

DATE OF MEETING SEPTEMBER 13, 2023

AUTHORED BY JAMIE SLATER, MANAGER, FINANCIAL SERVICES & SPECIAL PROJECTS

SUBJECT PERMISSIVE TAX EXEMPTION APPLICATIONS RELATED TO HOUSING

OVERVIEW

Purpose of Report

To present four permissive tax exemption applications for the 2024 taxation year related to housing to the Finance and Audit Committee for consideration.

Recommendation

That the Finance & Audit Committee recommend that Council:

- 1) Deny a Permissive Tax Exemption for the 2024 taxation year to the Ballenas Housing Society for the property that it owns at 6010 Hammond Bay Road.
- 2) Deny a Permissive Tax Exemption for the 2024 taxation year to Habitat for Humanity for the property that it owns at 6-2360 Extension Road.
- 3) Deny a Permissive Tax Exemption for the 2024 taxation year to 'Turn the Paige Recovery House' for the property that it operates out of at 3059 Glen Eagle Crescent.
- 4) Deny a Permissive Tax Exemption for the 2024 taxation year to Island Urban Indigenous Wellness Society for the property that it owns at 1406 Bowen Road.
- 5) Direct Staff to review permissive tax exemption options related to housing and bring forward recommendations to Council, which may include a proposed update to the existing 'Grants Policy and Guidelines' document, or other policy recommendations.

BACKGROUND

Each year the city of Nanaimo reviews properties eligible for permissive tax exemptions (PTE's). Applications are due by June 30, and are then reviewed by staff for eligibility as per the City's current Grants Policy and Guidelines document (Attachment A).

In 2024, the city has received four PTE applications for properties that provide affordable housing in the community but are not eligible given the current policy guidelines.

The four applications to be considered are:

- 1) Ballenas Affordable Housing Society – 6010 Hammond Bay Road
- 2) Habitat for Humanity - 6-2360 Extension Road

- 3) Turn the Paige Recovery House – 3059 Glen Eagle Crescent
- 4) Island Urban Indigenous Wellness Society – 1406 Bowen Road

The City's Guidelines for Making Recommendations on Permissive Tax Exemptions:

The current 'Grants Policy and Guidelines' document (Attachment A) contains guidelines for tax exemptions for churches, public hospitals, seniors housing facilities, community care facilities, private schools, recreation, community services, and heritage properties. The policy allows for other permissive tax exemptions when the following criteria are met:

- the organization provides full financial and operating information;
- the application meets the conditions of Sections 224, 225, 226, 227 of the Community Charter (which are the general sections that authorize municipalities to issue permissive tax exemptions);
- the organization is a registered non-profit society;
- the organization allows their facilities to be used by all members of the public. If admission fees are charged, they must be within the ability of average citizens to pay; and
- the organization should have a long-term financial need.

Other criteria includes:

- The organization should reflect the goals, policies and operating principles of the City.
- The services provided by the organization should be an extension of municipal services and programs and must fall under the responsibility of local or senior government.
- The taxation burden resulting from the exemption must be a justifiable expense to the City taxpayer.
- The services should be used primarily by City residents.
- The organization must adhere to City bylaws and policies.

The current policy does not have specific provisions that speak to the four applications that have been brought forward for affordable housing or recovery housing. It is recommended that Staff be directed to review the existing policy, which would include a scan of what other municipalities in BC are doing with regard to housing and permissive tax exemptions, and bring forward updated policy options for Council's consideration.

This project could be initiated in the Fall of 2023. In the meantime, there are four applications that have been reviewed in relation to the City's current policy.

The due date for applications each year is June 30, and all applications are reviewed after that date. These applications need to be contemplated by the Finance and Audit Committee at the 2023-SEP-13 meeting so that these decisions can be reflected in the Permissive Tax Exemption Bylaw that will be presented to Council at the following meetings:

- 2023-SEP-25 Regular Council meeting – consideration of first three readings
- 2023-OCT-16 Regular Council meeting – adoption

The Permissive Tax Exemption Bylaw must be fully adopted and submitted to BC Assessment before the October 31 legislated deadline. There are also newspaper advertising and public notice requirements related to this bylaw.

A review of the four applications is outlined below. |

DISCUSSION

Ballenas Affordable Housing Society (formerly Nanaimo Affordable Housing Society) - 6010 Hammond Bay Road

The property at 6010 Hammond Bay Road is a four-storey wood-frame building that will provide 53 one-bedroom and two-bedroom rental units geared toward low and moderate income individuals, families, seniors, and people living with disabilities. The building is scheduled to open in summer 2023 and the project was jointly supported by the City of Nanaimo, BC Housing, the Ballenas Affordable Housing Society, and the Canada Mortgage and Housing Corporation. The City of Nanaimo waived approximately \$221,000 in development charges to support this project.

