

DATE: March 18, 2022

TO: MAYOR AND COUNCIL

NAME AND TITLE: Kris Dalio, Director of Finance

SUBJECT: Permissive Tax Exemptions for Places of Public Worship

ATTACHMENT: None

## RECOMMENDATIONS:

THAT Council DIRECTS Administration regarding the options set out in the report dated March 18, 2022 from the Director of Finance titled "Permissive Tax Exemptions for Places of Public Worship".

## PURPOSE:

At the October 4, 2021 Council meeting, Council passed the following resolution:

*"That Council DIRECTS Administration to return a report to Council in 2022 Q1 reviewing the administration of the Permissive Tax Exemptions Public Worship Category."*

## POLICY/REGULATORY ANALYSIS:

Council approves Permissive Tax Exemptions in accordance with the authority granted through Section 224 of the *Community Charter*. The Permissive Tax Exemption Policy is used in conjunction with the Permissive Tax Exemption Administrative Procedure to adjudicate the Permissive Tax Exemptions.

Sustainable Finance Guideline 5.5 indicates that Permissive Tax Exemptions are a means for Council to support organizations within the community to further Council's objectives of enhancing quality of life and delivering services economically. There is no obligation on Council's part to grant exemptions.

## STRATEGIC PRIORITIES:

The Permissive Tax Exemption program supports all of Council's Social Development Priorities as well as Sustainable Fiscal Management and Organizational Excellence.

## FINANCIAL CONSIDERATIONS:

Permissive Tax Exemptions are generally granted for non-profit organizations, places of public worship, and municipal tenants. The total estimated value for tax exemptions for 2022 is \$1,996,364 or 1.75% of the tax levy (based on 2021 tax rates and assessment values). The exact amount of these exemptions will not be known until the time that BC Assessment releases the revised property tax roll in 2022.

Places of Public Worship generally receive statutory tax exemptions. The Permissive Exemption they apply for relates to the hall and the land surrounding the school or place of worship. The estimated value of exemptions for places of worship for 2022 is \$270,246. This does not include statutory exemptions provided under Section 220 of the *Community Charter*.

#### OTHER CONSIDERATIONS:

Currently, if a public worship property meets the eligibility requirements of the City's Permissive Tax Exemption Policy and Procedure, the City exempts 100% of the property that is not already statutorily exempt. Administration believes the intent of Council was to approach the requested review of the Public Worship category by providing Council options that would limit the exemption provided to each property.

#### **Option 1 - Limit the exemption per property to a maximum \$ figure**

Administration believes this to be the most appropriate option should Council want to limit the exemptions provided to this category. Each property would have the same maximum dollar figure of support from the community. The 2020 annual report lists 50 properties in the public worship category that received permissive tax exemptions that year. The property with the largest exempted value was \$119,805. The second largest exemption provided was \$11,428. The dollar cap would provide a more equitable exemption to the properties within the category. One of the disadvantages of this option is that static dollar figures eventually get outpaced by inflation and policies and procedures would need to be updated to address that. For example, an option of \$15,000 as a cap could be considered, but it would likely need an update within 5-10 years. Administration would recommend \$20,000 as the cap to ensure some more certainty in mid to long range planning for applicants, as well as providing a slightly more favourable adjustment to make for the one property that would be immediately affected by the restriction. However, Council may select whatever cap they feel is appropriate.

#### **Option 2 - Limit the exemption per property to a fixed % of the property**

Limiting the properties to a fixed percentage of the property size is likely the easiest option to implement for both Administration and BC Assessment. It also comes with the inherent benefit of using percentages over dollars – they do not need to be updated like dollar figure caps as inflation eventually catches up with the dollar figure cap. The challenge with this option is that properties within the public worship category can vary greatly in size and a chosen percentage may be arbitrary, instead of practical, to the individual properties in the category. Smaller properties that use the majority (or entirety) of their property for public worship would be negatively affected at the cost of trying to address larger properties with space not used for public worship.

#### **Option 3 - Calculate the area per property that Council wishes to support (eg. The parking lot)**

This option has the potential to be the most accurate calculation of matching the exemption provided to the use of the property. However, it comes at the cost of great difficulty to define and administer for both the City of Prince George as well as BC Assessment. Each property would need to be calculated individually and reviewed each year for accuracy. Eligible areas would have to be clearly defined in policy and procedure to provide consistency and direction to all properties, as well as adjudication by Administration. They would also need to be easily identified by aerial photos for BC Assessment. A paved parking lot with painted lines, for example, may be easy to identify but it becomes more difficult to calculate and adjudicate if patrons of the service park on gravel or grass.

#### SUMMARY AND CONCLUSION:

If Council wishes to limit the permissive tax exemption provided to places of public worship, Administration would recommend the option of exempting a maximum dollar figure of \$20,000 per property.

#### RESPECTFULLY SUBMITTED:

Kris Dalio, Director of Finance

#### APPROVED:

Walter Babicz, City Manager

Meeting Date: [2022/03/28]