

705 Progress Avenue - Designation of a Portion of the Property as a Municipal Capital Facility

Date: June 16, 2022

To: General Government and Licensing Committee

From: Controller

Wards: Ward 24 - Scarborough-Guildwood

SUMMARY

This report seeks Council's authority for the adoption of the necessary by-law to designate a portion of the property owned by the City of Toronto and the Toronto District School Board and leased to 5n2 Soup Kitchen Project 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 4,026 square feet in units 43 and 44 as well as an additional 1,000 square feet of community space at 705 Progress Avenue being leased to 5n2 Soup Kitchen Project.

This report is being written in consultation with Corporate Real Estate Management and Social Development, Finance and Administration.

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 5n2 Soup Kitchen Project, which leases units 43 and 44, comprising approximately 4,026 square feet as well as an additional 1,000 square feet of community space at 705 Progress Avenue (the "Leased Premises") used for the provision of social and health services and ancillary parking, from the City of Toronto and the Toronto District School Board (TDSB); 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 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 Leased Premises are owned by the City of Toronto and the Toronto District School Board (TDSB). Although properties owned by the City of Toronto and TDSB are exempt from taxation, the 5n2 Soup Kitchen Project may be deemed a taxable tenant and the Leased Premises would therefore be subject to taxation. The annual property taxes on the Leased Premises are estimated at approximately \$6,598, comprised of a municipal portion of \$3,963 and a provincial education portion of \$2,635, based on 2022 Current Value Assessment (CVA) and 2022 tax rates.

Providing a property tax exemption for the Leased Premises will result in a net annual reduction in property tax revenue to the City of approximately \$3,963, representing the municipal portion of taxes that would otherwise be/is currently payable and 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 \$2,635 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 Implication of Property Tax Exemption - 705 Progress Avenue, Unit 43 and 44

Location	Municipal Taxes	Education Taxes	Total Property Taxes
705 Progress Avenue – Unit 43 and 44 1901-05-2-810-04300	\$3,963	\$2,635	\$6,598
Total Amounts Payable if Exempt	\$0	\$0	\$0
Reduction in Municipal Tax Revenues			\$3,963
Reduction in Education Taxes Remitted			\$2,635

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 November 7, 8 and 9, 2017 meeting, City Council adopted Item EX28.8 [Community Space Tenancy Policy](#) providing a municipal capital facility property tax

exemption where community space tenancies deliver cultural, recreational, health and social services in partnership with community organizations that the City would otherwise be directly providing. The Community Space Tenancy Policy came into effect on January 1, 2018.

At its June 29 and 30, 2020 meeting, City Council adopted Item [GL 12.7 Amendments to the Community Space Tenancy Policy Renewal Process for Current Below-Market Rent Tenants](#) to include facilities used as community centres as facilities that may be made exempt from property tax by means of a municipal capital facility designation and to correct the references to the municipal capital facility regulation.

At its meeting on November 9, 2021, City Council adopted Item GL26.7 [Community Space Tenancy Lease Agreement and Municipal Capital Facility Designation for Carefirst Seniors and Community Services Association at 705 Progress Avenue, Unit 36-37](#) that authorized the Executive Director, Corporate Real Estate Management to enter into a lease with 5N2 Food For All on the condition it is determined to be eligible for a community space tenancy under the Community Space Tenancy policy.

COMMENTS

The Community Space Tenancy Policy provides that when seeking City Council approval for any initial Community Space Tenancy, approval of a municipal capital facility designation will also be sought where appropriate. Designating the premises leased by 5n2 Soup Kitchen Project, a community-based service sector organization providing social and health services and as described above, as a municipal capital facility and exempting the property from taxes, will assist in providing services to the public which are in line with services provided by the City.

Section 252 of the City of Toronto Act, 2006 allows City Council to exempt from taxation for municipal and school purposes land or a portion of land on which a municipal capital facility is or will be located once the City enters into an agreement with the landlord or tenant for the provision of the municipal capital facility.

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 705 Progress Avenue is owned by the City of Toronto and the TDSB and is currently leased to the 5n2 Soup Kitchen Project, the Leased Premises are subject to taxation at commercial rates.

5n2 Soup Kitchen Project is a registered charitable organization that prepares meals for those who are isolated at home because of financial and/or health challenges, provides free food supplies to community members who are in need of additional support and offers a community garden aiming to engage and educate the community on gardening and environmental food systems.

The property tax exemption on the space leased by 5n2 Soup Kitchen Project 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 providing social and health services as eligible municipal capital facilities for the purpose of Section 252.

Upon the passing of the by-law authorizing the agreement and the tax exemption, the City Clerk must give written notice of the by-law to the Minister of Finance, the Municipal Property Assessment Corporation and the Secretary of any affected school board(s).

CONTACT

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SIGNATURE

Andrew Flynn
Controller