

DATE OF MEETING AUGUST 29, 2022

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**SUBJECT CONSIDERATION OF NEW PERMISSIVE TAX EXEMPTIONS**

## **OVERVIEW**

### **Purpose of Report**

To review Permissive Tax Exemption applications received from: ]

- Habitat for Humanity Mid-Vancouver Island Society
- Nexus Patient and Community Care Society
- Canadian Mental Health Association Mid Island Branch
- Nanaimo Christian School (1988) Society

### **Recommendation**

That Council:

1. Award a Permissive Tax Exemption effective for the 2023 taxation year to Habitat for Humanity Mid-Vancouver Island Society for the property that it owns at 474 Pine Street
2. Award a Permissive Tax Exemption effective for the 2023 taxation year to Nexus Patient and Community Care Society for the portion of the property that it leases at #3-1273 Island Highway South
3. Award a Permissive Tax Exemption for the 2023 taxation year to the Canadian Mental Health Association Mid Island Branch for the portion of the property at 250 Albert Street that is not leased to a third party (5.3% for 2023), to be reviewed annually until the long-term use of the building has been determined
4. Deny a Permissive Tax Exemption for the 2032 taxation year to the Nanaimo Christian School (1988) Society for the property that it owns at 2308 Jingle Pot Road

## **BACKGROUND**

Generally, Permissive Tax Exemption Applications are brought forward to the Finance & Audit Committee for review, who then make recommendations to Council regarding decisions on whether to approve or deny the applications.

However, due to the timing of Finance & Audit Committee meetings and Regular Council meetings, these applications need to be reviewed by Council directly so that the Permissive Tax Exemption Bylaw can be brought forward for 3 readings and adoption in advance of the October 31, 2022 legislated due date.

The following applications are attached as Appendices B – E respectively:

- Habitat for Humanity Mid-Vancouver Island Society
- Nexus Patient and Community Care Society
- Canadian Mental Health Association Mid Island Branch
- Nanaimo Christian School (1988) Society

A copy of the current Grants Policy and Guidelines document is attached to this report as ATTACHMENT A. Specific direction on the evaluation of applications for Permissive Tax Exemptions are found under Sections 7 and 8, and are also outlined in this report. |

## **DISCUSSION**

### **HABITAT FOR HUMANITY MID-VANCOUVER ISLAND SOCIETY**

Habitat for Humanity is a registered charitable non-profit with a mission of bringing communities together to help families build strength, stability, and independence through affordable homeownership.

On 2018-JUN-18 Council disposed of the land at 897 Albert Street, 474 Pine Street, and 478 Pine Street to Habitat for Humanity Mid-Vancouver Island Society for a multi-family affordable homeownership project, with an option for the City to repurchase the property at \$1.00.

While the property has not yet been developed into the multi-family building, Habitat for Humanity has requested that the City grant a Permissive Tax Exemption to the property located at 474 Pine Street until the project is complete and the land and improvement is classified as Class 3 – Supportive Housing.

The 2022 assessed value of the property is \$623,000 (land only) and is classified as Class 1 - Residential. This would result in an estimated municipal property tax exemption of \$2,250 for 2023 assuming the property will only be assessed for land. Actual 2023 tax rates are not available yet as they have not been set by the various taxing authorities, so an estimated increase has been used.

Division 7 of the *Community Charter* sets general authority for permissive exemptions. More specifically, Section 224 states:

(2) Tax exemptions may be provided under this section for the following:

(a) land or improvements that

(i) are owned or held by charitable, philanthropic or other not for profit corporation, and

(ii) the council considers are used for a purpose that is directly related to the purposes of the corporation

Based on this, Council could choose to grant a permissive tax exemption on this piece of land under current legislation.

## OPTIONS

1. That Council award a Permissive Tax Exemption effective for the 2023 taxation year to Habitat for Humanity Mid-Vancouver Island for the property it owns at 474 Pine Street

- **Advantages:** Granting a Permissive Tax Exemption to Habitat for Humanity supports the not-for-profit charitable activities of the organization and the development of more supportive housing units within the City of Nanaimo at a time where a housing crisis has been identified. The land was donated from the City of Nanaimo to Habitat for Humanity, so an exemption is consistent with the City of Nanaimo's support for this organization.

