

City of Mississauga

Corporate Report



<p>Date: May 18, 2022</p> <p>To: Chair and Members of General Committee</p>	<p>Originator's files: PO13 CIT</p>
<p>From: Shari Lichterman, CPA, CMA, Commissioner of Corporate Services and Chief Financial Officer</p>	<p>Meeting date: June 15, 2022</p>

Subject

Removal of the Municipal Capital Facility designation under By-law 0434-2004 for Units 202, 406 and 700 of 201 City Centre Drive.

Recommendation

1. That a by-law be enacted to amend By-law 0434-2004, being "A By-law to provide for Municipal Capital Facilities", in order to delete the municipal capital facilities designation for realty tax purposes for Units 202, 406 and 700 of 201 City Centre Drive (the "Leased Premises"), comprising a total area of approximately 2,244.91 square meters (24,164 square feet) as outlined in the corporate report and appendix dated May 18, 2022 from the Commissioner of Corporate Services and Chief Financial Officer entitled "Removal of the Municipal Capital Facility designation under By-law 0434-2004 for Units 202, 406 and 700 of 201 City Centre Drive".
2. That such designation be removed for Unit 406 retroactive to October 16, 2016 and the designation be removed for Units 202 and 700 retroactive to March 31, 2022.
3. That the Clerk be directed to notify the Minister of Education, Municipal Property Assessment Corporation, the Regional Municipality of Peel and the secretary of any school board which includes the land exempted, of the enactment of the By-law.
4. That all necessary by-laws be enacted.

Executive Summary

- By a commercial lease dated August 8, 2007, the City acquired use of the Leased Premises from Morguard Corporation & MCC Ontario Limited (the "Landlord") consisting of approximately 6,010.27 square meters (64,694 square feet) of space in the office building located at 201 City Centre Drive, to be used for staff offices.

- By-law 0434-2004 provides a comprehensive list of City leased or licensed facilities that City Council has exempted from realty taxes by designating such facilities as Municipal Capital Facilities.
- The Leased Premises were designated as Municipal Capital Facilities under By-law 0434-2004, carried out through amending By-laws 0459-2007, 0159-2012 and 0157-2016. By designating the Leased Premises as municipal capital facilities, the City was not required to pay realty taxes as part of the monthly rent payable under the lease agreement.
- The City surrendered possession of Unit 406 on October 16, 2016 and Units 202 and 700 on March 31, 2022.
- By removing the Municipal Capital Facility designation from the Leased Premises, those office spaces will revert to being taxable for municipal and school purposes.

Background

By way of delegated authority under By-law 0278-2007, the City entered into the Lease Agreement with the Landlord dated August 8, 2007 to occupy, among other space, Suite 700 of the Leased Premises for a period of five (5) years commencing on April 1, 2008 (the "Lease Agreement"). The City exercised its options to extend the term of the Lease Agreement and amended it to also include additional office space in subsequent years – Unit 202 in 2012 and Unit 406 in 2016. The City thereafter vacated Unit 406 on October 16, 2016 and Units 202 and 700 on March 31, 2022.

Property that is owned and occupied by the City is exempt from taxation pursuant to section 3(9) of the Assessment Act, RSO 1990, c A.31. However, this exemption does not flow through automatically where the City leases or licenses space for municipal purposes from a person or corporation that is subject to taxation.

Section 110 of the Municipal Act, 2001, SO 2001, c 25, permits the council of a municipality to exempt from taxation for municipal and school purposes leased or licensed lands on which municipal capital facilities are or will be located. Municipal capital facilities are defined by the O. Reg. 603/06, as amended by O. Reg. 151/16 to include, among other things, facilities used for the general administration of the municipality. Once a property is designated as a Municipal Capital Facility, the Municipal Property Assessment Corporation (MPAC) is notified and then change the classification for the property or portion of the property to exempt.

The Leased Premises were designated as a Municipal Capital Facility under By-law 0434-2004, as amended. In order to have the Leased Premises revert back to being taxable, a new amending by-law must be enacted removing the Municipal Capital Facility designation. The effective dates are October 16, 2016 for Unit 406 and March 31, 2022 for Units 202 and 700.

Comments

When a property no longer qualifies being designated as a municipal capital facility, it is important to amend By-law 0434-2004, being “A By-law to provide for Municipal Capital Facilities”, so that the Municipal Property Assessment Corporation (MPAC) is then provided with the required information to adjust the classification for the property back to taxable and remove the exemption from taxation for municipal and school purposes. The Leased Premises are no longer being occupied by the City and therefore it is appropriate to amend By-law 0434-2004 to remove the Leased Premises from the list of designated municipal capital facilities.

Financial Impact

The removal of the Municipal Capital Facilities designation and returning the leased space to taxable will result in in-year tax adjustments through supplementary/ommitted taxes for the current and two prior years as applicable. Current legislation only allows collection of supplementary/ommitted taxes for the current and two prior years. The amount of supplementary/ommitted taxes is dependent on the assessment change from MPAC changing from exempt to taxable.

Conclusion

It is necessary to amend By-law 0434-2004 in order to remove the Leased Premises from the list of designated municipal capital facilities. This amendment will enable MPAC to correct the classification from exempt for municipal and school taxation. Should Council adopt the recommendations of this report, MPAC would revert the Leased Premises back to taxable for municipal and school purposes.

Attachments

Appendix 1: The Leased Premises – The Tax Exempt Portion of 201 City Centre Drive



Shari Lichterman, CPA, CMA, Commissioner of Corporate Services and Chief Financial Officer

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