



To: General Purposes Committee **Date:** June 27, 2012
From: Andrew Nazareth **File:** 03-0925-02-01/2012-
 General Manager, Finance and Corporate Services Vol 01
Re: **Permissive Tax Exemption Policy and Administrative Procedure Amendments**

Staff Recommendation

That Property Tax Exemption Policy 3561 and Property Tax Exemptions – Guidelines Administrative Procedure 3561.01 be amended, as set out in Attachment 2 of the report dated June 27, 2012 from the General Manager, Finance and Corporate Services entitled “Permissive Tax Exemption Policy and Administrative Procedure Amendments”.

Andrew Nazareth
 General Manager, Finance and Corporate Services
 (604-276-4095)

REPORT CONCURRENCE			
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER	
Law	<input checked="" type="checkbox"/>		
REVIEWED BY SMT SUBCOMMITTEE	INITIALS: 	REVIEWED BY CAO	INITIALS:

Staff Report

Origin

In order to ensure properties granted permissive exemption continue to meet the requirements of sections 220 and 224 of the Community Charter and Council Policy 3561 and Administrative Procedure 3561.01 (see Attachment 1), staff conducted site visits to all properties listed in Bylaw 8793, presented to Finance Committee on October 3, 2011.

Analysis

For the 2012 tax year, over 100 properties have received full or partial permissive exemptions on the land and/or improvements. These exemptions equate to more than \$3.2 million in Municipal taxes. The properties owned or used by the City make up approximately \$2.6 million of the total exempted value. Approximately \$600,000 in permissive exemptions are provided to churches, schools, religious and charitable properties.

City staff recently performed site visits as part of a full review on all the properties that have received a permissive exemption for the 2012 taxation year. As expected, most properties are currently abiding by the conditions that qualify them to receive the exemption. Most of the representatives that assisted during the visits were very informative and cooperated fully in providing the required blue prints and details of usage. It was found that many of the religious organizations provide free meals, activities, programs and/or educational courses for the betterment of the community and the citizens regardless of creed or race.

During the review, staff discovered inconsistencies between the City's records and the records from the BC Assessment database. To ensure that the data used for the 2013 tax year is complete and accurate, administrative adjustments will be communicated to BC Assessment.

Staff have also identified manses that have been exempted under the permissive exemption bylaw. These manses do not meet the criteria identified in the City's Administrative Procedure 3561.01 under section 3 as "*only that space used for public worship*". As a result, they are deemed to be taxable and will be included in the list of items to be deleted from the 2013 Permissive Exemption Bylaw. The 2013 Permissive Exemption Bylaw will be brought forward to the Finance Committee later this year. Using the 2012 tax rates, these adjustments will reduce the total permissive exemption amount by approximately \$22,000.

The attached schedule identifies places of public worship that contain daycares, pre-schools and out-of-school services. These are taxable usages that do not meet the City's Administrative Procedure 3561.01 under section 2 "*for those halls not used for gain*" but may be providing needed services and benefits to the community. Several businesses are operated by the religious organizations and charge subsidized rates for their services. A number of organizations also rent their facilities (gymnasium, halls, etc.) to external parties on a regular basis as well as holding regular bingo games to raise funds. Most of these rentals are as a result of the religious groups' lack of understanding of the requirements for tax exemption. Many organizations also explain their need to rent/lease space or provide fund-raising activities due to the overall declining numbers of their congregation and the decrease in the amount of donations collected to support the operational cost of the facilities. Although there are some very well attended religious

organizations in the City, this declining trend applies to the majority. Estimated taxes exempted for these properties is approximately \$11,518 as per the attached schedule.

There are two options that the City may consider regarding portions of places of public worship that are used for gain:

Option 1: Amend the 2013 Permissive Exemption bylaw to make all leased properties within places of public worship taxable. This information must be communicated to the religious organizations as soon as possible so that they have time to prepare for the tax increase. Depending on the tax impact, it may affect the delivery of some of the services such as childcare or wellness.

Option 2: Amend Council Policy Administrative Procedure 3561.01 to explicitly exempt the following portions of a place of public worship:

- i. halls used by the religious organization or leased to a third party for sport and wellness activities or the operation of daycares, pre-schools or out-of-school services; and*
- ii. land or halls held by the religious organization and used for fund raising events which are managed by the organization.*

This will assist in providing much needed childcare services and recreational options to the community. The portion of the place of public worship leased for activities other than those listed above will not qualify for permissive exemption.

Staff recommend Option 2 to ensure that there continues to be options for affordable childcare and wellness services in the City.

