

To: Finance Committee

From: Stephanie Sinnott, Commissioner,
Finance Services

Report Number: FIN-22-41

Date of Report: April 13, 2022

Date of Meeting: April 19, 2022

Subject: Canadian Automotive Museum

Ward: Ward 4

File: 03-05

1.0 Purpose

Throughout the month of January 2022, the City received several pieces of correspondence related to the Canadian Automotive Museum which is located at 99 Simcoe Street S. Specifically, the correspondence focused on increasing the funding support from the City to the museum citing its historical importance.

These correspondence were considered at the Finance Committee meeting on February 14, 2022. The Committee adopted the following motion:

“That Item FIN-22-04 concerning correspondence regarding the Canadian Automotive Museum Grant be referred to staff for a report.”

The purpose of this report is to respond to the direction of the Finance Committee.

Confidential Attachment 1 to this report are specific financial details around the financial statements and property tax matters of the Canadian Automotive Museum that are not permissible to be shared publically.

2.0 Recommendation

That the Finance Committee recommend to City Council:

1. That, pursuant to FIN-22-41 dated April 13, 2022, the Canadian Automotive Museum be advised to contact the Region of Durham and School Boards that include Oshawa in their jurisdiction requesting that they provide a grant or other financial assistance to offset the property tax payable to them by the Canadian Automotive Museum; and,

2. That Canadian Automotive Museum be advised to contact the Municipal Property Assessment Corporation to request that they take appropriate action to reclassify the Canadian Automotive Museum to a tax classification of Exempt.

3.0 Input From Other Sources

Executive Director & Curator of the Canadian Automotive Museum

4.0 Analysis

4.1 Background

The Canadian Automotive Museum was founded in 1962 by a group of Oshawa businessmen through the Oshawa Chamber of Commerce. The venture was initiated mainly to preserve the automotive history of Canada and has been in operation since 1963.

In 2015, the Board of Directors began a multi-year plan to refresh the exhibits and invest in maintaining the historic structure of the building. The priorities aligned with Canada's 150 anniversary in 2017 and federal funding assisted with the physical improvements.

Today the Canadian Automotive Museum continues to maintain the nearly century-old former car dealership building at 99 Simcoe St. South.

4.2 Canadian Automotive Museum Financial Statements

The 2020 Financial Statements for the Canadian Automotive Museum, latest version available at the time of this report, showed an excess of revenue over expenses (net income) of approximately \$9,800. The Canadian Automotive Museum is primarily funded through grants and government assistance augmented by donations, admissions, parking rental and other miscellaneous revenues.

The balance of \$9,800 on the Statement of Operations includes the payment of municipal taxes (property taxes and Business Improvement Area levy).

The Financial Statements also report both Internally Restricted and Unrestricted Fund balances which are detailed in confidential Attachment 1.

4.3 Property Taxes

4.3.1 General

Property taxes billed by the City of Oshawa include taxes levied by the Region of Durham and the Province (for Education). The tax revenues are apportioned with 41% retained by the City, 41% remitted to the Region and the remaining 18% remitted to the Province.

Municipal taxes are allocated to properties based on their specific assessed value. The Municipal Property Assessment Corporation (M.P.A.C.) is responsible for determining Current Value Assessment and assigning the realty tax class to each property in the Province.

4.3.2 Tax Relief Programs

The City of Oshawa offers a number of rebate and tax reduction programs to property owners should they meet the eligibility criteria. There are two programs in which the Canadian Automotive Museum could be eligible to receive a reduction in the amount of property tax levied on an annual basis.

i) Heritage Rebate Program

The City of Oshawa has a Heritage Property Tax Reduction Program (By-law 106-2011). This program provides owners of properties designated under the Ontario Heritage Act the opportunity to apply for a tax reduction.

The amount of the annual tax reduction received is 40% of the City and School Board portions of the taxes payable on an eligible heritage property. Regional taxes are not included in this program.

