REGION OF OTTAWA-CARLETON | REPORT
RÉGION D'OTTAWA-CARLETON | RAPPORT

Our File/N/Réf.
Your File/V/Réf.

DATE 1 December 1999

TO/DEST. Co-ordinator
Corporate Services and Economic Development Committee

FROM/EXP. Finance Commissioner

SUBJECT/OBJET **PROFESSIONAL SPORTS FACILITY PROPERTY CLASS**

DEPARTMENTAL RECOMMENDATIONS

That the Corporate Services and Economic Development Committee recommend Council consider the following in response to the recent provincial decision to create a new professional sports facility property class and the Ottawa Senator's request for property tax relief:

1. **The use of the new optional commercial professional sports facility property class for the 2000 taxation year and the use of the "*tax rate approach*" to providing property tax mitigation to that class;**

2. **The setting of 2000 tax rates for Regional purposes for this property class that, in providing for a virtual exemption on the stadium portion of the property, will reduce the Corel Centre's total property taxes from $4.6M to approximately $0.7M per year;**

3. **That the Minister of Finance be requested to approve the resulting commercial property tax rates under s. 366 of the *Municipal Act*;**

4. **That a grant of $144,000 be provided to the City of Kanata in 2000 in order that property tax rates in Kanata do not increase as a result of the disproportionate impact of this policy decision on Kanata's property tax base, conditional upon Kanata absorbing an amount equivalent to that produced by its assessment growth for the 2000 taxation year;**

5. **That the Region offset the impact of the $1.6M in reduced Regional property tax revenue together with the $144,000 grant to the City of Kanata through a reduction in the Regional tax requirement in order that the total Regional property tax rates targeted in the report entitled *2000 Budget Directions* are met;**

6. **That the above be subject to a binding agreement between the Region, the owners of the Ottawa Senators Hockey Club and the National Hockey League and that the Ottawa Senators Hockey team will remain at the Corel Centre for the next five years as a minimum.**

BACKGROUND

On 28 October 1999, the Minister of Finance announced his intention to create a new optional commercial property class for professional sports facilities. A copy of the related letter is attached as Annex A. This announcement has created a new property tax policy issue that Council must deal with for the 2000 taxation year. Specifically, Council must decide to what extent, if any, it wishes to reduce the property tax burden of the Corel Centre. The Minister's announcement would permit anything from the status quo to a virtual property tax exemption for the stadium portion of the Corel Centre property.

DISCUSSION

The Current Situation

The Corel Centre has a current value assessment of $83.1M (1996 values). Of this, approximately $70.4M is for the stadium component of the property, with the remaining assessment related to parking lots and vacant land. In 1999, this assessment generated a total uncapped property tax bill of $4.6M. In Kanata, the commercial property tax bill is shared 37% by the Region, 11% by the City and 52% by the Province.

The owners of the Corel Centre have appealed the assessed value of the property. This appeal, dating back to 1996 taxation, is scheduled to be heard by the Assessment Review Board in November of 2000.

The current Corel Centre assessment is developed on an income-based approach. Under this approach, the Ontario Property Assessment Corporation (OPAC) determines an estimated net operating income from the established revenue history of the property. By factoring this net annual income by a rate of return on capital, OPAC derives the current value assessment for the property.

The owners of the Corel Centre have informed staff that their appeal documents claim that their property has been over-assessed by as much as 300%. The appeal claims that OPAC has over-allocated revenue from hockey team operations to the building, thereby overstating the building's net income. It also disputes the 9.5% capitalization rate applied by OPAC. In their appeal, the owners argue that this rate does not recognize the fact that the Corel Centre is a high risk property, designed and built to house the operations of an NHL franchise and that such a high-risk investment warrants a higher rate of return on capital. This would appear to be justified when one considers the rates applied by OPAC to office buildings in downtown Ottawa of 12.5% and to industrial malls of 13.5%. On the surface an office tower or industrial mall is far more likely to find alternate tenants than the Corel Centre is to find another NHL franchise.

To the extent that these claims have merit, the Corel Centre may be significantly over-assessed and may be subject to reduction by the Assessment Review Board. Consequently, the "real" cost of providing potential property tax relief to the Corel Centre, to be discussed in the remainder of this report, may be significantly less than that calculated by the Corel Centre's current property tax bill.

If the appeal were entirely successful, the annual property tax revenue to be derived from the Corel Centre would be about $1.5 million, not the $4.6 million currently billed.

It would be inappropriate for staff to pass judgement on the merits of a particular assessment appeal. Nevertheless, it is important for Council to understand that the current taxation from the Corel Centre is subject to change as a result of the appeal. In addition, in order to provide Council with an understanding of the range of further possible exposure to revenue loss, it is also important to remember that even the lower tax revenue may not be reliable.

This is because, under the income approach, used universally on mature commercial/industrial properties, the Corel Centre assessment would drop substantially if the Ottawa Senators Hockey Club ceased to be a tenant. This is primarily because the Corel Centre, as stated previously, is a special use property, designed and built to house the operation of an NHL franchise. In the absence of an NHL hockey team, the property would suffer a significant decline in current value assessment.

The owners of the Corel Centre have advised staff that at least 60% of the revenue for the building exists because of the Senators. For example, $1 million in annual revenue comes from the naming rights of the building. These rights are valuable to the Corel Corporation because of the millions of advertising impressions they provide during televised hockey games. Sign revenue within the building is equally dependent on the presence of televised hockey games. The City of Kanata report notes that half of the events at the Corel Centre are Senators hockey games.

It could be argued that, given the number of unknowns regarding the property tax revenue impact of reduced Corel Centre assessment, a 2000 remission cost for the Region, the City of Kanata and the Province (for education tax purposes) should be included for financial planning purposes. While this increased requirement for a budgetary provision for remissions would not be a significant budget issue at the Region, it would be in Kanata where the Corel Centre represents almost 4% of the current total weighted assessment. This further highlights the fact that, to the extent the appeal is successful, what might be considered property tax mitigation i.e. a reduction from the current $4.6M property tax bill, really should be considered an existing exposure to remission costs.

Why A New Property Class?

Staff is of the opinion that the creation of the new property tax class was a reaction by the Ontario Government to what it may have considered to be an increasing trade inequity faced by the Ottawa Senators vis-à-vis their U.S. based competitors. While the Ontario government is not specifically responsible for trade issues like the subsidies provided to American hockey, it has acted so that important facilities created with private capital in Ontario are not unfairly disadvantaged.

