



## **Governance and Priorities Committee Report**

### **For the Meeting of August 20, 2015**

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**To:** Governance and Priorities Committee      **Date:** August 6, 2015  
**From:** Susanne Thompson, Director of Finance  
**Subject:** 2016 Permissive Tax Exemptions

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#### **RECOMMENDATION**

1. That all applications for permissive tax exemption detailed in table 2 for the 2016 tax year be approved
2. That permissive tax exemptions detailed in table 4 for the 2016 tax year be approved
3. That Council direct staff to prepare a 2016 permissive tax exemption bylaw for Council approval

#### **EXECUTIVE SUMMARY**

Council approved permissive tax exemptions for 2014-2016 in the fall of 2013. Each subsequent year, additional applications are considered by Council. This report addresses the applications received this year.

The City received 2016 permissive tax exemption applications from 10 organizations for 13 properties. Five properties owned by four organizations are recommended for approval as detailed in table 2. Applications recommended for approval can be found in Appendix B. Applications not recommended for approval are attached in Appendix C. A map of the respective property is included in each application.

The applications from the Burnside Gorge Community Association (BCGA) for 3130 Jutland and 1015 Finlayson do not meet the requirements of the Permissive Tax Exemption Policy because they do not own these properties. It is recommended that these applications be approved, however, because the BCGA provides community recreation and wellness programs on behalf of the City at this location. Community Associations that occupy City property are typically exempt because the City has operating agreements with the Associations. In this case, however, the City does not have an operating agreement since the property is owned by the school district.

There are two properties that the City must pay property taxes for absent of a permissive tax exemption. Property occupied but not owned by the City is subject to property taxes. Exempting the properties found in table 4 will have a positive annual financial impact of approximately \$19,700 because the City will not be required to pay senior government property taxes.

## PURPOSE

*The purpose of this report is to present to Committee, applications from non-profit organizations requesting permissive property tax exemption for 2016.*

## BACKGROUND

Permissive property tax exemptions are granted pursuant to section 224 of the Community Charter. Exemptions may only be granted for properties used by a variety of non-profit organizations that provide services which Council considers directly related to the purposes of the organization.

In 2013, Council approved amendments to the Permissive Tax Exemption Policy. Among other things, these amendments set a cap on permissive tax exemptions, established a three year exemption approval cycle and set limits on off-cycle applicants. This report is the opportunity for Council to review off-cycle applicants for the 2016 tax year.

The City received 2016 permissive tax exemption applications from 10 organizations for 13 properties. Recommended approvals total \$54,707. Already approved exemptions for the 2014-2016 tax years total \$1,808,567 or 1.49% of the City's 2015 tax levy. Approximately \$138,000 in off-cycle permissive tax exemptions can be approved without exceeding the 1.6% cap. For permissive tax exemptions to apply for the 2016 tax year, a bylaw must be passed on or before October 31, 2015.

The City's policy provides exemptions to 7 broad categories of properties.

**Table 1: Permissive Policy Categories**

Category	Brief description
1. Special needs and supportive housing	(a) short term, crisis or emergency housing, (b) housing for people with special needs, (c) transitional or halfway houses, (d) 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

## ISSUES & ANALYSIS

### A. Applications Recommended for Approval

1. *Freshwater Fisheries Society of BC – 100-80 Regatta Landing:* This organization has applied under the recreational category and meets the requirements of the Permissive Tax Exemption Policy. The organization is eligible for a 50% exemption. While recreational activities do not occur on the property, it houses the organization's administration which is permitted by policy. Approving this application would exempt the organization from \$20,785 in municipal taxes and \$34,117 in total taxes.

2. *Threshold Housing Society – 1502-1508 Davie St:* This organization has applied under the supportive housing category and meets the requirements of the Permissive Tax Exemption Policy. Threshold Housing Society provides transitional housing to youth who are at risk of homelessness. Approving this application would exempt the organization from \$3,797 in municipal taxes and \$6,082 in total taxes.
3. *Chabad of Vancouver Island – 2955 Glasgow Street:* This property was purchased in July of 2014 by the Chabad of Vancouver Island. In April – June of 2015, the applicant took out demolition and building permits on the property with the intention of building a synagogue and a daycare. The applicant anticipates that construction will be completed by July – Aug of 2016. In order for the property to be eligible for an automatic statutory exemption, the property needs to have a constructed building set apart and used for public worship by October 31, 2015. Since this is unlikely, it is unlikely that a statutory exemption will be granted. Likewise, the City's policy only provides for permissive tax exemptions on properties that are currently being used as a place of worship, not for properties that are expected to be used as a place of worship. Furthermore, the City's place of worship permissive exemption typically only applies to the surrounding land and not to the building or building footprint. It is therefore recommended that Council approve a conditional permissive exemption on the property that will apply only in the case where a statutory exemption has been granted by BC Assessment. Approving this application would exempt the organization from \$3,180 in municipal taxes and \$4,911 in total taxes.
4. *Burnside Gorge Community Association – 3130 Jutland Rd (previously Burnside Elementary School):* This property is owned by the School District and leased to the Burnside Gorge Community Association (BGCA). The BGCA subleases the property to some commercial and non-profit tenants. BC Assessment was unaware that any tenants occupied the property and thus no taxes were levied for 2015. BC Assessment has become aware and will assess all occupants in 2016 unless permissively exempted.

