



## **Committee of the Whole Report**

### **For the Meeting of September 12, 2019**

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**To:** Committee of the Whole **Date:** August 30, 2019  
**From:** Jo-Ann O'Connor, Deputy Director of Finance  
**Subject:** 2020 – 2022 Permissive Exemptions

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### **RECOMMENDATIONS**

That Council:

1. Direct staff to bring forward a 2020-2022 permissive tax exemption bylaw for properties as follows:
  - a) Renewal Applications Recommended for Approval (Appendix A)
  - b) New Application Recommended for Approval: (Appendix B)
    - i. *The Salvation Army, folio 12814031, 943 Fullerton Ave*
  - c) City of Victoria Exemptions Recommended for Approval (Appendix D)

### **EXECUTIVE SUMMARY**

The purpose of this report is to outline applications from non-profit organizations requesting permissive property tax exemptions for 2020 to 2022 for Council's consideration. Section 224 (4) of the Community Charter requires the permissive property tax exemption bylaw be adopted by October 31 for the next calendar year.

In May 2013, Council revised the City's permissive tax exemption policy, moving to three-year exemptions, placing a cap of 1.6% of property taxes and removing grandfathering provisions. The 1.6% cap based on the 2019 property taxes is \$2,235,204.

For 2020 to 2022 there were 130 permissive tax exemption applications received from 104 organizations. Tax exemption requests total \$1,988,294 or 1.47% of the municipal portion of taxes. Current and recommended exemptions total \$1,888,779 or 1.35% of the municipal portion of property taxes; leaving \$346,425 for off cycle applicants.

The renewal requests listed in Appendix A indicate no change in status, meet the criteria of the Permissive Tax Exemption Policy (Appendix E) and are put forward for inclusion on the 2020 to 2022 bylaw. There is one new application in Appendix B which meets the criteria of the City's property tax exemption policy and is recommended for approval. As well, there are three City of Victoria exemptions recommended for approval in Appendix D.

This report details: (A) renewal applications recommended for approval, (B) new application recommended for approval, (C) new applications not recommended for approval, (D) City of Victoria

exemptions recommended for approval, and (E) Discussion Item.

## PURPOSE

The purpose of this report is to outline applications from non-profit organizations requesting permissive property tax exemptions for 2020 to 2022 for Council's consideration.

## BACKGROUND

Section 224 of the Community Charter allows the City to provide property tax exemptions to non-profit organizations that provide services which Council considers directly related to the purposes of the organization. It also provides for permissive exemptions for some properties in addition to statutory exemptions, such as church halls or land surrounding places of public worship. Exemptions provided for in section 224 are at the discretion of Council and there is no obligation to give the exemption.

The City's Permissive Tax Exemption Policy (Appendix E) further guides permissive exemption by providing specific eligible categories for exemptions. The City's policy provides exemptions to 7 broad categories of properties shown below:

Category	Brief description
1. Special needs and supportive housing	Short term, crisis or emergency housing, housing for people with special needs, transitional or halfway houses, group homes with supportive staff
2. Social Services	Services provided to community members who are disadvantaged
3. Arts and Culture	Preparation and delivery of artistic and cultural events or exhibits to the public
4. Educational Facilities	Independent schools
5. Athletic or Recreational Facilities	Provide space and equipment for physical and mental enjoyment of participants
6. Places of Worship	Properties occupied or owned by a religious organization
7. Rail/Track	Rail or track property or administrative offices owned by related organizations

Should Council choose to provide an exemption, section 224(4) requires that the permissive tax exemption bylaw be adopted by October 31<sup>st</sup> at the latest for the following tax year. In other words, Council must approve a permissive tax exemption bylaw by October 31, 2019 for exemptions in the 2020 tax year.

Providing permissive exemptions does not reduce the revenue received by the City; it simply redistributes the property tax levy to other taxpayers.

There were 130 permissive tax exemption applications received from 104 organizations with six new applicants. Tax exemption requests total \$1,988,294 or 1.47% of the municipal portion of taxes. Current and recommend exemptions total \$1,888,779 or 1.35% of the municipal portion of taxes. Included in these totals are properties given permissive exemptions which are still mid-cycle and not yet up for review.

