

# Request for Tax Deferral

## Our Lady Queen of Peace Ranch (Northern Alberta) Ltd.

### Recommendation

That Executive Committee recommend to City Council:

1. That the 2018 local improvement levies for Our Lady Queen of Peace Ranch (Northern Alberta) Ltd. (tax roll 10854790) be deferred until 2036.
2. That the 2018 local improvement debt servicing payment of \$151,859.54 related to Our Lady Queen of Peace Ranch (Northern Alberta) Ltd. be funded on an interim basis from the Financial Stabilization Reserve.
3. That, if not resolved, a report return to Executive Committee by no later than May 2019 providing an update on the property's status.

### Previous Council/Committee Action

At the July 11, 2017, City Council meeting, the following motion was passed:

1. That the 2017 local improvement levies for Our Lady Queen of Peace Ranch (Northern Alberta) Ltd. (Tax Rolls 1099522, 1099530 and 1223353) be deferred until 2035, to allow for restructuring to occur.
2. That the partial payment of 2017 local improvement levies made by Our Lady Queen of Peace Ranch (Northern Alberta) Ltd. to Tax Rolls 1099522, 1099530 and 1223353, be refunded.
3. That the local improvement revenue in corporate budgets be reduced, and on a one-time basis, the 2017 payment of \$151,859.54 be funded from year end surplus.
4. That a report return to Executive Committee by May 2018 providing an update on the property's status and discussing the need for further deferral or other action, as appropriate.

### Executive Summary

Our Lady Queen of Peace Ranch (Northern Alberta) Ltd. is requesting a continuation of their local improvement levy deferral in 2018. Approving this request would defer an additional \$151,859.54. Payments would still need to be made by the City to cover this cost, which is proposed to be funded through the Financial Stabilization Reserve.

### Report

Our Lady Queen of Peace Ranch (Northern Alberta) Ltd. is a registered charity offering non-denominational programming experiences to youth and families who face

physical, mental or financial challenges, at no cost to the participants. Its programs include various outdoor activities such as day trips, overnight camping, week-long summer camps, and weekend family camps; plus additional events throughout the year, including an annual children's Christmas party. Our Lady Queen of Peace Ranch was founded in 1988 in Bragg Creek, Alberta, and later expanded its operations to Edmonton in 2009. At its peak, the organization served 25,000 visitors annually.

As part of the project's construction, Our Lady Queen of Peace Ranch initiated discussions with the City to develop local improvements to grant their property access to water and sewer services. Local improvements of this nature are constructed by the City of Edmonton, but the cost of this construction falls entirely on the associated property owner(s).

Bylaw 14993 was passed by City Council on September 17, 2008, authorizing the City to construct, finance and assess water main, sanitary sewer lateral, and service connection construction local improvements. The City of Edmonton gave proper notice of intention to undertake the construction of the improvements. Following the required 30-day notification period, no sufficiently signed and valid petition against the said proposal was received, pursuant to ss. 226 and 392 of the Municipal Government Act, R.S.A. 2000, c. M-26. The only property subject to local improvement charges pursuant to this bylaw was the one owned and operated by Our Lady Queen of Peace Ranch.

Payments of the local improvement levies commenced in 2010, and are set to expire in 2034. The total annual local improvement charge is \$151,859.54. The total cash payout is \$2,383,181.86, as of January 1, 2018.

In recent years, Our Lady Queen of Peace Ranch has been suffering from the effects of Alberta's weakened economic climate. They indicated to the City that its high expenses and a depleted donation base have left the organization in financial hardship. In 2017, it was forced to layoff most of its full-time staff, and its summer staffing levels were substantially reduced compared to past years. The group also indicated that its week-long summer camp program had been significantly reduced and all other programs were to be suspended.