In his related announcements, the Minister has outlined the provincial substantiation for introducing the new property class. Recently, he has stated:

> *"By creating a new property class for professional sport facilities and by allowing municipalities to set their own tax rates, the province has merely leveled the playing field between taxable sporting venues and those facilities that do not pay property taxes because they're municipally owned.*
>
> *Four stadiums housing pro teams are subject to taxation in Ontario: Air Canada Centre, Maple Leaf Gardens, SkyDome and the Corel Centre. Other stadiums such as Copps Coliseum and Ivor Wynn Stadium do not pay property tax because they are municipally owned.*
>
> *Furthermore, our solution levels the playing field between Ontario-based teams and those in other provinces or in the U.S. For example, B.C. Place (Vancouver), the Saddledome (Calgary) and Madison Square Garden (New York) are all partially or fully tax exempt."*

The Corel Centre is billed property tax because it is privately owned. The buildings that most other teams play in are publicly owned and, in many cases, built at public expense. Virtually no public subsidy was provided to underwrite the cost of constructing the Corel Centre. In addition, the owners of the Corel Centre were required to fund over $30M in public infrastructure costs related to the construction of the Corel Centre including the highway interchange. According to the Stormont Corporation submission to the sub-committee on the study of sport, the Corel Centre is currently billed more property and capital taxes than all U.S.-based NHL franchises combined.

Impacts of the Team Moving

The owners of the Ottawa Senators have repeatedly stated that the team will be sold if the municipal, provincial and federal governments do not address the current taxation regime faced by the hockey club. Related to this scenario, there are several relevant issues that Council should consider when contemplating property tax relief for the Corel Centre. These include loss of additional assessment, loss of other taxation revenues, loss of indirect economic activity and loss of economic development and marketing benefits derived from the presence of the Ottawa Senators.

In addition to the loss of assessment on the Corel Centre, the assessments of other commercial properties in the surrounding vicinity of the Corel Centre may drop in value if the Senators left the Corel Centre. Consequently, it may be that a significant portion of the tax revenue that would be lost by mitigating property taxes on the Corel Centre would be lost regardless should the hockey club move.

On November 4, 1999, the Ottawa-Carleton Economic Development Corporation (OEDCO) released a report that researched the economic and business impact of having a NHL team in Ottawa-Carleton. The report concluded that the Senators have a huge direct and indirect financial impact locally, provincially and nationally. In the local context, the report concluded the team's financial impact would be about $750M over the next ten years, including approximately $120M in taxes. The report also highlighted the key marketing benefits for Ottawa, Ontario and Canada provided by the Senators. As an example, the OEDCO report further indicates that U.S. broadcasts of Senators games generate more than 4.5 million impressions per game and, in advertising terms, that represents a value of $66M per game in the top 64 U.S. markets. This report represents the only significant study of the financial and economic impact of the Senators Hockey Club; however, staff has not been able to conduct any analysis of the validity of its findings. A copy of the related OEDCO press release is attached as Annex B.

How the New Property Class Would Work

The mechanics involved in the use of the new property class are extremely complex. Regional and Kanata Councils must make a number of decisions. The discussion of these decisions and the related alternatives are organized here in descending order to assist in comprehension.

First Level Decision – Regional Council

Regional Council decides whether or not the Corel Centre should receive property tax mitigation. If the answer is affirmative, Regional Council approves the use of the new property class. All other decisions stem from this. Regional Council can approve the use of the property class even if it chooses not to provide property tax mitigation to the Corel Centre but would like to create the opportunity for the City of Kanata to do so.

Second Level Decision – Regional Council

There are two approaches that can be used to provide property tax mitigation to the Corel Centre - through the setting of tax ratios or tax rates. There are two major differences between the two approaches. First is the decision making power of Kanata Council regarding level of mitigation of property taxes for city purposes, and secondly, how both Councils can deal with the reduced tax revenue. Regional Council must decide whether it wishes to have sole control over the level of mitigation to be provided, or if it wishes to provide Kanata Council with the ability to decide how much the Corel Centre's taxation for lower-tier purposes should be reduced.

To establish sole control over the level of mitigation in property taxes for both shares of municipal taxes , Regional Council would decide to effect property tax mitigation for the Corel Centre through the setting of a lower tax ratio for the new property class. This would affect both upper-tier and lower-tier tax rates for the Corel Centre. This is labelled Method A for discussion purposes. Under this method, the tax ratios for the other commercial property classes (residual commercial, shopping centre, office building and vacant land/parking lots) would increase by about 1%. This is because s. 363 of the *Municipal Act* would require that the average weighted tax ratio for the overall commercial class remain the same as existed in 1999. This would cause the undesirable side effect of shifting tax burdens between property classes for lower-tier purposes across the Region since only one set of tax ratios are set by Regional Council and are used by the lower tier municipalities to establish tax rates for local purposes.

Should Regional Council choose to provide Kanata Council with the power to determine the extent of lower-tier mitigation, it would do so by deciding not to change the tax ratio for the new property class but instead to achieve property tax mitigation through the setting of tax rates. This is labelled Method B for discussion purposes. Under this method, the Minister would approve applications by each Council under s. 366 and s. 368 of the *Municipal Act*, to set a tax rate for the Corel Centre property that is lower than it would otherwise be through the application of existing tax ratios. These applications would need to be renewed on an annual basis by both Councils. It is expected that the Minister would approve the necessary applications since their use would be dependent on shielding all property taxpayers from any resulting tax increase. This is the same result that the Province intends with its participation in the new class i.e. no resulting increase to any other property taxpayer.

Third Level Decisions – Both Regional and Kanata Councils

Under both Method A and Method B, there is an overall reduction in property taxes for Kanata purposes and for Regional purposes. The difference is that, under Method A, both amounts are determined by the decision of Regional Council to amend tax ratios. Under Method B, Regional Council determines the Regional amount and Kanata Council determines the local amount, as both Councils would choose tax rates they wish to impose on the new property class.

Under Method A, the two Councils can independently choose how the reduced property tax revenue for their purposes is to be dealt with. Each Council has the following three alternatives to choose from:

1. absorbing the lost tax revenue from within existing budgets by setting a tax requirement that generates tax rates for the commercial classes equal to what they would have been without the use of the new property class;

2. recovering lost tax revenue from other commercial taxpayers by requesting the Minister of Finance to use his regulatory authority under s. 447 of the *Municipal Act* to set allowable municipal levy change amounts in the calculation of 2000 commercial tax bills under the 10-5-5 capping program. Under this approach, any lost Regional tax revenue would be recovered from all commercial property taxpayers in the Region. Any lost City of Kanata tax revenue would be recovered from commercial taxpayers in the City of Kanata; or

3. employing a combination of the above two approaches.

