

Report to Council



Date: September 23, 2024
To: Council
From: City Manager
Subject: 2025 Permissive Tax Exemption Bylaw No. 12695
Department: Corporate Services

Recommendation:

THAT Council receives, for information, the Report from the Revenue Supervisor dated September 23, 2024 with respect to the 2025 Permissive Tax Exemption Bylaw;

AND THAT Bylaw No. 12695, being the Permissive Tax Exemption Bylaw be forwarded for reading consideration.

Purpose:

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

Background:

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.

Discussion:

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 2025 is the final year 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 2025 permissive exemptions is \$2.1 million, compared to \$1.9 million in 2024.

The following changes to Schedules A through H of the 2024 Tax Exemption Bylaw No. 12579 for 2025 property tax exemption are placed before Council for consideration:

Schedule A, Public Worship:

| FOLIO | LEGAL DESCRIPTION | ORGANIZATION | COMMENT | MUNICIPAL TAX IMPACT |
|-----------|----------------------|-----------------------------------|-----------------------------|----------------------|
| 10519.844 | Lot A, Plan KAP37351 | Apostolic Resource Centre Society | Removed - property was sold | (\$21,126) |

Schedule B, Private Schools: No Change

Schedule C, Hospitals: No Change

Schedule D, Special Needs Housing:

| FOLIO | LEGAL DESCRIPTION | ORGANIZATION | COMMENT | MUNICIPAL TAX IMPACT |
|--------|-----------------------------|--------------------------------|----------|----------------------|
| 046240 | Lot 20, Plan KAP9138, DL136 | Kelowna Gospel Mission Society | Addition | \$2,937 |
| 046250 | Lot 21, Plan KAP9138, DL136 | Kelowna Gospel Mission Society | Addition | \$2,930 |

Schedule E, Social Services:

| FOLIO | LEGAL DESCRIPTION | ORGANIZATION | COMMENT | MUNICIPAL TAX IMPACT |
|--------|------------------------------|--|-----------------------------|----------------------|
| 066250 | Lot 1, Plan KAP22678 | Kelowna (#26) Royal Canadian Legion | Removed - property was sold | (\$9,121) |
| 074405 | Lot 2, DL 139, Plan KAP32713 | Kelowna Gospel Mission Society/City of Kelowna | Addition | \$16,073 |
| 033210 | Lot 14, Plan KAP3929 | Ki-Low-Na Friendship Society/Provincial Housing Corp | Addition | \$0 |

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

| FOLIO | LEGAL DESCRIPTION | ORGANIZATION | COMMENT | MUNICIPAL TAX IMPACT |
|-----------|---------------------|------------------------|----------|----------------------|
| 11507.000 | Lot A, Plan KAP2284 | Central Okanagan Trust | Addition | \$44 |

Schedule G, Cultural Organizations: No Change

Schedule H, Other Non-Profit Societies:

| FOLIO | LEGAL DESCRIPTION | ORGANIZATION | COMMENT | MUNICIPAL TAX IMPACT |
|-----------|----------------------|---|--|----------------------|
| 06198.706 | Lot 1, Plan KAP91112 | Kelowna & District Safety Council/City of Kelowna | Removed - Council has ceased operations and vacated property | \$0 |

The attached Appendix B provides a summary of the assessed values and estimated municipal tax impact, related to permissive tax exemptions, per schedule and property class for 2025. Appendix C provides the same summary of information but outlines the assessed values and estimated municipal tax impact for the next three years (2025 – 2027).

Places of Worship, Private Schools, and Hospitals already receive a provincial general statutory exemption for the building and land on which the building stands, per section 220 of the Community Charter. A permissive tax exemption provides an exemption for the land surrounding the exempt building. See Appendix A, which provides the total assessed values and estimated municipal tax impact related to the permissive tax and general statutory exemptions.

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. 12695.

Internal Circulation:

- Active Living & Culture
- Cultural Services
- Partnership and Investments

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], 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, 2025 Tax Exemptions Summary – Municipal Tax Impact related to General Exemption and Permissive Exemption; Appendix B, 2025 Tax Exemptions Summary – Municipal Tax Impact related to Permissive Exemption only; and Appendix C – Municipal Tax impact related to Permissive Tax Exemption for the Years 2025-2027.

Considerations not applicable to this report:

External Agency/Public Comments:

Communications Comments:

Submitted by: P. Gramiak CPA, CA, Revenue Supervisor

Approved for inclusion: J. Sass CPA, CA, General Manager of Corporate Services

cc: BC Assessment

Attachments:

PTE 2025 Permissive Tax Exemptions Presentation

Appendix A, 2025 Tax Exemptions Summary –Municipal Tax Impact related to General Exemption and Permissive Exemption

Appendix B, 2025 Tax Exemptions Summary –Municipal Tax Impact related to Permissive Exemption only

Appendix C, Municipal Tax Impact related to Permissive Exemption for the Years 2025-2027

Appendix D, Tax Exemption Bylaw –Schedules Background