



City of Richmond

Report to Committee

To: General Purposes Committee

Date: May 4, 2006

From: Signi Solmundson
Senior Manager, Corporate Programs

File:

Re: **Army Navy Air Force Unit 284 (Steveston) Request for Tax Exemption/Relief**

Staff Recommendation

That the City respond to the Army Navy Air Force Veterans Unit 284 (Steveston) request for tax exemption/relief by providing a secured loan to pay the municipal portion of their property taxes for up to 5 years while they face the financial strains of redevelopment.

S. Solmundson, MBA
Senior Manager, Corporate Programs
(4240)

Att. 2

FOR ORIGINATING DIVISION USE ONLY					
ROUTED TO:		CONCURRENCE		CONCURRENCE OF GENERAL MANAGER	
Law.....		Y <input checked="" type="checkbox"/> N <input type="checkbox"/>			
REVIEWED BY TAG		YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>		REVIEWED BY CAO	
				YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>	

Staff Report

Origin

In January 2006, the Army Navy Air Force Veterans Unit 284 (Steveston) made a formal request to the City of Richmond for an exemption of municipal taxes for the 2007 tax year and at least the next four years while they face the financial strains of redevelopment.

The senior management team directed a staff working group to meet with representatives of ANAF Unit 284 and review the merits of their request. This report outlines for Council the outcome of meetings and provides several options for Council’s consideration.

Analysis

Background on Royal Canadian Legion

According to the Royal Canadian Legion website, the Legion is a non-profit, dues-supported, fraternal organization with approximately 1,600 branches in Canada, 21 in the United States and 4 in Germany. There are currently 400,000 active members which averages approximately 250 members per location. The Legion receives no financial assistance from any outside agency and membership is open to all Canadian veterans as well as serving and former members of the Canadian Forces, RCMP, The Royal Newfoundland Constabulary, other police forces and their dependants, and Canadians who subscribe to the purposes and objects of the organization.

From the time of its formation in 1925-1926, the Legion has focused its efforts on the fight to secure adequate pensions and other well-earned benefits for veterans and their dependants. Acting as an advocacy agency on pensioners' behalf, the Legion deals directly with the Federal Government to ensure ex-military personnel and their dependants are treated fairly.

The Royal Canadian Legion has assumed a major responsibility for perpetuating the tradition of Remembrance in Canada. Each year the Legion organizes and runs the National Poppy-Remembrance Campaign to remind Canadians of the tremendous debt we owe to the men and women who gave their lives in the defence of Canada during two world wars the Korean War and other missions around the world. Contributions made during the campaign are used to assist needy veterans, ex-service members and their families.

Background on Army Navy Air Force Veterans Unit 284 (Steveston)

The organization’s objectives are to provide members with a social gathering place, sporting and social activities and various membership benefits while serving the local community. The Legion serves the community by supporting programs for youth, disabled individuals and seniors, particularly through direct community-level activities, and housing projects. The Legion's Youth program provides scholarships and bursaries, sports programs and support to activities such as cadets, scouts and guides. Attached to this memo is a letter that highlights some of the group’s specific donations to charities over the past few years, while the chart below illustrates the Steveston Unit No. 284’s donations to the community over the past several years:

Year	2005	2004	2003	2002	2001	2000	1999	1998
Donations	\$36,418	\$50,390	\$38,822	\$43,411	\$45,310	\$41,067	\$36,161	\$57,830

Current Situation – 11900 No 1 Road

ANAF Unit 284 Steveston has several financial problems:

- Their current clubhouse is 60 years old and requires significant investment.
- Their property taxes increased substantially in 2005 from \$40,000 to over \$74,000.
- 2006 taxes are approximately \$82,000.
- Since 1997 they have been operating at a deficit of approximately \$30,000/year.
- This year they are losing \$4,000/month.
- They are land rich and cash poor.

The financial constraints brought about by the passing of many of their older Veteran members and the significant investment needed to address the aging of their clubhouse building has prompted the ANAF to consider redevelopment options for their property in Steveston. The Army Navy Air Force Veterans Unit 284 (Steveston) has submitted a request for a property tax exemption for the municipal portion of the property taxes for 11900 No 1 Road for at least the next four years while they face the financial strains of redevelopment (Attachment 1).

