

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

Date: March 25, 2022

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 currently occupied by Toronto Court Services, as a Municipal Capital Facility, and to provide an exemption for municipal and education taxes. The Municipal Capital Facility agreement authorized by the by-law will provide an exemption for approximately 25,901 square feet of interior space, which is the entire 7th floor of 30 Adelaide Street East leased to Toronto Court Services.

By way of the terms of the existing Municipal Capital Facility by-law and agreement with State Street Trust Company Canada, the current designation is terminated as the sub-landlord has vacated the premises. As there is a new lease between the City and the landlord, 30 Adelaide Street East Limited, a new Municipal Capital Facility by-law and agreement will need to be authorized.

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 30 Adelaide Street East Limited Partnership ("Dream"), which leases approximately 25,901 square feet of space on the 7th floor at 30 Adelaide Street East (the "Leased Premises") to the City of Toronto, used for the general administration of the City; and
 - b. exempt the Leased 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 25,901 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 \$204,086, comprised of a municipal portion of \$116,491 and a provincial education portion of \$87,595, based on 2022 Current Value Assessment (CVA) and 2022 tax rates.

As shown in Table 1 below, providing a property tax exemption for the 25,901 square feet of space on the 7th floor at 30 Adelaide Street East equates to a net annual reduction in property tax revenue to the City of approximately \$116,491, representing the municipal portion of taxes that is currently payable that will no longer be collected once the Leased Premises are designated as a Municipal Capital Facility. The provincial education portion of the property taxes of \$87,595 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	\$116,491	\$87,595	\$204,086
Total Amounts Payable if Exempt	\$0	\$0	\$0
Reduction in Municipal Tax Revenues			\$116,491
Reduction in Education Taxes Remitted			\$87,595

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 2022 Operating Budget for Toronto Court Services.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact Section.

DECISION HISTORY

At its meeting on June 29, 2020 City Council adopted the report "30 Adelaide Street East – Designation of a Portion of the Property Used by Toronto Court Services as a Municipal Capital Facility", which authorized the City to enter into a Municipal Capital Facility agreement in respect of 24,370 square feet of space on the 7th floor of 30 Adelaide Street East. The staff report can be accessed at:

[30 Adelaide Street East – Designation of a Portion of the Property Used by Toronto Court Services as a Municipal Capital Facility](#)

COMMENTS

Toronto Court Services currently occupy the premises at 30 Adelaide Street East through a three year sublease agreement made on September 26, 2019 for swing space to be used by Toronto Court Services as office, ticket payment and court operations. As the sub-landlord, State Street Trust Company Canada has vacated the leased premises, the current sub-lease and municipal capital facility agreement has terminated. A new lease and municipal capital facility agreement will be entered into with the landlord.

Toronto Court Services was originally scheduled to relocate to a City owned location in 2020; however, completion timelines shifted prior to COVID-19 and are further impacted due to pandemic. As a result, the required work for the future location is now anticipated to be completed in the summer/fall 2023.

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

Casey Brendon, Director, Revenue Services
Phone: (416) 392-8065, Fax: (416) 696-3778, E-mail: Casey.Brendon@toronto.ca

SIGNATURE

Andrew Flynn
Controller