

Subject: Designate leased spaces as Municipal Capital Facilities

File Number: ACS2026-SI-HSI-0003

Report to Finance and Corporate Services Committee on 7 April 2026

and Council 22 April 2026

Submitted on March 25, 2026 by Lily Xu, Interim Director, Housing Solutions, Real Estate, and Investment Services

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Ward: Citywide

Objet : Désigner les espaces loués en tant qu'immobilisations municipales

Numéro de dossier : ACS2026-SI-HSI-0003

Rapport présenté au Comité des finances et des services organisationnels le 7 avril 2026

et au Conseil le 22 avril 2026

Soumis le 25 mars 2026 par Lily Xu, directrice intérimaire, Services des solutions de logement, de l'immobilier 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 City Council:

1. Designate four (4) 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. Delegate Authority to the Interim Director, Housing Solutions, Real Estate, and Investment Services (HSREIS), in consultation with the City Solicitor, to finalize and execute four (4) 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 ce qui suit au Conseil municipal :

1. Désigner quatre (4) emplacements loués par la Ville d'Ottawa, décrits plus en détail dans le présent rapport, comme immobilisations municipales (IM), à diverses fins municipales prescrites, comme le permet le paragraphe 110(6) de la *Loi sur les municipalités* et comme le définit le Règlement de l'Ontario 603/06, 2001, dans sa version modifiée;
2. Déléguer à la directrice intérimaire, Services des solutions de logement, de l'immobilier et des investissements, en consultation avec l'avocat général, le pouvoir de finaliser et de signer quatre (4) accords relatifs aux immobilisations municipales et d'inscrire les règlements municipaux connexes à l'ordre du jour du Conseil pour adoption afin d'exonérer les espaces loués respectifs de l'impôt foncier municipal, 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 has entered into or is finalizing four (4) 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, Real Estate and Investment Services has entered into or is finalizing four (4) lease agreements with private property owners on behalf of internal City client departments 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 four agreements are as follows:

201 Innes Park Way – Ward 18

Pursuant to DEL2025-HSIS-0098 dated September 10, 2025, the City, under delegated authority, entered into a lease with The Manufacturers Life Insurance Company for the use of 201 Innes Park Way, unit 210. The rentable space area measures 26,918 square feet of mixed storage and office space, approximately 9,000 square feet of outdoor storage space and ten (10) reserved parking spaces on behalf of Fleet Services. The space is needed for general warehousing, storage, and various administrative functions. The lease is for a term of five (5) years commencing on March 1, 2026, and expiring February 28, 2031, with an option to extend for one (1) additional five (5) year term. The MCF designation is estimated to reduce the realty tax burden by \$67,824.00 plus HST per annum, resulting in an annual expense savings to Fleet Services.

The leased area is eligible for designation pursuant to section 2(1)2 and section 2(1)13 of *Ontario Regulation 603/06* as it is used as a municipal facility for the general administration of the municipality and for parking that is ancillary to the municipal facility.

The municipal capital facility agreement and by-law will implement the municipal capital facility designation for the leased area for the term that it is used for such purposes.

1580 Merivale Rd – Ward 8

Pursuant to DEL2025-HSIS-0116 dated December 5, 2025, the City, under delegated authority approval, entered into a new lease with The Merivale Professional Centre Limited Partnership located at 1580 Merivale Road, Suite 208 needed to accommodate the relocation of an existing immunization clinic. The lease includes 2,033 square feet of rentable space with non-exclusive use of the parking space on a first-come first-serve basis. The agreement has an initial term of ten (10) years commencing April 1, 2026, and expiring March 31, 2036, with two options to renew for five (5) years each. The need for this immunization clinic is expected to extend beyond the initial term. The MCF designation is estimated to reduce the realty tax burden by \$14,142.00 plus HST per annum, resulting in an annual expense savings to Ottawa Public Health.