They are currently in discussions with several companies to consider plans for a 'joint venture' to build seniors retirement housing on the ANAF Unit 284 site. The planned joint venture will allow for the construction of a new facility for the Legion, a new seniors independent living building for the joint venture partner, and equity shares of the new seniors independent living building to guarantee a future income stream for the Legion, without any outstanding debt at the completion of the project.

Joint Venture (JV) Development Plans

Under the JV approach, a potential developer would first build a new clubhouse facility for the ANAF on part of their existing land. Once this facility is completed, the ANAF Unit 284 would take possession of the new facility. The new facility, and, the portion of land on which it is constructed, will be owned outright by the ANAF Unit 284. This facility will be owned free of debt and strata titled, thus allowing ANAF Unit 284 to retain its non-profit status.

The old clubhouse facility would then be demolished and the JV would proceed with construction, on the remaining land, of a new 'for profit' seniors retirement residence complex comprising approximately 140 suites, including a 29 suite assisted-living floor. Under the JV approach, the developer and ANAF Unit 284 would both retain equity ownership in the new retirement residence and the developer would also receive a 99-year management contract.

The ANAF hopes to finalise a development agreement over the next few months that would allow for a construction start in September/October 2006. They would then plan for a construction to occupancy period of approximately 18-24 months, for both its new clubhouse and the seniors retirement residence. The ANAF anticipates a stabilization of its financial situation, by way of revenues from clubhouse operations and ANAF Unit 284 profit share from the retirement residences, within a 4-5 year period.

Steveston (Unit 284) Holdings Ltd. currently owns the property at 11900 No 1 Road. The property has a 2006 assessment value of approximately \$4.3 million and is about 6,750 SM in size. Land value accounts for over 98% of the assessment.

A large portion of the property houses a drinking establishment and therefore a majority of the assessment is taxed at a significantly higher business rate. In 2005, total taxes were \$74,324.62 (municipal portion is \$33,471.35) and this is expected to increase by a minimum of \$3,500 in 2006 to account for Translink parking taxes.

It is obvious that the Steveston branch occupies a very valuable piece of development property but may have difficulties in meeting its immediate tax obligations due to declining membership and limited revenue streams.

Their letter requests an exemption of municipal taxes for at least the next four years while they face the financial strains of redevelopment. Staff have prepared several options for Council consideration.

Option 1: Status Quo

In 2006, ANAF will be required to pay full property taxes of approximately \$82,000 for the Steveston property. Under the Local Government Act, a property owner may choose to defer tax payments for up to three years. During this period, interest and penalty charges will accumulate. As long as the delinquent year's taxes are cleared by September of each year, the property will not be sold at tax sale. For ANAF, this means that within the next five years, taxes for both 2006 and 2007 plus any interest and penalty charges applied to those years must be paid in full or the property will be sold at tax sale.

Annual penalty charges totalling 10% are applied under the Local Government Act and cannot be altered. Currently, interest charges of 8.5% per annum, set by the Province, are applied to outstanding balances in the tax account.

This option provides no City assistance to ANAF and no burden is shifted to other tax payers.

Option 2: Secured Loan

Council may elect to provide a secured loan to the ANAF for the funding required to pay the municipal portion of taxes for up to 5 years for property owned solely by the ANAF. The loan would be registered with the Land Title Office as a mortgage. This assistance will not apply to any portion owned by a future joint venture.

An agreement should be drafted to address the repayment of the loan at a future. The repayment amount should not result in a profit to the City. Until the date of repayment, ANAF will have the option of keeping its tax account current by paying off taxes levied by the other agencies in its entirety or just the remaining 2006 and 2007 taxes to ensure that the property is not sold at tax sale.

This option defers almost 50% of the ANAF's tax liability until an agreed upon date. Since all tax revenue will be repaid at a later date, this option will not shift the burden to other taxpayers.

With this option, the Community Charter requires Council to give public notice of its intention to provide a loan to the ANAF.

Option 3: Permissive Exemption

The ANAF is currently requesting assistance for the 2006 taxes. Permissive exemptions are granted by Council by October 31, the year prior to when the taxes take effect. Any applications received in 2006 for permissive exemption will be reviewed only for exemptions for 2007 taxes.

Currently, in order to offer permissive exemption to ANAF Unit 284, Council will need to approve a change to the Council Policy on permissive exemptions and allow exemptions to only the ANAF to the exclusion of all other non-profit organizations. This will offer the assistance that the ANAF is requesting, but will also set a precedent for all other non-profits to request exemptions on their properties.

