



THE CORPORATION OF THE CITY OF COURTENAY

## STAFF REPORT

**To:** Council

**File No.:** 1960-20 [2023]

**From:** City Manager (CAO)

**Date:** September 27, 2023

**Subject:** Consideration of 2024 Permissive Property Tax Exemptions

### PURPOSE:

To seek Council adoption of the 2024 permissive property tax exemption bylaws.

### EXECUTIVE SUMMARY:

The permissive property tax exemption bylaws are considered by Council on an annual basis and must be adopted before October 31st each year in order to take effect for the following taxation year. Staff have compiled and reviewed all applications received for the 2024 taxation year and have prepared a summary report and bylaws Tax Exemption 2024, Bylaw No. 3091, 2023 and Tax Exemption Churches 2024, Bylaw No. 3092, 2023 for Council's consideration.

### BACKGROUND:

Section 224 of the *Community Charter* provides Council with the authority to grant permissive exemption to land and improvements owned, or held by, certain other organizations that meet legislatively prescribed conditions.

Permissive Property Tax Exemption Policy 1960.01 (Rev #2) (Attachment #1) contains the following provisions to note when considering new applications going forward:

1. The total value of all permissive exemptions must not exceed 2% of the total municipal portion of the property tax levy. (\$621,174)
2. When the activities of an organization are not confined to the City of Courtenay, a maximum exemption of 40% applies.
3. Prescribed grandfathered permissive exemption percentages will not change in the event an organization re-locates within the municipality. However, a reduction of the exemption shall apply if the nature of the services provided by the organization changes at its new location.
4. An applicant already receiving grant-in-aid from the municipality and/or other sources might not be considered eligible for exemption by Council.

During the 2023 -2026 strategic planning session Council enquired about permissive tax exemptions, however this enquiry did not make its way to the strategic plan therefor staff is seeking specific direction to examine and update Permissive Property Tax Exemption Policy 1960.01. Preliminary timeline for policy update would be research and engagement in 2024 with policy adoption in 2025 to take effect for 2026. The permissive tax exemption process follows strict timelines therefor the time between policy update direction and policy impact is expected to be 2 years.

**DISCUSSION:**

A permissive property tax exemption is a means for Council to support not-for-profit organizations within the community which furthers Council's objectives of enhancing quality of life for the citizens of the City while being responsible with municipal funding. Approval of an exemption or partial exemption is entirely within Council's discretion.

Each year there are requests from local organizations for funding assistance, either by way of requests for grants, or by way of requests for exemption from property taxation. While it is noted that the applicants all provide worthy services, provision of an exemption from taxation results in either a reduction of revenue available for City operations or in an increase of the tax burden for the remaining taxable property owners in the City and can become cost prohibitive.

The following schedules and information are provided for Council consideration.

**Permissive Exemptions – Schedule Summary:**

In accordance with Policy 1960.01, the exemption value limit for 2024 has been calculated as 2% of the value of the 2023 municipal property tax levy. The cumulative exemption value limit for 2024 is \$621,174 (\$561,100 – 2023). The proposed total exemptions for 2024 is \$427,120 (\$381,585 – 2023).

**Schedule A: New Applications**

The City received four new applications for exemption from taxation for 2024. These are as follows:

*Tax Roll #1376.000 – Comox Valley Children's Day Care Society – 1000 Cumberland Road*

The Comox Valley Children's Day Care Society submitted application for exemption again for 2024. This year, their application mentioned that during the pandemic, it has become clear that child care is an essential service, and had to face a very tight budget. Their application also refers to the City of Courtenay supporting another non-for-profit child care (Cozy Corner Preschool - run by the City of Courtenay out of the Lewis Centre) and also some private senior care facilities (Glacier View Lodge has been grandfathered a 100% exemption for over two decades).

Prior to 1999, the Comox Valley Children's Day Care Society, as well as J. Puddleduck Parent's Preschool Society received permissive tax exemptions. After an extensive review of the permissive exemption recipients, Council chose to phase out these exemptions since it was determined that day care service was also provided by for-profit organizations.