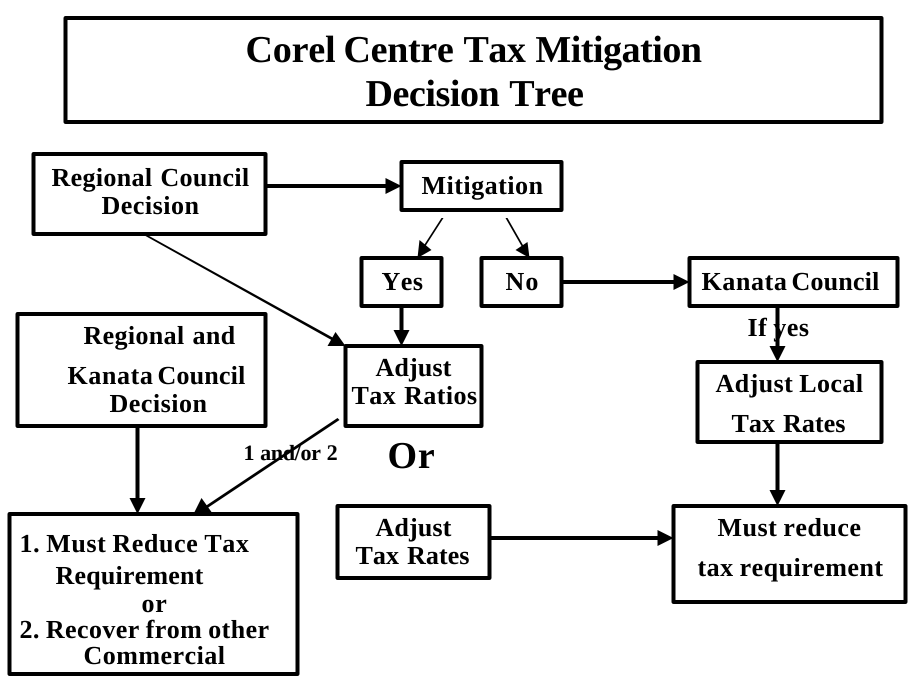
Under Method B, there are no alternatives. Each Council must absorb the lost tax revenue from within existing budgets by setting a tax requirement that generates tax rates for all property classes equal to what they would have been without the use of the new property class.

Only the stadium portion of the property is eligible for inclusion in the new property class. In the case of the Corel Centre, this would involve approximately 90% of the Corel Centre's assessment. The remaining assessment relates primarily to the parking lots adjacent to the stadium. Consequently, of the $4.6M uncapped property tax bill for the Corel Centre, only $4.1M is eligible for mitigation. To illustrate, if Regional Council was to select Method A and approve a tax ratio of 0.00001, the maximum mitigation possible, this would reduce the Corel Centre's property taxes by $0.4M for local purposes and $1.6M for Regional purposes. The Minister of Finance has stated that the Province will match any relief provided on the municipal portion of the property tax bill. Consequently, the Province would reduce the education taxes on the Corel Centre by approximately $2.1 million. This would result in a residual tax bill for the Corel Centre property of $0.5M.

The Province has committed to offsetting the reduction in education property taxes by reducing its education levy on commercial properties. This means that commercial education tax rates will not increase for commercial property taxpayers in 2000 as a result of any decision Council may make with regard to the use of the professional sports facility property class.

Figure 1 below summarizes the decision options of Regional and Kanata Councils.

Figure 1



The Policy Position of Kanata City Council

On November 23, 1999, Kanata City Council received report No.270-11-99 from the City Manager entitled *Corel Centre Property Tax – Research and Analysis of Tax Relief Options.* A copy of this report is attached as Annex C. Kanata City Council debated the recommendations included in the report after receiving many public delegations on the matter. In the end the following motion was approved while Council was in Committee of the Whole. Kanata City Council is scheduled to ratify the motion on December 7, 1999.

> *THAT City Manager Report No. 270-11-99 be forwarded to the Regional Municipality of Ottawa-Carleton for Regional Council's consideration in determining any new tax ratio or tax reduction proposal that may be considered for the Corel Centre.*
>
> *THAT any tax reduction for the Corel Centre be effective for the budget year 2000.*
>
> *THAT any tax reduction for the Corel Centre be reduced by any tax reduction resulting from the appeal currently before the Assessment Review Board.*
>
> *AND THAT a new tax class be created for the Corel Centre with a tax ratio of .4894 which is equal to 25% of the current Commercial Tax Ratio.*

While this motion indicates the City of Kanata's support for the policy decision to provide tax relief to the Corel Centre through the use of the new professional sports facility property class, Kanata Council has taken the position that the Corel Centre should receive a 75% reduction in the tax rate charged to the assessment that would be included in the new property class. It would follow that, if Regional Council were to select Method B, Kanata Council would respond by reducing the City of Kanata tax rate on the new property class by 75%. This would reduce the Corel Centre's taxation for Kanata purposes by $344,000 from $459,000 to $115,000.

The third passage of the motion would serve to limit the amount of mitigation in the event that the owner's assessment appeal is successful. To the extent that they are successful, the motion would see Kanata increase its tax rate to maintain the $115,000.

Regional Policy

With the recent announcements on municipal restructuring, it is now known that 2000 will be the last year that municipal tax rates in Kanata will be set separately by Regional and Kanata Councils. It is also the last year in which the impacts from any use of the new professional sports facility property class would fall disproportionately on Kanata property taxpayers. Consequently, staff recommends that Regional Council employ Method B and provide any property tax mitigation to the Corel Centre through the setting of tax rates, thereby allowing Kanata Council to choose the level of property tax mitigation for city purposes. This would also respond to and respect the public consultation and policy debate already undertaken by Kanata Council with respect to this issue.

Regional Council is then left with the decision as to what level of mitigation to provide on property taxes for regional purposes.

The owners of the Ottawa Senators and Corel Centre have stated that to remain viable in this market a total tax reduction of $10M between all three levels of government is necessary. By approving the maximum property tax mitigation for regional purposes i.e. setting a Regional tax rate of zero, Council would in effect provide $1.6M in relief. In addition to the $0.3M from Kanata, this would generate $1.9M from municipal government and trigger approximately $2.0M in relief from the provincial government.

Representatives of the federal government including Minister John Manley have repeatedly stated that the federal government will not move forward with support until municipal and provincial levels make a commitment. Given this context, it is likely that the maximum level of property tax mitigation possible will be required to generate a response that meets the criteria set out by the owners for the continued operation of the hockey club in this market.

This raises the concern that the final amount of tax relief provided by one or more parties to the owners will not keep the team at the Corel Centre. As a consequence, staff recommends that if Council chooses to provide property tax mitigation to the Corel Centre that the objectives of this policy decision be secured by an agreement. Consequently, any mitigation should be conditional on the existence of an agreement between the Region, the owners of the Ottawa Senators Hockey Club and the National Hockey League that the Ottawa Senators Hockey team will remain at the Corel Centre for the next five years as a minimum. The owners have indicated that such an agreement would be forthcoming.

Financial Impact

As stated before, the use of Method B would be conditional upon both Councils reducing their respective tax requirements to achieve tax rates for all property classes equal to what they would have been without the use of the new property class. This is because the Minister will not approve the lower tax rates for the Corel Centre if it is going to shift tax burden onto the residential property class.