If an exemption is permitted to all non-profit organizations, there is a potential loss of up to \$500,000 in tax revenue for the City. This translates to an approximate one-half of 1% tax increase to other tax payers in order to balance the budget.

Although other local municipalities offer permissive exemptions to all non-profits (e.g. Delta and North Vancouver), many have recently put a freeze on exemptions for any new groups.

Option 4: Grant from Council Contingency

Council could provide ANAF Unit 284 with a grant from the Council contingency fund or any surplus from this year's City of Richmond Community Grants fund. The amount would be at Council's discretion.

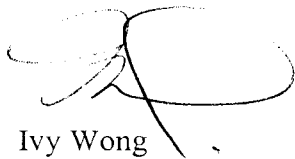
Financial Impact

The financial impact of each of the four options is outlined above.

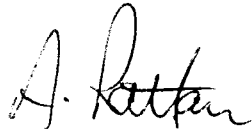
Conclusion

Staff recommend that the City assist ANAF Unit 284 (Steveston). The organization is a long-standing contributor to the Richmond community and is struggling to redefine its operations to remain relevant and viable in the future.

Staff recommend Option 2, which is to provide ANAF Unit 284 with a secured loan to cover the municipal portion of their property taxes for up to five years, which allows them to defer almost 50% of their annual tax bill until an agreed upon date. Since all tax revenue will be repaid at a later date, this option would not shift the burden to other taxpayers.



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Service to Veterans

1-800-387-8200
1-800-387-8200
1-800-387-8200

Army, Navy and Airforce Veterans in Canada

STEVESTON UNIT NO. 284

1-800-387-8200
1-800-387-8200

**City of Richmond
Members of Council
Malcolm D. Brodie, Mayor**

Copied & distributed to all.
Date: <u>Jan 4/06</u>
Initials: <u>mlp</u>

City of Richmond RECEIVED JAN 03 2006 MAYOR'S OFFICE

Dear Mayor Brodie,

pc. George Duncan

Property Tax Exemption Request Army Navy Air Force Veterans Unit 284 (Steveston)

Thank you for discussing this request with our representatives recently, and for your advice on how best to proceed.

With this letter, we are requesting tax exemption for the 2007 tax year and beyond, under the next annual revision of:

BYLAW NO. 7968
(Present effective date – October 11, 2005)
CITY OF RICHMOND
PROPERTY TAX EXEMPTION
PART THREE: CHARITABLE AND RECREATIONAL PROPERTIES TAX EXEMPTION

Or, at the earliest opportunity, as provided by Bylaw, or by Council policy.

The ANAF is the oldest Veterans Association in Canada, and was founded in Canada in 1840.

We were incorporated as a **non-profit association** by special act of Parliament. (Chapter 70, September 20, 1917 – with a revision in 1946 to add the Air Force).

In 1946 local Veterans organized and gained a charter for ANAF 284 in Steveston. Over the past 60 years, there has been an evolution of our organization to include those who have more recently served Canada, including Police and Fire, and veterans of United Nations Peacekeeping Forces. We have

also welcomed many of our Steveston neighbors into our club as Associate Members, providing a unique opportunity for both Veterans and the general public to gain understanding and comradeship in the social atmosphere of our canteen, and to jointly organize and carry out charitable and other community services.

The vast changes in society, in Canada, and in our membership over six decades, and in our Richmond neighborhoods such as Steveston, have not deflected our character and aims. That has always been, is and will always continue to be, a deep concern for the welfare of all Veterans, and the furtherance of the best interests of all Canadians.

We include in our code:

- Comradeship
- Re-habilitation of disabled veterans and their dependents
- Patriotism and National Security
- Youth development in our Community through sports, scholarships, and the teaching of high ideals and sportsmanship
- Provision of an independent quality of life for seniors, whether veterans or not.

With this in mind, Unit 284 has raised and contributed, just over the past two decades, over 1million dollars towards Richmond (and even wider) community Charities and Sports, and to Richmond Hospital, through our fund raising activities. Our non-profit status governs us to retain nothing of these funds for our facility maintenance or improvement.

However, societal changes, including the aging of our building and the passing of many of our older Veterans have lead us to plan for a redevelopment of our existing property in Steveston, and to return Unit 284 to it's more vital role in the community.