Section 224 (2) (a) of the *Community Charter* states that:

*“permissive tax exemptions may be provided to charitable, philanthropic or other not-for-profit corporations.”*

It does not allow for an exemption to day cares operating for-profit. The City's Permissive Property Tax Exemption Policy 1960.01 (Rev #2) requires confirmation that an organization's activities do not compete with any other duly licensed business in the municipality. In order to avoid creating an unfair commercial advantage between for-profit and not-for-profit day cares, Council decided to eliminate any tax exemptions for the Children's Day Care Society.

Staff recommend no exemption for this specific day care on the basis that authorizing this exemption would contradict the existing policy as it competes with licensed for-profit day care businesses in Courtenay.

On May 10, 2023, Council made the following motion:

### **Permissive Tax Exemptions for Non-Profit Child Care - Councillor Cole-Hamilton**

**Moved By** Cole-Hamilton

**Seconded By** Frisch

WHEREAS quality childcare is a vital part of any community, supporting families, underpinning economic development and providing a safe and nurturing environment for children; and

WHEREAS the 2019 Comox Valley Child Care Action Plan, developed by the Comox Valley Regional District in partnership with the City of Courtenay recommended that "all communities consider permissive exemptions for childcare services", something the Town of Comox has been doing for decades;

THEREFORE BE IT RESOLVED THAT staff prepare a report for Council outlining the options for, and impact of, providing permissive tax exemptions for community owned non-profit childcare organizations.

**CARRIED**

Motion was made less than a week before the 2024 Permissive Tax Exemption submission deadline of May 15, 2023. Staff has not had the capacity to determine the financial implications of providing permissive tax exemptions to community owned non-profit childcare organizations.

#### *Tax Roll # 338.000 – Dawn to Dawn Action for Homelessness Society – 520 5<sup>th</sup> Street*

As per February 8, 2023 Council Resolution # 2023-20:

Moved By: Doug Hillian

Seconded by: Will Cole-Hamilton

THAT Council direct staff to write a letter to Dawn to Dawn asking that they make an application for a municipal tax exemption once the Gukwās sa Wagalus – Rainbow House home has been purchased, and identify any additional requests for City support;

AND THAT staff notify Dawn to Dawn once more information is available about the 2023 Community Grant program.

Result: CARRIED

Staff has accepted a late application for the permissive tax exemption for the Gukwās sa Wagalus – Rainbow House.

A new and innovative project to house indigenous and non-indigenous 2SLGBTQQIA+ young people who are homeless or at risk of becoming homeless in the Comox Valley.

Dawn to Dawn Action for Homelessness Society purchased this property on June 30, 2023.

Staff recommend approval of a 40% exemption in keeping with the Permissive Property Tax Exemption policy.

*Tax Roll # 2091.108 – Comox Valley Project Watershed Society – 2356 A Rosewall Cres*

Comox Valley Project Watershed Society is a non-profit environmental society focused on sensitive habitat stewardship. The organization offers professional conservation mapping and related technical services, maintains a stewardship information library, and manages research, restoration, education and awareness raising projects in the Comox Valley.

Comox Valley Project Watershed Society is requesting an exemption on the office space leased at 2356 A Rosewall Cres.

Staff recommend approval of a 40% exemption in keeping with the Permissive Property Tax Exemption policy.

*Tax Roll # 2091.176 – Y.A.N.A. Fund Society – 102, 2456 Rosewall Cres*

You Are Not Alone (Y.A.N.A.) is a local charity that provides financial support and accommodation to Comox Valley families who need to travel outside the community to access medical care for a child under 19 or for a pregnant mother. Typically, funding is used to help cover the costs of gasoline, food, ferry fares, parking, accommodation, etc. About 69% of their services are provided to Courtenay residents.

Y.A.N.A is requesting an exemption on the office space leased at 102, 2456 Rosewall Cres.

