



To: His Worship Mayor Harrison and Members of Council
From: Chelsea Van de Cappelle, Chief Financial Officer
Date: September 8, 2023
Subject: Permissive Tax Exemptions – New Applications - 2024 & 2025

Recommendation:

THAT: Bylaw No. 4604 cited as “City of Salmon Arm Tax Exemption Bylaw No. 4604,” be given three readings.

Background:

At the Regular Council Meeting held on October 11, 2022, Council adopted Bylaw No. 4551 granting various Organizations a Permissive Tax Exemption for a one to three (3) year period (2023, 2024 and 2025).

As of July 31, 2023, five (5) new applications have been received requesting a Permissive Tax Exemption for the 2024 and 2025 taxation years. Pursuant to Section 224 of the *Community Charter*, adoption of this bylaw will exempt the subject properties from not only general municipal tax estimated at \$12,833 but also taxes levied by other governments of \$8,979 (i.e. School, Regional District, Regional Hospital, Library, MFA and BCAA). The City is still responsible for payment of the exempted taxes levied by other governments and the remaining tax base must make up this difference.

It is important to note that statutory exemptions (legislated pursuant to Section 220 of the *Community Charter*) allow churches and the property they sit on, an automatic exemption. Council has historically granted a permissive tax exemption to churches for the remaining property, up to 2 acres. For societies, senior facilities and sports clubs, Council has historically permissively exempted all land and improvements, provided they are owned by a charitable, philanthropic or other not-for-profit organization and are used for the purpose that is directly related to the core activities of the organization.

The total general municipal tax exemption amount for 2024 is estimated at \$800,299 which represents approximately 3.81% of the City’s general municipal tax levy as follows:

Group	Estimated Tax Exemption
Churches (* note)	\$ 39,386
Non-Profit Societies	441,176
Seniors Centres	13,090
Sports Clubs	<u>306,647</u>
Total	\$ 800,299

(*Note: Estimate that 50% is a permissive exemption, the remainder is statutorily exempt)

Legislation:

In accordance with Section 224 of the *Community Charter*, Council has the authority to set the criteria to which tax exemptions are granted and the associated amount. Permissive tax exemptions vary widely throughout the Province depending on each Community's philosophies and economic conditions.

Pursuant to Section 227 of the *Community Charter*, the City of Salmon Arm is required to advertise all properties being considered for a permissive tax exemption and the value of said exemptions. As such, advertisements will be placed in the Salmon Arm Observer on October 11th and 18th, 2023.

This bylaw must be adopted by October 31, 2023 to be in effect for the 2024 tax year.

Summary of Applications Received:

Please be advised that in reviewing the applications submitted various information was omitted e.g. budget forecasts, portions of Financial Statements such as the Balance Sheet/Income Statement, or in some cases both. The Organizations were contacted but the information was not provided in all cases. All applications received have been provided to Council. Discussed below are the new applications:

1. Salmon Arm Museum & Heritage Association
Civic Address: 751 Hwy 97B NE
Roll No. 01226.001

In late 2021, the Association purchased a manufactured home and applied for a permissive tax exemption for the 2023 taxation year. This property is in addition to the existing property that Council has historically granted a permissive tax exemption for at 751 Hwy 97B NE, Roll No. 01226.000 (the City owns and leases the land to Salmon Arm Museum & Heritage Association).

The purpose of the residence is to provide seasonal accommodations for staff and the Association charges market rental rates for use. Their intent was to have the residence vacated for winter, however they were not yet sure how this would unfold given the current

local rental market. Caretaker residences that are lived in year-round as a primary residence are not eligible for a permissive tax exemption.

As the intent of the residence is seasonal and a year of ownership had not passed to assess whether the improvement would be used as described, Council approved a permissive tax exemption on the manufactured home for only one (1) year. Following this, the Association was encouraged to reapply for 2024 and 2025, assuming the improvement continued to qualify for an exemption.

The Association has again applied for an exemption on the mobile home and has noted that one staff member works in the summer season and then stays over the winter for security of the property and assets. Other employees use the mobile home as well, some short term and others for the entire summer and all pay rent. While the property is lived in year round by one staff member, it is also used as staff housing during the operational season. The property is not being used for the enjoyment as a residential property and supports the Association in achieving its goals and purposes.

The estimated value of the permissive tax exemption for 2024 would be \$1,341 (General Municipal - \$774 and Other Governments \$567).

2. Scout Properties (BC/Yukon)
Civic Address: 2460 Auto Road SE
Roll No. 01360.000

2460 Auto Road SE has been permissively exempt from taxation for a number of years. In accordance with the City's policy, permissive tax exemptions previously granted by Council are subject to eligibility reviews to ensure that they continue to qualify for an exemption based on the most current available information at the time of review.

In order to qualify under Section 224(2)(a), the Scout Properties (BC/Yukon) (Organization) must establish that it is using the property for the stated purposes of the Organization. The Organization's purpose is to attain, own, hold and manage real and personal property for the use of Scouts Canada, Girl Guides and related and similar groups for charitable activities. Their mission is to offer programs that provide opportunities for children, youth and young adults to grow, achieve new firsts and develop into well-rounded individuals.

The building, however, is also rented to a for-profit business (daycare) and normally would not qualify under Section 224(2)(a). Further, as per the City's policy, exemptions are based on the use of the property or building(s), not on the non-profit or charitable services of the organization as a whole. Principal use of property refers to the use related directly to the principal purpose of the organization owning or leasing the property. While the property is being used in accordance with the principal purpose of the Organization, the same space is also being used by a for-profit business.