We have defined and developed a project that will meet our goals very closely, while not only allowing us to continue our contributions to the community, but will provide for a substantial increase in our abilities. We feel our project will also complement the goals of Richmond City, as well as fill an under-served market niche for seniors housing.

We will soon be applying to Richmond for zoning and permits to construct:

1. A new ANAF 284 canteen and premises adjacent No. 1 road, of approximately the same floor space as our existing building, which will continue to operate under our existing Charter.
2. A new for-profit Seniors Independent Living building on the balance of our property of which we will own a substantial share. We intend that profits from this operation available to ANAF284 will support community and charitable services as we have in the past.

3. We are coordinating our development with the Steveston Community Society, to be complementary in form and function. We believe we will extend the community services offered to seniors by both organizations.

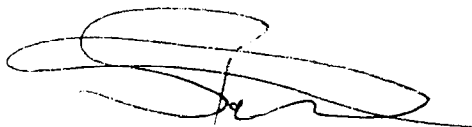
Because we are non-profit by statute, and have less opportunity than the private sector to accumulate resources, and accommodate recent large increases in land values and taxation, such increases put significant strain on finances at ANAF 284.

We are therefore requesting your earliest exemption, or relief, from municipal taxes for ANAF 284 (Steveston), for at least the next four years, while we face the financial strain of redevelopment.

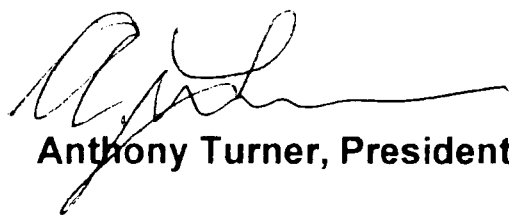
We have attached a more detailed history, some points we would like you to consider in deciding on this issue, and details of a recent similar decision by the City of North Vancouver to grant exemption to ANAF Unit45, pursuant to their bylaw 7728. (also attached).

Thank you for your attention to this matter.

Sincerely,



Stan Mollett, President, ANAF 284



Anthony Turner, President, ANAF Holdings

Background:

History

The Army Navy Air Force Veterans in Canada (ANAF) was incorporated by a special act of Parliament September 20, 1917, and amended August 31, 1946.

The ANAF holds the proud distinction of being the oldest veteran organization in this country. The Association's history is closely identified with Canadian tradition. We are 27 years older than Canada itself.

Documentary evidence shows that the organization was in existence in 1840, under the title of Army and Navy Veterans, and it is reasonable to believe that units of the association were active before that date. Membership in the earliest units was recruited from the ranks of veterans of the War of 1812-14 and migrating Veterans of the Navy, and Wellington's Army. So it is believable that some form of organization was in existence even as early as 1812. The first actual record of the Army and Navy Veterans in Canada indicates its existence in the City of Montreal in 1840 and that date is arbitrarily accepted as the time of founding.

From 1812 to 1871, the Imperial Government kept a Garrison in Canada for defense against the possibility of American invasion. Many of these soldiers left the service to become settlers, but retained affiliation with the Army and Navy Veterans. Similarly, many young Canadians took commissions in the Imperial Army, and served as a connecting link between the service of Canada and England.

Soldiers who served in various campaigns abroad, such as the India Mutiny in 1858, the Fenian raids of 1866 and 1870, the Red River Rebellion of 1869-1870 and the North West Rebellion of 1885 produced not only pride in the military achievements of Canadians, but a sense of comradeship born of dangers faced together. From this comradeship grew always increasing membership in the oldest of all Canadian Veteran's organizations.

During the South African War, Canada had in service nearly 9,000 men, probably half of whom served in South Africa, most of who comprised the bulk of the membership of the Army and Navy Veterans up to the time of World War 1.

When the country was confronted by the grave crisis of August 1914, members of the Army and Navy Veterans of Canada of that day were foremost in volunteering their services in aiding the authorities to recruit men for the First Contingent.

The activities of the Association in World War 2 are of more recent memory. Added to the numbers of those who served in the Army and Navy, from the outbreak of hostilities to the eventual collapse of Germany and Japan, was the very large contingent which fought in the RCAF. By Act of Parliament in 1946, the name of the Association was changed to Army, Navy and Air Force Veterans in Canada.

From the ranks of those who served in World War 2 came strength of purpose and achievement, and the greatest increase in numerical strength of the ANAF Organization.