## ISSUES & ANALYSIS

The applications have been summarized into the following five groups:

### A. Renewal Applications – Recommended for Approval (Appendix A)

Renewal Applications that are recommended for approval are detailed in Appendix A. The majority of applications have remained the same since the last cycle except for those affected by the Permissive Tax Exemption Policy Review phase out, which reduces some exemptions from 100% down to 50% over a ten-year period. The following will receive 65%, 60%, and 55% exemptions in 2020, 2021, and 2022 respectively:

- Clover Point Angler's Association, folio 03181006, Clover Point Park
- James Bay Anglers Association, folio 02106034, 187 Dallas Road

### B. New Application – Recommended for Approval (Appendix B)

1. *The Salvation Army, folio 12814031, 943 Fullerton Road:* This property qualifies for the tax exemption under the Place of Worship category and is therefore recommended for approval. Approving this application would exempt the organization from \$4,269 in municipal taxes and \$6,406 in total taxes.

### C. New Applications – Not Recommended for Approval (Appendix C)

1. *Together Against Poverty Society, folio 01006019, 828 View Street:* This organization has applied for an exemption under the Social Service category but is not the registered owner of the property. The Permissive Tax Exemption policy requires that the applicant be on title as the owner of the property and consequently it is recommended that this application be denied. Approving this application would exempt the organization from \$16,121 in municipal taxes and \$24,960 in total taxes.
2. *RealHomes Management Corporation, folio 01015021, 1950 Blanchard Street:* This organization has applied for an exemption under the Social Service category. The property is currently being used to provide affordable housing and the City does not provide permissive exemptions for affordable housing under the current policy. In 2016, the Kiwanis Village Society submitted a similar application for exemption (affordable housing for seniors) which was declined by Council as it does not fit within the City's policy. Approving this application would exempt the organization from \$15,369 in municipal taxes and \$24,243 in total taxes.
3. *Victoria Cool Aid Society, folio 01497008, 959 Balmoral Road:* This organization has applied for an exemption under the Social Service category. This property is a single-room occupancy building suitable for singles needing a modest place they can afford. This property is providing affordable housing and the City does not provide permissive exemptions for affordable housing under the current policy. Approving this application would exempt the organization from \$2,900 in municipal taxes and \$4,594 in total taxes.
4. *White Eagle Polish Association, folio 02125002, 90 Dock Street:* This organization has applied for an exemption under the Arts and Cultural category. The non-profit organization is located in James Bay and serves the Polish Community of Greater Victoria, as well as surrounding communities, with programs in arts, culture, education, sport, and entertainment. The upper floor of the property has hall space available for rent for special events and the lower floor of the property is used for: community meetings, library with archives, language school, museum

of Canadian/Polish/English combatants, as well as a meeting place for veterans.

In evaluating eligibility of applications, staff consider the definition for the category the organization has applied under, as well as previous Council decisions to guide the interpretation. The City has historically granted art and cultural exemptions to art galleries, museums, theatres, music centres, and public gardens and historic sites. Examples of current exemptions include the Art Gallery of Greater Victoria, The Conservatory of Music, Belfry Theatre Society, and The Land Conservancy of BC. Applications previously declined by Council include: the Hungarian Society of Victoria; the Italian Assistance Centre; and the Taoist Tai Chi Society.

Based on the review of previous Council decisions and consistent interpretation of the City Permissive Tax Exemption Policy, the recommendation would be to decline this application. If the application were approved, the permissive exemption would apply only to the portion of the building related to the arts and culture activities and would not apply to the residential portion of the property. Approving this application would exempt the organization from approximately \$11,213 in municipal taxes and \$16,284 in total taxes.

5. *Firefighters Burn Fund, folio 08559024, 2510 Richmond Road:* This organization does not meet the requirements of the Permissive Tax Exemption Policy as exemptions are based on the principal use of the property, not the charitable service of the organization as a whole. This property is vacant land and it is being held as an investment for the time being; the organization will be discussing future potential with Royal Jubilee Hospital and VIHA. Approving this application would exempt the organization from \$1,976 in municipal taxes and \$3,129 in total taxes.

#### D. City of Victoria Exemptions – Recommended for Approval (Appendix D)

The Community Charter requires that the City adopt a permissive tax exemption bylaw to exempt itself from paying taxes on properties the City leases.

1. *City of Victoria – Capital Park, folio 02142029, 355 Menzies Street:* Council directed staff to negotiate a lease for a library branch at Capital Park in James Bay. Such an exemption would result in a positive financial impact to the City of approximately \$78,386 annually since the City would also be exempted from paying taxes to other agencies such as School, Transit, CRD and Hospital.
2. *City of Victoria – folio 09663022, 950 Kings Road:* Building is used by the City for Community Services programs. Such an exemption would result in a positive financial impact of approximately \$16,646 since the City would also be exempted from paying taxes to other agencies such as School, Transit, CRD and Hospital.
3. *City of Victoria – folio 01016025, 1803 Douglas Street:* The City currently leases a portion of this property for an extension of space for city staff. Such an exemption would result in a positive financial impact of approximately \$13,847 annually since the City would also be exempted from paying taxes to other agencies such as School, Transit, CRD and Hospital.

