

Report to Council



Date: October 7, 2019
To: Council
From: City Manager
Subject: 2020 Permissive Tax Exemption Bylaw No. 11936
Department: Financial Services

Recommendation:

THAT Council receives, for information, the Report from the Revenue Supervisor dated October 7, 2019 with respect to the 2020 Permissive Tax Exemption Bylaw;

AND THAT Bylaw No. 11936, being the Permissive Tax Exemption Bylaw be forwarded for reading consideration.

Purpose:

Council to consider a property tax exemption for those organizations that have met the qualifications as outlined in Permissive Tax Exemption Policy #327.

Discussion:

Section 224 of the Community Charter provides the authority for permissive tax exemptions. Council may exempt land and improvements in their entirety or a portion thereof for a period of up to 10 years. Authority to grant permissive tax exemptions is a policy tool available to Council to promote or achieve specific goals. As a general rule when Council grants a permissive tax exemption on a specific property, that property is automatically exempted from municipal, school, regional district, hospital and BC Assessment taxes. The permissive tax exemption does not apply to utility fees such as garbage/landfill/recycle charges or to parcel taxes such as the Water Parcel tax.

Permissive Tax Exemption Policy #327 sets out the extent, conditions, and penalties, along with the general process and the eligibility criteria used by the City of Kelowna to determine property eligibility for Permissive Tax Exemptions.

There is no obligation on the part of Council to grant a permissive tax exemption in any year. Permissive tax exemptions that are granted in any year reduce the total value of the tax base for that year and thereby increase the burden of taxation to properties that are not exempt.

The process requires the completion of applications on a five-year basis for places of worship, private schools and hospitals, with other non-profit organizations reapplying and being reconsidered annually. The year 2020 is the fifth in this five-year cycle for places of worship, private schools and hospitals.

Renewal applications for all currently exempt applicants as well as new applicants were reviewed by staff in relation to Council Policy # 327 and the below recommendations represent the changes to the status of each applicant.

The estimated municipal tax impact related to the 2020 permissive exemptions is \$1,829,544.

The following changes to Schedules A through H of the 2019 Tax Exemption Bylaw No. 11657 for 2020 property tax exemption are placed before Council for consideration:

Schedule A, Public Worship:

FOLIO	LEGAL DESCRIPTION	REGISTERED OWNER/LESSEE	CHANGE/COMMENT
057010	Lot 1, Plan 15741	Ray Chase, Emsley Hunter, and Cyril Nash (Trustees)	Remove – property sold

Schedule B, Private Schools:

FOLIO	LEGAL DESCRIPTION	REGISTERED OWNER/LESSEE	CHANGE/COMMENT
07212.595	Lot A, Plan KAP48732	Lakeside Educational Society of Kelowna	Name change from Waldorf School Association
07212.596	Lot B, Plan KAP48732	Lakeside Educational Society of Kelowna	Name change from Waldorf School Association

Schedule C, Hospitals: No change

Schedule D, Special Needs Housing:

FOLIO	LEGAL DESCRIPTION	REGISTERED OWNER/LESSEE	CHANGE/COMMENT
048730	Lot 31, Plan 10011, District Lot 137	Resurrection Recovery Resource Society	Add – acquired property
048740	Lot 32, Plan 10011, District Lot 137	Resurrection Recovery Resource Society	Add – acquired property
10519.958	Lot 4, Plan KAS1717	Kelowna Child Care Society	Remove – Reclassification from Schedule D to E

Schedule E, Social Services:

FOLIO	LEGAL DESCRIPTION	REGISTERED OWNER/LESSEE	CHANGE/COMMENT
057010	Lot 1, Plan 15741	Starbright Children's Development Centre Association	Add – acquired property
083933 (082144)	Lot A, Plan KAP86241	Pathways Abilities Society / City of Kelowna	Remove – change in use
10519.958	Lot 4, Plan KAS1717	Kelowna Child Care Society	Add – Reclassification from Schedule D to E

Schedule F, Public Park/Recreation Ground, Public Athletic/Recreational:

FOLIO	LEGAL DESCRIPTION	REGISTERED OWNER/LESSEE	CHANGE/COMMENT
11501.989 / 11501.979	Lot 1, Plan 35229	Central Okanagan Small Boat Association / City of Kelowna	Change – taxable portion for caretaker residence and 3 rd party rentals