The Community Charter prohibits the City from permissively exempting the commercial tenants. Therefore, any permissive tax exemption granted on this property will not extend to the commercial tenants.

Besides the commercial tenants, this property is used by the BGCA to augment the organization's purpose in the community. The property is leased or rented to many non-profit organizations including: She Surrenders (Women's Narcotics Anonymous), Surrounded by Cedars, Victoria Cool Aid Society, Swing Dance Association of Victoria, Society for Creative Anachronism, and Brass Tacks Narcotics Anonymous. In addition, the property hosts community sporting events, hobby enthusiast meetings, and community celebrations.

This application does not meet the requirements of the Permissive Tax Exemption Policy because the organization does not own the property. This application is unique, however, and may require consideration beyond the scope of the City's Permissive Tax Exemption Policy. This application is recommended for approval for a number of reasons:

- The BGCA is a partner of the City of Victoria and provides community recreation and wellness programs on behalf of the City at this location. The space at this location is used to supplement the activities carried out on behalf of the City in the city-owned building that BGCA operates at 471 Cecelia.
- Community Associations that occupy City property are typically exempt because the City has operating agreements with the Associations. BC Assessment considers the organizations agents of the City which results in a statutory exemption. In this case, however, the City does not have an operating agreement since the property is owned by the

school district. The service delivery, however, still remains on behalf of the City.

- The applicant has indicated that should they required to pay property taxes on the property, they could not continue to operate community programs out of the location. This is supported by the applicant's financial statement which show that expenses to operate the property exceeded rent earned on the property in 2014
- The BGCA feels that the property would be vacant if they did not operate it. The BGCA operates the location to ensure it remains a vibrant and active part of the community. The association pays nominal rent (\$10) to the school district.
- The application meets the requirements of the Permissive Tax Exemption Policy except that the applicant is not the owner of the property.

Approving this application would exempt the organization from \$20,812 in municipal taxes and \$34,162 in total taxes.

5. *Burnside Gorge Community Association – 1015 Finlayson (Quadra School Annex):* The BGCA uses room #22 at Quadra Elementary School to operate an Out of School Care Program. This application is recommended for approval for the same reasons in stated above. Approving this application would have a \$6,133 financial impact. Approving this application would exempt the organization from \$6,133 in municipal taxes and \$10,067 in total taxes.

**Table 2: Summary of Applications Recommended for Approval**

Applicant	Property Address	Category	Amount
1. Freshwater Fisheries Society of BC	100-80 Regatta Landing	Recreational	\$20,785
2. Threshold Housing Society	1502-1508 Davie St	Supportive Housing	3,797
3. Chabad of Vancouver Island	2955 Glasgow St.	Place of Worship	3,180
4. Burnside Gorge Community Association	3130 Jutland Rd	Social Services/ Recreational	20,812
5. Burnside Gorge Community Association	1015 Finlayson	Social Services/ Recreational	6,133
Total			\$54,707

**B. Applications Not Recommended for Approval**

1. *Victoria Multi-Cultural Society of BC – 1415 Broad St:* This organization is not the registered owner of the property and consequently does not meet the requirements of the Permissive Tax Exemption Policy. This application would otherwise meet the requirements of the Arts and Culture permissive category. Approving this application would exempt the organization from \$27,014 in municipal taxes and \$44,343 in total taxes.
2. *Downtown Victoria Business Association – 20 Centennial Square:* The DVBA does not meet the requirements of the Permissive Tax Exemption Policy because the DVBA is not the owner of the property and because there is no relevant permissive category. The DVBA received its first tax exemption in 2012. At the time, staff recommended that the application be approved for 2012 only, and the DVBA be advised that the Permissive Tax Exemption Policy was under review and they may not qualify for exemption in 2013. Council adopted this recommendation. The review was not concluded until 2013; consequently the DVBA was granted a tax exemption in 2013 as well. Council further granted a 2014 tax exemption to the DVBA because the association had already established a budget for its members up to and including the end of 2014. The DVBA was notified that they would not qualify for an exemption starting in 2015. Approving this application would exempt the organization from \$6,858 in municipal taxes and \$11,258 in total taxes.