Consequently, Kanata would need to reduce its tax requirement by approximately $344,000 gross or $144,000 net of expected assessment growth in 2000. A reduction of $144,000 represents a decrease of 1.2% from Kanata's 1999 levy requirement of $11.8M. Since the disproportionate increase in Kanata is for one year only, staff would recommend that the Region provide a grant to the City of Kanata in 2000 to offset the net impact of $144,000.

The Region would have to reduce its tax requirement by approximately the same amount of taxes foregone through the mitigation provided to the Corel Centre of $1.6M. The budgetary impact of this reduction and the recommended grant to Kanata is discussed in the report to Corporate Services and Economic Development Committee dated 01 December, 1999 entitled *2000 Budget Directions*.

As stated previously in this report, the cost of mitigation discussed in this section is the cost as calculated from the current Corel Centre property tax bill. To the extent that the owners are successful in their appeal, a significant portion of this cost would be a remission cost not a real cost of property tax mitigation to the Corel Centre. In addition, this same perspective can be held in terms of the assessment that would be lost if the Senators Hockey Club were to be sold.

PUBLIC CONSULTATION

There has been no public consultation conducted in the development of this report. Consultation between staff of the Region and the City of Kanata and the Mayor of Kanata and Regional Chair has taken place.

The technical issues dealing with the mechanics of the new property class discussed in this report are based on extensive but preliminary discussions with representatives of the Ministry of Finance. Any of the assumptions made in this report could be subject to change until the Minister of Finance signs the final regulation creating the new property class. Pending disposition of this report, staff will be working with representatives of the Ministry of Finance in early December in this regard.

FINANCIAL COMMENTARY

The financial implications of the recommendations made in this report are described in the report to Corporate Services and Economic Development Committee dated 01 December 1999 and entitled *2000 Budget Directions.*

Approved by
J.C. LeBelle

Attach. (3)

ANNEX A

Ministry of Finance
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Toronto ON M7A 1Y7
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Ministère des Finances
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Ontario

October 28, 1999

Mr. Bob Chiarelli
Chair
Region of Ottawa-Carleton
111 Lisgar Street
Ottawa Ontario K2P 2L7

Dear Mr. Chiarelli,

I am writing to outline the Province's position on the challenges facing NHL teams in Ontario.

The Province of Ontario has always stated that it is willing to be part of a collective NHL solution. On the property tax issue, Premier Mike Harris and I have been on record for over a year stating that we will provide property tax fairness to professional sports facilities.

I was pleased to see in your letter of September 29th that Ottawa-Carleton is willing to partner with the Province of Ontario in offering relief to the Corel Centre's taxation burden. Ontario will work in partnership with municipalities to provide property tax tools that will permit a virtual exemption for professional sporting facilities from property tax.

The province will create a professional sports facility property class that can be used at the discretion of the municipality. Furthermore, we will establish a new range of fairness for this class that would permit significant flexibility for municipalities to set their municipal tax rates. The province will provide corresponding education property tax reductions for every reduction that the municipality makes on its rate.

In providing a property class for professional sports facilities, municipalities have the ability to ensure the viability and competitiveness of an important institution by leveling the playing field between taxable sporting venues and those facilities that do not pay property taxes because they are municipally owned.

We would be happy to initiate discussions to determine where your Council would like to set your municipal tax rates.

Yours sincerely,

Ernie Eves, Q.C.
Minister of Finance

cc: Her Worship Merle Nicholds, Mayor, City of Kanata

ANNEX B

Thursday, November 4, 1999

Senators contribute to 'winning conditions' that enable business to thrive

OED task force finds that Senators 'add clear and demonstrable value' to Ottawa and Canada

OTTAWA — The Ottawa Senators are a key business asset and an important contribution to the "winning conditions" that help create jobs and wealth, the Ottawa Economic Development Corporation said today.

A report released by an OED task force that researched the economic and business impact of having an NHL team in Ottawa concluded that the Senators "add clear and demonstrable value" to Ottawa and Canada. The Senators have a huge direct and indirect financial impact locally, provincially and nationally, the study concluded. The team makes a large contribution to the tax base both locally and nationally. And the Senators are a key marketing tool for Ottawa, Ontario and Canada.

"Our mission is to generate the winning conditions that help businesses compete and thrive," said OED chairman Franklin Holtforster. "We are convinced that the Ottawa Senators constitute such a winning condition and we support all efforts to ensure that the team stays in Ottawa."

Chris Henderson, an OED vice chair who headed the task force, said the regional economic development agency is not advocating any particular course of action. "We feel that the very positive impact the Senators have on business activity hasn't been fully taken into consideration in the current debate about the team's future," Henderson said. "We want to ensure that decision makers at all levels are aware of the team's value and contribution to the economic wellbeing of Ottawa, the province and the country."

The OED report concluded that the Senators will have a national gross financial impact of $1.2- to $1.4-billion over the next 10 years, including $420- to $460-million in taxes paid to all levels of government. Locally, the team's financial impact will be about $750-million over the next 10 years, including $117- to $120-million in taxes. If the Senators leave, between $400- and $500-million of local economic activity would leave with them, the report found.

The task force also looked at the role the Senators play in boosting Ottawa's visibility. U.S. broadcasts of Ottawa Senators games generate more than 4.5-million impressions per game. In advertising terms, that represents a value of $66-million per game in the top 64 U.S. markets.

The Senators are widely covered by U.S. newspapers, far outstripping Ottawa's best-known companies. In a keyword search of the top 50 U.S. newspapers in the Dow Jones Interactive database, the Ottawa Senators were mentioned in 3,727 articles in the last year, compared to 690 articles that mentioned Corel and 76 that mentioned Newbridge Networks. On the Internet, more than 11,000 Web pages refer to the Ottawa Senators, according to the Excite.com search engine.

Finally, the OED task force highlighted the role the Senators play in business activities such as deal-making, employee recruitment and client entertainment. While the direct dollar impact of these activities can hardly be quantified, they were cited again and again by local business people and other community leaders concerned about the impact on their companies and the community if the Senators were to leave Ottawa.

"From both a client and a staff perspective, the Ottawa Senators provide tremendous value," said George Cwynar, president and CEO of MOSAID Technologies Inc. "We use the Corel Centre as an entertainment venue for clients, and also find that the Senators are a good team-building experience for our staff."

"I try to recruit the best surgeons in the country," said Dr. Hartley Stern, chief of surgery at the Ottawa Hospital. "To recruit top flight surgeons, I show candidates that Ottawa is a first class city with a first class sports team and arts centre. The NHL in Ottawa adds luster to our pursuit of the best health care professionals."

"If we want to make Ottawa visible in North America, there's no better or more cost effective way than through the NHL ," said Dr. Adam Chowaniec, president and CEO, Tundra Semiconductor Corporation. "Without the Ottawa Senators, that visibility in the US, which is our main customer base, would cost tens of millions of dollars, money we just don't have."