Although the Canadian Automotive Museum building is roughly 100 years old, it is not a designated heritage building. In order to receive this rebate the Canadian Automotive Museum would need to go through a formal process to receive a designation under the Ontario Heritage Act.

ii) Charity Rebate Program

Registered charities are eligible for a property tax rebate equal to 40% of the City, Region and School Board taxes payable for space that is occupied in a commercial or industrial class of property.

It is not permissible to combine the Heritage Rebate and Charity Rebate Programs, according to Section 361 of the Municipal Act. Organizations are able to receive one program or the other but not both. Currently the Canadian Automotive Museum receives the Charity Rebate which is the more advantageous program of the two relief options available. Should the Canadian Automotive Museum receive a heritage designation it would not yield any further reductions to their annual property taxes.

4.3.3 Canadian Automotive Museum Property Taxes

Since the introduction of Current Value Assessment in 1998, the Canadian Automotive Museum taxes have been relatively constant with minor fluctuations year over year.

However, in 1998, City Council authorized staff to initiate tax sale proceedings for the Canadian Automotive Museum related to their unpaid property taxes.

At present, the Canadian Automotive Museum property and building is in the Commercial Taxable tax class and has a Current Value Assessment of \$1,057,000. Currently, there is no assessment related detail that could be used to move the Canadian Automotive Museum from the Commercial Taxable class to the Exempt class for the purpose of mitigating the amount of annual taxes levied. Shifting the tax class to Exempt would require the Canadian Automotive Museum to reach out to M.P.A.C. Based on information

provided and appropriate due diligence, M.P.A.C. would make a determination on the eligibility to revise the tax class assigned to the Canadian Automotive Museum.

More detail on the tax sale matter and current taxes of the Canadian Automotive Museum is contained in confidential Attachment 1 to this report.

In 2021, the amount of property taxes, after the application of the Charity rebate and partnership grant, which was retained by the City from Canadian Automotive Museum amounted to less than \$300.

4.4 City Funding for Canadian Automotive Museum

4.4.1 Background

The City has provided varying amounts of funding to the Canadian Automotive Museum over many years. In the 1970's grants were approximately \$10,000/year growing to approximately \$20,000 in the mid-1980's to the mid-1990's. The funding increased further to \$25,000 from 1994 – 1997. The City did not provide any funding to the Canadian Automotive Museum between 1998 and 2014 nor did the Canadian Automotive Museum request funding from the City. From 2015-2022, with the exception of a capital grant in 2017, the City has provided the Canadian Automotive Museum with a Partnership Grant in the amount of \$5,000/year.

In 1996, the City was in the process of reorganizing, responding to an identified need for better financial control and financial constraints. As part of this exercise a review of the Corporations Grant Program was conducted and reported to Council through Item 96-08-TF. This report contained the following passage:

“Funding for the Canadian Automotive Museum was also considered, and found not to comply with the recommended criteria. However due to Council’s current interest in possible acquisition of the Corporation and its assets, the review committee determined that placing the funding for the Canadian Automotive Museum within the external agencies program would be the most appropriate. This would permit the \$25,000 made available to the museum in 1995 to remain in place for 1996 subject to Council’s approval.”

The Canadian Automotive Museum did not meet the recommended criteria of delivering a core service to the City and therefore would not continue as a recipient in the Corporation Grant Program. Recommendation 3 of the report read:

“That funding of \$25,000 for the Canadian Automotive Museum be transferred from the Corporation Grant Program to the External Agency Program.”

At the Council meeting of February 5, 1996, the recommendation to place Canadian Automotive Museum in the External Agency Program was denied.

The City’s budget records indicate that Canadian Automotive Museum received funding in 1996 and 1997 in the amount of \$25,000. The 1998 budget overview report stated that “the Canadian Automotive Museum has not made a budget submission for 1998 and its status has been the subject of separate reports from the City Manager.” Staff are unable

to locate the City Manager reports, these records may be destroyed as they are well beyond the record retention period.