Schedule G, Cultural Organizations:

FOLIO	LEGAL DESCRIPTION	REGISTERED OWNER/LESSEE	CHANGE/COMMENT
04571.612	Lot 1, Plan KAS944	OCCA Communities Association	Add – acquired property
083731	Lot 3, Plan KAP 57837, DL 139	Okanagan Regional Library / City of Kelowna Library Society	Remove – statutory exemption

Schedule H, Other Non-Profit Societies:

FOLIO	LEGAL DESCRIPTION	REGISTERED OWNER/LESSEE	CHANGE/COMMENT
06199.682	Lot 2, Plan 39917	Father DeLestre Columbus (2009) Society	Remove – property sold

The following applications were received and reviewed, but are not recommended to be approved for an exemption:

FOLIO	LEGAL DESCRIPTION	REGISTERED OWNER/LESSEE	COMMENT
11096.310	Lot B, Plan 30919, DL 136	BC Life Builders Rehabilitation Society	Criteria #8 not met, maximum stay for tenants not defined
05477.765	Lot 2, Plan 39917	Habitat for Humanity Okanagan Society	Criteria #8 not met, maximum stay for tenants not defined
04820.000	Lot 3, Plan KAP2221	Mennonite Central Committee (MCC) British Columbia	Criteria #6 not met, Kelowna residents are not primary beneficiaries of services

On October 1, 2012, Council endorsed Policy # 327 (Permissive Tax Exemption Policy), reaffirming that it is fair, consistent and appropriate.

Conclusion:

It is recommended that Council approve the changes to Schedules A through H shown in the tables above and approve the complete Schedules A through H in the attached proposed Bylaw No. 11936.

Internal Circulation:

Active Living & Culture
Cultural Services
Business & Entrepreneurial Development

Considerations applicable to this report:

Legal/Statutory Authority:

Council may, by bylaw in accordance with sections 220, 224 and 225 of the Community Charter exempt land or improvements, or both, from taxation to the extent, for the period and subject to the conditions provided in the bylaw

Legal/Statutory Procedural Requirements:

Under section 227 of the Community Charter, Council must give notice of a proposed bylaw in accordance with section 94 [public notice must be once a week for 2 consecutive weeks prior], identifying the property that would be subject to the bylaw, describe the proposed exemption, state the number of years that the exemption may be provided and provide an estimate of the amount of taxes that would be imposed on the property if it were not exempt, for the year in which the proposed bylaw is to take effect and the following 2 years.

Under Division 7 – Permissive Exemptions of the Community Charter a bylaw may only be adopted by an affirmative vote of the majority of Council and does not apply to taxation in a calendar year unless it comes into force on or before October 31 in the preceding year.

Existing Policy:

Permissive Tax Exemption Policy 327

Financial/Budgetary Considerations:

Tax exemptions are not financed through a budgetary line item in the same way as municipal spending, nor do they affect the amount that has to be raised through property taxes. Nevertheless, tax exemptions do impose a cost on taxpayers who are not exempt. Tax exemptions reduce the total value of the tax base (i.e. the taxable value of property). Therefore, tax exemptions transfer the burden of taxation from properties that are exempt to properties that are taxable. An increase in the value of tax exemptions increases the taxes paid by properties that are not tax exempt. Refer to Appendix A, 2020 Tax Exemptions Summary – Municipal Tax Impact related to General Exemption and Permissive Exemption and Appendix B, 2020 Tax Exemptions Summary – Municipal Tax Impact related to Permissive Exemption only.

Considerations not applicable to this report:

External Agency/Public Comments:

Communications Comments:

Submitted by: A. Schumacher, CPA, CGA, Revenue Supervisor

Approved for inclusion:



G. Davidson, CPA, CMA, Director, Financial Services

cc: BC Assessment

Attachments:

PTE 2020 Permissive Tax Exemptions Presentation

Appendix A, 2020 Tax Exemptions Summary –Municipal Tax Impact related to General Exemption and Permissive Exemption

Appendix B, 2019 Tax Exemptions Summary –Municipal Tax Impact related to Permissive Exemption only

Appendix C, Policy # 327

Appendix D, Tax Exemption Bylaw –Schedules Background