The leased area is eligible for designation pursuant to section 2(1)10 and 2(1)13 of Ontario Regulation 603/06 as it is used as a municipal facility for the provision of health services and for parking that is ancillary to the municipal facility. The municipal capital facility agreement and by-law will implement the municipal capital facility designation for the leased area for the term that it is used for such purposes.

1970 Merivale Rd – Ward 9

On January 26, 2026, the Ottawa Police Services Board approved a lease agreement with 2640162 Ontario Inc for the use of 17,451 square feet of rentable space and sixty (60) parking spaces. The purpose of the leased space is to support OPS's mandate under legislation, to deliver Immediate Rapid Deployment training and other related activities. The lease is for five (5) years, commencing June 1, 2026, and expiring May 31, 2031, with an option to extend for a further 5-year term. The MCF designation is estimated to reduce the realty tax burden by \$46,143.00 plus HST per annum, resulting in annual expense savings to the Ottawa Police Services.

The leased area is eligible for designation pursuant to section 2(1)8 and 2(1)13 of Ontario Regulation 603/06 as it is used as a municipal facility related to policing and for parking that is ancillary to the municipal facility. The municipal capital facility agreement and by-law will implement the municipal capital facility designation for the leased area for the term that it is used for such purposes.

Land abutting 100 Constellation Dr – Ward 8

Pursuant to DEL2026-HSREIS-0009 dated February 5, 2026, the City, under delegated authority, entered into a renewal land lease with Arnon for the use of a property abutting 100 Constellation Dr. for the purpose of a bus turnaround loop during Light Rail Train (LRT) construction. The renewal term is for one year (1) commencing March 1, 2026, expiring February 28, 2027, with an option to extend for one (1) additional year. The land will no longer be needed once LRT construction is complete. The leased land was previously exempt from property taxes under an MCFA as part of the agreement for 100 Constellation Dr., however, the subject parcel was not included in the recent purchase of that property and as such requires a new MCFA. An external evaluation of the property provided an estimate for realty taxes of approximately \$39,450.00 per annum which would result in a budget pressure for Transit Services.

The leased area is eligible for designation pursuant to section 2(1)5 of *Ontario Regulation 603/06* as it is used as a municipal facility for the provision of transit and transportation systems. The municipal capital facility agreement and by-law will implement the municipal capital facility designation for the leased area for the term that it is used for such purposes.

FINANCIAL IMPLICATIONS

The direct savings in connection with the four agreements are estimated at \$167,559.00 plus HST per annum with a corresponding annual expense decrease to each respective client department's budget.

The total estimated reduction in municipal property tax revenue resulting from the MCF exemption for 201 Innes Park Way, 1580 Merivale Road, and 1970 Merivale Road is approximately \$87,626.00. When offset by the corresponding annual expense, the net annual fiscal savings to the City is an estimated \$40,483.00.

There are no associated losses for the property abutting 100 Constellation Drive, as municipal property taxes have not been levied on this property since the implementation of the previous MCFA in 2003. The external evaluation estimated a budget savings to the City of \$39,450.00 per annum.

LEGAL IMPLICATIONS

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

COMMENTS BY THE WARD COUNCILLOR(S)

The subject properties are located in wards 8, 9 and 18. Councillors Carr, Johnson and Devine are aware of the report and have no comments.

CONSULTATION

In preparation for this report HSREIS 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 for this report.

CLIMATE IMPLICATIONS

There are no climate or environmental implications associated with the recommendations within this report.

DELEGATION OF AUTHORITY IMPLICATIONS

Housing Solutions, Real Estate, and Investment Services is requesting authority, in accordance with the Delegation of Authority By-Law No. 2025-069 and the Delegation of Powers Policy, for the Interim Director, Housing Solutions, Real Estate, and Investment Services, in consultation with the City Solicitor, to finalize and execute four (4) 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.

TERM OF COUNCIL PRIORITIES

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

DISPOSITION

HSREIS, 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. HSREIS 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 the City 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.