#### E. Discussion Item – The Royal Canadian Legion Trafalgar Pro Patria Branch Application

*The Royal Canadian Legion Trafalgar Pro Patria Branch folio 10748002, 411 Gorge Road East,* applied for a Permissive Tax Exemption. This property has mixed assessment classes: class 6 (business) and class 8 (recreational). Staff have confirmed with the Legion that they are applying for the full exemption on both class 6 and 8.



On June 27, 2019 Council approved a motion to refer the discussion of tax relief for the Canadian Legion Trafalgar Pro Patria Branch No. 292 to the meeting with the 2020-2022 Permissive Tax Exemptions.

Section 224 of the Community Charter permits municipalities to grant permissive tax exemptions to land and improvements used by a charitable, philanthropic or not for profit corporations. For the purposes of permissive tax exemptions, the Royal Canadian Legion may be considered a charitable and non-profit organization. Section 25(1) of the Community Charter, however, prohibits municipalities from providing assistance to business except in certain circumstances expressly authorized by the Act.

In many circumstances, municipalities interpret this to mean that a permissive exemption cannot be granted to the class 6 (business) portion of Legion properties; however municipalities have different policies and practices. BC Assessment leaves this interpretation up to municipalities and will allow exemptions as determined by municipalities.

Prior to the current application, The Royal Canadian Legion Trafalgar Pro Patria Branch has not applied for a permissive tax exemption on the recreational portion of the properties since the 2006 and 2007 tax year. Each year these exemptions were denied based on the guidelines set out in the Permissive Tax Exemption Policy on the basis that a recreation or community facility must be accessible by the public, and the activities carried out on the property must be enjoyed by a significant proportion of the general public. The Legion's membership requirements have since changed and membership is no longer restricted to veterans or service people; all people are welcome.

Should Council wish to provide a permissive exemption to the Royal Canadian Legion, Council may consider adding a new and separate category for the Legion to the permissive tax exemption policy or simply allow such an exemption as an exception to the policy. Alternatively, Council could choose to issue a grant for tax relief.

Approving this application would exempt the organization from \$68,057 in municipal taxes with \$50,452 belonging to class 6 and \$17,605 to class 8. The total tax exemption would be \$103,680 with \$78,114 relating to class 6 and \$25,566 for class 8. If approved, exemptions would total \$1,956,836 or 1.40% of the municipal portion of property taxes; leaving \$278,368 for off cycle applicants.

## **OPTIONS & IMPACTS**

### Option 1 (Recommended)

Direct staff to bring forward a 2020-2022 Permissive Tax Exemption Bylaw for the properties listed in Appendices A, B and D.

This option provides continuity to organizations who have received permissive tax exemptions in the past, grant exemptions to new qualifying applicants and properties leased by the City; while staying within the established policy cap.

### Option 2

Provide alternate direction to staff on which properties to exempt.

While permissive property tax exemptions are not identified in the City's Strategic Plan, the services provided by many of the organizations that receive permissive exemptions align with many Strategic Plan objectives including those of Health, Well-Being and a Welcoming City and Strong, Liveable Neighbourhoods.

*Impacts to Financial Plan*

Approving permissive tax exemptions do not impact the City's Financial Plan since the City will levy the required amount of property taxes to support all the City's programs and services. However, providing exemptions does shift the tax burden to non-exempt properties.

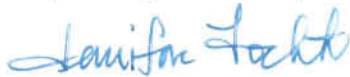
*Official Community Plan Consistency Statement*

Not applicable to permissive property tax exemptions.

**CONCLUSION**

The City has a long-standing practice of providing support to non-profit organizations through property tax exemptions. Approving exemptions for a three-year period also provides organization with certainty for a number of years.

Respectfully submitted,



Jennifer Lockhart  
Manager, Revenue



Jo-Ann O'Connor,  
Deputy Director of Finance



Susanne Thompson  
Deputy City Manager/CFO

**Report accepted and recommended by the City Manager:**



**Date:**

September 6, 2019

**List of Attachments**

- Appendix A: Renewal Applications – Recommended for Approval
- Appendix B: New Application – Recommended for Approval
- Appendix C: New Applications – Not Recommended for Approval
- Appendix D: City of Victoria Exemptions – Recommended for Approval
- Appendix E: Permissive Tax Exemption Policy