

November 25, 2019

To: His Worship the Mayor
And Members of City Council

Re: Finance and Administration Committee: Community Non-Profit Tax Exemption Policy

RECOMMENDATION

**RECOMMENDATION OF THE FINANCE AND ADMINISTRATION COMMITTEE
- NOVEMBER 5, 2019**

1. That the property tax exemptions as listed in Appendix A be approved subject to the Government of Saskatchewan approving the exemption or partial exemption of the education portion of the property tax levies where required.
2. That the Executive Director, Financial Strategy & Sustainability or his delegate be authorized to apply for the approval of the Government of Saskatchewan on behalf of property owners for any exemption of the education portion of the property tax levies payable to the Government of Saskatchewan that is \$25,000 or greater on an annual basis.
3. That the City Solicitor be instructed to prepare the necessary bylaw to authorize the property tax exemptions for 2020 for those properties that are receiving one year tax exemptions as listed in Appendix A.
4. That pursuant to clause 244(2)(a) of *The Cities Act* the property taxes for the following properties for the following years be cancelled because there has been a change in ownership or use of the property, without which the property would have otherwise been exempt:
 - a) 2018 property taxes payable for the space occupied by The Royal Canadian Legion at 1820 Cornwall Street; Plan: 00RA12095, Block: 308; Lot: 42; as described on the Assessment Roll as Account No. 10032641.
 - b) 2019 property taxes for The Young Women's Christian Association to be located at 1915 Retallack Street; Plan: 101887623, Block: 339; Lot: A as described on the Assessment Roll as Account No. 10101336 and Plan: 101887623 Block: 339; Lot: B as described on the Assessment roll as Account No.10101337.
 - c) 2019 property taxes for The Islamic Association of Saskatchewan, Regina Inc. at 641 E Victoria Avenue; Plan: 70R13525 Blk: A; Plan: DV 270 Blk: 38; Lot: 21-34/ Blk: 38B Lot: 7-20/ Blk: Y; as described on the Assessment Roll as Account No. 10039677.
5. That Administration bring forward a report to the December 2, 2019 Finance and Administration Committee meeting that provides more particular reasons as to why the organizations outlined in Appendix B did not qualify for an exemption.

FINANCE AND ADMINISTRATION COMMITTEE – NOVEMBER 5, 2019

The following addressed the Committee:

- Susan and Rachael Owoeye, representing Redeemed Christian Church of God
- Chad MacPherson, representing Sask. Stock Growers Association
- Darcy McKay, representing STARS Air Ambulance
- Alexis Losie, representing YWCA Regina
- Brian Shankowsky, representing Regina Trades and Skills Centre

The Committee adopted a resolution to concur in the recommendation contained in the report after adding recommendation #5 as follows:

That Administration bring forward a report to the December 2, 2019 Finance and Administration Committee meeting that provides more particular reasons as to why the organizations outlined in Appendix B did not qualify for an exemption.

Recommendation #6 does not require City Council approval.

Councillors: Sharron Bryce (Chairperson), Bob Hawkins and Barbara Young were present during consideration of this report by the Finance and Administration Committee.

The Finance and Administration Committee, at its meeting held on November 5, 2019, considered the following report from the Administration:

RECOMMENDATION

1. That the property tax exemptions as listed in Appendix A be approved subject to the Government of Saskatchewan approving the exemption or partial exemption of the education portion of the property tax levies where required.
2. That the Executive Director, Financial Strategy & Sustainability or his delegate be authorized to apply for the approval of the Government of Saskatchewan on behalf of property owners for any exemption of the education portion of the property tax levies payable to the Government of Saskatchewan that is \$25,000 or greater on an annual basis.
3. That the City Solicitor be instructed to prepare the necessary bylaw to authorize the property tax exemptions for 2020 for those properties that are receiving one year tax exemptions as listed in Appendix A.
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 - a) 2018 property taxes payable for the space occupied by The Royal Canadian Legion at

1820 Cornwall Street; Plan: 00RA12095, Block: 308; Lot: 42; as described on the Assessment Roll as Account No. 10032641.

b) 2019 property taxes for The Young Women's Christian Association to be located at 1915 Retallack Street; Plan: 101887623, Block: 339; Lot: A as described on the Assessment Roll as Account No. 10101336 and Plan: 101887623 Block: 339; Lot: B as described on the Assessment roll as Account No.10101337.

c) 2019 property taxes for The Islamic Association of Saskatchewan, Regina Inc. at 641 E Victoria Avenue; Plan: 70R13525 Blk: A; Plan: DV 270 Blk: 38; Lot: 21-34/ Blk: 38B Lot: 7-20/ Blk: Y; as described on the Assessment Roll as Account No. 10039677

5. That this report be forwarded to the November 25, 2019 meeting of City Council for approval.

CONCLUSION

Thirty organizations have applied for 2020 property tax exemptions under the *Community Non-Profit Tax Exemption Policy* (CNPTEP). Administration is recommending twenty-three organizations (Appendix A) be approved for 2020 property tax exemptions and seven organizations be denied (Appendix B). The municipal portion of the recommended exemptions are approximately \$1,041,454.