Financial Impact

The estimated financial impact is \$11,518 in additional property tax revenue if Option 1 is chosen. There is no financial impact if Option 2 is chosen since the property is already exempt of taxes.

Conclusion

Staff recommend that Council approve Option 2 by amending Council Policy Administrative Procedure 3561.01 to permit permissive tax exemptions for portions of places of public worship used for childcare and wellness services. Further amendments are recommended for Council Policy 3561 to make it clear that permissive tax exemptions will only be provided to land and improvements owned or held by a charitable, philanthropic or other not-for-profit organizations if certain additional requirements are met. This has been the case since 2005.

June 27, 2012

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Following Council's decision, a letter will be sent to all religious organizations explaining the permissive exemption criteria and how changes in use will affect exemption status.

A handwritten signature in blue ink, appearing to read 'Ivy Wong', with a large loop at the end.

Ivy Wong
Manager, Revenue
(604-276-4046)

IW:

Schedule of Permissive Exemption Anomalies

Property Owner	Civic Address	Calculated Non-exempted Municipal Taxes (Total)	Notes
Anglican Church Hall	10111 Bird Rd	335.98	Pre-school operated by external party
Beth Tikvah	9711 Geal Rd	302.40	Daycare operated by external party
Bethany Baptist Church	22680 Westminster Hwy	1,494.08	Daycare and Out-of-school services operated by Church
Bethany Baptist Church	22680 Westminster Hwy	894.14	Gym rented out to external party
Brighthouse United Church	8151 Bennett Rd	200.25	Daycare operated by Church
Brighthouse United Church	8151 Bennett Rd	136.78	Pre-school operated by Church
Brighthouse United Church	8151 Bennett Rd	100.15	Daycare operated by external party
Christian Reformed Church of Richmond	9280 No. 2 Rd	204.71	Pre-school operated by external party
Conference of the World Mennonite Churches of BC	11571 Daniels Rd	626.76	Gym rented out to external party
Cornerstone Christian Academy	12011 Blundell Rd	129.79	Out-of-school service operated by external party
Emmanuel Christian	10351 No. 1 Rd	109.08	Drop-in centre for child care operated by Church
Fraserview Mennonite Brethren	11295 Mellis Dr	277.85	Gym rented out to external party
Gilmore Park United Church	8060 No. 1 Rd	2,059.25	Daycare operated by external party
Governing Council of The Salvation Army	8280 Gilbert Rd	41.24	Playground
India Cultural Centre of Canada	8600 No. 5 Rd	55.50	Playground
Lutheran Church Hall	6340 No. 4 Rd	736.68	Daycare operated by external party
North Richmond Alliance Church	9140 Granville Ave	102.57	Pre-school operated by external party
Richmond Alliance Church	11371 No. 3 Rd	366.55	Montessori operated by external party
Richmond Faith Fellowship	11960 Montego St	548.73	Montessori operated by external party
Richmond Pentecostal Church	9300 Westminster Hwy	790.83	Pre-school, daycare & out-of-school care operated by Church
Science of Spirituality Inc.	11011 Shell Rd	20.53	Playground
South Arm United Church	11051 No. 3 Rd	328.64	Pre-school operated by external party
St. Gregory Armenian Apostolic Church of BC	13780 Westminster Hwy	15.21	Playground
Steveston Buddhist Temple	4360 Garry St	42.01	Gym used for Bingo
The Convention of Baptist Churches of BC	8140 Saunders Rd	41.39	Playground
The Parish of St. Anne's - Steveston B.C.	4071 Francis Rd	951.48	Pre-school operated by external party
Trustees of Richmond Congregation of Presbyterian Church	7111 No. 2 Rd	144.62	Daycare operated by external party
Trustees of Steveston Congregation of United Church of Canada	3720 Broadway St	198.48	Montessori operated by external party
Trustees of West Richmond Gospel Hall	5651 Francis Rd	41.27	Playground
United Church Hall	8711 Cambie Rd	221.30	Daycare operated by external party
		11,518.23	



(Current)

Attachment 1

City of Richmond

Policy Manual

Page 1 of 1

Adopted by Council: Sept. 26/77

Amended: Sept. 27/04

POLICY 3561

File Ref: 0925-00

PROPERTY TAX EXEMPTIONS

POLICY 3561:

It is Council policy that:

Council grants permissive property tax exemptions for churches, private schools, hospitals and charities as stated in sections 220 and 224 of the *Community Charter*.