ANNEX C

The Corporation of the City of Kanata

City Manager Report

270-11-99

Council Date: **November 23, 1999**

Subject: Corel Centre Property Tax - Research & Analysis of Tax Relief Options

Author: Rick Ottenhof **Signature:** ______________________________

Ext. #: **227** **Service Group:** Corporate Services

Position: Deputy City Manager / Treasurer

Service Group Report No. 99-52 **Corporate File No.** 2580-1

DIRECTOR: ______________________________ **OTHER:** ________________________

Treasurer's Approval: ______________________________ ________________________
(if applicable)

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CITY MANAGER'S COMMENTS: (if applicable)

____
CITY MANAGER

***Recommendation(s)*:**

1. THAT City Manager Report No. 270-11-99 be received by Council as information.

2. THAT City Manager Report No. 270-11-99 be forwarded to the Regional Municipality of Ottawa-Carleton for Regional Council's consideration in determining any new tax ratio or tax reduction proposal that may be considered for the Corel Centre owned by Palladium Corporation or the Ottawa Senators Hockey Club (OSHC) relating to its operations at the Corel Centre.

3. THAT any tax reduction for the Corel Centre be funded from all property tax classes.

4. THAT any tax reduction for the Corel Centre be effective for the budget year 2000.

***Background*:**

During the past year it has been well noted and documented by the owner of the Corel Centre and the owner of the OSHC, that they are of the opinion that the level of taxation on the Corel Centre is unfair. City of Kanata Council passed a Resolution dated June 22, 1999 directed to the Province of Ontario, with the purpose of receiving a confirmation from the Province as to the fair treatment of the Corel Centre as it relates to property taxation policy as legislated by the Province of Ontario.

The Province of Ontario responded to request by the City of Kanata, request by the Regional Municipality of Ottawa-Carleton and request by the owner of the Corel Centre by issuing a letter and press release dated October 28, 1999. A quote from the Press Release by the Minister of Finance indicates that "the Province will establish a professional sports facility property class that can be used at the discretion of the municipality. In addition, the Government will establish a new range of tax fairness for this class that would permit significant flexibility for municipalities to set their own municipal tax rates."

"The Province will provide corresponding education property tax reductions for every reduction that the municipality makes on its rate." A full copy of this Press Release and the letter from the Minister is appended to this report (Appendix 'A').

In responding to this announcement by the Province, City of Kanata Council, through a Motion introduced by Mayor Merle Nicholds, directed staff to do research and analysis in cooperation with RMOC staff and representatives of the Corel Centre and OSHC which was to include the following:

a. a property tax impact analysis on the Corel Centre as it relates to recent Provincial tax and assessment policy, with the analysis to include a comparison of 1997 and 1998 assessment and property tax levels;
b. the current status of the Corel Centre property assessment appeal;
c. the property tax allocation to the OSHC, other tenants and activities on the Corel Centre lands;
d. the full range of tax exemption options from 0 to 100% with the associated financial impacts on all tax classes under the different scenarios;
e. information on the special tax treatment for some theatres in the City of Toronto;
f. research on the tax treatment of NHL teams in other Canadian municipalities.

This report outlines the findings based on meetings and inquiries with RMOC staff, Corel Centre and Ottawa Senators Hockey Club, Province of Ontario, other municipalities in Ontario and Canada, and staff and solicitors for Ontario Property Assessment Corporation.

***Rationale*:**

Corel Centre 1999 Property Taxes

In determining the property class for the Corel Centre, the Provincial Assessment Office (now Ontario Property Assessment Corporation) assessed the building as a commercial taxable property. The method used in valuating this building for the tax years 1998 and 1999 is the "income approach". The "income approach" establishes the value of the Corel Centre using the revenue generated by the building for all purposes including events, hockey games, parking, leases and rentals etc. reduced by the expenses necessary to operate the building. The Current Value Assessment of the building using the "income approach" has been set at $70,351,000. The value of parking lots used in connection with the building are valued at $8,981,000 for a combined assessment of $79,332,000. The 1999 Property Tax bill for the building only was $4,176,260. In applying the 10-5-5 capping tool initiated by Province of Ontario, the tax bill in 1999 has been reduced to $3,958,897.

Impacts of Provincial Tax and Assessment Policy on the Corel Centre 1997 - 1998. *(This section is under review)*

For the fiscal year 1998, the Province of Ontario introduced new tax policy and assessment legislation which impacted all taxable properties in the Province of Ontario. This legislation was introduced under one of many Acts including the *Fair Municipal Finance Act* and the *Fairness for Property Taxpayers Act.* In 1998 the Province moved from a Market Value Assessment system to a Current Value Assessment system. The Province also introduced new mandatory and optional property tax classes which had the effect of redistributing the tax burden amongst all taxpayers in the Province of Ontario and especially within the Region of Ottawa-Carleton.

The introduction of the new Provincial Tax and Assessment Policy caused many properties in Kanata and Ottawa-Carleton to experience large increases and decreases. In applying the Current Value Assessment on the building only the 1998 tax bill (before capping) was $3,981,700. The total tax billing in 1997 was $3,272,060. The $700,000 increase in property taxes results from the application of the new assessment basis as well as the Province's new property taxation policy. In introducing new tax policy in Ontario, several measures to mitigate the impact on all property classes were introduced by the Province of Ontario. The initial mitigation measures for properties within the commercial class included the establishment of Shopping Centre and Office Building and Commercial Occupied classes.

The introduction of mitigation measures for Office Building and Shopping Centre classes, as mentioned, was to soften the impact on buildings within these classes as it relates to the new tax and assessment policy. The Corel Centre was assigned to the Commercial class of properties and no optional class was established for this type of property. The Regional Municipality of Ottawa-Carleton has the responsibility for setting tax policy and approving tax ratios for all property classes in the Region. In adopting the tax ratios for 1998, the Region applied every mitigation tool available to mitigate the impact of the property tax policy and assessment changes on all properties in Ottawa-Carleton. The Region adopted tax ratios which reflected the transition ratios which were established by the Province of Ontario. The Shopping Centre tax ratio is 1.6285, Office Building 2.3659 and Commercial Occupied 1.9577. These tax ratios reflect the burden of tax on property classes as it relates to the residential class which has a tax ratio of 1. As an example, in setting an annual tax rate, the Commercial class pays 1.9577 times the Residential tax rate.

In addressing the tax fairness issue with the Province of Ontario, City Council requested that the Province of Ontario confirm that tax fairness had been achieved with the introduction of transition ratios, optional classes and mitigation measures approved by the Province. The Province has responded by permitting the use of a special “Professional Sports Facility Property Class” which goes beyond any mitigation measure contemplated in the Provincial tax policies.

