

Corporate Report

NO: R134

COUNCIL DATE: May 30, 2005



REGULAR

TO: Mayor & Council DATE: May 17, 2005
 FROM: General Manager, Finance, FILE: 1970-00
 Technology & HR
 SUBJECT: Tax Exemptions for Community Care Facilities

RECOMMENDATION

That Council approve:

- 1) Option #3 as outlined in this Corporate Report, which provides a partial tax exemption to 'private' community care facilities that provide some publicly funded care and are licenced under the *Community Care and Assisted Living Act*, and
- 2) The amendment to the City's Tax Exemption Policy (Q27) to reflect the changes as outlined in Option #3 of this report.

INTENT

To provide options that will reduce the potential inequity related to property tax exemptions granted to 'private' and 'non-profit' community care facilities.

BACKGROUND

Prior to October 29th, 2002 the *Local Government Act* permitted municipalities to grant property tax exemptions to organizations that qualified under Section 339 and 341. Each year, applications were received and reviewed to ensure compliance with the requirements of the Act. As long as the application complied then staff would recommend a tax exemption. A bylaw was then prepared for Council's adoption prior to October 31st, which allowed for the exemption to become effective in the next taxation year.

The *Local government Act* (now the *Community Charter*) limited property tax exemptions to organizations that were non-profit and those licensed under the *Community Care Facility Act*. Therefore, Council granted a tax exemption to all community care facilities that submitted an application.

At the October 21, 2002 Regular Council Meeting, Council directed staff to provide a policy report on properties that would qualify for permissive tax exemptions. On September 29, 2003 Council adopted the Tax Exemption Policy (Q-27) included as **Appendix A**.

This Policy requires that all organizations, including those institutions registered under the *Community Care Facility Act*, (now called the *Community Care and Assisted Living Act*) to be 'non-profit' in order to qualify for a property tax exemption.

Prior to the adoption of this Policy, staff surveyed the policies and practices of other Lower Mainland local governments. No other local government that was surveyed provided tax exemptions to 'private' care facilities. Some do not provide tax

exemptions to care facilities of any kind.

DISCUSSION

2004 was the first taxation year that the new Tax Exemption Policy (Q 27) was applied. Since that time, there have been concerns raised that the new Policy does not create a 'level playing field' for all organizations operating under the *Community Care and Assisted Living Act* because the distinction between 'non-profit' and 'private' is unclear.

The Fraser Health Authority contracts with community care and assisted living facilities for the provision of such services and does not distinguish between 'private' and 'non-profit' facilities. Many of the 'private' care facilities are providing some level of publicly funded care and the Fraser Health Authority provides the same level of funding to each type of facility.

The following three options to amend the current Tax Exemption Policy (Q-27) have been evaluated in relation to creating more equity between 'private' and 'non-profit' community care facilities:

Option #1: Remove the Tax Exemption for 'Non-Profit' Care Facilities

This option would require that both 'private' and 'non-profit' community care facilities pay full property taxes.

Advantages

- a) All community care facilities would be treated equally since each would be required to pay their full share of property taxes;
- b) The City would receive additional property tax revenue that could be made available for other opportunities such as City Grants, and
- c) Community Care Facilities could apply for some tax relief through the City Grant process as long as they met the qualifications.

Disadvantages:

- a) Each community care facility would be required to pay full property taxes, including those collected and remitted to other authorities. This may cause hardship for those facilities currently relying on a property tax exemption;
- b) The City Grant Policy would need to be amended to include additional criteria pertaining to community care facilities, and
- c) The amount available under the Grant Policy would only include the City portion of the taxes collected; therefore this would not provide full tax relief for levies from other authorities.

Option #2: Exempt all Community Care Facilities

This option is the same as the practice that was in effect prior to the adoption of the Tax Exemption Policy (Q 27).

Advantages

- a) All community care facilities would be treated equally since no facility would be paying property taxes, and
- b) This approach is relatively easy to administer.

Disadvantages:

- a) No other City in the Lower Mainland provides such a liberal exemption, and
- b) Property Tax revenue would be reduced by approximately \$300K per year.