3. *St. Michael's University School Community Rowing/Gorge Narrows Rowing Club – 0-2940 Jutland Rd*: This organization is not the registered owner of the property and consequently does not meet the requirements of the Permissive Tax Exemption Policy. This application would otherwise be eligible for a 50% recreational category permissive exemption. This property was previously granted a permissive tax exemption when occupied by the Go Rowing and Paddling Association of Canada. Approving this application would exempt the organization from \$3,177 in municipal taxes and \$5,215 in total taxes.
4. *St. Michael's University School Community Rowing/Gorge Narrows Rowing Club –105-2940 Jutland Rd*: This application does not meet the requirements of the Permissive Tax Exemption Policy for the same reasons in the above mentioned application. Approving this application would exempt the organization from \$5,681 in municipal taxes and \$9,325 in total taxes.
5. *Elizabeth Buckley School/Hands on Summer Camp Society – 1190 Kings Rd*: In 2013 it was discovered that the Elizabeth Buckley School and Hands on Summer Camp Society were erroneously receiving a permissive tax exemption. The exemption was erroneously applied because the City granted an exemption to the owners of the property, the Cridge Centre. BC Assessment was unaware that the School occupied a portion of the property and thus did not assess the school. On October 29, 2013, Council approved a bylaw that permissively exempted the School for 2014 only. Last year, the Elizabeth Buckley School applied for a permissive exemption for the 2015-2016 tax years. This application was declined. The school does not meet the requirements of the Permissive Tax Exemption Policy because the school is not the owner of the property. Approving this application would exempt the organization from \$6,271 in municipal taxes and \$10,294 in total taxes.
6. *Kiwanis Village Society – 1419 Mallek Cres*: This organization has applied for an exemption under the City's social services category. The property is currently being used to provide affordable housing for seniors. This use does not meet the requirements of the social service permissive category. In 2001 the Kiwanis Village Society submitted a similar application for exemption which was declined by Council. Approving this application would exempt the organization from \$38,032 in municipal taxes and \$60,915 in total taxes.
7. *Victoria Human Exchange Society – 722 Pine St*: This organization is not the registered owner of the property and consequently does not meet the requirements of the Permissive Tax Exemption Policy. Additionally, the property taxes are currently being paid by the owner of the property, not the organization. The Community Charter permits exemptions to be granted to non-profit or charitable organizations and not to individuals. The application would otherwise meet the requirements of the Permissive Tax Exemption Policy in the supportive (transitional) housing category but not the requirements of the Community Charter. A bylaw exempting this property would likely not be accepted by BC Assessment; if accepted it would exempt the organization from \$1,825 in municipal taxes and \$2,924 in total taxes

The property provides transitional housing for 5 individuals. These individuals are responsible for paying a nominal rent amount to the society. The society then pays gross rent to the landlord. The rents are subsidized by donations, grants and a reduced rental rate by the landlord.

8. *Victoria Human Exchange Society – 968 Walker St*: This application does not meet the requirements of the Permissive Tax Exemption Policy for the same reasons in the above mentioned application. A bylaw exempting this property would likely not be accepted by BC Assessment; if accepted it would exempt the organization from \$1,825 in municipal taxes and \$2,924 in total taxes.

**Table 3: Summary of Applications Not Recommended for Approval**

Applicant	Community Service	Property Address	Reason for ineligibility	Amount
1. Victoria Multi-Cultural Society of BC	Arts and Cultural	1415 Broad St.	Leased Property	\$27,014
2. Downtown Victoria Business Association	Business Promotion	20 Centennial Sq.	No Category/ Leased Property	6,858
3. SMUS Community Rowing	Recreational	0 Jutland Rd	Leased Property	3,177
4. SMUS Community Rowing	Recreational	2940 Jutland Rd	Leased Property	5,681
5. Elizabeth Buckley School/ Hands on Summer Camp Society	Educational	1190 Kings Rd	Leased Property	6,271
6. Kiwanis Village Society	Housing	1419 Mallek Cres	No Category	38,032
7. Victoria Human Exchange Society	Supportive Housing	722 Pine St.	Leased Property/Exemption to individual not permitted by Community Charter	1,825
8. Victoria Human Exchange Society	Supportive Housing	968 Walker St	Leased Property/ Exemption individual not permitted by Community Charter	1,848
Total				\$90,706

**C. City of Victoria Exemptions Recommended for Approval**

1. *City of Victoria – 11 Chown Place:* The City currently leases a small portion of 11 Chown Place from the United Church of Canada (c/o Gorge View Society). The portion of the property is a park and playground. The City of Victoria is responsible for property taxes on this property pursuant to the lease. An exemption to this property would have result in a positive financial impact of approximately \$700 annually since the City would also be exempted from School taxes.
2. *City of Victoria – 203 Harbour Rd:* The City currently leases this property from Point Hope Properties. The lease term requires that the City pay 80% of the property taxes levied. The Community Charter requires that the City pass a permissive tax exemption bylaw to exempt itself from taxes on property it occupies. Such an exemption would result in a positive financial impact of approximately \$19,000 since the City would also be exempted from School taxes.

