

City of Mississauga

Corporate Report



Date: May 17, 2022

To: Chair and Members of General Committee

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

Originator's files:
PO13 CIT

Meeting date:
June 15, 2022

Subject

Tax Exemption for a Municipal Capital Facility, being Units 2-705, 2-706 and 2-707 of the property municipally known as 100 City Centre Drive, Tax Roll #21-05-040-154-00453-0000

Recommendation

1. That a by-law be enacted to classify the Lease Agreement dated March 16, 2022 between OMERS Realty Management Corporation and Square One Property Corporation and the City of Mississauga as set out in the report dated May 17, 2022, from the Commissioner of Corporate Services and Chief Financial Officer, as a municipal capital facilities agreement made pursuant to section 110 of the Municipal Act, 2001, SO 2001, c.25, as amended, and to hereby exempt Units 2-705, 2-706 and 2-707, comprising a total area of approximately 384.62 square metres (4,140 square feet) of space, as shown in Appendix 1 attached to this report (the "Leased Premises") from taxation for municipal and school purposes effective on April 1, 2022.
2. That By-law 0434-2004, being "A By-law to provide for Municipal Capital Facilities", be amended with necessary modifications by adding the Leased Premises' tax roll number 21-05-040-154-00453-0000 to the list of properties described in said By-law, for the purposes of declaring it to be a Municipal Capital Facility.
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

- The City has entered into a five-year lease agreement with OMERS Realty Management Corporation and Square One Property Corporation (collectively, the “Landlord”) to occupy Units 2-705, 2-706 and 2-707 totalling approximately 384.62 square metres (4,140 square feet) of space inside Square One Mall located at 100 City Centre Drive, to be used by the City to house its Innovation Hub.
- By-law 0434-2004 provides that the Council of the City of Mississauga may exempt City leased or licensed facilities, or a portion of it, from taxation by declaring such facilities as Municipal Capital Facilities.
- By declaring the Innovation Hub leased space as a municipal capital facility, the City will not be required to pay realty taxes as part of the monthly rent payable under the lease agreement.

Background

By way of delegated authority under By-law 0148-2018, the City entered into the Lease Agreement with the Landlord dated March 16, 2022 to occupy the Leased Premises for a period of five (5) years commencing on October 1, 2022, with a fixturing period commencing on April 1, 2022, along with one option to extend the lease for another term of five years (the Lease Agreement”). The Leased Premises is being used to house the City’s Innovation Hub, a project intended to attract businesses and entrepreneurship to the city by providing a central location where they can share expertise and access resources.

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.

When municipal capital facilities are located on just a portion of land, the remainder of the lands that are not designated as municipal capital facilities continue to be taxed for municipal and school purposes. The Lease Agreement is effective as of April 1, 2022.

Comments

The City entered into the Lease Agreement with the Landlord for the Leased Premises comprising an area of approximately 384.62 square metres (4,140 square feet) as shown in Appendix 1. Under the terms of the Lease Agreement, the City is to be exempt from taxation, so long as a by-law is enacted declaring the Leased Premises a municipal capital facility for the purposes of the Municipal Act, 2001, and O. Reg. 603/06, as amended by O. Reg. 151/16, as amended. Should Council adopt the recommendations herein, the Leased Premises would become tax exempt. This exemption is applicable until such time as the bylaw is amended to remove the Leased Premises from the list of Municipal Capital Facilities.

Designating the lands as a municipal capital facility will only exempt the Leased Premises from realty taxes. The remainder of the Landlord's property will continue to be subject to realty taxes.

Financial Impact

Should Council adopt the recommendations of this report and exempt the Leased Premises from taxation for municipal and school purposes, the City will not be required to pay realty taxes on the Leased Premises. While the Lease Agreement contemplates the possibility of the Leased Premises as being a municipal capital facility, the enactment of a by-law declaring it as such is required under the Municipal Act, 2001, as amended.

Conclusion

While ordinarily exempt from taxation, the City is obligated to pay its proportionate share of realty taxes on properties which have been leased from private parties. Tax exempting the Leased Premises in accordance with the municipal capital facilities provisions of the Municipal Act, 2001, as amended, would result in savings to the City.

Attachments

Appendix 1: The Leased Premises – The Proposed Tax Exempt Portion of 100 City Centre Drive



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

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