Eventually, the property will not require an exemption as it will be developed into supportive housing and will be part of the exempt Class 3 (Supportive Housing) assessment category.

The application meets the criteria in the Grants and Policy Guidelines.

- **Disadvantages:** The remaining Class 1 properties throughout the City of Nanaimo would be required to absorb the municipal portion of taxes that otherwise would be paid by the registered owner. This is estimated at \$2,250 for 2023.

2. That Council deny a Permissive Tax Exemption to Habitat for Humanity for 474 Pine Street

- **Advantages:** The remaining Class 1 properties throughout the City of Nanaimo would not be required to absorb the municipal portion of taxes that otherwise would be paid by the registered owner. This is estimated at \$2,250 for 2023.
- **Disadvantages:** The denial of a Permissive Tax Exemption could result in financial challenges to Habitat for Humanity during the pre-development stages of the multi-family affordable housing building, as they have outlined that they have already invested over \$20,000 in cash to support the development of the property.

## NEXUS PATIENT AND COMMUNITY CARE SOCIETY

Nexus Patient and Community Care Society (Nexus) works in collaboration with Island Health Registered Nurses, Social Workers and Mental Health and Substance Clinicians to provide team-based care to families and individuals in Nanaimo. The organization is a registered non-profit that receives funding from the Ministry of Health.

The organization runs a primary care, nurse practitioner-run clinic in Nanaimo that employs two Registered Nurses, a Social Worker, and a Counsellor. The clinic was formed to help address the large number of people in Nanaimo that do not have a family doctor or nurse practitioner.

The services provided by Nexus are at no cost to the user and available to the Nanaimo community (Yellow Point to Nanoose Bay). Nexus occupies 7.48% of the property at 1273 Island Highway South. The registered owner of the property has provided confirmation that any exemption benefit would be passed on to the Society directly.

The 2022 assessed value of the property is \$9,962,000 and is classified as Class 6 – Business/Other. The 7.48% portion that Nexus occupies would be calculated with an assessed value of \$745,158. Assuming the assessed value stays consistent, this would result in an estimated municipal property tax exemption of \$9,650 for 2023. Actual 2023 tax rates are not available yet as they have not been set by the various taxing authorities, so an estimated increase has been used.

## OPTIONS

1. That Council award a Permissive Tax Exemption effective for the 2023 taxation year to Nexus Patient and Community Care Society for the portion of the property at #3-1273 Island Highway South that it leases that is used for charitable activities.
  - **Advantages:** Granting a Permissive Tax Exemption to Nexus supports the non-for-profit activities of the society and would assist the Society in expanding their current services. There is an identified need for these services as the lack of family doctors and nurse practitioners has been an ongoing issue.

The application meets the criteria in the Grants and Policy Guidelines.
  - **Disadvantages:** The remaining Class 6 Business/Other properties throughout the City of Nanaimo will be required to absorb approximately \$9,650 of municipal taxes that would have otherwise been paid by the registered owner.
2. That Council deny a Permissive Tax Exemption to Nexus Patient and Community Care Society for the portion of the property that it leases at #3-1273 Island Highway South.
  - **Advantages:** The denial of a Permissive Tax Exemption would result in the remaining Class 6 properties through the City of Nanaimo not having to absorb the portion of municipal taxes that otherwise would have been paid by registered owner. The estimate of the 2023 municipal portion of property taxes is \$9,650.
  - **Disadvantages:** The denial of a Permissive Tax Exemption could result in the Society not being able to expand their current medical and outreach activities.

## CANADIAN MENTAL HEALTH ASSOCIATION MID ISLAND BRANCH

The Canadian Mental Health Association Mid Island Branch provides advocacy and resources that help prevent mental health problems and illnesses. They support recovery and resilience and programs and services provided include supportive housing, education and wellness, employment support, social center, nutrition, homeless outreach programs, and overdose prevention.

