



The Corporation of the City of Courtenay

Staff Report

To: Council

File No.: 1960-20 [2024]

From: Director of Financial Services

Date: July 31, 2024

Subject: Consideration of 2025 Permissive Property Tax Exemptions

PURPOSE:

To seek Council adoption of the 2025 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 2025 taxation year and have prepared a summary report and bylaws Tax Exemption 2025, Bylaw No. 3142, 3143, 3144, 3145 and 3146, 2024 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. ($\$34,007,000 \times 2\% = \$680,140$)
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 (75%-100%) 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 2022 -2026 strategic planning session Council enquired about permissive tax exemptions, however this enquiry did not make its way to the strategic plan. At the June 12, 2024 Council meeting Council gave the following direction regarding permissive tax exemptions.

THAT the permissive tax policy options, as directed by Council at the October 25, 2023 Council meeting, be considered for application in the 2026 tax year; and

THAT Council direct staff to expand the scope of the review and options analysis from permissive taxes to grant in aid, and report back on permissive tax and granting policy options; and

THAT permissive tax and grant in aid options be guided by the policy priorities and cardinal directions of the Official Community Plan (OCP); and

THAT Permissive Property Tax Exemption Policy Section 5. a) be amended to clarify that not-for-profit daycares are not subject to this prohibition for consideration during the 2025 permissive tax exemption consideration.

The 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 schedule, therefore the time between policy update direction and policy impact is expected to be 2 years. Therefore, the 2025 permissive tax exemptions have been prepared using the existing policy with the exception of the inclusion of not-for-profit daycares.

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 Summary:

In accordance with Policy 1960.01, the exemption value limit for 2025 has been calculated as 2% of the value of the 2024 municipal property tax levy. The cumulative exemption value limit for 2025 is \$680,140 (\$621,174 – 2024). The proposed total exemptions for City portion of property taxes for 2025 is \$509,914, an increase of \$82,794 from \$427,120 in 2024.

New Applications

The City received the five new permissive tax exemption applications. The total amount recommended for exemption is \$16,876, this is the City's portion and other taxing authorities' portions.

Tax Roll #1376.000 – Comox Valley Children's Day Care Society – 1000 Cumberland Road - \$824

The Comox Valley Children's Day Care Society submitted application for exemption for 2025. The Society which operates as Lighthouse Early Learning Centre provides high quality, inclusive, affordable child care for children and families in Courtenay. Currently, 56% of the families are Courtenay residents. As per Council June 12, 2024 motion, not-for-profit day cares are to be considered for the 2025 permissive tax

exemption. Staff recommend 40% exemption based on the percentage of services provided to Courtenay residents.

Tax Roll #1568.000 – Puddleduck Early Learning Society – 295 Back Road - \$2,162

The Puddleduck Early Learning Society submitted a 2025 application. Puddleduck operates a day care, preschool and out of school programs and also provides pre-kindergarten readiness, parents education in an inclusive and equitable environment. Currently, Courtenay residents comprise of 69% of the total families, thus, staff recommend a 40% exemption.

Tax Roll #2091.117 – LUSH Valley Food Action Society - 2342 A Rosewall Cres - \$902

LUSH recently acquired the residential unit in the building. The intention is to use the property to support Society's operations. However, actual use may depend on fundraising results in the next few months. Similarly, staff recommend 40% exemption as 81% of Courtenay residents use the Society's programs.

Tax Roll #426.022 – LUSH Valley Food Action Society – 721 Grant Ave - \$7,513

The City recently signed a License to Occupy Agreement with LUSH for the community garden. As per the Service Agreement, the property is to be 100% exempt from property taxes. Thus, staff recommend 100% exemption for 2025.

Tax Roll #816.008 – City of Courtenay Lease – 1025 Cliffe Ave C Unit 201 - \$5,474

In 2023, City leased the property for its operations of the Human Resource department. As part of the lease agreement, the property is to receive a property tax exemption for the portion occupied by City staff. Staff recommend 100% exemption for 2025.

2025 Permissive Tax Exemption Listing

Attachment 2 Permissive Tax Exemption Listing includes the above listed new applications with the recommended percentage exemption as well as exemption recipients 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.

