CORPORATION OF THE TOWNSHIP OF ESQUIMALT

COUNCIL POLICY

TITLE: Permissive Tax Exemption Policy	NO. FIN - 16

Preamble:

Section 220 of the *Community Charter* describes the general statutory taxation exemptions available to a municipality, providing automatic exemptions for certain types of properties.

Section 224 of the *Community Charter* authorizes Council to provide permissive tax exemptions, "to the extent, for the period and subject to the conditions provided in the bylaw". A permissive tax exemption is a means for Council to support community organizations which further Council's objectives of enhancing quality of life (economic, social, cultural) and delivering services economically.

A Permissive Tax Exemption Bylaw must be passed prior to October 31st for application during the next taxation year.

Purpose:

To provide guidance in the processing and evaluation of applications for exemption from property taxes pursuant to section 224 of the *Community Charter*.

This policy is intended to establish general principles, which can serve as a guide in evaluating applications for exemptions, including:

- Provide consistent and equal treatment, and consideration for all applicants;
- Optimize the provision of charitable and not-for-profit services for the benefit of Esquimalt residents;
- Allow for consideration of a wide diversity of organizations and evaluation of each application on its own merits;
- Make certain that municipal support is not used to further the activities of an individual or organization that, but for its not-for-profit status, would otherwise be considered a business; and
- Demonstration of the need for financial support from the Township.

Policy:

1. Process

Applications using the prescribed form must be received by August 31st in the applicable year for exemptions that will begin in the subsequent year. The Director of Financial Services will review the applications for completeness and contact the applicants for additional information as necessary.

The Director of Financial Services will present the material to the Local Grant Committee (or Council) at its scheduled meeting and will notify applicants of the meeting date.

Applicants must provide a completed application and the following material:

- A copy of the audited financial statements. Should financial statements not be available, an explanation must be provided.
- A copy of the current year property tax assessment or lease agreement, as applicable.
- A description of programs/services/benefits delivered from the subject properties, providing information supporting the requirement that the use is "for a purpose that is directly related to the purposes of the organization, including, but not limited to: participant numbers; volunteer hours; benefiting group/individuals/ special needs populations; fees charged for participation.
- A description of any third party use of the subject properties including user group names, fees charged and conditions of use.

The Local Grant Committee will consist of three members of Council, as appointed annually by the Mayor, supported by a Financial Services representative.

For an exemption to be considered, applicants must appear before the Local Grant Committee (or Council) to speak to their application:

- at the start of each three (3) year cycle;
- where the organization is a first- time applicant; or
- if an organization's function has substantially changed from the previous year.

Following the presentations, the Committee will make its recommendations for review by Council at a future meeting.

Council makes the final decision about all permissive tax exemption applications**.**

2. Eligibility:

To be eligible for a Permissive Tax Exemption, the requirements set out in section 224 of the *Community Charter* must be met and maintained throughout the duration of the year for which the exemption has been granted.

Subject property must be:

a) Land and/or improvements owned or held by an organization listed below, the use of which Council considers to be directly related to the purposes of the organization; or

b) Land and/or improvements, ancillary to a statutory exemption under section 220 of the *Community Charter.*

Nature of the organization must be one of the following:

a) Not-for-profit corporation;
b) Athletic or service club/association;
c) Licensed community care facility, licensed private hospital, registered assisted living residence;
d) Partner of the municipality by agreement under section 225 of the *Community Charter;*
e) Municipality, regional district or other local authority;
f) Religious organization as tenant or licensee; or
g) Organization is eligible for the section 220 statutory exemption (e.g. place of public worship, cemetery, library, Indian land, seniors' home, hospital, etc.)

3. Duration of Exemption:

Tax exemptions under section 224 will be applied every three (3) years unless a bylaw specifies a longer term. The term cannot exceed ten (10) years under section 224(4)(a) of the Community Charter. Applications received 'off cycle' will be accepted as long as exemptions do not exceed the exemption cap specified below. Any such applications will be harmonized with the 3 year tax exemption cycle.

All permissive tax exemptions must be renewed by application every three years on an approved application form, including a copy of the organization's most recent financial statements. Exemptions must not be assumed, even if obtained in a prior cycle.

4. Conditions:

Permissive tax exemptions approved in the current year for the subsequent tax year will not exceed .50% of the current year's total budgeted property tax requisition. The permissive exemption values will be calculated using the current year's assessment multiplied by the current year's tax rates.

Council will deny any Local Grant applications from organizations which receive a permissive tax exemption within the same taxation year.

All recipients of tax exemptions from the Township are required to publicly acknowledge the exemption.

Council may impose penalties on an exempted organization for breach of exemption conditions, including but not limited to:

a) Revoking exemption with notice.
b) Disqualifying any future exemption applications for a specific time period.
c) Requiring repayment of monies equal to the exempted tax revenue.

A tax exemption is similar in effect to a cash grant, and therefore is subject to budget considerations.

5. Assessment:

Preference will be given to organizations based in Esquimalt or those that provide a service to Esquimalt residents.

The following criteria will be considered when determining whether to grant a permissive tax exemption:

- the principal use of the property must be consistent, and in compliance, with all applicable municipal policies, bylaws and legislation
- the organization must clearly justify the need for the services
- the services, activities and facilities must be equally available to all residents of the Township
- applicants must be seen as working towards self sufficiency by seeking funding from other sources
- applicants must show evidence of ongoing, active volunteer involvement including Township residents
- applicants must show evidence of a clear mandate and competent administration

Council may only grant exemptions to the portion of the subject property that meets all of the policy requirements. The exemption may apply to the whole or part of the taxable assessed values of land, improvements or both.

A permissive tax exemption may be partially granted or denied where:

- the organization is unable to clearly demonstrate a need for its services and a benefit to the Township;
- the organization has made no effort to obtain alternate funding sources for the provision of services; or
- the organization does not make use of volunteers to provide services.