

ITEM 23
MANAGER'S REPORT NO. 35
COUNCIL MEETING 86/05/26

RE: EXEMPTIONS FROM TAXATION PROGRESS REPORT

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendation of the Director Finance be adopted.

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1986 May 22

TO: Municipal Manager

FROM: Director Finance

SUBJECT: EXEMPTIONS FROM TAXATION: PROGRESS REPORT

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RECOMMENDATION:

1. THAT this report be received for the information of Council.

SUMMARY:

The Director Finance has developed a set of guidelines to be applied by his department when reviewing applications for permissive exemption from taxation. The guidelines reflect the operating principles of the Municipality and ensure that services and organizations recommended for exemption operate without profit motives; offer services which are complementary to those offered by the Municipality; are equally accessible to the public; and are used primarily by Burnaby residents.

The guidelines will be applied to rented School Board properties which will be returned to the roll by the Assessment Authority and to new applications for the 1987 assessment roll. There are about 50 organizations presently renting school properties.

The impact these guidelines have on organizations renting school properties and on new applications will be outlined in the annual exemption report which will be presented to Council in 1986 July. At that time we will ask Council for formal adoption of the guidelines.

Existing church and recreation property exemptions are not affected at this time or for the 1987 assessment roll.

Should Council adopt the guidelines in July, they then will be applied to all properties receiving permissive exemption for the 1988 assessment roll. A report on the impact of the guidelines on existing church and recreation exempted properties would be prepared for Council's consideration early in 1987.

REPORT

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I INTRODUCTION

A Purpose

The purpose of this report is to clarify Municipal policy regarding the granting of permissive tax exemptions and to outline the criteria used to assess eligibility for such exemptions.

B Background

This work stems from our Exemptions from Taxation - 1986 report received by Council on 1985 July 02. At that time we proposed to study permissive exemptions and submit a report defining guidelines, for Council consideration early in 1986. This is a progress report on that work.

Tax exemptions are a means for the Municipality to broaden the range of services available to Burnaby residents. They encourage individuals and organizations (primarily churches), to provide services which the Municipality would support and consider offering given sufficient resources. In return for \$270,000 foregone 1985 tax dollars, 76 churches and 10 other organizations provided activities and services ranging from health care and youth services to family counselling and recreation. The \$270,000 represents the tax exemption which is given by permission of Council. It does not include those properties which are statutorily exempt.

A report is prepared annually recommending exemptions from taxation for Council's consideration. Council then adopts by-laws and resolutions granting exemptions to a variety of community organizations.

Requests for exemptions have become more diverse in recent years. In the past, requests came primarily from charitable, non-profit and public organizations such as churches and schools. More recently the Municipality has received requests from "quasi-commercial" enterprises such as "in-home" community care facilities, day care centers and organizations renting school board properties.

Council will recall that various charitable organizations renting School Board properties were shown on the 1985 Preliminary Assessment Roll. The properties were removed from the 1985 roll by the 1985 Court of Revision and were therefore also excluded from the 1986 roll. During 1985, the Municipal Act (Section 402) was amended to permit Council to exempt from taxation school buildings that a non-profit organization occupies as a tenant. According to the Assessment Authority the rented School Board properties will be added to the 1987 assessment roll. There are about 50 organizations renting school properties at this time.

These changes have made it more difficult to determine where exemptions should be recommended. It also makes it necessary to clarify municipal policy regarding permissive tax exemptions and to outline the criteria to be used to assess eligibility

for such exemptions. This needs to be in place in time to apply to the 1987 roll.

C Types of Exemption from Taxation

There are two types of exemptions from taxation outlined in the Municipal Act, statutory and permissive. Statutory exemptions are those granted by Section 398 of the Municipal Act. These are effectively beyond the jurisdiction of the Municipality. Buildings used as churches, schools, hospitals and other similar uses and the land on which these buildings stand (foot-print) are statutorily exempt by the B.C. Assessment Authority when the assessment roll is prepared.

There are, of course, other statutes which cause property to be statutorily exempt from taxation, e.g., B.C. Transit Act, University Act, College and Institute Act. These exemptions are also beyond the jurisdiction of the Municipality.

Permissive exemptions are those which Council is empowered to grant under Sections 398 and 400 of the Municipal Act through the adoption of by-laws and resolutions. Under Section 398, Council may exempt land and buildings used for parking lots, playgrounds and church halls determined to be necessary to the principle purpose of a building granted statutory exemption.

Under Section 400, Council may exempt properties used as provincially licenced care facilities, some charitable and philanthropic organizations, athletic clubs and associations operating recreational services available to the public.

It is permissive exemptions that are the primary focus of this report.

II COST OF EXEMPTIONS FROM TAXATION

This analysis deals with properties which received some permissive tax exemption from the Municipality in the 1986 Assessment roll. Properties which are 100 percent statutorily exempt such as Crown and Municipal lands, School Board properties used by the School Board, cemeteries or seniors housing are not included.

The 1985 tax value of exempted properties to the Municipality was approximately \$1 million, of which 73% (\$730,000) was statutorily exempt and 27% (\$270,000) was permissively exempted by Council. This total tax value was approximately 2% of the total Municipal tax levy of \$49 million and 1% of the total Municipal budget of \$98 million.

