

July 8, 2013

To: His Worship the Mayor
and Members of City Council

Re: Request for Property Tax Exemption Royal Regina Golf Club

**RECOMMENDATION OF THE FINANCE AND ADMINISTRATION COMMITTEE
- JUNE 11, 2013**

That the Royal Regina Golf Club be granted a two year full tax exemption and that this exemption be added to the annual tax exemption bylaw for consideration by City Council on July 8, 2013.

FINANCE AND ADMINISTRATION COMMITTEE – JUNE 11, 2013

Mr. Archie Cameron, representing the Royal Regina Golf Club, addressed and answered questions of the Committee.

The Committee adopted a resolution that the Royal Regina Golf Club be granted a full two year tax exemption and that this exemption be added to the annual tax exemption bylaw for consideration by City Council on July 8, 2013.

Councillors: Wade Murray, Terry Hincks, Bob Hawkins and Shawn Fraser were present during consideration of this report by the Finance and Administration Committee.

The Finance and Administration Committee, at its meeting held on June 11, 2013, considered the following report from the administration:

RECOMMENDATION

1. That the request from the Royal Regina Golf Club for a five-year property tax exemption be DENIED.
2. That the request from the Royal Regina Golf Club to have the mill rate factor for the Golf Course subclass reduced from 65% to 30% of the mill rate factor for the commercial class be DENIED.

CONCLUSION

The Royal Regina Golf Club (RRGC) has requested a five-year exemption from property taxes. Alternatively, the RRGC has proposed that the mill rate factor be reduced to 30% of the commercial mill rate factor.

2013 is a reassessment year and the property taxes for the RRGC property have increased as a result of the reassessment. The RRGC has a large land component to their property and this contributed to the change in assessed value that the property experienced in the 2013 reassessment.

City Council considered a request from the RRGC for a property tax exemption in 2004 and the request was denied. It is recommended that the 2013 request for a property tax exemption be denied.

City Council has approved the mill rate factors for 2013 in passing the 2013 Property Tax Bylaw. Council approved setting a subclass for golf courses with the mill rate at 65% of the commercial class mill rate factor. It is recommended that the request for a change in the mill rate factor for the Golf Course subclass to 30% of the commercial mill rate factor be denied.

BACKGROUND

A letter was received from the RRGC requesting either a five-year property tax exemption or a reduction of the mill rate factor to 30% of the commercial mill rate factor.

City Council's authority is established in *The Cities Act* with respect to tax options proposed by the RRGC. The applicable sections are:

- Subsection 254(1) states that council may establish classes and subclasses of property for establishing tax rates.
- Subsection 255(1) states that a council may pass property tax bylaws setting mill rate factors
- Subsections 262(3) and (4) provide the authority for a tax exemption for the current year or a tax exemption up to five years.

DISCUSSION

The Royal Regina Golf Club is a semi-private, shareholder-based membership golf club with four major membership categories: unrestricted, restricted, special restricted and corporate. Other categories include intermediate, social, junior, student, and temporary memberships. All shareholders are required to pay an initiation fee of \$2,500.00 (plus GST) paid in instalments over five years and a course improvement fee annually, which is set by the Board of Governors from time to time. All shareholders, as well as social and temporary members, are required to spend a minimum dollar amount in the clubhouse set by the Board of Governors annually. Tee time booking privileges correspond to the membership category.

City Council considered a request for a property tax exemption from the RRGC in 2004 and the request was denied. City Council did provide a separate subclass and mill rate factor for golf courses in 2005 and has continued this practice in each of the subsequent reassessments in 2009 and 2013. The golf course mill rate factor for 2013 is 65% of the mill rate factor for commercial properties.

City Council does not have a policy to provide a tax exemption to non-profit charitable or recreational entities. City Council has moved to a policy of providing Community Investment

Grants for support provided to organizations that provide sport, recreation, arts and cultural services, as well as organizations with a mandate to address social development issues.

