

Subject: Designate leased spaces as Municipal Capital Facilities

File Number: ACS2024-PRE-CRO-0002

Report to Finance and Corporate Services Committee on 5 March 2024

and Council 3 April 2024

Submitted on February 22, 2024 by Peter Radke, Director, Corporate Real Estate Office, Planning, Real Estate and Economic Development

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Ward: Citywide

Objet: Désignation de locaux loués en tant qu'immobilisations municipales

Numéro de dossier: ACS2024-PRE-CRO-0002

Rapport présenté au Comité des finances et des services organisationnels

Rapport soumis le 5 mars 2024

et au Conseil le 3 avril 2024

Soumis le February 22, 2024 par Peter Radke, directeur, Bureau des biens immobilier municipal, Services de la planification, des biens immobiliers et du développement économique

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Quartier: À l'échelle de la ville

REPORT RECOMMENDATION(S)

That the Finance and Corporate Services Committee recommend Council:

1. Designate six City of Ottawa leased locations, as further described in this report, as a Municipal Capital Facility (MCF), for the purpose of the general administration of the Municipality and other prescribed municipal purposes as permitted under Section 110(6) of the *Municipal Act* and as defined in Ontario Regulation 603/06, 2001 as amended.
2. Authorize the Acting Director, Corporate Real Estate Office, in consultation with the City Solicitor, to finalize and execute six Municipal Capital Facility Agreements and place the associated by-laws on the agenda of Council for enactment in support of exempting the respective leased locations from realty taxes as further described in this report.

RECOMMANDATION(S) DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil:

1. d'attribuer à six locaux loués par la Ville d'Ottawa, comme décrit plus en détail dans le présent rapport, la désignation d'immobilisation municipale aux fins de l'administration générale de la municipalité et à d'autres fins municipales prescrites, en vertu du paragraphe 110 (6) de la *Loi sur les municipalités* et au sens du *Règlement de l'Ontario 603/06* de 2001, dans sa dernière version;
2. d'autoriser le directeur par intérim, Bureau des biens immobiliers municipaux, à conclure et à signer, en consultation avec l'avocat général, six accords relatifs aux immobilisations municipales et à inscrire les règlements connexes à l'ordre du jour du Conseil aux fins d'adoption dans le but d'exonérer de taxes foncières les locaux loués respectifs, comme décrit plus en détail dans le présent rapport.

BACKGROUND

Section 110(6) of the *Municipal Act*, 2001, permits the Council of a municipality to exempt taxes levied for municipal and school purposes on which the municipal capital facilities are located. Section 2(1) 2 of Ontario Regulation 603/06 allows Municipalities to exempt taxes for facilities used for the general administration of the municipality. The Regulation also provides the designation of municipality's facilities used for other prescribed municipal purposes, such as for the provision of social and health services, for policing services, for municipal housing, for the protection, regulation and control of

animals and for parking that is ancillary to the municipal facilities. The exemption continues for the term that the facilities are used for prescribed municipal purposes.

For locations described in the discussion of this report, the City of Ottawa currently has or is about to commence lease agreements with private property owners to support the delivery of various municipal services. A tax exemption, by way of MCF designation, to the properties used for prescribed municipal purposes, as further described in this report, will result in realty tax savings for the respective City Departments. These savings will be offset by a reduction in the municipal property tax revenue, therefore resulting in overall savings related to the school portion of the tax burden.

DISCUSSION

The Corporate Real Estate Office entered into six lease agreements with private property owners on behalf of internal City clients to support the delivery of Municipal services. It is recommended that each of these locations receive the appropriate MCF designation during the respective term and any extensions thereof.

