

# Report

**City of Merritt**  
**REGULAR Council Meeting**  
**September 15, 2020**

**File Number: 3900.2288**

**To:** Sean Smith, Chief Administrative Officer  
**From:** Wayne Anderson, Director of Finance & IT  
**Date:** September 3, 2020  
**Subject:** Permissive Tax Exemption Bylaw 2288

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**RECOMMENDATION:**

**THAT Council read the proposed City of Merritt Permissive Tax Exemption Bylaw 2288 as presented a first time.**

**And**

**THAT Council read the proposed City of Merritt Permissive Tax Exemption Bylaw 2288 as presented a second time.**

**And**

**THAT Council read the proposed City of Merritt Permissive Tax Exemption Bylaw 2288 as presented a third time.**

**Executive Summary:**

The permissive tax exemption is a means for Council to support organizations within the community which further Council's objectives of enhancing quality of life (environmental, economic, social, cultural) and delivering community services economically.

The attached exemptions were submitted as potentially serving these objectives, and are put forward to council as a proposed slate for a 4-year approval, or until there are changes to the qualifying organization that would require re-submission. Council may approve all, part, or none of these permissive tax exemption proposals.

## **Background:**

Permissive Exemption from the *Community Charter* Section 224 include classes of properties which are mainly used by non-profit, social, cultural, athletic and recreational organization. It permits the exemption of a property from all property taxation except for parcel taxes, user fees and other charges that are not based on property assessment. Permissive exemptions may only be adopted by an affirmative vote of at least 2/3 of all council members. The *Community Charter* requires that a tax exemption bylaw be considered and adopted by Council, prior to October 31<sup>st</sup>. There is no obligation on the part of Council to grant exemptions.

City of Merritt's Permissive Tax Exemption Policy was adopted by Council on June 10, 2014. In June 2016, the Permissive Tax Exemption Policy was revised to include the possibility of approving permissive tax exemptions for a period of up to four years with one bylaw. This revision reduces the amount of administration for the City and the applicants. If the use of the property changes or the property is sold the permissive exemption is removed and the foregone taxes repaid to the City.

Many organizations, such as places of worship, have a statutory exemption that must be granted. These exemptions are not shown on this summary. For example, in the case of a church, the building and the footprint of the building are a statutory exemption, while the remainder of the footprint is a permissive exemption at the discretion of council.

The proposed bylaw includes approval of the stated amount for taxation year 2021, and also approval for estimated amounts for 2022, 2023, and 2024. The amounts are estimated based on a 2% increase in property tax assessment per year.

## **2021 Additions and Changes**

There are two changed applicants noted. Merritt Community Futures is a new applicant previously housed in City Hall. In 2020 The Merritt Business & Economic Development society purchased a building and now leases that to Community Futures. The 2020 amount indicated on the attached sheet was provided as a Grant in Aid.

Additionally, the Nicola Valley Community Arts Council was approved previously but moved to a new location in 2020. The new location exemption amount is an estimate from BC Assessment based on square footage, but the actual exemption may be slightly different.

## **Partial Approvals and Permissive Exemption Cap**

Council had previously requested information regarding partial approvals, or a maximum cap of permissive exemptions. A discussion was had with multiple municipalities, and the City of Penticton furnished the below chart as they had just done a policy review in 2019.

Municipality	Published Cap	Categories	Last Updated
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City of Vernon	None 3 year phase-in	Yes Based on Resident Benefit	2018
City of Kelowna	None	None	2017
District of West Kelowna	None	Yes Based on Resident Benefit	2015
District of Summerland	None	None	2014
Town of Oliver	None	None	2011
City of Kamloops	Amount Set each Cycle	Yes Based on Type	2016
City of Victoria	1.60% of taxes + Category %	Yes Based on Type	2013
City of Abbotsford	Amount Set at Budget	Yes Based on Resident Benefit	2016
City of Courtenay	2.00% of taxes + Category %	Yes Based on Resident Benefit	2017
Township of Langley	None	Yes Based on Type	2006
City of Penticton (current)	1.68% of taxes	Yes Based on Type	2019

The City of Penticton changed their policy to 1.68% of taxes in 2019, but then subsequently approved Exemptions exceeding this cap in 2020, and then filed an amendment removing the cap.

Other municipalities, such as Nelson, evaluate on a somewhat case-by-case basis for applicants, exempting a percentage of land and/or improvements on the property as in the below table.

Kootenay Christian Fellowship	520 Falls Street	40% of land excluding land under improvements
Granite Pointe Golf Club	1123 West Richards Street	100% of improvement value excluding the clubhouse portion of the improvement value; 100% of land value
Nelson CARES Society	567 Ward Street	65% of Residential land and improvement values
Kalein Hospice Centre Society	402 West Richard Street	50% of land and improvements
Canadian Red Cross	610 Front Street	75% of the space leased to the Red Cross
Church of Jesus Christ of Latter Day Saints	222 West Richards Street	27% of land not statutorily exempt

The proposed exemptions attached are 1.03% of taxation revenue, which is well below the cap found in any other city where a cap is established. If council wishes to amend the current City of Merritt policy, they may direct administration to draft a new policy with a cap or other changes.

**Options / discussion**

For the bylaw presented, Council may:

1. Consider first, second and third reading of the proposed City of Merritt Permissive Tax Exemption bylaw as presented.
2. Choose to alter or amend the bylaw to reflect a shorter time frame and then considers the bylaw for first, second and third reading.
3. Choose to deny the bylaw presented and not proceed with first, second and third reading. This would deny all proposed permissive exemptions.
4. Choose to partially approve based on a fixed total amount, a percentage of taxation revenues, or other criteria.

**Financial / Risk Implications:**

Based on the 2020 assessed values and tax rates the proposed 2021 exemptions would result in a redistribution of approximately \$96,654 in general municipal taxation revenue. Through the permissive tax exemption, the applicants are also exempted from the taxes collected for other authorities consisting of School District, BCAA, MFA, TNRD, and TRHD Hospital, but not for parcel taxes and user fees.

**Others Consulted:**

For the comparative portion of the permissive exemption cap, individuals in Kamloops, Penticton, and Vernon were contacted. Additionally, publicly available documents from other municipalities were used.

**Attachments:**

- A.1: 2021-2024 Permissive Tax Exemption list

**Respectfully submitted,**

**Wayne Anderson**  
**Director of Finance and IT**

**Prepared by: Sean Strang, Deputy Director of Finance and IT**