The letter from the RRCG advises that they have surveyed golf courses in Moose Jaw, Yorkton, Prince Albert and Swift Current and all are exempt from taxation. There are municipal-owned golf courses in each of these cities that would be exempt from property taxes by provincial legislation. There are also examples of privately owned golf courses that pay property taxes including Emerald Park, Wascana Country Club, Deer Valley, Willows Country Club, Saskatoon Golf and Country Club and many others across the province. The fact that municipal property is exempt from property tax does not provide a reasonable basis on which to provide an exemption to privately owned golf courses or any other property.

As background information, the following formulae are used to determine the taxes applicable to a specific property:

$$\text{Taxable Assessment} = \text{Assessed Value} \times \text{the Provincial Percentage}$$

$$\text{Taxable Assessment} \times \text{Mill Rate} \times \text{Mill Rate Factor} = \text{Property Taxes}$$

The assessed values are calculated by the Assessor in accordance with provincial legislation. The 2013 reassessment updated values from a base date of June 30, 2006 to a base date of January 1, 2010. Over that time frame, there was significant change in the value of properties with land in particular increasing in value at a faster rate than improved properties. Much of the land for the RRCG property is within the flood fringe. This factor was taken into consideration in the assessment valuation of the land for the property. Due to the large land component of the property, the assessment increased more than the average change for the non-residential group of properties. The 2013 assessed value is 6,570,800 compared to the 2012 assessed value of 2,722,200. The property includes 118 acres of land, a clubhouse of 8,819 square feet, and another 9,985 square feet of maintenance and miscellaneous structures.

The Province determines Provincial Percentages and for the 2013 reassessment the provincial percentages are:

- 70% for all residential property
- 55% for agricultural property
- 100% for commercial and industrial properties
- 100% for railway and pipeline properties

The 100% provincial rate for the Commercial and Industrial class properties applies to golf courses.

For 2013, City Council in Report CR13-16 approved the mill rate factors for 2013 that included setting the commercial / industrial mill rate factor at 1.32901 and setting the mill rate factor for golf courses at .86359, which results in a tax rate for the golf courses that is 65% of the tax rate for commercial / industrial properties.

The following provides a history of the property taxes for the Royal Regina Golf club:

Year Taxes	Municipal	Library	Education	Phase In/ Ed. Credit	Net Total
2005*	45,267.02	4,753.64	46,105.15	(4,491.78)	91,634.03
2006	45,537.23	4,490.86	47,734.74	(2,500)	95,742.83
2007	47,317.68	5,214.52	48,928.07	(2,500)	98,960.27
2008	48,537.23	5,418.29	50,787.51	(2,500)	102,367.31
2009*	31,488.74	3,506.11	38,272.31	-	73,267.16
2010	32,272.31	3,607.78	38,272.31	-	74,628.42
2011	35,200.23	3,854.16	37,487.91	-	76,542.30
2012	36,573.00	3,927.27	37,487.91	-	77,988.18
2013*	47,894.86	5,075.95	54,406.22	(17,165.93)	90,212.11

* Reassessment year

For 2005, the golf courses had the mill rate factor set at 75% of the commercial industrial mill rate factor. In 2009, the mill rate factor remained at 75% of the commercial industrial mill rate factor. In 2009, golf courses were excluded from the commercial class phase-in as this would have negated the impact of the reduced mill rate factor. In 2009, the Province changed the way school tax was applied and moved to a province-wide mill rate with no mill rate factor. Since 2009, the mill rate factor does not impact the amount of education property tax and only varies the library and municipal portion. For 2013, the mill rate factor for the Golf Course Subclass was set at 65% of the commercial industrial mill rate factor. Commercial phase-in will be applied to golf course properties for 2013.

If the golf courses were taxed for 2013 at the commercial / industrial mill rate factor, the total taxes for the RRGC property would have been \$139,136.94. Implementing the golf course subclass and mill rate factor has reduced the Municipal and Library taxes for the RRGC from \$83,925.84 to \$52,971.81. The Education property taxes are not changed by mill rate factors and remain at \$54,406.22 for total taxes of \$107,378.03. The commercial phase-in applies with the 2013 phase-in adjustment being (-17,165.93) and the net 2013 taxes being \$90,212.11.