In March 2022, the Canadian Mental Health Association Mid Island Branch purchased the building at 250 Albert Street. The majority of the property (94.7%) is currently leased to Toronto Dominion Bank, with 19,114 square feet of the total 20,181 square feet being leased. The lease agreement is set to expire on June 30, 2023, and the anticipated lease revenue for the building for 2023 is \$296,267. The total municipal property taxes paid for 2022 totalled \$23,966.33.

It would be outside of the Grants and Policy Guidelines to issue a Permissive Tax Exemption for the portion of the property that is leased to a for-profit entity. The remaining portion of the property that is used for charitable activities could be considered for an exemption.

The 2022 assessed value of the property is \$1,944,000 and is classified as Class 6 – Business/Other. The 5.3% of the property that is not leased out would be calculated with an assessed value of \$103,032. Assuming the assessed value stays consistent, this would result in an estimated municipal property tax exemption of \$1,350 for 2023. Actual 2023 tax rates are not available yet as they have not been set by the various taxing authorities, so an estimated increase has been used.

## OPTIONS

1. That Council award a Permissive Tax Exemption effective for the 2023 taxation year to the Canadian Mental Health Association Mid Island Branch for 250 Albert Street for the portion of the property that is not leased to a third party (5.3% for 2023), to be reviewed annually until the long-term use of the building is determined
  - **Advantages:** This is consistent with the Grants and Policy Guidelines document, consistent with past practice, and provides a mechanism for the Permissive Tax Exemption to be reviewed again for the 2024 property taxation year if the use of the property changes and there is rationale for a higher percentage of the building to be considered for a tax exemption.

The application for the non-leased portion of the building meets the criteria in the Grants and Policy Guidelines document.
  - **Disadvantages:** The approval of a Permissive Tax Exemption for a 5.3% portion of the property would require other Class 6 properties in Nanaimo to have to absorb the property taxes that would have otherwise been paid. Assuming the assessed value stays consistent for 2023, this is estimated at approximately \$1,350 of municipal taxes.
2. That Council deny a Permissive Tax Exemption to the Canadian Mental Health Association Mid Island Branch for the property that they own at 250 Albert Street.
  - **Advantages:** The other Class 6 properties in Nanaimo would not have to absorb the municipal property taxes that would have otherwise been paid, which is estimated at \$1,350.
  - **Disadvantages:** The Canadian Mental Health Association Mid Island Branch would not receive the benefit of any Permissive Tax Exemptions and could face increased financial pressures.

## NANAIMO CHRISTIAN SCHOOL (1988) SOCIETY

The Nanaimo Christian School is a private independent school that is a Christ-centered educational facility. Annual fees are charged for entrance and there is an application process for enrollment.

As described in the School's mandate or purpose, the "Nanaimo Christian School pursues Christ-centered educational excellence that equips students to live Biblically, act responsibly,

work cooperatively, community effectively and achieve success in who God has called them to be”.

The Nanaimo Christian School currently owns the property at 198 Holland Avenue, and this property has been exempt since 1994 under Section 220(1) of the *Community Charter*, Independent Schools. The exemption for the existing school property is not listed under the City of Nanaimo’s Permissive Tax Exemption bylaw, as the exemption code comes directly from BC Assessment through a statutory exemption.

The Permissive Tax Exemption application is for 2308 Jingle Pot Road, which is a piece of property adjacent to the existing school at 198 Holland Avenue that was purchased by the Nanaimo Christian School (1988) Society on May 12, 2022, with the goal of expanding operations.

The 2022 assessed value of the 2308 Jingle Pot Road property is \$889,000 and is classified as Class 1 – Residential. Assuming the assessment value stays consistent, this would result in an estimated municipal property tax exemption of \$3,200 for 2023. Actual 2023 tax rates are not available yet as they have not been set by the various taxing authorities, so an estimated increase has been used.

From a technical perspective, under Section 224 of the Community Charter, Council can exempt land or improvements (or both) on any area of land that surrounds the property that is exempt under section 220(1), which is the private school.

However, the granting of a Permissive Tax Exemption depends on whether the organization meets the criteria under the City of Nanaimo’s Permissive Tax Exemption policies.