In addition to exemptions for the 2020 tax year, three organizations have also requested tax cancellations under the policy. Administration is recommending one organization be approved for cancellation of prior year property tax levies and two organizations receive a pro-rated property tax cancellation. The municipal portion of the property tax levy cancellations is approximately \$40,000.

The education portion of tax levies is subject to *The Education Property Tax Act*, which specifies that any exemption or cancellation and refund of education tax levies payable to the Government of Saskatchewan (Government) that is \$25,000 or greater in any given year, must be approved by the Government. Administration will apply to the Government for any exemptions and cancellations approved by City Council that require Government approval.

BACKGROUND

The Cities Act (the Act) provides two types of exemptions: statutory and permissive. Statutory exemptions are provided by section 262 of the Act or through special legislation and are granted to properties such as schools, public hospitals, or are municipally, provincially and federally owned public buildings and land.

Tax incentives in the form of permissive exemptions and cancellations are authorized by subsections 244 and 262(3) and (4) of the Act. These are tools for City Council to support properties that further City Council's vision and benefit Regina residents.

Prior to the adoption of the *Community Non-Profit Tax Exemption Policy* (CNPTEP), Administration made recommendations to Council for property tax exemptions for non-profit organizations as individual requests were received based on individual circumstances and past practice. City Council requested Administration create a policy for the non-profit and charitable sector to guide the consistent review and evaluation of applications for permissive property tax exemptions from non-profit and charitable organizations.

During the development of the policy for non-profit tax exemptions, administration engaged an independent consultant to facilitate public and stakeholder consultation. The objectives of the consultation were to solicit feedback on a policy and to inform participants about the history of exemptions as well as City Council's direction regarding a policy. The consultation consisted of engagement sessions as well as an online survey. The results of the engagement suggested support for a policy that provides a fair, equitable, and transparent process and acknowledged that there is no easy solution to balancing the needs of all stakeholders, the public and City Council. Additionally, the Policy should support the services and organizations in financial need that further Council's priorities, as outlined in *Design Regina: The Official Community Plan Bylaw No. 2013-48 (OCP)*.

In consideration of the feedback received through public consultation, and in collaboration with Community Services, the CNPTEP was developed. City Council approved the CNPTEP in December 2018.

DISCUSSION

The Policy

The policy sets the parameters under which the City of Regina will consider applications for property tax exemptions. To be eligible, an organization must conform to the following principles and meet all the requirements of the policy:

Principle 1 - Compliance with Municipal Policies, Plans, Bylaws, Codes and Legislation.

- The intent of this principle is to ensure that organizations receiving municipal support reflect the goals, policies and general operating principles of the City.

Principle 2 - Applicants must be a non-profit or charitable organization.

- The intent of this principle is to ensure that municipal support should not be used for commercial or private gain and that organizations are publicly accountable entities.

Principle 3 - Alignment with the City's Plans and Programs.

- The Applicant's main services, programs and activities must align with the parks, recreation and open space, cultural, health and safety and social development priorities and objectives outlined in the OCP.
- The intent of this principle is to ensure that tax exemptions are used to support organizations that further Council's objectives of enhancing quality of life and delivering services economically as set out in the OCP.

3.1 Applicants must meet one or more of the following requirements:

- (a) Operates as a sport, culture, recreation, arts or heritage organization in a single facility that is delivering a service that is not provided by another organization in the city and:
 - (i) are able, often because they are purpose-built or retrofitted, to deliver a unique collection of programs that would not be possible in another space; or
 - (ii) are positioned strategically within the city to enhance the activation of key institutional, recreation and economic hubs, such as in Wascana Centre and in downtown Regina;
- (b) supports community gardens on public lands;
- (c) supports communities to create collaborative strategies to address hunger and food security through education and training for marginalized communities;
- (d) enhances public safety, security and emergency preparedness for the citizens of Regina;
- (e) would receive a statutory exemption as per Sections 262 (j) or (p) of *The Cities Act* if the organization owned the building or land; and
- (f) Is, at the time of application, under construction and once complete will qualify for a statutory exemption provided that:
 - (i) A building permit for the site has been issued; and
 - (ii) Construction and occupancy of the property and/or facility will be complete within two years of the date of application.