Commencing with the 2005 tax year, Charitable Property tax exemption will be allowed only for properties which meet the requirements of:

1. Sections 220(1)(i) or 224(2)(j) or 224(2)(k) **and** section 224(2)(a) of the *Community Charter*, or
2. Section 224(2)(a) **and** the interest in municipal buildings of a non-profit organization specified by the council that the non-profit organization uses or occupies as a licensee or tenant of the municipality.

The extent of these exemptions is to be stated in an administrative procedure issued by the Director of Finance.

(Treasury Department)



ADMINISTRATIVE PROCEDURE 3561.01:

Determination of Extent of Exemption

To receive a permissive exemption, an organization must first qualify for a statutory exemption.

- 1. Churches - In addition to the Statutory Exemption, churches shall receive one parking space (250 sq. ft.) for each five seats.
- 2. Church Halls - For those halls not used for gain:
 - a) land upon which the building stands;
 - b) one parking space (250 sq. ft.) for each 50 square feet of floor space.
- 3. Church Manse - Only that space used for public worship:
 - a) the exemption shall be calculated proportionately to the square footage of the area used and the land on which the building sits as it relates to the overall square footage of the manse;
 - b) a manse on a separate parcel of land "owned" by the church shall enjoy the same exemption as a).
- 4. Church General - Maximum area excluding land on which the exempt building stands shall not exceed two acres.
- 5. Private Schools - In addition to the Statutory Exemption, private schools shall receive 300 sq. ft. of playground area for each enrolled student.
- 6. Hospitals - Will receive a full exemption for all hospitals licenced under the Hospital Act or Community Care Facility Act.
- 7. Charitable and Recreation - Will receive full exemptions if they qualify under the appropriate section of the Municipal Act.

PLEASE NOTE THAT SECTION 7 OF THIS ADMINISTRATIVE PROCEDURE MUST BE AMENDED FOR THE 1996 TAX YEAR IN ORDER TO MEET THE REQUIREMENTS OF THE AMENDMENT MADE TO THE POLICY BY COUNCIL ON OCT. 11/94.



(Proposed)

Attachment 2

City of Richmond

Policy Manual

Page 1 of 1

Adopted by Council: Sept. 26/77

Amended: Sept. 27/04

POLICY 3561

File Ref: 0925-00

PROPERTY TAX EXEMPTIONS

Proposed Amendments: bolded, italicized and underlined.

POLICY 3561:

It is Council policy that:

Council grants permissive property tax exemptions for **places of public worship**, private schools and hospitals as stated in sections 220 and 224 of the *Community Charter*.

For land and improvements owned or held by a charitable, philanthropic or other not-for-profit corporation, permissive tax exemptions will be allowed only for properties which meet the requirements of:

1. Sections 220(1)(i) or 224(2)(j) or 224(2)(k) **and** section 224(2)(a) of the *Community Charter*, or
2. Section 224(2)(a) **and** the interest in municipal buildings of a non-profit organization specified by the council that the non-profit organization uses or occupies as a licensee or tenant of the municipality.

The extent of these exemptions is to be stated in **Administrative Procedure 3561.01**.

(Treasury Department)



Proposed Amendments: bolded, italicized and underlined.

ADMINISTRATIVE PROCEDURE 3561.01:

Determination of Extent of Exemption

To receive a permissive exemption, an organization must first qualify for a statutory exemption.

1. **Place of Public Worship** - In addition to the Statutory Exemption, places of public worship shall receive one parking space (250 sq. ft.) for each five seats.
2. **Place of Public Worship** Halls - For those:
 - a) halls not used for gain;
 - b) **halls used by the religious organization or leased to a third party for sport and wellness activities or the operation of daycares, pre-schools or out-of-school services;**
 - c) **land or halls held by the religious organization and used for fund raising events which are managed by the organization;**
 - d) land upon which the building stands;
 - e) one parking space (250 sq. ft.) for each 50 square feet of floor space.
3. **Place of Public Worship** Manse - Only that space used for public worship:
 - a) the exemption shall be calculated proportionately to the square footage of the area used and the land on which the building sits as it relates to the overall square footage of the manse;
 - b) a manse on a separate parcel of land "owned" by the **place of public worship** shall enjoy the same exemption as a).
4. **Place of Public Worship** General - Maximum area excluding land on which the exempt building stands shall not exceed two acres.
5. Private Schools - In addition to the Statutory Exemption, private schools shall receive 300 sq. ft. of playground area for each enrolled student.
6. Hospitals - Will receive a full exemption for all hospitals licenced under the Hospital Act or Community Care Facility Act.
7. Charitable and Recreation - Will receive full exemptions if they qualify under the appropriate section of the **Community Charter**.