## **ANALYSIS**

Council’s ‘Grants Policy and Guidelines’ document (Attachment A) outlines guidelines for making recommendations on Permissive Tax Exemptions, which includes ensuring that:

- (a) The goals, policies and general operating principals of the municipality as a whole are reflected in the organizations that receive municipal support
- (b) Exemptions are not given to services that are otherwise provided on a private, for profit basis, as this would provide an unfair competitive advantage
- (c) The services provided by the organizations should be an extension of municipal services and programs and must fall under the responsibility of local government, senior government program costs must not be transferred to property taxpayers, as this would represent a downloading of senior government costs to local taxpayers
- (d) The taxation burden resulting from the exemption must be a justifiable expense to the taxpayers of the municipality, the sources of municipal revenue are limited and requests for exemption must be considered in concert with the other needs of the municipality
- (e) The services should be used primarily by residents of the City of Nanaimo, and the organization’s regulations must allow all Nanaimo residents to participate
- (f) The organization is adhering to all City of Nanaimo’s bylaws and policies

The Nanaimo Christian School is a private school that charges separate tuition fees and there is an application process where applications can be accepted or denied. In this way, the services of this organization do not allow all Nanaimo residents to participate, especially if the cost of the services is prohibitive for some residents.

In addition, the land currently held is vacant, and is not currently being used for charitable purposes. The land could be sold at any point in the future if it is not developed or used for school purposes.

The public and private BC school system is also regulated by the Province of BC, and having a municipal Permissive Tax Exemption for a private school property goes against the principle that the services provided should be an extension of municipal services.

## OPTIONS

1. That Council deny a Permissive Tax Exemption to the Nanaimo Christian School (1988) Society for the property that it owns at 2308 Jingle Pot Road
  - **Advantages:** The principles outlined in Council's 'Grants Policy and Guidelines' document are followed.
  - **Disadvantages:** The Nanaimo Christian School (1988) Society could face increased financial pressure as the organization would still be responsible for the payment of the property taxes for the vacant land at 2308 Jingle Pot Road.
2. That Council award a Permissive Tax Exemption effective for the 2023 taxation year to the Nanaimo Christian School (1988) Society for the property that it owns at 2308 Jingle Pot Road
  - **Advantages:** This would take pressure off of the operating budget for the Nanaimo Christian School (1988) Society and could allow them to enhance the services they are providing.
  - **Disadvantages:** This would not be consistent with the policies outlined in Council's 'Grants Policy and Guidelines' document. The other Class 1 Residential Properties in the City of Nanaimo would need to absorb the portion of taxes that would otherwise be paid, which is estimated at \$3,200 of municipal property taxes.

### **SUMMARY POINTS**

- Four new applications for Permissive Tax Exemptions have been received:
  1. Habitat for Humanity Mid-Vancouver Island Society for 474 Pine Street
  2. Nexus Patient and Community Care Society for #3-1273 Island Highway South
  3. Canadian Mental Health Association Mid Island Branch for 250 Albert Street
  4. Nanaimo Christian School (1988) Society for 2308 Jingle Pot Road
- The application from Habitat for Humanity Mid-Vancouver Island Society for 474 Pine Street meets the criteria for approval of a Permissive Tax Exemption
- The application from Nexus Patient and Community Care Society for #3-1273 Island Highway South meets the criteria for approval of a Permissive Tax Exemption
- The application from Canadian Mental Health Association Mid Island Branch for 250 Albert Street meets the criteria for a partial Permissive Tax Exemption for 5.3% of the building that is used for charitable purposes
- The application from Nanaimo Christian School (1988) Society does not meet the criteria for approval of a Permissive Tax Exemption

### **ATTACHMENTS:**

- ATTACHMENT A: Grants Policy and Guidelines
- ATTACHMENT B: Permissive Tax Exemption Application – Habitat for Humanity Mid-Vancouver Island Society
- ATTACHMENT C: Permissive Tax Exemption Application – Nexus Patient and Community Care Society
- ATTACHMENT D: Permissive Tax Exemption Application – Canadian Mental Health Association Mid Island Branch
- ATTACHMENT E: Permissive Tax Exemption Application – Nanaimo Christian School (1988) Society

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