The \$270,000 of permissive tax exemption represents .55% of the 1985 Municipal tax levy and .28% of Burnaby's total 1985 budget, and adds approximately \$3.23 to the tax bill of the median single family residence in Burnaby.

The granting of permissive exemption by Council automatically removes that portion exempted from the assessment roll. The result is that the parcel is also exempted from taxation by other rate setting bodies such as the Greater Vancouver Regional District and Greater Vancouver Regional Hospital District. While taxes are not collected from exempt properties, there are sewer, water and local improvement taxes for which exemptions cannot be granted in accordance with the Municipal Act.

III MUNICIPAL APPROACH TO TAX EXEMPTIONS

The Municipal approach has been one of responding to applications. The provisions of the Municipal Act are applied to determine whether a use "qualifies" for exemption. The area to be exempted is determined by field inspection, together with input from the owner. If the use appears acceptable under the Act, then it is recommended that Council exercise its discretionary powers and grant an exemption.

This approach has worked quite well in Burnaby until recently. With the creation of more diverse/multi-purpose social services and organizations and the emergence of more facilities providing services to the entire region, it has become more difficult to interpret the provisions of the Municipal Act consistently and fairly. The Act does not provide the rationale or guidelines which are often required in order to properly interpret and apply it. This, in turn, raises the questions of what is the intent of permissive exemptions and when should Council approve them?

It is our understanding that the intent of permissive exemptions is one of providing Council with the ability to recognize and support organizations providing services which are consistent with the mandate, policies and plans of the Municipality. In this way services provided by individuals and organizations receiving permissive exemptions become extensions of the range of Municipal services and are considered important to the overall health and welfare of Burnaby residents.

IV GUIDELINES FOR PERMISSIVE EXEMPTIONS

If one accepts that permissive exemptions from taxation are granted to services and organizations which are extensions of or complementary to the Municipal system, then it follows that the rationale for approving such exemptions should reflect Municipal objectives.

In providing responsible government, the Municipality operates without profit motives; offers a broad range of services to residents; and ensures that services are accessible to the public. These Municipal operating principles should apply to services and organizations considered for permissive tax exemptions. The following general guidelines will form the basis for approving permissive exemptions.

A Consistent with Municipal Policies, Plans, By-laws, Codes, and Regulations

Before an exemption is considered, the use must be in conformance with all applicable Municipal legislation.

B Non-Profit

Organizations and individuals providing services must have no profit motive.

C Complementary Extensions to Municipal Services and Programs

Services and organizations should fulfill some basic needs or otherwise improve the quality of life for Burnaby residents such that the Municipality would consider providing the service if it had the resources.

D Accessible to the Public

Services and activities should be equally available to all Burnaby residents.

E. Used Primarily by Burnaby Residents

While services need not be maintained exclusively for the use of Burnaby residents, they should be majority users of the service.

We are developing detailed guidelines which outline the basis for determining when services and organizations are considered to be non-profit, complementary to Municipal services, accessible to the public and used primarily by Burnaby residents. The detailed guidelines will be complete in time to apply to applications for permissive exemptions for the 1987 tax roll.

V IMPLEMENTATION STRATEGY

In light of the fact that the Municipality must deal with the rented School Board properties which will be returned to the 1987 roll by the Assessment Authority, it is an opportune time to consider the application of the new guidelines. Unless otherwise directed by Council, the guidelines will be applied to rented School Board properties and new applications for the 1987 assessment roll.

The Municipal Act requires that Council adopt by-laws and resolutions exempting properties in 1987 by 1986 August 31. In order to meet this timetable, we will outline the impact the guidelines have on organizations renting school properties in our annual exemption report which will be presented to Council in 1986 July. At that time we will ask Council to adopt the guidelines.

We have already asked all organizations who rent school properties to complete an application in order to be considered for exemption from 1987 taxation. A copy of this report will now be forwarded to each of those organizations.

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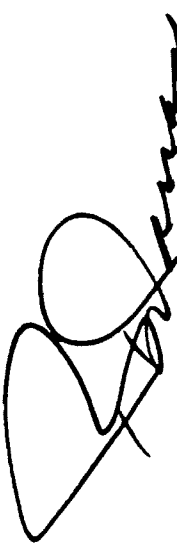
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In time it is intended that the guidelines be applied to all types of permissive exemption, including church and recreation properties. We recognize that such an action could have an impact on the amount of exemption granted some organizations, especially those which are clearly regional or broader in nature.

For this reason we will be proposing that a phased approach to implementation be adopted. This will involve applying the guidelines to rented school board properties and new applications for the 1987 tax roll and to all other types of permission exemptions (church and recreation properties) on the 1988 tax roll.

This approach to implementation will provide the immediate direction required to address any inconsistencies in exemptions for renters of school properties, and to address new applications. It will also give Council the opportunity to consider the impact of such guidelines before they are applied to existing exemptions for the 1988 roll. The phased approach will allow for consultation with all other organizations before the proposed guidelines are applied to them.

This report is for the information of Council.



HOWARD KARRAS
DIRECTOR FINANCE

RE/jce

cc: Director Recreation & Cultural Services
Director Planning and Building Inspection