

City of Mississauga
Corporate Report



<p>Date: January 30, 2023</p> <p>To: Chair and Members of General Committee</p>	<p>Originator's files: PO13 CIT</p>
<p>From: Raj Sheth, P.Eng, Acting Commissioner of Corporate Services</p>	<p>Meeting date: March 8, 2023</p>

Subject

Removal of the Municipal Capital Facility designation under By-law 0434-2004 for Units 800 and 900 of 201 City Centre Drive, Tax Roll No.210504015400449

Recommendation

1. That effective April 1, 2023, 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 property tax purposes for Units 800 and 900 of 201 City Centre Drive (the "Leased Premises"), comprising a total area of approximately 3,780.50 square meters (40,693 square feet) as outlined in the corporate report and appendix dated January 30, 2023 from the Acting Commissioner of Corporate Services entitled "Removal of the Municipal Capital Facility designation under By-law 0434-2004 for Units 800 and 900 of 201 City Centre Drive, Tax Roll No.210504015400449.
2. 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.
3. That all necessary by-laws be enacted.

Executive Summary

- By a commercial lease dated August 8, 2007, the City of Mississauga (the "City") as Tenant acquired use of the Leased Premises from Morguard Corporation & MCC Ontario Limited (the "Landlord") consisting of approximately 3,780.50 square meters (40,693 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 property 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 and 0159-2012. By designating the Leased Premises as municipal capital facilities, the City was not required to pay property taxes as part of the monthly rent payable under the lease agreement.
- The City will surrender possession of Units 800 and 900 on March 31, 2023.
- 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, Units 800 and 900 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. The City thereafter vacated all units under the Lease Agreement except for Units 800 and 900. The term for these units will be expiring on March 31, 2023 and the City does not intend to extend the lease.

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 to be effective on April 1, 2023 (the day after the Lease Agreement expires)

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 will no longer be occupied by the City after March 31, 2023 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/omitted taxes for the current and two prior years as applicable. Current legislation only allows collection of supplementary/omitted taxes for the current and two prior years. The amount of supplementary/omitted 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



Raj Sheth, P.Eng, Acting Commissioner of Corporate Services

Prepared by: Jackie Murchland, Supervisor, Realty Services