The alternative request was for Council to consider changing the mill rate factor so that the mill rate factor for golf courses is 30% of the mill rate for commercial properties. Mill rate factors do not change the total taxes collected, as they are intended to deal with the distribution of taxes between property groups and only apply to the library and municipal portions of the property tax. The mill rate factors are interrelated in that they are set to attain the amount of tax revenue set out in the budget. If one mill rate factor is changed, others must be adjusted to offset the change to ensure the budgeted amount is achieved. If City Council is inclined to change the policy for the mill rate factor, the time to do this is at the annual setting of the tax policy, particularly in a reassessment year. For 2013, the mill rate bylaw has been approved, which sets out the mill rate factors as well as the mill rates required to achieve the municipal tax levy as budgeted. If the mill rate factor was set at 30% of the commercial mill rate as suggested, it would produce Library taxes of \$2,343.93, Municipal taxes of \$22,111.97 and Education taxes would remain at \$54,406.22 for a total of \$78,862.13 before the phase-in adjustment. As the property would be seeing a reduction for 2013 if phase-in was applied, it would increase the taxes to \$89,979.25.

The difference in taxes between that paid by the RRGC and City-owned courses located outside the city in the rural municipality is due to three facts:

- Part of the City-owned courses are exempt from property tax by provincial legislation
- The value of land located in the city and the value of land located in the RM is different. This is amplified by the fact there is a single province-wide mill rate that is applied to the value of the land
- The difference in the tax rates between the RM and the City is a result of a difference in the level of services provided

All property owners in cities face the same issue of the disparity in the tax rates between those in the city and those in the RM. The same type of difference exists for automotive dealers, farm implement dealers, or other businesses. A question to ask is if the City would consider reducing municipal taxes on this basis for golf courses, why would it not do the same for other property owners?

The letter from the RRGC compares taxes on a per round basis. Properties owned by municipalities do not pay property taxes because all property used for municipal purposes are exempt by legislation. For the Tor Hill and Murray golf courses, 2012 taxes were paid on the clubhouses and driving range as these were operated by Western Golf Management on behalf of the City. The majority of the City-owned golf course properties were exempt from taxation. Given that only part of the property is subject to property taxation and that the taxes are based on RM tax rates for the municipal share, this is not a reasonable basis to calculate a property tax reduction for RRGC property located within the city. Given that the province does not use the mill rate factor to calculate the education portion of the property tax, the mill rate factor cannot offset the difference in higher land values within the city from lower land values in the RM when applying the education tax. If the mill rate factor was reduced as suggested to .35672 or 30% of the commercial mill rate factor, it would reduce the Library tax to \$2,413.10, the Municipal tax to \$22,764.66, and the Education tax would remain at \$56,011.72 for a total tax of \$81,189.48.

RECOMMENDATION IMPLICATIONS

Financial Implications

If the recommendations in this report are approved, there would be no financial implication for the City.

If a five-year exemption as requested was provided, there would be a loss of tax revenue for 2013 with the Municipal share being \$42,85.71.49, the Library share being \$4,285.71, and the Education share of \$54,406.22 for 2013 and a similar amount, adjusted for phase-in, for each of the next four years.

If the mill rate factor for the Golf Course subclass was changed to 30% of the commercial rate as requested, it would apply to two properties and result in a loss of Municipal revenue would be \$28,742.924 and Library revenue of \$3,046.92.

Environmental Implications

None with regards to this report.

Policy and / or Strategic Implications

Tax policy changes such as mill rate factors occurs each reassessment and there is opportunity to change tax policy each year in setting the property tax bylaw. Once tax policy is set in the bylaw and tax bills are issued, it is not practical to consider adjusting the policy in a way that impacts large groups of properties; therefore, a change in the revenue anticipated for the year would occur with changes in tax policy that occur after the property tax bylaw is set in a year.

Other Implications

None with regards to this report.

Accessibility Implications

None with regards to this report.

COMMUNICATIONS

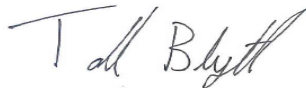
A copy of this report was provided to The Royal Regina Golf Club, and The Library and School Boards.

DELEGATED AUTHORITY

This report must be considered by City Council.

Respectfully submitted,

FINANCE AND ADMINISTRATION COMMITTEE



Todd Blyth, Secretary