The schedule also includes the church properties within the City, and the estimated value of the permissive exemption for 2025 on the lands surrounding the building. 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.

The schedule also includes City owned properties managed by Societies. The properties were included in a 5-year bylaw which expired in 2024. For 2025 they are included in the annual bylaw 3142.

The schedule also 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 2025 taxation year totals \$509,914, as detailed in the table below. This is within the calculated 2025 limit of \$680,140 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 2024 represents \$427,120.

Estimated value of exemptions for consideration for 2025 Grandfathered and Recommended		Value of Permissive Tax Exemption		
Categories	Bylaw Expires	City only	Other Authorities	Total
New applications - as per recommendation		\$ 9,925	\$ 6,952	\$ 16,876
Annual bylaw - Not for profit organizations	2025	\$ 325,556	\$ 233,038	\$ 558,594
Annual bylaw - Churches, land surrounding the building	2025	\$ 28,766	\$ 25,963	\$ 54,729
Ten year bylaw	2031	\$ 145,667	\$ 100,451	\$ 246,118
Total estimated value of exemptions for 2025		\$ 509,914	\$ 366,404	\$ 876,318

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, 2024

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.

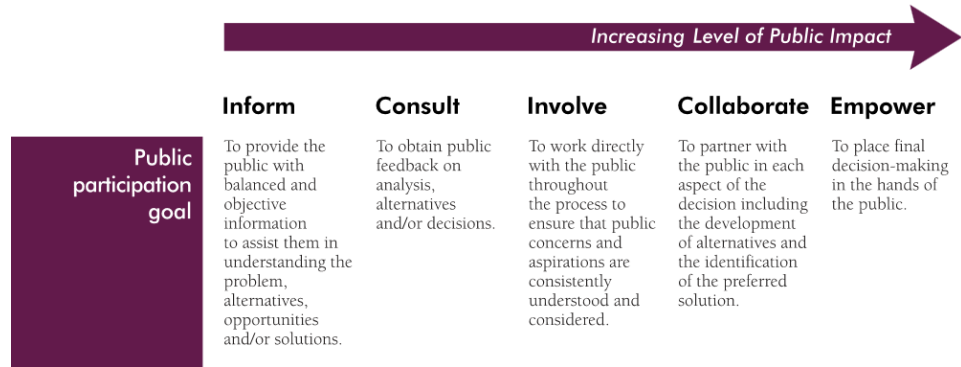
WE ARE ALSO A CITY OF CHOICE, in which residents have options across the city for homes, amenities, destinations, jobs and business, transportation, and spaces for gathering with friends, families, neighbours, and people not yet known to us.

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:



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OPTIONS:

1. TO BE READ AS INDIVIDUAL MOTIONS

- 1 THAT Council give first, second and third readings to Tax Exemption 2025, Bylaw 3142, 2024
- 2) THAT Council give first, second and third readings to Tax Exemption 2025, Bylaw 3143, 2024
- 3) THAT Council give first, second and third readings to Tax Exemption 2025, Bylaw 3144, 2024
- 4) THAT Council give first, second and third readings to Tax Exemption 2025, Bylaw 3145, 2024
- 5) THAT Council give first, second and third readings to to Tax Exemption 2025, Bylaw 3146, 2024

2. THAT Council provide alternative direction to staff.

ATTACHMENTS:

- 1. Policy 1960.00.01
- 2. Permissive Tax Exemption Listing
- 3. Permissive Tax Exemption 2025, Bylaw 3142, 2024
- 4. Permissive Tax Exemption 2025, Bylaw 3143, 2024
- 5. Permissive Tax Exemption 2025, Bylaw 3144, 2024
- 6. Permissive Tax Exemption 2025, Bylaw 3145, 2024
- 7. Permissive Tax Exemption 2025, Bylaw 3146, 2024

Prepared by: Renata Wyka, CPA, CGA, Manager of Financial Planning, Payroll & Business Performance
Reviewed by: Adam Langenmaier, BBC, CPA, CA, Director of Financial Services
Concurrence: Geoff Garbutt, M.PI., MCIP, RPP, City Manager (CAO)