The property at 6010 Hammond Bay Road does not meet the general criteria under the 'Other Permissive Exemptions' category, in that it does not allow the facility to be used by all members of the public, because the facility is used for private residential housing. The current policy does not contemplate residential housing exemptions.

In addition, the general criteria for permissive tax exemptions outlines that the services provided by the organization should be an extension of municipal services and programs and must fall under the responsibility of local government. The policy further outlines that senior government program costs must not be transferred to local property taxpayers, as this could represent a downloading of senior government costs.

Generally speaking, responsibility for housing is vested in the Provincial government. However, all levels of government have been involved in housing programs.

The recommendation presented is to deny a permissive tax exemption for the 2024 property taxation year, until a policy can be created that addresses housing related tax exemptions. The reason an exemption isn't recommended is that it could create an influx of similar applications for existing buildings that also wouldn't be able to be evaluated until a policy is created. In addition, it can be difficult to grant a permissive tax exemption and then subsequently remove that exemption for future years.

The assessed value of the property for 2023 is \$4,832,000 and the financial implications of granting the exemption are discussed in the options section of the report below.

Habitat for Humanity Mid-Vancouver Island Society - 6-2360 Extension Road

The property at #6-2360 Extension Road is a two-storey house that is owned by Habitat for Humanity. The home is leased on a long-term basis to a family and monthly payments are charged that are in line with the current affordable housing guidelines (based on 30% of the household income). Under the Habitat for Humanity program, partner families are eligible for a significant equity share that should allow them to make a downpayment in market housing once they leave the program.

Similar to above, the property at 6-2360 Extension Road does not meet the general criteria under the 'Other Permissive Exemptions' category, in that it does not allow the facility to be used by all members of the public, because the facility is used for private residential housing. The current policy does not contemplate residential housing exemptions.

In addition, the general criteria for permissive tax exemptions outlines that the services provided by the organization should be an extension of municipal services and programs and must fall under the responsibility of local government. The policy further outlines that senior government program costs must not be transferred to local property taxpayers, as this could represent a downloading of senior government costs.

Generally speaking, responsibility for housing is vested in the Provincial government. However, all levels of government have been involved in housing programs.

The recommendation presented is to deny a permissive tax exemption for the 2024 property taxation year, until a policy can be created to address affordable housing. As outlined above, the reason an exemption isn't recommended is that it could create an influx of similar applications for existing buildings that also wouldn't be able to be evaluated until a policy is created. In addition, it can be difficult to grant a permissive tax exemption and then subsequently remove that exemption for future years.

The assessed value of the property for 2023 is \$713,000 and the financial implications of granting the exemption are discussed in the options section of the report below.

'Turn the Paige' Recovery House

This is a sober living organization designed for women or anyone identifying as a woman, as they come from addiction treatment and are transitioning into a life of recovery. The recovery house helps women to "remain in recovery from the chaos of addiction" and helps to transition them into a more sustainable, healthy, life.

Currently, 8 beds are offered. There is an active waiting list of women in need of services.

The 'Turn the Paige' Recovery House does not meet the general criteria under the 'Other Permissive Exemptions' category, in that it does not allow the facility to be used by all members of the public, because the facility is used for private housing. The current policy does not contemplate residential housing exemptions.

There are no specific provisions in the Grants Policy and Guidelines document for rooming houses or recovery houses. There are a few existing rooming houses and recovery houses that currently exist in the City of Nanaimo that are operating out of single-family dwellings, and currently none of them receive property tax exemptions.

As such, the recommendation is that a permissive tax exemption be denied for the 2024 taxation year, and that rooming and recovery houses are examined in a proposed update to the 'Grants Policy and Guidelines document.'

The assessed value of the property for 2023 is \$854,000 and the financial implications of granting the exemption are discussed in the options section of the report below.

Island Urban Indigenous Wellness Society – 1406 Bowen Road

Island Urban Indigenous Wellness Society supports and advocates for Urban Indigenous Members. The organization, formerly known as Nanaimo Aboriginal Centre, operates 25 affordable housing units at 1406 Bowen Road. The units are utilized by elders, youth transitioning to independent living, and families with young children. The City of Nanaimo transferred the land to the Nanaimo Aboriginal Centre for \$1 as a contribution to this project.

Similar to other affordable housing properties above, the property at 1406 Bowen Road does not meet the general criteria under the 'Other Permissive Exemptions' category, in that it does not allow their facility to be used by all members of the public, because the facility is used for private housing. The current policy does not contemplate residential housing exemptions.