Staff recommend approval of a 40% exemption for the leased space in keeping with the Permissive Property Tax Exemption policy.

**Schedule B: Annual Bylaw – Not-for-Profit Organizations**

Schedule B exemption recipients are those who have been previously approved in the annual permissive exemption bylaw. Updated applications, financial statements and other relevant documentation have been reviewed and verified by staff.

Schedule B provides a detailed list of the 2023 exemption recipients along with the estimated 2024 value of the approved exemptions.

**Schedule C: Annual Bylaw – Churches**

While church buildings and the footprint of the buildings receive a statutory exemption from taxation, all of the area surrounding the buildings would be taxable unless it is provided with a permissive exemption from taxation by Council. The portion of church property used in commercial activities or as a manse/residence is not eligible for exemption from taxes.

Schedule C details the church properties within the City, and the estimated value of the permissive exemption for 2024 on the lands surrounding the building.

**Schedule D: Five Year Bylaw – City owned properties managed by Societies**

This schedule details the value of taxation exemption for the City owned properties managed by Societies and is authorized by a five-year exemption bylaw *Tax Exemption 2020-2024 Bylaw No. 2976, 2019*, which expires in 2024.

**Schedule E: Ten Year Bylaw**

This schedule details the value of taxation exemption for the following properties: Island Corridor Foundation, Kus-Kus-sum, M’akola Housing Society and Nature Trust of British Columbia and is authorized by a ten-year exemption bylaw *Tax Exemption 2022-2031 Bylaw No. 3049, 2021*, which expires in 2031.

**POLICY ANALYSIS:**

Section 224 of the *Community Charter* provides Council with the authority to exempt certain properties from property taxation. Policy 1960.01 (Rev #2) – Permissive Property Tax Exemption (Attachment #1) was prepared in accordance with Section 224 of the *Community Charter* and approved by Council in August 2017.

**FINANCIAL IMPLICATIONS:**

The estimated cumulative value of the municipal portion of the new and grandfathered exemptions for the 2024 taxation year totals \$427,120, as detailed in the table below. This is within the calculated 2024 limit of \$621,174 as prescribed in Policy 1960.01 – Permissive Exemption from Property Taxation. As a reference, the amount of permissive property tax exemption approved last year by Council for 2023 represents \$381,585.

Estimated value of exemptions for consideration for 2024 Grandfathered and Recommended			Value of Permissive Tax Exemption		
Schedule	Categories	Bylaw Expires	City only	Other Authorities	Total
(A)	New applications - as per recommendation		\$ 2,993	\$ 2,154	\$ 5,147
(B)	Annual bylaw - Not for profit organizations	2023	\$ 166,501	\$ 125,479	\$ 291,979
(C)	Annual bylaw - Churches, land surrounding the building	2023	\$ 23,226	\$ 23,063	\$ 46,289
(D)	Five year bylaw - City owned properties managed by societies	2024	\$ 128,090	\$ 81,957	\$ 210,047
(E)	Ten year bylaw	2031	\$ 106,312	\$ 84,086	\$ 190,398
	Total estimated value of exemptions for 2024		\$ 427,120	\$ 316,738	\$ 743,859

It is important to note that any organizations added to the list or any additional exemption provided to applicants results in a reduction of revenue available for City operations or an increase of the tax burden for the remaining taxable property owners in the City and can become cost prohibitive.

**ADMINISTRATIVE IMPLICATIONS:**

Preparation of the annual tax exemption bylaws for consideration by Council is an annual task undertaken by staff in the Financial Services Department.

Subsequent to Council approval of the above recommended property tax exemptions and proposed bylaws, the next steps include:

- a) Arranging for the statutory advertising of the proposed bylaws
- b) Returning the bylaws to Council for final adoption
- c) Preparation of letters of notification to the applicants
- d) Forwarding the bylaws to the BC Assessment Authority no later than October 31, 2023

As communicated in the September 7, 2021 Permissive Tax Exemption Staff Report to Council, the application deadline for 2024 has been effectively advanced from June 15 to May 15, 2023, in an effort to balance the annual workload.