Option #3 (Recommended Option): Provide a Partial Tax Exemption to Some 'Private' Community Care Facilities

A partial tax exemption could be granted to 'private' care facilities based on the number of publicly funded beds, as confirmed by the Fraser Health Authority. As part of an application for an exemption, each 'private' facility would be required to include the following information:

- Confirmation that they are licensed under the *Community Care and Assisted Living Act*,
- Total number of beds;
- Number of publicly funded beds, and
- Statement of revenue, identifying all revenue sources.

A permissive property tax exemption would be calculated based on the number of publicly funded beds. For example if a facility had a total of 80 beds, of which 20 were publicly funded, 25% of the assessed value for land and improvements could be exempted from property tax. This would permit a property tax exemption for the portion that is providing public care.

Advantages

- a) Private community care facilities would be provided with a tax exemption for the portion of their facility that provides public care;
- b) The portion of the facility that provides public care can be verified by an independent 3rd party (Fraser Health Authority), and
- c) The tax exemption would cover both City taxes and taxes collected for other authorities.

Disadvantages:

- a) Surrey would be the only City in the Lower Mainland to provide an exemption to 'for-profit' care facilities, and
- b) Property Tax revenue would be reduced by approximately \$100K per year.

Should Council choose **Option #3**, then the following amendments to the City's Tax Exemption Policy (Q 27) are necessary:

- a. Amend Item 6 under the General Section to read, "*Exemptions will only be considered for non-profit, charitable organizations or community care and assisted living facilities providing publicly funded care.*"
- b. Amend the Private Hospitals/Institutions Licensed Under the *Community Care and Assisted Living Act* Section to read "*Council may exempt:*
 - a. *All of the land or improvements owned or held by a person or organization and operated as a private hospital licensed under the "Hospital Act";*
 - b. *All of the land or improvements owned or held by a person or organization and operated as a non-profit institution licensed under the "Community Care and Assisted Living Act", and*
 - c. *That portion of the land or improvements owned or held by a person or organization and operated as a private organization licensed under the "Community Care and Assisted Living Act" that is providing publicly funded care."*

If the above Policy is amended by Council, then eligible facilities would be required to apply for a property tax exemption that would be reviewed by staff and presented to Council in October of each year. Any resulting exemptions would be reflected in the following year's Assessment Roll. The budget impact on the property tax revenue would be addressed in the 2006 Five-Year Financial Plan.

This Policy amendment also supports the objectives of City's Social Plan, which will be presented to Council in the near future.

CONCLUSION

On September 29, 2003 Council adopted the Tax Exemption Policy (Q-27). This Policy outlines the criteria which requires that all organizations, including those institutions registered under the *Community Care and Assisted Living Act* to be non-profit in order to qualify for a property tax exemption.

Staff has evaluated three options that could provide a more consistent approach to permissive property tax exemptions for community care facilities. Should Council choose **Option #3** as recommended by staff, then amendments to the City's Tax Exemption Policy (Q 27) as outlined above are required. Eligible facilities would then be required to apply for a property tax exemption that would be considered by Council in October of each year. Any resulting exemptions would become effective for the following year's property taxes.

Vivienne Wilke, CGA
General Manager, Finance,
Technology & HR

APPENDIX A**CITY POLICY**

No. Q-27

REFERENCE:

REGULAR COUNCIL MINUTES
SEPTEMBER 29, 2003

APPROVED BY:

CITY COUNCIL

DATE:
SEPTEMBER 27,
2004

(RES.R04-2574)

HISTORY:

SEPTEMBER 29, 2003

(RES.R03-2358)

TITLE: TAX EXEMPTION POLICY

PURPOSE

This policy is intended to provide guidance in the processing of applications for exemption from property taxes pursuant to Sections 224, 225 and 226 of the *Community Charter*.

Exemptions provided for in Sections 224(1) (g) and (h), and Section 225 of the *Community Charter* is at the discretion of Council. This policy is intended to establish principles, which can serve as a guide in evaluation of applications for

exemptions.