In addition, the general criteria for permissive tax exemptions outlines that the services provided by the organization should be an extension of municipal services and programs and must fall under the responsibility of local government. The policy further outlines that senior government program costs must not be transferred to local property taxpayers, as this could represent a downloading of senior government costs.

Generally speaking, responsibility for housing is vested in the Provincial government. However, all levels of government have been involved in housing programs.

The recommendation presented is to deny a permissive tax exemption for the 2024 property taxation year, until a policy can be considered to address affordable housing. The reason an exemption isn't recommended is that it could create an influx of similar applications for existing buildings that also wouldn't be able to be evaluated until a policy is created. In addition, it can be difficult to grant a permissive tax exemption and then subsequently remove that exemption in future years.

The assessed value of the property for 2023 is \$1,820,000 and the financial implications of granting the exemption are discussed in the options section of the report below.

General Considerations around Permissive Tax Exemptions for Housing:

It is recommended to direct Staff to report back to Council with a proposed update to the 'Grants Policy and Guidelines' document to consider permissive tax exemptions for housing. The summary below outlines several advantages and disadvantages to permissive tax exemptions for housing:

Advantages:

- Permissive tax exemptions can be used to support initiatives such as non-market housing, which are needed and contribute to the betterment of the community by supporting social causes and improving overall quality of life for residents.
- Permissive tax exemptions can be used to support initiatives like recovery houses, which benefit the community through providing treatment services and programs.

Disadvantages:

- If municipalities take on permissive tax exemptions for housing, this means that the financial burden and responsibility for housing is being partially absorbed by local government, as opposed to being fully supported by more senior levels of government (i.e. the Provincial or Federal Government).
- For every property that receives an exemption, the value of the exemption given is shifted to other existing taxpayers within the City of Nanaimo, who may be struggling themselves.
- The number of affordable housing developments has increased, with numerous new projects at various stages of approval. This could result in large amounts of assessed values potentially becoming exempt.
 - A preliminary review suggests there is an additional \$35M of assessed value that could be potentially considered as affordable, without including any additional projects that are currently under development. Staff estimate there are at least 5 additional housing projects currently underway.
- This could mean significant amounts of exemptions, because each affordable housing building comes with a significant assessed value that would have otherwise paid property taxes.
 - Significantly increasing the amount of properties exempted can further shift financial burden over to existing residential taxpayers.
 - There are a variety of definitions of affordable housing, and the term 'affordable' can be subjective.
 - Affordable housing projects can also have a changing combination of units that are offered at market or varying stages of below-market rates, which could require continuous review under an exemption program.
 - The application of permissive exemptions must be consistent, so if one property is awarded an exemption, properties that meet that same criteria must also be considered for an exemption.

Current Mechanism for Property Tax Relief Related to Housing

Fortunately, outside of municipal permissive tax exemptions, there is an existing mechanism through BC Housing and the BC Assessment Authority for property tax relief for social housing.

The assessor at BC Assessment will examine the lease or housing agreement with BC Housing to look for long-term evidence of financial and profit restrictions.

- The assessed value of the entire property component (land and buildings) utilized for social housing can be reduced as much as 70% for property tax purposes. |

OPTIONS

1. That the Finance & Audit Committee recommend that Council:
 - 1) Deny a Permissive Tax Exemption for the 2024 taxation year to the Ballenas Housing Society for the affordable housing property that it owns at 6010 Hammond Bay Road.
 - 2) Deny a Permissive Tax Exemption for the 2024 taxation year to Habitat for Humanity for the affordable housing property that it owns at 6-2360 Extension Road.
 - 3) Deny a Permissive Tax Exemption for the 2024 taxation year to 'Turn the Paige Recovery House' for the property that it operates out of at 3059 Glen Eagle Crescent.
 - 4) Deny a Permissive Tax Exemption for the 2024 taxation year to Island Urban Indigenous Wellness Society for the property that it owns at 1406 Bowen Road.
 - 5) Direct Staff to review permissive tax exemption options related to housing and bring forward recommendations to Council, which may include a proposed update to the existing 'Grants Policy and Guidelines' document, or other policy recommendations.

Advantages:

- The 'Grants Policy & Guidelines' document would receive the required updates to consider tax exemptions for affordable housing and recovery houses
- The denial of an exemption would not require other Class 1 (Residential) properties in Nanaimo to have to absorb the property taxes that would have otherwise been paid
- There would be no exemptions added to the PTE bylaw that may be required to be subsequently removed after review
- This would be a more consistent application of the current policy, because there are other existing affordable housing units within the City that could also potentially apply for an exemption
- Staff are currently working on identifying a list of all of these properties, but a preliminary review suggests there is an additional \$35M of assessed value that could be potentially considered as affordable, without including any additional projects that are currently under development

Disadvantages:

- Permissive tax exemptions would not be awarded to the Ballenas Housing Society, Habitat for Humanity Mid-Vancouver Island Society, 'Turn the Paige' Recovery House, and Island Urban Indigenous Wellness Society
 - The services that these organizations are providing (Affordable Housing and Recovery Housing) could be impacted in a negative way

Financial Implications:

- There are no direct financial implications to the City of Nanaimo if the Permissive Tax Exemption applications are denied.