The 1998 budget also referenced the Corporation Grant Program review from 1996. Through the 1996 review, Council approved changes to program including that “Groups currently receiving grants and not transferred to other programs be capped and no new groups be added.”

As Canadian Automotive Museum was no longer part of the Corporation Grant Program and was not approved for the External Agency Program, effectively the Canadian Automotive Museum no longer had the status as a group funded by the City.

4.4.2 External Agency Program

The City’s External Agency Program provides budget funding to various organizations that offer services that are consistent with and support core City Services. In most cases, the City owns the facilities in which the organizations operate.

While staff are unable to locate a policy related to the External Agency Program and associated criteria, a copy of Report ABCS-06-193 dated July 11, 2006 was located. This report considered if sufficient justification existed to place the Oshawa Block Parent Association (O.B.P.A.) in the External Agency Program.

The key factors of the City’s relationship with the organizations classified, at that time, as External Agencies were compared to O.B.P.A. The following were considered and recommended the O.B.P.A. not be include as an External Agency:

- Supports City Services/Functions
- City Owned Facility
- Council Appointment to the Agency Board

The Canadian Automotive Museum does not meet the general criteria used in the last review of an organization requesting to be an External Agency.

The Canadian Automotive Museum has been lobbying to be an Anchor Organization for several years however with an impending grant program review the decision was deferred. In October 2021 with the adoption of the new grant program the Anchor Grant Program was eliminated.

The Canadian Automotive Museum may qualify for a funding under the new grant program once the criteria are established and adopted by the Finance Committee and Council.

4.5 Canadian Automotive Museum Funding Request

Through discussions with the Executive Director & Curator of the Canadian Automotive Museum it was indicated that the funding requirements to support the museum were not capital in nature but rather on-going funding to cover property taxes, staffing and other operating costs.

The Canadian Automotive Museum has been successful in obtaining grants from the Federal and Provincial governments to cover capital improvement projects and to mitigate the impacts of the COVID-19 pandemic.

In 2019, the Ontario Museum Association embarked on a study related to modernizing community museum funding. They conducted a Museum Impact Survey which revealed, for non-profit respondents, that 23% of their total annual funding was derived through local municipal government.

If the City were to consider applying this funding percentage to the Canadian Automotive Museum it would represent approximately \$50,800 of funding based on the cash expenditures shown in the 2020 Financial Statements.

4.6 Other Community Museums

The City of Oshawa is home to various community museums including Parkwood Estate, the Oshawa Historical Society and the Ontario Regiment Museum. Each has a different relationship with the City with respect to financial support as outlined in the chart below:

<u>Organization</u>	<u>Property Tax Relief</u>	<u>Operating Budget Funding</u>	<u>Capital Budget Funding</u>
Parkwood Estate	No, Parkwood is exempt from taxes	Yes, per direction from Council, based on per capita funding.	Considered through the budget process should an ad hoc request be received from Parkwood
Oshawa Historical Society	No, located in City owned facilities therefore exempt from taxes	Yes, external agency of the City	No
Ontario Regiment Museum	Property taxes are levied and there is an offsetting grant from the City in accordance with the licence agreement	No	No

5.0 Financial Implications

There are no direct financial implications of this report.

Should Council in the future propose financial support to Canadian Automotive Museum for property taxes, it is important to note that in 2021, the amount of property taxes, after the application of the Charity rebate and partnership grant, which was retained by the City from Canadian Automotive Museum amounted to less than \$300. Any grant funding provided over and above the reductions that are already in place for the Canadian Automotive Museum, specific to property taxes, would effectively mean that the City is funding the tax levies from the Region of Durham and the Province.

Any consideration by Council of providing additional grants to the Canadian Automotive Museum should be referred to the 2023 budget process.

6.0 Relationship to the Oshawa Strategic Plan

Goals of Economic Prosperity and Financial Stewardship, Accountable Leadership and Cultural Vitality.



Stephanie Sinnott, Commissioner,
Finance Services