Veterans of the Korean conflict, and those who have served in the Special Forces, and in United Nations Peace Keeping forces have added to the membership of the Association.

The ANAF enjoys membership in the National Council of Veterans Associations in Canada, which organization has the esteem and understanding of all government departments, and in particular, the Minister and officials of the Department of Veterans Affairs.

The ANAF is also a member of the World Veterans Federation, which consists of veterans from every continent of the world and 84 countries, with a total membership of more than 27,000,000. Among the principal aims of the Federation are the establishment of permanent relations between associations of veterans; aid to veterans through the exchange of information on legislation and rehabilitation; and promotion of international peace through support of the United Nations Charter.

The ANAF284 (Steveston) was formed by local Veterans in 1946, and in 1947 they took occupancy of the old Japanese hospital on our existing site. The club was a rough and ready place or rowdy young men in those days, many having just returned from combat. It was said that our club was so crowded that you had to fight your way in, and later you had to fight your way back out. Steveston was just as rough and ready, with tough fishermen coming in from many days or weeks at sea. The packing houses were at full throttle. Beer barrels rolled about freely and were transported about town in old jalopies. The doors opened and closed depending on which volunteer was ready to do it. It wasn't always as civilized and comforting as it now is, but it suited those times, and we will now need to adapt to suit present and future times.

Eventually of course, those returning young men managed to burn the old hospital down, but by then, things had settled down, a civilizing Women's Auxiliary had been formed, and with their leadership, meetings continued in homes, and with a Herculean effort, and issuing of debentures, enough money was raised to rebuild the facility, which then opened in 1959. Later, the north and south wings were added as our membership approached 2400.

In 2005, the "Year of the Veteran"

- Many of our Veterans of WW2 have passed on, or are in declining years.
- Our 60's style (blockhouse) canteen and social club is not as relevant to those military personnel who give service under fire with the United Nations Peacekeeping Forces, to young firefighters and police officers, nor even to our friends and neighbors. Their tastes may be different, but their needs, just out of service, for a social club are little different from ex-service personnel of any decade.
- To serve the needs of these "New Veterans", we must modernize. The condition of our building indicates that we must rebuild. In rebuilding, we have planned a more welcoming, open, modern, even exciting club design, more suitable to the likes of the new veterans.

- Modern Pubs and other private establishments are prevalent everywhere, yet they do not, and cannot, provide comradeship for ex-service personnel, nor safe and rewarding social interaction with the neighboring community.

The Solution; theConcept:

Initial market research has determined that subsidized and assisted seniors housing is already well served in and near Steveston, by not only ANAVETS Seniors Housing, adjacent to our north, to which we contributed, but also by Rigby Manor, adjacent on our south. In addition, there are many other projects such as Rosewood Manor and Lions Manor, either operating now or recently approved and under construction nearby. The Provincial Housing Authority(ILBC) has begun publishing in their call for bids for housing in Richmond, that projects near Steveston need not apply.

Our market research, and that of our Proposals has indicated that the "upper middle" seniors market is the niche that is underserved in Southwest Richmond, and perhaps more broadly than that. Gilmore Gardens has a continuing waiting list for admissions.

ANAF284 will form a joint venture with an operator of Seniors Independent Living buildings and a developer/constructor to build both a new facility for the ANAF284, as well as a Seniors Independent Living project on our existing property. It is proposed that offers will be made to consolidate the one remaining residential lot on this site into the development.

The operation of the new ANAF284 will be little different from what it is now, except it will take place in a modern and inviting building fronting on #1 Road. By careful design of a memorial garden and a broad mural recognizing the ANAF and Steveston heritages, it will provide a "new" front door to Steveston Village.

Almost all parking will move underground, leaving the site around the club and the new Seniors building to be made of plazas, fountains and gardens, and public art, replacing the asphalt pavement open parking lot we now have.

Our design has so far indicated that it will meet or exceed the LEEDS silver standard that the City of Richmond requires for it's own building sites.

Due to our fortunate location back from the street, it is practical to build a new Unit284 facility without ever closing the existing club, until the day we make our move to new premises.

Following that move, the old club can be torn down to make way for the new Independent Living Project.

Construction of the total Project will add value to our land nearing the "best and highest usage" of our land, while not contributing to parking demand in Steveston, which is already at a premium.