POLICY

General

1. Additional exemption under Sections 224(1) (g) and (h), and Section 225 of the Community Charter are at the discretion of Council exercised in accordance with those sections. There is no obligation to give exemption. Exemptions cannot be granted if the owner does not qualify under the *Community Charter*.
2. To be considered for exemption, all applications must be consistent with municipal policies, plans, by-laws and regulations.
3. The exemptions can only be considered after the building is constructed, given final occupancy approval by the City and occupied save and except for buildings to which Section 224(1) (g) and (h) of the *Community Charter* applies.
4. Section 225 requires that the exemption be granted by by-law, adopted by a 2/3 majority of Council, prior to October 31 of the year preceding the year of exemption.
5. All exemptions are to be reviewed by staff each year to ensure that, based on the most current available information; they continue to be qualified for the exemption.
6. Exemptions will only be considered for non-profit or charitable organizations.

Buildings for Public Worship

1. Exempted by the *Community Charter* (Section 224(1)(g))

A building set apart for public worship, and the land on which the building stands.

2. May be Exempted by Council

- a) Any church hall considered by the Council to be necessary to the exempted building, and the land on which the church hall stands.
- b) Any area of land surrounding the exempted building, an exempted hall, or both.
- c) Applications for exemption under this section will be recommended to Council for inclusion in the by-law to exempt areas used by the religious facility for parking, and other portions of the property used for public worship.
- d) Any area of land necessary for the church to function, and required by the city to be dedicated for easements/rights-of-way/detention ponds to accommodate city services such as sewer, water, storm sewer may be exempted from taxation.

3. Not to be Considered for Exemption by Council

- a) Any areas NOT used for public worship, including accommodation, care homes, retirement homes, hospitals, commercial activities
- b) Any lands owned by the place of public worship that are surplus to the facility's needs.

Hospitals

1. Exempted by the *Community Charter* (Section 224(1)(h))

A building set apart and used solely as a hospital under the *Hospital Act*, except a private hospital under that Act.

2. May be Exempted by Council

Any area of land surrounding the building, not including land exempted under the *Hospital Act* or *Hospital District Act*.

Schools

1. Exempted by the *Community Charter* (Section 224(1)(h))

A building owned by an incorporated institution of learning that is regularly giving children instruction accepted as equivalent to that given in a public school, in actual occupation by the institution and wholly in use for the purpose of giving the instruction.

2. May be Exempted by Council

- a) Any area of land surrounding the exempted building that Council may, by by-law, exempt as being reasonably necessary in connection with that building.
- b) Any area of land necessary for the school to function, and required by the city to be dedicated for easements/rights-of-way/detention ponds to accommodate city services such as sewer, water, storm sewer may be exempted from taxation.

Parks, Recreation & Athletic (Section 224(1)(i))

Council may exempt the land or improvements for certain parks, recreation and athletic purposes, provided the application meets the criteria set out in Section 224(1) (i) of the *Community Charter*.

To qualify for exemption under this section, the applicant must demonstrate that their facility is open to and used by Surrey residents.

Non Profit, Charitable or Philanthropic (Section 224(2)(a))

Council may exempt land or improvements not being operated for profit or gain and owned or held by a charitable, philanthropic organization or other not for profit corporation supported in whole or in part by public funds and used exclusively for charitable or philanthropic purposes.

To qualify for an exemption under this section, the applicant must demonstrate that the services of their organization are available and open to Surrey residents.

Private Hospitals/Institutions Licensed Under the *Community Care Facility Act* (Section 241(1)(j))

Council may exempt the land or improvements owned or held by a person or organization and operated as a private hospital licensed under the *Hospital Act* or a non-profit institution licensed under the *Community Care Facility Act*.

Lands Used or Occupied by A Church as tenant or Licensee

Council may exempt the land or improvements used or occupied by a church as tenant or licensee for the purpose of public worship or for the purposes of a church hall, which Council considers necessary to the church.

The provisions in Section 2, Buildings for Public Worship apply to applications under this section.