If the Corel Centre, as a taxable property, was placed in a class to respect the size of the facility similar to the treatment that was afforded to “Shopping Centre“, and adopting the same tax ratio as the Shopping Centre class it would have had the affect of reducing the Corel Centre overall tax burden by approximately $600,000 in 1998. This reduction would have been recovered from properties within the Commercial class including the Residual Commercial, Office and Shopping Centre classes. A special property class similar to the Shopping Centre could have been adopted by the Province in 1998 for “Large Sports Facilities” like the Corel Centre, in order to mitigate the 1997 to 1998 property tax impacts experienced by the Corel Centre.

Interpretation of Provincial Announcement on Establishment of Professional Sports Facility Property Class (*Section under review)*

Upon receiving a copy of the Ministry of Finance Press Release and letters regarding the new property class legislation entitled “Province Levels Playing Field”, staff at both the City and the Region of Ottawa-Carleton have been in touch with the Minister’s office. It has been confirmed that the Region of Ottawa-Carleton, being the tax policy setting authority for Ottawa-Carleton, will have the authority to establish a special property tax class that will have the flexibility of setting a tax ratio of anywhere between 0 and . The establishment of a ratio for this new property class will not have an impact on any other property tax ratio. In other words, property tax ratios will not be adjusted with the affect of moving away from the range of fairness as established and approved by the Province of Ontario. However, the establishment of a new property tax class which has a ratio which is less than the current Commercial class of being 1.6577 can have the affect of increasing the tax burden on all other classes. The other option is for the municipality to absorb any impacts of lost revenue due to a reduced tax ratio, through its annual budget. Therefore the options are to distribute this burden of reduced taxation for municipal purposes from all other property classes through an increase in the tax rate or a reduction in municipal spending out of the budget. The reduction in the budget could have the affect of reducing service levels which would typically result from a loss of any revenue normally payable to the municipality.

Current Status of Corel Centre Property Assessment Appeal

The owner of the Corel Centre, Palladium Corporation, has filed an appeal of their 1996, 1997, 1998 and 1999 property assessment. The owner, in filing the appeal, has indicated and claims that the Regional Assessment Office has overestimated the value of the building and parking lots. As indicated earlier in this report, for the taxation years 1998 and 1999 the building has been valued using the “income approach”. This approach to assessing buildings is similar to the approach used for hotels, office buildings, shopping centres and apartment buildings. The owner is seeking a substantial reduction in the value of the assessment. The method of valuation assessment used in the years 1996 and 1997 was the “cost approach”. This matter is being defended by the Ontario Property Assessment Corporation in its normal course of defending such appeals. Several hearing dates have been established over the last year being September 1999 and most recently a date set for November 2000. The owner’s agent requested an adjournment of the hearing which has now been scheduled for November 2000. On January 11, 2000, a pre-hearing will be held to establish the procedure for hearing the appeal and schedule of events including discoveries, witness statements etc.

Property Tax Allocation to Ottawa Senators Hockey Club and Other Tenants and Activities on the Corel Centre Lands

The owner of the Ottawa Senators Hockey Club (OSHC) and Corel Centre have advised the City that the two operations are operated as one entity. The OSHC operate their hockey business under a license agreement with Palladium Corp., owners of the Corel Centre. The OSHC is also a tenant of the Corel Centre, through their office space, ticket counters and Sensations store. It has been confirmed that of the $4.2 million annual tax bill approximately $169,000 is recovered by the owner from the tenants through lease agreements. In the assessment of the impact of the level of activity at the Corel Centre, as it relates to the hockey operations, the City requested and received 1998 and 1999 hockey, concert and promotion event information. In 1998, 84 events were held at the Corel Centre of which 46 were for NHL games. In 1999, it is projected that 87 events will occur with 47 NHL games. The hockey operation typically operates from the first week of September through to the spring depending upon the teams success in NHL playoffs.

In reviewing the 1998 and 1999 event statistics, it is evident that the Senators make up approximately 50% of the activity that takes place at the Corel Centre for major events. The team conducts daily practices at the Corel Centre with some practice time rented from City ice arenas. This facility is also used for coaches and staff offices, training room and dressing room space.

The Corel Centre and OSHC staff have shared tenant information with City staff. The tenants in the building that represent commercial activities include: Palladium Catering (Kitchen), Ottawa Senators Office, Xerox Business Centre, Ogden Palladium Services, Ogden Entertainment, Palladium Catering (Office), United Parking (Office) Ottawa Senators Hockey, Teckles Photography, PCS - Air Canada Club, Hard Rock Café, Sensations, Marshy’s Restaurant, Sports Medicine World. As well the YM/YWCA and the Kanata Chamber of Commerce are tenants in the building.

Given the income approach basis of assessment and lack of detailed financial data on event and event-related revenue, an allocation of property tax burden amongst events has not be undertaken.

Research on Property Tax Treatment of Other Sports Facilities

FACILITY	LOCATION	OWNERSHIP	1999 TAXES PAID	SPORTS TEAMS LEASE ARRANGEMENTS	OTHER INFORMATION
Copps Coliseum	Hamilton	Hamilton Entertainment & Convention Facility Inc. City of Hamilton	0	Hamilton Bulldogs (AHL) License fees paid by team	Concession sales, rentals and license revenue is revenue to the operator and excess of revenue over expenses is transferred to City reserves.
Jetform Park	Ottawa	City of Ottawa	0	Ottawa Lynx licence fees paid to the City of Ottawa	Payments to recover debenture debt of $480,000 annually are made by the Lynx.
Calgary Saddledome	Calgary	Saddledome Foundation City of Calgary	$500,000 (Business & Education taxes)	Facility leased exclusively to Calgary Flames (NHL)	Calgary Flames pay $500,000 in taxes and $700,000 annually to Saddledome Foundation. $700,000 is used to fund Hockey Canada, Olympic Committee, City Parks Foundation & Foundation operating costs. Calgary Flames responsible for maintaining building, and promote / manage other venues in building.
GM Place	Vancouver	Private Orca Bay	$2.8m ($1.5m City $1.3m school)	Licence Agreement Vancouver Canuks and Vancouver Grizzlies (NBA)	
Northlands Coliseum	Edmonton	City of Edmonton	$349,414 (property tax of which $322,989 is Education taxes paid by supplementary ticket surcharge)	Long term lease agreement with Edmonton Northlands. Licence Agreement - Edmonton Oilers (NHL)	Per Agreement Edmonton Oilers are responsible for all municipal education taxes. Calculation of taxes subject to provisions of a “Base Assessment” defined and set out in the Master Agreement between the City and Northlands. New Licencing Agreement being negotiated with Edmonton Investors Group Ltd. which could involve realignment of the principles involved and how the revenues, taxes, surcharges and building operations and subsidies are handled.
Air Canada Centre	Toronto	Maple Leaf Sports and Entertainment Ltd.	$11.5m	Toronto Maple Leafs (NHL) Toronto Raptors (NBA)	
Brampton Sportscentre	Brampton	Brampton Sportscentre Inc.	0 MCF designation	All lease and rentals managed by BSI. Brampton Battalion Junior Hockey Team (OHL)	Private sector business partnership - building reverts to City ownership after 35 years - city provides loan guarantees, interest free loan and shares in any

Research on Property Tax Treatment of Other Sports Facilities

					profits.