The majority of Our Lady Queen of Peace Ranch's Edmonton holdings are exempt from property taxation under the Community Organization Property Tax Exemption Regulation, Alberta Regulation 281/1998, s. 15(k), which applies to non-profit organizations that hold property with a facility used for a charitable or benevolent purpose that is for the benefit of the general public. A small portion of the property remains taxable as it contains a single family dwelling in which the organization's operations manager resides. Under the Municipal Government Act, there is no exemption from local improvement taxes, even for non-profit organizations.

In 2017, the organization requested cancellation of their local improvement levy amount. Council chose instead to defer the organization's local improvement payments and requested that Administration return with a status update in 2018. Administration understands that the organization is still undergoing financial hardship but is slowly rebuilding their intake levels to 2016 standards. More information on current state is outlined in their letter (Attachment 1). The organization anticipates that they will be able to restart local improvement levy payments in 2019, but requests that their 2018 payment be deferred in the same way as their 2017 payment.

As a note, the accounts for this property owner have been consolidated from three separate account into one single account.

### **Budget/Financial Implications**

If Council chooses to continue deferring the organization's local improvement levy, the 2018 amount of \$151,859.54 would need to be recognized as a property tax receivable by the City and would need to be funded from an alternative source on an interim basis. Recommendation 2 in this report proposes that the 2018 local improvement debt servicing payment of \$151,859.54 related to Our Lady Queen of Peace Ranch (Northern Alberta) Ltd. be funded on an interim basis from the Financial Stabilization Reserve, with the reserve being replenished upon repayment of the deferred local improvement levies by the property owner.

### **Public Engagement**

Our Lady Queen of Peace Ranch (Northern Alberta) Ltd. has been engaged throughout this report process. There has been no further public engagement.

### **Legal Implications**

Section 347 of the *Municipal Government Act*, RSA 2000 c M-26, allows municipal councils to cancel or defer taxes if they consider it equitable to do so. Deferring the payment of taxes to a future date does not change all the legal requirements relating to a local improvement. Specifically a deferral of taxes does not change the timelines associated with the repayment of debt on a local improvement project.

### **Corporate Outcomes and Performance Management**

Corporate Outcome(s): The City of Edmonton has a resilient financial position			
Outcome(s)	Measure(s)	Result(s)	Target(s)

Ensure transparent and reasonable tax policy.	<p>5-year total of Council- approved tax cancellations and refunds</p> <p>5-year average value of Council- approved tax cancellations and refunds</p>	<p>Under City Policy C543: \$535,586.19 (2013-2017)</p> <p>Ad-hoc requests from non-profit organizations: \$301,314.21 (2013-2017)</p> <p>Private property owners: \$0.00 (2013-2017)</p> <p>Under City Policy C543: \$107,117.24 (2013-2017)</p> <p>Ad-hoc requests from non-profit organizations: \$60,262.84 (2013-2017)</p> <p>Private property owners: \$0.00 (2013-2017)</p>	N/A
Ensure transparent and reasonable tax policy.	<p>5-year total of Council- approved tax deferrals</p> <p>5-year average value of Council- approved tax deferrals</p>	<p>Ad-hoc requests from non-profit organizations: \$638,293.58 (2013-2017)</p> <p>Private property owners: \$0.00 (2013-2017)</p> <p>Ad-hoc requests from non-profit organizations: \$127,658.72 (2013-2017)</p> <p>Private property owners: \$0.00 (2013-2017)</p>	N/A

### Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score	Current Mitigations	Potential Future Mitigations
Commercial	Tax refunds will shift the tax burden onto remaining taxpayers	5	1	5	Council could choose not to approve the request	A refund will be absorbed by the remaining tax base, but will put pressure on tax increases.
Legal / Regulatory	The City runs the risk of additional	3	1	3	This risk is mitigated by the existence of	Council ultimately has the authority to approve or deny

	groups requesting similar consideration				Council policy.	subsequent requests.
--	--	--	--	--	-----------------	-------------------------

**Attachments**

1. Request Letter
2. Letters of Support