Principle 4 - Accessible to the public.

- The intent of this principle is to ensure that the organization does not prohibit the public from participation and their programs and activities should be equally available to all residents of Regina.

Principle 5 - Financial Need.

- The intent of this principle is to balance the cost to taxpayers with the financial benefit to the organization while considering the impact on the services provided.
- The applicant must demonstrate that the organization needs the City's support and that its operations or user fees would be significantly impacted without the tax exemption.

Application Process

2019 is the first-year organizations applied for a property tax exemption since CNPTEP was introduced. Administration worked collaboratively with Community Services creating an application and adjudication process similar to that of the Community Investment Grants Program (CIGP). The CIGP funds non-profit organizations to deliver programs and services to

Regina residents that align with city priorities, have a clear community impact, and respond to community needs.

There are some organizations within CIGP that are classified as Community Partners. These are established non-profit organizations that receive multi-year funding for core operations and programs/services that play a unique, strategic, and essential role in the City of Regina, and have the deepest and most meaningful impacts related to priorities in one of the CIGP’s three funding streams – Culture, Social Development and Sport & Recreation. Community Partners are funded by CIGP on a four-year cycle. The current cycle began in 2017 and will commence in 2020.

There are currently 8 Community Partners identified in CIGP that made application and qualify for property tax exemptions under CNPTEP. The application process for Community Partners was streamlined for CNPTEP by the sharing of information between City departments. In subsequent years, Community Partners may be considered for multiple year agreements under CNPTEP to align with the Community Partner Program.

Adjudication

Administration received thirty applications for property tax exemptions under CNPTEP. Administration worked with applicants to ensure complete information was available for the adjudication committee.

The adjudication committee was composed of Administration from the Assessment, Property Tax & Utility Billing Department and the Community Services Department. The committee reviewed all applications and reached recommendations on each based on the policy criteria.

Results

To be eligible for a tax exemption, an organization must conform to all principles and meet all requirements of the policy. Administration is recommending twenty-three applicants receive approval for exemptions and cancellations. A summary of the requests for approval are shown in Table 1. Detailed information on exemptions and cancellations as well as a summary of each organization recommended for approval is attached as Appendix A.

TABLE 1 – Summary of recommended exemptions:

	Total Estimated Levies	Total Estimated Municipal Levy
2020 Tax Exemptions	\$1,800,950	\$1,041,454
Cancellation of Prior Years Property Tax Levies	\$69,598	\$40,000

Administration is recommending seven organizations not be approved for 2020 property tax exemptions as they do not conform to all principles and meet all requirements of the CNPTEP. A summary of these requests and adjudication results is attached as Appendix B.

RECOMMENDATION IMPLICATIONS

Financial Implications

The financial impact of these recommendations for the property tax exemptions listed in Appendix A is approximately \$1,800,950 in estimated foregone tax revenue. The City's share of this estimated foregone revenue is approximately \$1,041,454 which is under the \$1.2 maximum as outlined in the CNPTEP and consistent with prior year's practices will be incorporated into the upcoming year's proposed budget.

The financial impact of the recommendations for the cancellation of prior year property tax levies are estimated to be \$69,598, the municipal portion being approximately \$40,000. Annually Administration sets aside funding to cover potential losses in taxation revenue from assessment appeals. Due to a significant reduction in assessment appeals in 2019, the full amount of the funding set aside will not be required. This variance will cover the cost of the recommended tax cancellation for the 2019 budget.

All estimated property tax levies are based on the 2019 assessment values and the approved 2019 mill rates. These amounts will change once all taxing authorities' budgets are finalized for 2020.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

The recommendations in this report are in accordance with the *Community Non-Profit Tax Exemption Policy* which became effective January 1, 2019.

Other Implications

Changes to provincial legislation are beyond the control of the City. *The Education Property Tax Act* and *The Education Property Tax Regulations* came into effect January 1, 2018 and govern the application and Administration of Education property tax exemptions and cancellations

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

All affected parties will be provided with a copy of this report prior to the Finance and Administration Committee and City Council meetings. Notification of City Council's decision will also be provided to all affected parties.

Copies of the report will be provided to the Regina Public Library Board, Regina Roman Catholic Separate School Division No. 81, and the Government of Saskatchewan.

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval.

Respectfully submitted,

FINANCE AND ADMINISTRATION COMMITTEE



Ashley Thompson, Secretary

11/20/2019