Subsidy to Corel Centre or Ottawa Senators Hockey Club?

The owner of the Corel Centre and OSHC has indicated that the two operations are really one entity. The focus of any subsidization however should address what level of subsidy if any should be applied to the portion of Corel Centre operation which could apply to the OSHC and not necessarily the entire building.

The focus of debate and discussion over the period of time that “tax fairness” has been at the table, has been on the OSHC level of taxation. Reference is made to property taxes as the owners have argued that the Corel Centre was built for the purpose of operating a professional hockey team. Therefore in addressing any form of reduction or relief to the OSHC it would come through reduced property tax levels which would deemed to be paid indirectly by the OSHC through their licence agreement with the Corel Centre. In other words, any formula or rationale should take into account the “other than professional hockey” activities which take place in the building including tenants and other events. As indicated, the ability for council to impact the level of taxation on the Corel Centre as a flow through to the OSHC only would come through a change in the tax ratio for the building. If any change is to be made, it being recognized that Council would make its position known to the RMOC which has the tax policy setting authority.

Taking into account the 87 events that the facility will be used in 1999 for major sporting and entertainment events, approximately one half of those nights are attributable to NHL hockey games. In other words, in developing a rationale for targeting any form of relief to the OSHC one half of the property tax bill for the Corel Centre or $2m could be used as a base. This is a rough order of allocation for the facility, however, in the absence of having an allocation based on the square footage of use of the building this represents one indicator / rationale as a reference point should property reduction be considered.

Live Theatres in the City of Toronto

During recent weeks references has been made, during the review of the tax fairness to the Corel Centre discussions, regarding the treatment of live theatres in the City of Toronto.

Small live theatres with less than 1,000 seats are exempt from both municipal and school taxes, as per Section 3 of the Assessment Act, R.S.O. 1990. Large live theatres with more than 1,000 seats are exempt from school taxes, as per Section 257.6 , subsection 4 of the Education Act, R.S.O. 1990. Theatres which are considered public will not have to pay grants to the municipality if they stage “for profit shows” less than 183 days a year. Theatres that fall into this category are the Ford Centre, Hummingbird Centre, Elgin and Wintergarden Theatres and Roy Thompson and Massey Halls. These theatres were tax exempt prior to 1998 as they were either owned by the city, the Province or exempt by special legislation. For 1998, these theatres did not pay any taxes. This legislation was introduced so these public theatres would be on an equal basis with the privately owned theatres and not as a result of the current value assessment introduced by the Province in 1998. These public theatres frequently stage productions by such groups as the Toronto Symphony Orchestra and the National Ballet of Canada which are non-profit organizations.

There are only two privately owned theatres which pay only municipal taxes and are not part of the above process. They are the Royal Alexandra Theatre and the Princess of Wales Theatre.

For each taxation year, the owner of a large commercial theatre that is located in the City of Toronto and that is not liable to taxation shall pay the City of Toronto the amount calculated in accordance with the following formula:

$$P = (T \times F) - S$$

where, P = the amount of the payment, T = the taxes for municipal purposes that would be payable if the theatre were liable to taxation, F = the fraction that represents the proportion of the taxation year during which the theatre is used, other than by a charitable or non-profit organization, to present live performance of productions presented with the intention of generating a profit, S = any amount that a by-law under subsection (3) that permits an owner to deduct from the payment under subsection (2) an amount determined in accordance with the by-law that represents all or a portion of the revenue from the use of the theatre, other than by a charitable or non-profit organization, to present live performances of productions presented with the intention of generating a profit, that is used to fund or financially support not-for-profit activities that take place on the same parcel of land or another parcel of land in Ontario owned by the owner. There are no financial limits in this section with regard to the amount that may be deducted.

In summary, large private theatres pay only municipal taxes and there is no calculation for a reduction. Large public theatres are exempt from school taxes and only pay the municipal taxes based on a formula if for profit shows are staged for more than 183 days in any year.

Impact on Corel Centre Property Taxes For A Range of Property Tax Exemption Options

In applying a range of tax ratios as proposed by the Province of Ontario, the following is a projection of the impact on the Corel Centre’s total tax bill using 1999 tax billing information before applying the 10-5-5 capping tool which was adopted by the Region as a mitigating tool to ease the burden on all taxable properties other than residential.

Corel Centre - Building Only

Tax Authority	Share of Tax Revenue as a %	Actual 1999 Tax Bill	PROJECTED TAX BILL		
		Commercial Tax Ratio 1.9577	@ 75% of Commercial Tax Ratio 1.4683	@ 50% of Commercial Tax Ratio .9785	@ 25% of Commercial Tax Ratio .4894
City of Kanata	11.0%	$459,800	$344,850	$229,900	$114,950
Regional Municipality of Ottawa-Carleton	37.3%	1,558,350	1,168,760	779,180	389,580
Education Tax	51.7%	2,158,100	1,618,580	1,079,050	539,530
Total Taxes	100.0%	$4,176,250	$3,132,190	$2,088,130	$1,044,060
		Reduced by	$1,044,060		
		Reduced by		$2,088,120	
		Reduced by			$3,132,190

Funding If Subsidy Approved (*This area is under review with the Province)*

The options which exist for the funding of any reduction in the Corel Centre taxes is dependant upon the final decision by the Province as it relates to whether this new class for large professional facilities will be a class within commercial wherein all commercial taxpayers would be required to pay the difference for any tax reduction or across all property taxpayers through the adjustment of the tax rates necessary to provide City of Kanata, RMOC and School tax funding.

Impact of Tax Reduction on City and RMOC Property Tax Bills

In reviewing the Province of Ontario's press release and in discussions with Provincial staff, it is evident that the recovery of any taxes lost because of a change in the tax ratio for the Corel Centre, would be borne by all property tax classes. If the tax burden is spread amongst commercial taxpayers only it would require the resetting of tax ratios for commercial, shopping centre and office building classes which would move those ratios away from the ranges of fairness which would probably not be supported by the Province of Ontario. It is therefore more likely that if a property tax reduction is to be considered it would be borne by all taxpayers in the City of Kanata and all taxpayers supporting the Region of Ottawa-Carleton.