2. That the Finance & Audit Committee recommend that Council:

- 1) Award a Permissive Tax Exemption for the 2024 taxation year to the Ballenas Housing Society for the affordable housing property that it owns at 6010 Hammond Bay Road.
- 2) Award a Permissive Tax Exemption for the 2024 taxation year to Habitat for Humanity Mid-Vancouver Island Society for the affordable housing property that it owns at 6-2360 Extension Road.
- 3) Award a Permissive Tax Exemption for the 2024 taxation year to 'Turn the Paige Recovery House' for the property that it operates out of at 3059 Glen Eagle Crescent.
- 4) Award a Permissive Tax Exemption for the 2024 taxation year to Island Urban Indigenous Wellness Society for the property that it owns at 1406 Bowen Road.
- 5) Direct Staff to review permissive tax exemption options related to housing and bring forward recommendations to Council, which may include a proposed update to the existing 'Grants Policy and Guidelines' document, or other policy recommendations.

Advantages:

- Permissive tax exemptions would be awarded to the Ballenas Housing Society, Habitat for Humanity Mid-Vancouver Island Society, 'Turn the Paige' Recovery House, and the Island Urban Indigenous Wellness Society for important work that is being done to address housing for vulnerable people in the Community
- Allowing a permissive tax exemption for the 2024 year would allow time for an affordable housing policy to be completed and brought forward, and would also allow for research, municipal comparisons, and a policy update to the 'Grants Policy and Guidelines' document to be completed

Disadvantages:

- The approval of a Permissive Tax Exemption would require other Class 1 (Residential) properties in Nanaimo to have to absorb the property taxes that would have otherwise been paid
- The approval of some affordable housing properties and recovery housing properties but not other existing affordable housing or recovery housing properties could create inconsistencies in how permissive tax exemptions are being applied
- It is difficult to grant organizations with a permissive tax exemption and then subsequently remove that exemption in future years

Financial Implications:

- There are no direct financial implications to the City of Nanaimo if the permissive tax applications are approved, as the total amount of taxes collected each year is distributed throughout the Class 1 residential properties.
- However, the other Class 1 Residential properties within the City of Nanaimo would have to absorb the property taxes that would have otherwise been paid, which are outlined below:
 - *6010 Hammond Bay Road:* In 2023, this property has an assessed value of \$4,832,000. The estimated value of the 2024 exemption including collections for other governments is \$31,000. Of this, the municipal portion would be \$17,400.
 - *6-2360 Extension Road:* In 2023, this property has an assessed value of \$713,000. The estimated value of the 2024 exemption including collections for other governments is \$4,600. Of this, the municipal portion would be \$2,500.
 - *3059 Glen Eagle Crescent:* In 2023, this property had an assessed value of \$854,000. The estimated value of the 2024 exemption including collections for other governments is \$5,500. Of this, the municipal portion would be \$3,100.
 - *1406 Bowen Road:* In 2023, this property had an assessed value of \$1,820,000. The estimated value of the 2024 exemption including collections for other governments is \$11,200. Of this, the municipal portion would be \$6,300.

3. Other direction, as provided by the Finance & Audit Committee.

SUMMARY POINTS

- Four applications for Permissive Tax Exemptions for the 2024 Property Taxation year have been received that are related to housing
- It is recommended to deny the four applications because they do not comply with the permissive tax exemption criteria in the current 'Grants Policy and Guidelines' document
- It is recommended to direct Staff to review permissive tax exemption options related to housing and bring forward recommendations to Council which may include a proposed update to the exiting 'Grants Policy and Guidelines' document, or other policy recommendations

ATTACHMENTS:

ATTACHMENT A: Grants Policy and Guidelines
ATTACHMENT B: Application from Ballenas Affordable Housing Society
ATTACHMENT C: Application from Habitat for Humanity Mid-Vancouver Island Society
ATTACHMENT D: Application from 'Turn the Paige' Recovery House
ATTACHMENT E: Application from Island Urban Indigenous Wellness Society

Submitted by:

Jamie Slater
Manager, Financial Services & Special
Projects

Concurrence by:

Laura Mercer
Director, Finance

Lisa Brinkman
Manager, Community Planning

Bill Corsan
Director, Corporate & Business Development

Dale Lindsay
General Manager, Development Services /
Deputy CAO