**STRATEGIC PRIORITIES REFERENCE:**

This initiative addresses the following fundamental directions:

WE PROTECT THE NATURAL SPACES we love and upon which our lives depend.

WE ARE A CITY FOR ALL PEOPLE, created for and by residents with diverse identities, experiences, and aspirations. We are a city for being together in community.

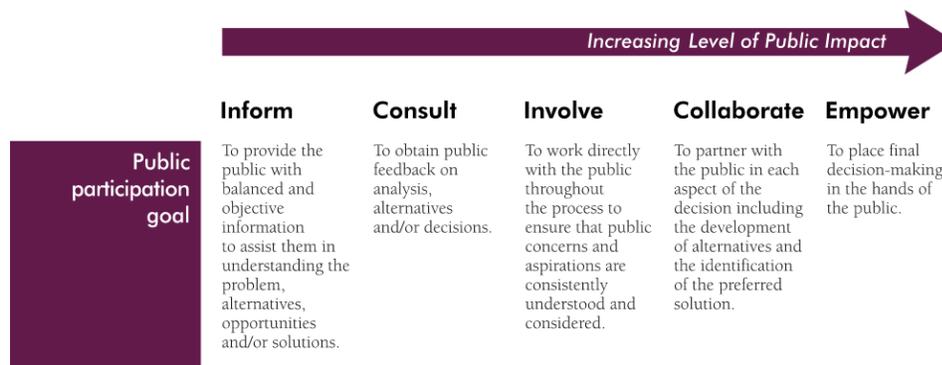
WE ARE ALSO A CITY OF CHOICE, in which residents have options across the city for homes, amenities, destinations, jobs and business, transportation, and spaces for gathering with friends, families, neighbours, and people not yet known to us.

COURTENAY WILL BE RESPONSIBLE FOR THE FUTURE by being more thoughtful, strategic, and efficient in all resources that we use whether it be land, energy, or public infrastructure, to ensure that actions deliver on multiple goals of fiscal responsibility, economic resilience, social equity, and ecological health.

**PUBLIC ENGAGEMENT:**

Pursuant to Section 227 of the Community Charter, statutory notice of the proposed permissive exemption bylaws must be published for two consecutive weeks prior to final adoption.

Staff would inform the public based on the IAP2 Spectrum of Public Participation:



**OPTIONS:**

**To be made as separate resolutions:**

1. THAT Council give three readings to Tax Exemption 2024, Bylaw No. 3091, 2023.

THAT Council give three readings to Tax Exemption Churches 2024, Bylaw No. 3092, 2023.

THAT Council direct staff to update the Permissive Tax Exemption Policy #1960.00.01 to align with current strategic priorities.

2. THAT Council provide alternative direction to staff.

(While Option 2 provides time for further discussion, it also impacts the schedule for the 2024 permissive tax exemption process. There is a statutory requirement to have the bylaws adopted by October 31st each year in order to take effect for the following taxation year.)

**ATTACHMENTS:**

1. Policy #1960.00.01
2. Schedule A – New Applicants
3. Schedule B – Annual Bylaw – Not for Profit Organizations
4. Schedule C – Church Properties
5. Schedule D – Five Year Bylaw – City owned properties managed by Societies
6. Schedule E – Ten Year Bylaw
7. Proposed Tax Exemption 2024, Bylaw No. 3091, 2023
8. Proposed Tax Exemption Churches 2024, Bylaw No. 3092, 2023

Prepared by: Renata Wyka, CPA, CGA, Manager of Financial Planning, Payroll & Business Performance

Reviewed by: Adam Langenmaier, BBA, CPA, CA, Director of Financial Services

Concurrence: Geoff Garbutt, M.Pl., MCIP, RPP, City Manager (CAO)