Funding of Tax Reduction Across all Property Classes

(Residential impact on $150,000 assessed home and commercial impact on 11,000 sq. ft. Small Retail Building)

Taxes reduced by 25% -

Tax Ratio Reduced from	1.9577		to	1.4683
Taxes reduced from	$4,176,250	to	$3,132,190	
Total reduction	$1,044,060			
City share of tax reduction	$ 114,950			
Taxpayer impact - Kanata				
Residential	- increase	1%	or	$5.00
Commercial	- increase	1%	or	$100.00
RMOC Share of Tax reduction	$389,580			
Taxpayer Impact - RMOC				
Residential	?		?	
Commercial	?		?	

Taxes reduced by 50%

Tax Ratio reduced from	1.9577		to	.9785
Taxes reduced from	$4,176,250		to	$2,088,130
Total reduction	$2,088,120			
City share of tax reduction	$ 229,900			
Taxpayer impact - Kanata				
Residential	- increase	2%	or	$10.00
Commercial	- increase	2%	or	$200.00
RMOC Share of Tax reduction	$779,170			
Taxpayer Impact - RMOC				
Residential	?		?	
Commercial	?		?	

<u>Taxes reduced by 75%</u>

Tax Ratio reduced from		1.9577	to	.4894
Taxes reduced from		$4,176,250	to	$1,044,060
Total reduction		$3,132,190		
City share of tax reduction		$ 344,850		
Taxpayer impact - Kanata				
Residential	- increase	3%	or	$ 15.00
Commercial	- increase	3%	or	$300.00
RMOC Share of Tax reduction		$1,168,760		
Taxpayer Impact - RMOC				
Residential	?		?	
Commercial	?		?	

<u>Taxes reduced by 100%</u>

Tax Ratio reduced from		1.9577	to	ø
Taxes reduced from		$4,176,250	to	ø
Total reduction		$4,176,250		
City share of tax reduction		$ 459,800		
Taxpayer impact - Kanata				
Residential	- increase	4%	or	$ 20.00
Commercial	- increase	4%	or	$400.00
RMOC Share of Tax reduction		$1,558,350		
Taxpayer Impact - RMOC				
Residential	?		?	
Commercial	?		?	

Each $114,950 reduction in taxes funded across all property classes equals 1% or $5.00 to the average $150,000 assessed home.

To a City of Kanata resident Corel Centre tax reduction of	25% means	1%	$5.00
	50% means	2%	$10.00
	75% means	3%	$15.00

	100% means	4%	$20.00
To a small retail building (11,000 sq. ft.)	25% means	1%	$100.00
	50% means	2%	$200.00
	75% means	3%	$300.00
	100% means	4%	$400.00

<u>SUMMARY</u>

The review of both the level assessment and level of taxation for the Corel Centre, the research shows the assessment as determined by the Assessment Office is consistent with the method of assessing other income producing properties like shopping centres and office buildings. The Province, in establishing the tax class for the Corel Centre in 1998, had an opportunity to place the building into a separate class based on the similar type of review and rationale that was afforded to shopping centres and office buildings. If the Corel Centre had been placed in a class similar to a shopping centre taxes on the building would have been reduced by approximately $700,000 in 1998.

In reviewing the lease arrangements, ownership and licence agreements with professional sports teams in other cities throughout Ontario and Canada, it is evident that dependant upon the ownership of the building, many different arrangements and agreements have been reached. The range of agreements are from municipal ownership of buildings which were constructed for other than professional sporting team purposes, i.e. Calgary Saddledome for 1988 Olympics, to privately owned buildings which are the subject of a licence agreement with NHL and NBA sports teams.

Two main issues exist for the City of Kanata to review as it considers the level of property taxation for the Corel Centre. While the main issue has focused on the assistance of the Ottawa Senators in keeping hockey in Canada, the only method and opportunity available to the City for any assistance can only be found through a reduction or change to the level of property taxation on the buildings in which these professional teams play through a reduced tax ratio. The Municipal Act does not permit the municipality to offer any assistance to any taxpayer or any resident which is normally called “bonusing”. The prohibitions are contained within Section 111 of the Ontario Municipal Act. Therefore, if any assistance is to flow through to the OSHC from the municipality then it would need to be through Regional Council tax policy. The Region of Ottawa-Carleton is the tax policy setting authority and any decisions made by the Region would bind the local municipality as well.

The Province has indicated that the Province will create a professional sports facility property class that can used at the discretion of the municipality.

In terms of achieving the fairness objective which has been sought after by the owner of the Ottawa Senators and the Corel Centre, we need to ask the questions “is this fairness within Canada, as it relates to buildings such as Calgary and Edmonton, which are municipally owned and / or are we dealing with the fairness as it relates to what transpires between the US and Canadian-based teams.

The City of Calgary, as an example, was a one third partner in funding the Calgary Saddledome building constructed for the 1988 Winter Olympics. The building is owned by the City of Calgary and the City has entered into a long-term lease agreement with the Calgary Flames hockey organization. The Calgary Flames are responsible for maintenance of the entire building. It is most difficult to determine the net subsidy or cost avoidance calculation for this facility in that the City of Calgary avoids having to pay the maintenance cost on a major sports facility. At the same time the City forgoes the opportunity to receive revenue on the licensing arrangements with sporting teams and concert events as an example.

The Province in announcing their legislation labeled it as “leveling the playing field” which in their press release made reference to several professional stadiums which are municipally owned. These stadiums which host professional sports in hockey, baseball and football, were built with public ownership in mind. The municipalities which own these facilities made public decisions on ownership at the time of building construction. The Corel Centre is not a facility that was built with public ownership in mind.

The Province’s objective of “leveling the playing field” makes reference to “making teams competitive and viable” may lead one to believe that municipalities in Ontario own and operate NHL hockey buildings. The Air Canada Centre, home of the Toronto Maple Leafs, is privately owned, the Copps Coliseum has the AHL Hamilton Bulldogs under license.

If the Province is interested in paralleling the arrangements that have been negotiated for professional sports facilities in other provinces which are owned by municipalities, then we need to consider what level of direct taxation to the owner of the building and the subsequent flow-through of taxes through to the professional teams occupying such buildings, is appropriate. This is where the difficulty lies in that each team has a unique arrangement with the owner of the building through licence agreements, concession operations etc. The point being that any level of taxation which is established with other NHL cities, would need to take into consideration the net gain or opportunities that exist for sports teams. If a municipality which owns a building and has a professional sports team playing in it and by nature of the ownership is exempt from property taxation, the net taxation revenue required is required to be raised amongst the balance of taxpayers. As well, it must be kept in mind that each Province has its own assessment and property tax policy and principles of distributing the burden of tax through property tax policy, sales taxes etc. Each Province has its own tax structure for municipal and education funding.

***Other Alternatives Considered*:**

***Financial Considerations*:**

As outlined throughout the report.

***Consultations*:**

City Staff, RMOC Staff, Corel Centre and Ottawa Senators Hockey Club Staff, Ontario Property Assessment Corporation and Ministry of Finance.