The six agreements are as follows:

20 Bexley Place

Under Delegated Authority Report DEL2023-CREO-0063, the City of Ottawa entered into a lease extension and amending agreement with Richcraft Properties Ltd. The lease is for approximately 2,596 square feet of space to house a Paramedic Post for the Emergency and Protective Services department. The lease is for five years dated from January 1, 2024 to December 31, 2028. Historically, the City has leased this premises since 2003 and it is anticipated that the City's requirement will continue beyond the current term. The MCF designation is estimated to reduce the realty tax burden by \$6,776 plus HST per annum, resulting in annual expense savings to the Emergency and Protective Services department.

The leased areas are eligible for designation pursuant to section 2(1)2 and section 2(1)13 of Ontario Regulation 603/06 as the leased space is used as municipal facilities for the general administration of the municipality and for parking that is ancillary to the municipal facilities. The MCF agreement and by-law will implement the municipal capital facilities designation for the areas leased by the City for the term that they are used for such purposes.

26 Concourse Gate

Under Delegated Authority Report DEL2023-CREO-0042, the City of Ottawa entered into a lease amending and renewal agreement with 6409407 Canada Inc. to lease

approximately 2,398 square feet of space to operate a spay and neuter clinic on behalf of Emergency and Protective Services. The lease amending and renewal agreement is for a term of five years commencing on June 1, 2023 and expiring on May 31, 2028. Historically, the City has leased this premises since 2007 and it is anticipated that the City's requirement will continue beyond the current term. The MCF designation is estimated to reduce the realty tax burden by \$6,598 plus HST per annum, resulting in annual expense savings to the Emergency and Protective Services department.

The leased areas are eligible for designation pursuant to section 2(1)2, 2(1)9 and section 2(1)13 of Ontario Regulation 603/06 as the leased space is used as municipal facilities for the general administration of the municipality, for the protection, regulation and control of animals and for parking that is ancillary to the municipal facilities. The MCF agreement and by-law will implement the municipal capital facilities designation for the areas leased by the City for the term that they are used for such purposes.

1 Corkstown Road

Pursuant to council report ACS2023-PRE-CRO-0029, the City entered into a new lease agreement with 15499224 Canada Inc. for the entirety of 1 Corkstown Road, comprised of a 170 unit former retirement residence. This lease was established for the purposes of providing transitional housing for families. The lease is for ten years plus an additional ten-year option to renew. The initial term commences April 1, 2024 and expires March 31, 2034. The MCF designation is estimated to reduce the realty tax burden by \$277,520 plus HST per annum, resulting in annual expense savings to the Community and Social Services Department.

The leased areas are eligible for designation pursuant to section 2(1)2, 2(1)10, 2(1)18 and section 2(1)13 of Ontario Regulation 603/06 as the leased space is used as municipal facilities for the general administration of the municipality, for the provision of social and health services, for municipal housing, and for parking that is ancillary to the municipal facilities. The MCF agreement and by-law will implement the municipal capital facilities designation for the areas leased by the City for the term that they are used for such purposes.

50 Rideau Street

Pursuant to the approved Ottawa Police Services Board Report, titled "Lease Agreement for Unit 105, 50 Rideau Street", dated October 23, 2023, the Ottawa Police Services Board entered into a new lease agreement with Viking Rideau Corporation for approximately 2,629 square feet of retail space located at unit 107, 50 Rideau Street (the Rideau Centre), for use as a Neighbourhood Operations Centre. The lease is for five years, commencing April 15, 2024 and expires March 14, 2029. This tenancy is

viewed as a trial and any extension is subject to future board decisions. The MCF designation is estimated to reduce the realty tax burden by \$120,000 plus HST per annum, resulting in annual expense savings to the Ottawa Police Services.

The leased areas are eligible for designation pursuant to section 2(1)2, 2(1)10, 2(1)8 and section 2(1)13 of Ontario Regulation 603/06 as the leased space is used as municipal facilities for the general administration of the municipality, for policing services, and for parking that is ancillary to the municipal facilities. The MCF agreement and by-law will implement the municipal capital facilities designation for the areas leased by the City for the term that they are used for such purposes.