The added value will generate sufficient equity value to allow for our new facility to be built "free and clear" in title and with no debt, strata titled, so that our non-profit status will be unaffected. Our remaining equity share in the Independent Living project will allow us to continue with community charities, youth engagement through sports, and perhaps return to some support of subsidized seniors housing if sufficient funds are generated.

How does our Project “Fit” with Richmond City goals?

We reviewed the Mayor Brodie’s 2005 annual address, as a means of summarizing these points to consider:

1. We will provide recreational and cultural facilities in Steveston for a group of seniors presently underserved, through management of programs at the proposed congregate Independent Living Building, and by integration and growth of the existing Seniors Program at the Steveston Community Center. This will benefit all seniors in the area, not just those in the new building.
2. Our inspiring new initiative will generate new volunteers for community service from our membership, which we expect to grow, and the residents of the Independent Living building itself are likely to be retired professionals or trades and crafts people with significant talent they still wish to devote to community service.
3. We intend to invite and promote public art, throughout our project. We hope that some of may be by our tenants.
4. We will collaborate with and contribute to the Steveston Village Conservation Plan. Our club is in fact an artifact of that plan.
5. We will contribute to the quality of life in Richmond and Steveston village, not only through the quality that we will provide for our tenants, but the provision of a social club not focused on bar profits, over - serving is not allowed, and should a member or guest still find a way to over – drink, they will be escorted home by friends.
6. Our proposed security system for this area will be 24 hour surveillance by camera . . . improving security for our whole neighborhood.
7. Our increased income will allow us to support and sponsor greater involvement in youth activities and sports, as an alternative to troublesome behavior. Richmond will continue to be one of the best places in the world to raise children.
8. We will collaborate and co-ordinate with both the Steveston Community Society and the City’s major retrofit of the Steveston Community Park and Center, thereby enhancing the value of the City’s capital investment there.
9. Our Project includes a proposal to include a covered walkway/bikeway/scooter path linking our Seniors with the Community Center planned walkway along their west side. Our tenants and members will be able to walk, bicycle or drive their electric scooter from our projects through the Community center activity area, cross Moncton safely under the proposed new pedestrian signal, then continue down non-vehicular walkways all the way to the river front. From there, they will be able to turn left and go almost a mile to Britannia Shipyard, or turn right and go two miles to Garry point. Along the way, they will pass through some of the most interesting waterfront available in Vancouver. We think this is a very substantial increase in quality of life for seniors in this area indeed!
10. With the low usage of vehicles by our tenants, access to the water as in 9, and the immediate availability of Steveston Village for casual shopping and strolling, we are significantly reducing dependence on the automobile and associated pollution. Powersmart construction, replacing our asphalt parking lot with plazas, fountains and gardens; with our tenants using electric scooters, and transporting larger numbers by

bio-diesel bus, we expect to substantially meet, or exceed, the LEED silver standard in construction (Leadership in Energy and Environmental Design).

11. We propose, with permission from the City, to turn the extension of Chatham street into a tree lined lane (Chatham Lane), as the new main entry to the Steveston Community center. We will be increasing vegetative transpiration and oxygen production in the area. Our new entrance, shared with the Community center will be a greenway.
12. Our development will produce a much needed new "front door" to Steveston Village. By working with Tourism Richmond, we can make Steveston more of a destination that it is already, bringing more tourism dollars to Richmond and to Steveston merchants.
13. The ANAF284 has been there for 60 years, serving not only the needs of both Veterans and other ex-service personnel, but the surrounding community as well. We intend to be there the next 60 years as well, with the same mission, with some help from the City. We are a "living memorial" to veterans and those who serve their country in whatever capacity. We are no forgotten statue in a cold park plaza, but a vital organization integrating with the community. We will build a project that not only we will be proud of, but so will the City of Richmond.
14. The Citizens of Richmond have given high ratings for Council's prudent expenditure of their tax dollars for services, and this has resulted in strong support and input from the community. Nevertheless Richmond citizens demand financial accountability. Our project will re-create community services and charity in our community that would otherwise may be required of the taxpayer dollar. The Independent living building will be assessed at approximately \$24 million dollars, and will generate new tax revenue accordingly.

We propose that our request for tax exemption is not a cost to the City of Richmond, but an investment that will generate significant revenue to the City by 2010, and very positive social consequences, ongoing.