

Subject: Designate leased spaces as Municipal Capital Facilities

File Number: ACS2024-SI-HSI-0017

Report to Finance and Corporate Services Committee on 5 November 2024

and Council 13 November 2024

Submitted on October 1, 2024 by Geraldine Wildman, Interim Director, Housing Solutions and Investment Services

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Ward: Citywide

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

Dossier : ACS2024-SI-HSI-0017

Rapport au Comité des finances et des services organisationnels

le 5 novembre 2024

et au Conseil le 13 novembre 2024

Soumis le 1er octobre 2024 par Geraldine Wildman, directrice par intérim, Services des solutions de logement et des investissements

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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 (6) City of Ottawa leased locations, as further described in this report, as a Municipal Capital Facility (MCF), for the purpose of various prescribed municipal purposes as permitted under Section 110(6) of the Municipal Act and as defined in Ontario Regulation 603/06, 2001 as amended, and;
2. Authorize the Interim Director, Housing Solutions and Investment Services (HSIS), in consultation with the City Solicitor, to finalize and execute six (6) Municipal Capital Facility Agreements (MCFA) 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 municipal :

1. d'attribuer à six (6) 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; et
2. d'autoriser la directrice par intérim, Services des solutions de logement et des investissements, à conclure et à signer, en consultation avec l'avocat général, six (6) accords relatifs aux immobilisations municipales et à inscrire les règlements connexes à l'ordre du jour de la réunion 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 leased spaces occupied to provide a service or complete functions provided by a municipality. The Regulation provides the designation of municipal facilities used for the provision of various municipal services and functions. 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

Housing Solutions and Investment Services entered into six (6) 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 seven agreements are as follows:

738 Gladstone Ave

Under Delegated Authority Report DEL2019-CREO-0116, the City of Ottawa entered a lease extension and amending agreement with the property owner. The lease is for 3,479 square feet of space to house a Paramedic Post for the Emergency and Protective Services department. The lease is for five years dated from September 1, 2019, to August 31, 2024. Historically, the City has leased this premises since 2001 and is currently working with the landlord on an extension agreement from September 1, 2024, to August 31, 2029. It is anticipated that the City's requirement will continue beyond the 2024-2029 term. The MCF designation is estimated to reduce the realty tax burden by an estimated \$32,578.32 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 pursuant to section 2(1)2, 2(1)10 and section 2(1)13 of Ontario Regulation 603/06 as they are used as municipal facilities for the general administration of the municipality, municipal facilities related to 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.

2525 St. Laurent Blvd

Pursuant to Delegated Authority Report DEL2018-CREO-0009, the City of Ottawa entered into a lease extension and amending agreement with Skyline Commercial Real Estate Holdings Inc. The lease is for 4,809 square feet of space to operate a dental clinic, vision clinic, and related office space for Ottawa Public Health. The lease is for ten years and five months, which commenced October 1, 2017, and is terminating February 29, 2028. Historically, the City has leased these premises since 1992, 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 \$11,389.27 plus HST per annum, resulting in annual expense savings to Ottawa Public Health.

The leased areas are eligible for designation pursuant to section 2(1)2, section 2(1)10, and section 2(1)13 of Ontario Regulation 603/06 as they are 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.

1547 Merivale Rd

The Ottawa Public Library (OPL) entered into a lease agreement with Minto Properties Inc. for 10,710 square feet of space to operate the Emerald Plaza Branch for the Ottawa Public Library. The lease is for fifteen years, which commenced in 2013 and is terminating in 2028. Historically, the City has leased these premises since 1987, 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 an estimated \$55,682.58 plus HST per annum, resulting in annual expense savings to the Ottawa Public Library.

The leased areas are eligible for designation pursuant to section 2(1)2, section 2(1)11, and section 2(1)13 of Ontario Regulation 603/06 as they are used as municipal facilities for the general administration of the municipality, public libraries, 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.