The rental agreement indicates that the tenant has use of all inside spaces including the main hall (2,178 square feet) plus the foyer/meeting area, kitchen, four washrooms and exclusive use of specified storage space (cupboards). As per BC Assessment Authority (BCAA), the total area of the building is 3,174 square feet. They also appear to have use of the outdoor space including the parking lot and playground.

Historically, in situations where the property was owned by a non-profit organization and leased to a for-profit business; that portion of the property would not qualify for a permissive tax exemption and would remain taxable. In this situation, the property is utilized by both a non-profit and for-profit business. As confirmed with BCAA, there is no mechanism to prorate taxation based on the amount of time each uses the space. To provide an exemption, one must exempt the assessed value of the property based on area of use.

As a result, Council approved a permissive tax exemption for 2023 only, on the whole property except for 50% or 1,587 square feet of the building and land which was rented to the business to allow the Organization time to review with its stakeholders and leaseholders.

The Organization has submitted a new application for 2024 and 2025. The Organization continues to rent this space to the business and there are no changes to the rental agreement as originally provided last year.

The business is not part of the Scouts Canada program, nor does being a Scouts member allow access. Based on a review of the rates charged, the business appears to be charging market rates and would therefore be considered in competition with similar for-profit businesses. Per the rental agreement, the business appears to have exclusive use of the space during weekdays, 12 months of the year; provided no scouting activities are taking place. Although the applicant has indicated within their application that the daycare is only operational 3 hours/day, 5 days a week and has exclusive use over 10% of the building area for storage. Based on the hours of use over a 12 hour period, the business uses the space approximately 20% of the time per 7 day week. The space also continues to be used by the Organization in the evenings and weekends for their programs. The Organization has advised that the rental revenues derived from the business are used to offset the costs of operating and maintaining the building.

The business continues to be a user of the space and thus would indirectly benefit from a permissive tax exemption. Therefore it is recommended that Council continue to provide an exemption on only a portion of the property. The bylaw has been prepared to provide an exemption for 2024 and 2025 on 80% of the land and building except for 20%, which will remain taxable.

The estimated value of a permissive tax exemption for 2024 would be \$2,191 (General Municipal - \$1,039 and Other Governments \$1,152).

- 3. Salmon Arm Elks Recreation Society
Civic Address: 3690 30 Street NE
Roll No. 04120.000

In 2022, Council approved a permissive tax exemption on the above noted property, except the portion of land and trailer used for a Caretaker Residence, for 2023 only. Prior to the submission of a new application, Council requested that the Salmon Arm Elks Recreation Society (Elks) present a summary of their community contributions. The Elks presented to Council at the 2023 Budget – Public Input meeting held on November 14, 2022. The land and improvements are used for the purposes of providing recreational facilities, baseball fields, for the use and benefit of the community.

The estimated value of a permissive tax exemption for 2024 would be \$15,541 (General Municipal - \$9,720 and Other Governments \$5,821).

- 4. Lakeside Community Church Association
Civic Address: 121 Shuswap Street SW
Roll No. 06444.005

Lakeside Community Church Association (Lakeside) purchased this property in July 2023 from the Congregation of Crossroads Free Methodist Church (Crossroads). Crossroads previously held a permissive tax exemption on the above noted property; however upon the sale, the exemption is cancelled. Lakeside and the property qualify for a permissive exemption under Section 224(2)(f) of the *Community* Charter and as the property is less than 2 acres, it will be entirely exempt.

The estimated value of the permissive tax exemption for 2024 is \$2,739 (General Municipal - \$1,300 and Other Governments \$1,439).

- 5. 0731010 BC Ltd.
Occupier: Lakeside Community Church
Civic Address: 391 Hudson Avenue NE
Roll No. 06526.015

In accordance with the Community Charter Section 224(2)(g), land or improvements used or occupied by a religious organization, as tenant or licensee, for the purpose of public worship or as a hall that Council considers necessary to land or improvements occupied are eligible for a permissive tax exemption. In addition, per Section 224(3) the authority under the above noted section is not subject to prohibition against assistance to business (Section 25(1)).

Lakeside previously held a permissive exemption, as a tenant, for a portion of the property located at 391 Hudson Avenue NE. This exemption was only for 2023 as the lease agreement expired during the year. Lakeside continues to use the space at 391 Hudson Avenue NE for their HOurspace program, and a formal lease agreement has not been

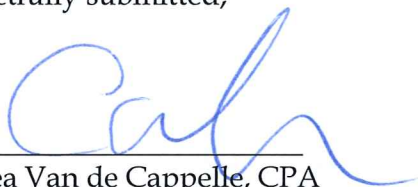
finalized. The property is not eligible for a permissive tax exemption as it appears it is no longer being used for public worship and an executed agreement is not in place.

Summary of Other Changes:

1. WH Laird Holdings Ltd.
Occupier: City of Salmon Arm
Civic Address: 641 and 621 Ross Street NE
Roll No. 06757.216 and 06757.218

The City's lease agreement on these properties utilized for the construction of the Ross Street Underpass will expire on December 31, 2023. The City does not intend to renew the agreements and therefore the City's permissive tax exemption on these properties will also be cancelled.

Respectfully submitted,



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