**Table 4: Summary of City of Victoria Exemptions Recommended for Approval**

Applicant	Property Address	Amount
1. City of Victoria	11 Chown Place	\$ 700 annual savings
2. City of Victoria	203 Harbour Rd	19,000 annual savings
Total		\$19,700 annual savings

**D. Independent School Statutory Exemption**

On May 28, 2015 bill 29, 2015, *Property Taxation (Exemptions) Statutes Amendment Act, 2015* received first reading in the Legislative Assembly of British Columbia. This act would amend the Community Charter, impacting the City's ability to determine exemption levels for independent schools. Currently statutory exemptions exist that provide mandatory statutory exemptions to independent school buildings and the footprint of the land beneath those buildings. Council has the discretion to exempt land and improvements surrounding the school building such as playgrounds, fields, and ancillary buildings.

Around the same time that the Community Charter came into force in 2004, the City developed its permissive tax exemption policy. This policy provided for a 50% permissive tax exemption on independent school land and ancillary buildings that are not statutorily exempted. Some independent schools had already received 100% permissive tax exemptions under the previous Local Government Act legislation. Consequently, the Council at the time grandfathered these properties and continued to provide 100% permissive tax exemptions. The City reviewed its tax exemption policy in 2012 and approved amendments in 2013. These amendments phased out grandfathered independent school properties over a 10 year period. Grandfathered properties are currently in their second year of phase out and receive a 90% permissive tax exemption for 2015. Should it be approved by the Province, this act will have the following impact on Victoria taxpayers:

School/Organization	Address	Current City Taxes	City Taxes at full phase out*
St. Patricks/Bishop of Victoria	2346 Trent St.	\$ 1,381	\$ 6,905
Glenlyon Norfolk School Society	801 Bank St.	5,588	27,940
Maharishi Age of Enlightenment	2820 Belmont Ave.	1,208	1,208
Oak and Orca School/Bioregional Education Association	2738 Higgins St.	457	2,285
Total		\$ 8,634	\$ 38,338

The Province has indicated that the act could receive royal assent in fall of this year and be effective for the 2016 tax year.

## OPTIONS & IMPACTS

Option 1 (recommended): Approve exemptions detailed in tables 1 and 2 and direct staff to prepare a permissive tax exemption bylaw.

Non-City exemptions will have a \$54,707 impact, increasing total permissive exemptions to \$1,863,274 or 1.53%. City exemptions would have a positive financial impact of \$19,700 because of the eliminated requirement to pay school taxes.

Option 2: Approve exemptions detailed in tables 1 and 2 except for the Burnside Gorge Community Association's applications. City exemptions would have a positive financial impact of \$19,700 because of the eliminated requirement to pay school taxes. Non-City exemptions will have a \$27,762 impact, increasing total permissive exemptions to \$1,836,329 or 1.51%.

Option 3: Approve all exemption applications, with exception of the Victoria Human Exchange Society.

The Victoria Human Exchange Society's application cannot be approved since the benefit of the exemption would accrue to the owner, an individual. Permissive exemptions can only be granted to non-profit and charitable organizations.

All applications excluding the Victoria Human Exchange Society total \$141,740. There is currently \$138,000 in room left below the exemption cap for off-cycle applications. According to the policy, off-cycle 2016 permissive tax exemptions would be reduced (approximately 2.5%) to ensure that applications do not exceed the prescribed cap.

*2015 – 2018 Strategic Plan*

Not Applicable

*Impacts to 2015 – 2018 Financial Plan*

Approving permissive tax exemptions do not normally impact the City's financial plan since the City will still collect the same amount of taxes required by the budget. In the case where the City is required to pay property taxes, there is a budget impact however. Approving the recommended option will result in the City's future financial plan expenditures being reduced by approximately \$19,700 annually.

*Official Community Plan Consistency Statement*

Not Applicable

Respectfully submitted,

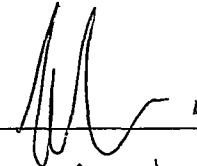


Christopher Paine  
Manager-Revenue



Susanne Thompson  
Director of Finance

Report accepted and recommended by the City Manager:

  
Date: August 13, 2015

**List of Attachments**

**Appendix A** – Permissive Tax Exemption Policy

**Appendix B** – Permissive Tax Exemption Applications Recommended for Approval

**Appendix C** – Permissive Tax Exemption Applications Not Recommended for Approval