150 Isabella St

Pursuant to the Ottawa Police Services (OPS) Board Report - *Modernization Roadmap Update and Bundle 2A Request*, approved on June 25, 2018, OPS entered into a lease extension and amending agreement with Metcalfe Realty Company Limited. The lease is for 3,034 square feet of office space and is for five years, which commenced August 1, 2023, and is terminating July 31, 2028. Historically, the City has leased this premises

since 2018 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 \$11,531.18 plus HST per annum, resulting in annual expense savings to the Ottawa Police Service.

The leased areas are eligible for designation pursuant to pursuant to section 2(1)2, section 2(1)8, and section 2(1)13 of Ontario Regulation 603/06 as they are used as municipal facilities for the general administration of the municipality, policing, 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.

179 Clarence St

Pursuant to DEL2021-CREO-0011 the City entered into a lease renewal agreement with the Ottawa Community Housing Corporation for 11,721 square feet of space for the purpose of operating a Sexual Health Clinic for Ottawa Public Health. Historically, the City has leased this premises since 1993 and is currently working with the landlord on a five (5) year extension agreement. It is anticipated that the City's requirement will continue beyond the extension term. The MCF designation is estimated to reduce the realty tax burden by an estimated \$77,454.02 plus HST per annum, resulting in annual expense savings to the Ottawa Public Health.

The leased areas are eligible for designation pursuant to pursuant to section 2(1)2, section 2(1)10, and section 2(1)13 of Ontario Regulation 603/06 as they are 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.

222-230 Queen St

Pursuant to a Motion Requiring Suspension of the Rules of Procedure at City Council Agenda 32 – 6 March 2024, the City entered into a new lease agreement with Édifice 230 Queen Inc./230 Queen Building Inc. for 230 Queen Street, part of 222-230 Queen Street, Ottawa, ON, comprised of 29,634 rentable square feet within an office building. This lease was established for the purpose of providing transitional housing for families. The lease is for ten (10) years plus two (2) additional five-year options to renew. The initial term commences November 1, 2024, subject to adjustment and expires October 31, 2034. The MCF designation is estimated to reduce the realty tax burden by \$143,521.35 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 pursuant to section 2(1)2, 2(1)10, 2(1)18 and section 2(1)13 of Ontario Regulation 603/06 as they are used as municipal facilities for the general administration of the municipality, for the provision of social and health services and 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.

FINANCIAL IMPLICATIONS

The savings in connection to the six agreements is approximately \$ 332,156.72 plus HST per annum with a corresponding annual expense decrease to each respective client department's budget. The total estimated cost of the MCF exemption for the six properties is approximately \$ 233,338.05 in municipal property tax revenue and thereby results in an estimated overall savings of \$ 98,818.67 per annum to the City.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report. The Housing Solutions and Investment Services, in consultation with the City Clerk and City Solicitor, will finalize the Municipal Capital Facility Agreements and associated by-laws. The City Clerk and City Solicitor will place the associated by-law on the agenda of Council for enactment.

COMMENTS BY THE WARD COUNCILLOR(S)

The subject leases are located in Wards 9, 10, 12, 14, and 17, and Councillors Devine, Bradley, Plante, Troster and Menard received a copy of this report.

CONSULTATION

In preparation for this report HSIS 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.

DELEGATION OF AUTHORITY IMPLICATIONS

Housing Solutions and Investment Services is requesting authority, in accordance with the Delegation of Authority By-Law No. 2024–265 and the Delegation of Powers Policy, for the Interim Director, Housing Solutions and Investment Services, in consultation with the City Solicitor, to finalize and execute six (6) 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.

ECONOMIC IMPLICATIONS

This report supports the City's ongoing commitment to financial sustainability and transparency.

ENVIRONMENTAL 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.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

TERM OF COUNCIL PRIORITIES

This report supports the City's ongoing commitment to financial sustainability and transparency.

DISPOSITION

HSIS in consultation with the City Clerk and the City Solicitor, will finalize the Municipal Capital Facility Agreements and associated by-laws. The City Clerk and the City Solicitor will place the associated by-law on the agenda of Council for enactment. HSIS 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 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.