2020 Walkley Road

Under Delegated Authority Report DEL2024-CREO-0017, the City of Ottawa entered into a lease extension agreement with Manulife Ontario Property Portfolio Inc. to lease 38,390 square feet of rentable office space required to continue the operation of the southeast Employment and Social Service Centre located at 2020 Walkley Road. The lease extension is for a term of three (3) years commencing on May 1, 2024 and expiring on April 30, 2027. Historically, the City has leased the premises since 2000, however, this agreement will end upon the expiry date given the landlord's redevelopment plans and due to planned changes to the Community and Social Services Department service model. The MCF designation is estimated to reduce the realty tax burden by \$202,315 plus HST per annum, resulting in annual expense savings to the Community and Social Service Department.

The leased areas are eligible for designation pursuant to section 2(1)2, 2(1)10 and section 2(1)13 of Ontario Regulation 603/06 as the leased space is used as municipal facilities for the general administration of the municipality, for the provision of social and health services, and for parking that is ancillary to the municipal facilities. The MCF agreement and by-law will implement the municipal capital facilities designation for the areas leased by the City for the term that they are used for such purposes.

2339 Ogilvie Road

Under Delegated Authority Report DEL2024-CREO-0001, the City of Ottawa amended the current lease agreement with Metcalfe Realty for approximately 34,857 square feet of office space for programming related to the East Employment and Social Service Centre located at 2339 Ogilvie Road. The lease is currently active and will expire on December 31, 2027. Historically, the City has leased the premises since 2001, however, this agreement will end upon the expiry date given planned changes to the Community and Social Services Department service model. The MCF designation is estimated to reduce the realty tax burden by \$136,585 plus HST per annum, resulting in

annual expense savings to the Community and Social Service Department

The leased areas are eligible for designation pursuant to section 2(1)2, 2(1)10 and section 2(1)13 of Ontario Regulation 603/06 as the leased area is used as municipal facilities for the general administration of the municipality, for the provision of social and health services, and for parking that is ancillary to the municipal facilities. The MCF agreement and by-law will implement the municipal capital facilities designation for the areas leased by the City for the term that they are used for such purposes.

FINANCIAL IMPLICATIONS

The savings in connection to the six agreements is approximately \$749,793 plus HST per annum with a corresponding annual expense decrease to each respective client department's budget upon completion of the process. The total estimated loss in municipal property tax revenue of the MCF exemptions for the six properties is \$425,000 and thereby results in an estimated overall savings of \$324,793 per annum to the City.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

COMMENTS BY THE WARD COUNCILLOR(S)

The subject six leases are located in Wards 7, 8, 9, 10, 11 and 12. Councillors Kavanagh, Laine, Plante, Devine, Bradley and Tierney received a copy of this report with no further comments to add.

CONSULTATION

In preparation for this report CREO staff have consulted with internal and external stakeholders including Revenue Services and Legal Services.

ACCESSIBILITY IMPACTS

There are no accessibility implications to implementing the recommendations set out in this report.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications associated with the recommendations of this report.

CLIMATE IMPLICATIONS

There are no climate or environmental implications associated with the

recommendations within this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications associated with this report.

TERM OF COUNCIL PRIORITIES

This report supports the City's ongoing commitment to creating a diversified and prosperous economy.

DISPOSITION

The Corporate Real Estate Office in consultation with the City Clerk and Solicitor, will finalize the Municipal Capital Facility Agreements and associated by-laws.

The City Clerk and Solicitor will place the associated by-law on the agenda of Council for enactment.

CREO will work with the Landlords to have the MCFAs signed.

Pursuant to Sections 110(5) and 110(6) of the *Municipal Act*, 2001, the City Clerk and Solicitor will give notice of the by-law to the Minister of Education, the Municipal Property Assessment Corporation, and the local school boards.

The Finance Department (Revenue Branch) will process the required tax adjustments to be reflected on the tax account.