in Municipal Tax Revenues			\$116,860
Reduction in Education Taxes Remitted			\$97,694

As the City currently funds Toronto Court Services the cost of rent (which includes property taxes) on any leased space through an annual budget allocation, there is no net impact on the municipal portion of taxes from the Municipal Capital Facility exemption, as the decrease in municipal tax revenue is offset by a corresponding reduction in the rental costs for Toronto Court Services. The savings resulting from the designation as a Municipal Capital Facility for the location identified in Table 1 above have been accounted for and included in the 2020 proposed Operating Budget for Toronto Court Services.

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

DECISION HISTORY

A Delegated Approval Form, dated July 31, 2019 approved a three year conditional sublease agreement between the City of Toronto and State Street Trust Company Canada for 24,370 square feet of office space to be occupied by Toronto Court Services on the 7th floor of 30 Adelaide Street East. A copy of this form can be accessed at: [Delegated Approval Form - 30 Adelaide Street East](#)

A Delegated Approval Form, dated September 18, 2019 approved amendments to the Head Landlord consent requirement of Delegated Approval Form No. 2019-227. A copy of this form can be accessed at: [Delegate Approval Form Amendment - 30 Adelaide Street East](#)

At its meeting on February 23, 2009, City Council adopted the General Management Committee report GM21.4, "481 University Avenue – Designation of a Portion of Premises as a Municipal Capital Facility", which authorized the City to enter into a Municipal Capital Facility agreement in respect of approximately 17,000 square feet of rentable area on the ground floor of 481 University Avenue. The staff report can be accessed at: [481 University Avenue - Designation of a Portion of Premises as a Municipal Capital Facility](#)

At its meeting on September 25, 26 and 27, 2006, City Council adopted the Policy and Finance Committee Report 7, Clause No. 10, "Tax Exemption for Leased Property Occupied by Court Services Division at 481 University Avenue", which authorized the City to enter into a Municipal Capital Facility agreement in respect of 29,510 square feet of rentable area on the 2nd and 9th floors of 481 University Avenue. The staff report can be accessed at: [Tax Exemption for Leased Property Occupied by Court Services Division at 481 University Avenue](#)

COMMENTS

The City entered into a three (3) year sublease agreement on September 26, 2019, for swing space to be used by Toronto Court Services as office, ticket payment and court operations, in response to notices issued by the Landlord at 481 University Avenue dated February 18, 2018 to terminate the 2008 lease of Suite 120 and a further notice dated February 20, 2019 to terminate the 2001 lease of Suites 115, 201 and 900. The termination date is March 31, 2020.

Toronto Court Services was originally scheduled to relocate to a City owned location by 2020; however, completion timelines have shifted and the required work for the future location is now scheduled to be completed sometime in 2022.

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.

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.

The space occupied by Toronto Court Services at 30 Adelaide Street East is normally subject to taxation at commercial rates. Designating the property leased by the Toronto Court Services as a Municipal Capital Facility and providing an exemption from taxes will reduce the monthly rental amount paid by Toronto Court Services.

The property tax exemption on the space leased by the Toronto Court Services will only apply if City Council agrees to provide a tax exemption, by way of municipal capital facility agreement under section 252 of the City of Toronto Act, 2006. 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.

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 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

Andrew Flynn
Controller