

Clause 14 in Report No. 11 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on June 23, 2016.

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Property Taxes on the Regional Municipality of York Police Services Board's Leased Properties

Committee of the Whole recommends adoption of the following recommendations contained in the report dated May 31, 2016 from the Commissioner of Finance:

1. Council authorize staff to negotiate Municipal Capital Facilities Agreements for all the Regional Municipality of York Police Services Board's leased administrative sites.
2. The Commissioner of Corporate Services or his designate be authorized to sign the Municipal Capital Facilities Agreements, once Council has approved an implementing bylaw.

Report dated May 31, 2016 from the Commissioner of Finance now follows:

1. Council authorize staff to negotiate Municipal Capital Facilities Agreements for all the Regional Municipality of York Police Services Board's leased administrative sites.
2. The Commissioner of Corporate Services or his designate be authorized to sign the Municipal Capital Facilities Agreements, once Council has approved an implementing bylaw.

1. Purpose

This report seeks Council authorization to reduce the annual property taxes of the Regional Municipality of York Police Services Board's leased administrative facilities by negotiating Municipal Capital Facilities Agreements with its landlords.

2. Background

The Municipal Act, 2001 allows the Region to exempt all or part of the property taxes for properties it leases for municipal business

Section 110 (6) of the *Municipal Act, 2001* provides that Council may classify properties it leases for administrative or program service purposes as municipal capital facilities. This classification allows the Region to exempt itself from all or part of the property taxes or payments-in-lieu otherwise payable, including those levied for municipal and school purposes. The Municipal Capital Facilities provision allows the Region to have the same tax treatment on facilities it leases as on those it owns. To qualify for an exemption, the facilities must be leased from an arms-length third party.

Section 2 of Ontario Regulation 603/06 lists the classes of municipal capital facilities that can be exempted from taxation such as facilities used by the Council, facilities used for the general administration of the municipality, and municipal facilities related to policing, fire-fighting and by-law enforcement. This exemption applies to administrative facilities owned by York Region.

In 2013 Council authorized property tax exemptions for its own leased properties

On January 24, 2013, Council authorized staff to negotiate Municipal Capital Facilities Agreements for all administrative sites that it leased in its own name for which the annual property taxes were greater than \$10,000. The threshold of \$10,000 was used to avoid the administrative burden associated with entering into Municipal Capital Facilities Agreements of small value.

Corporate Services has actively pursued Municipal Capital Facilities Agreements on existing and new leases. Annual property tax savings of approximately \$746,900 have been achieved for the properties shown in Table 1.

Property Taxes on the Regional Municipality of York Police Services Board's Leased Properties

**Table 1
Region Leased Properties with signed
Municipal Capital Facilities Agreements in place**

Municipality	Site Name	Department
Georgina	York Region Speech and Language Program	Community and Health Services
Markham	Liberty Square	York Region Rapid Transit
Newmarket	Tannery Mall Departments	Various
Newmarket	Gates of York	Environmental Services and Corporate Services
Newmarket	EMS Cane Parkway (Operations Centre)	Corporate Services
Newmarket	Property Services Branch Office	Corporate Services
Richmond Hill	Early Intervention Services	Community and Health Services
Richmond Hill	South Services Centre	Various

Furthermore staff anticipate that the three properties shown in Table 2 will sign Municipal Capital Facilities Agreements during 2016 which will result in approximately \$117,900 of additional annual savings.

**Table 2
Region Leased Properties that are expected to sign
Municipal Capital Facilities Agreements**

Municipality	Site Name	Department
Markham	Garden Basket	Community and Health Services
Markham	Markham Health Services	Community and Health Services
Newmarket	1091 Gorham Street	Community and Health Services

In 2015, York Region Police Services Board leased 12 properties and paid \$122,664 in property taxes

The York Region Police Services Board currently leases 12 properties and tower sites under its own name, with property taxes totaling \$122,664. The York Regional Police Services Board does not own any properties as all land inventory is owned by York Region. In addition, York Regional Police occupy space in the Regionally-owned Administrative Centre for a backup communications centre, at Bales Drive for fleet and a quartermaster stores warehouse, and on seven water towers used for police radio system infrastructure.

Property Taxes on the Regional Municipality of York Police Services Board's Leased Properties

On November 18, 2015, the York Region Police Services Board approved a report titled "Property Taxes on Leased Premises" that authorized the Chief of Police to assign its leases to York Region so that they may be exempted from taxations through Municipal Capital Facilities Agreements.

3. Analysis and Options

The York Region Police Services Board has identified three properties that could be exempted from \$114,333 in property taxes in 2015

The York Region Police Services Board currently has three leased properties with property taxes greater than \$10,000 per year, the administrative threshold authorized by Regional Council for Regional leased properties (Table 1). York Region Police Services Board's other nine leased properties are below the administrative threshold of \$10,000.

The total property tax for these three properties in 2015 was \$114,333. This is approximately 93 per cent of taxes paid by the York Region Police Services Board. Table 3 shows that of the \$114,333 paid in 2015, approximately 25 per cent represents the Region's share, 55 per cent is the Province's share and 20 per cent is the Town of Richmond Hill's and Town of Newmarket's shares.

Table 3
Leased Properties in 2015 with Property Taxes greater than \$10,000

Municipality	Leased Properties	Property Taxes Paid	Regional Share	Municipal Share	Provincial Share
Newmarket	Newmarket Property Corporation	\$47,653	11,342	10,894	25,417
Richmond Hill	Yonge Elgin Plaza Limited	\$40,296	10,582	5,972	23,742
Newmarket	Downing Street Property Management Inc.	\$26,384	6,293	6,053	14,038
Total		\$114,333	\$28,217	\$22,919	\$63,197

Source: Police Services Board, November 2015

[Link to key Council-approved plans](#)

By improving efficiencies, the Region is able to reduce the cost of delivering programs and services that are deemed a priority in the 2015 to 2019 Strategic Plan.

4. Financial Implications

The York Region Police Services Board leases 12 properties in York Region, of which three have annual property taxes obligations greater than \$10,000. These three properties paid \$114,333 in property taxes in 2015, which was 93 per cent of total property taxes paid by York Region Police Services Board.

It is expected that Municipal Capital Facilities Agreements will be in place for these three properties in 2016, with cost savings to be included as efficiencies in the Police's 2017 Operating Budget.

5. Local Municipal Impact

To the extent the York Region Police Services Board's three leased properties are exempted from paying property taxes in the future, any shortfall in local property tax will be shared among other residents and businesses located within the local municipality.

For 2015, the local municipal share of property taxes for the leased properties shown in Table 3 was approximately \$23,000 (20 per cent share of \$114,333). The Town of Newmarket's share was approximately \$17,000 and the Town Richmond Hill's share was \$6,000.

6. Conclusion

The Region has identified an opportunity to exempt the York Region Police Services Board's three largest leased facilities from paying annual property taxes by entering into Municipal Capital Facilities Agreements.

If this report is approved, staff will seek to negotiate Municipal Capital Facilities Agreements with the respective landlords, and then request that Council pass a bylaw authorizing the agreements.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at extension 71644.

The Senior Management Group has reviewed this report.

May 31, 2016

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