

Request to Cancel Local Improvement Charges

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

Recommendation:

That Executive Committee recommend to City Council:

That the taxpayer's request to cancel the remaining balance of local improvement charges levied on Tax Account Nos. 1099522, 1099530, and 1223353, be denied.

Report Summary

Our Lady Queen of Peace Ranch (Northern Alberta) Ltd. is requesting cancellation of their local improvement levy balance levied on tax accounts 1099522, 1099530, and 1223353 (located at 903 - 153 Avenue NE, 911 - 153 Avenue NE and 14304 - 17 Street NE, respectively). Payment of these charges, in combination with a depleted donation base, has placed the organization in financial hardship, resulting in significant reductions, limitations, and suspensions of both its staff, as well as its programs and services.

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. Since its start, the organization has grown to serve 25,000 visitors annually.

As part of the construction of the Edmonton ranch, 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 properties subject to local improvement charges pursuant to this bylaw are those owned and operated by Our Lady Queen of Peace Ranch.

Payments of the local improvement levies commenced in 2010, and will expire in 2034. The total annual local improvement charge for all three tax accounts, combined, is \$151,859.54. The total cash payout across all three tax accounts is \$2,383,181.86, as at January 1, 2017.

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. Early this year, it was forced to layoff most of its full-time staff, and its summer staffing levels will be substantially reduced compared to past years. The group also indicated that its week-long summer camp program has been significantly reduced and all other programs have been suspended. Without some form of financial intervention, Our Lady Queen of Peace Ranch predicts complete operational shutdown is likely by this fall, which may continue for at least several more years into the future, until the economy rebounds.

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 in the SE corner 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.

While Our Lady Queen of Peace Ranch is in the process of researching and applying for any grants that may be available to them, the cancellation or deferral of municipal local improvement taxes would provide a sustainable source of financial relief.

There are three known examples of cancellation or deferral of local improvement charges, though all were granted more than a decade ago.

- In 1984, City Council approved the deferral of local improvement charges for all properties in the Baranow neighbourhood. In that case, charges were deferred until such time as the properties were developed; amortization of the charges would then commence and be payable over a 25-year period.

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- In the late 1980s, local improvement tax forgiveness was granted to Helena Stankiewicz, a senior citizen who owned a residential property situated in an area that was rezoned to industrial use and, as a result, was being charged at commercial rates.
- In 2006, City Council also provided forgiveness on some of the local improvement charges to the True Buddha School - Chin Yin Buddhist Society in the Baranow neighborhood.

Policy

Council does not have a standing policy for cancelling or deferring local improvement taxes. The Local Improvement Authorization Bylaw 14993, for the subject property, was passed by City Council on September 17, 2008.

Corporate Outcomes

By reviewing special case tax cancellation requests in a detailed fashion, the City is helping to ensure its resilient financial position.

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score	Current Mitigations	Potential Future Mitigations
Commercial	A cancellation of local improvement charges shifts the tax burden to the remaining taxpayers, as the debt payment must be funded by general revenue. A deferment of taxes maintains an outstanding tax burden that remains uncollected, and in the interim, shifts the tax burden to the remaining taxpayers.	5	1	5	This report recommends the request be denied.	Council can set clear policies on how to treat such requests in the future.
Legal / Regulatory	The City runs the risk of additional	4	3	12	The City can argue that	Council ultimately

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	groups requesting similar consideration.				this is a unique case.	has the authority to approve or deny subsequent requests.
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Public Engagement

Given the ad hoc nature of this request from a single property owner, no public engagement was performed.

Budget/Financial Implications

The total annual local improvement charge for all three tax accounts, combined, is \$151,859.54. The total cash payout across all three tax accounts is \$2,383,181.86, as at January 1, 2017.

If City Council chooses to cancel or defer the 2017 amount of the local improvement taxes on a one-time basis, the annual amount of \$151,859.54 would need to be dealt with through any potential year end surplus or deficit.

If City Council chooses to cancel the remaining balance of the local improvement taxes, Administration will bring forward an adjustment as part of the Fall 2017 Supplemental Operating Budget Adjustment process that would see the annual payment of \$151,859.54 being added, to and funded from the tax levy beginning with the 2018 Budget.

Legal Implications

Under s. 347(1) of the *Municipal Government Act*, City Council may cancel, refund, and/or defer all or part of a tax, with or without conditions, if it considers it equitable to do so. Local improvement charges are considered a tax. However, decisions of this nature have the potential to encourage future tax cancellation or deferral requests.

Metrics, Targets and Outcomes

Metrics	Targets	Outcomes
Since 2012, Council has cancelled or refunded \$786,682.37 in municipal taxes under City Policy C543. Council has cancelled or refunded another \$301,314.21	This metric does not have a target and is meant to provide context	That City Council be aware of the budget impact of their decisions.

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<p>in ad hoc requests from non-profit organizations. Council has not approved any private property owner tax cancellation requests in the last five years.</p> <p>The average annual refund under the policy is \$131,113.73 per year. The average annual refund for other non-profit requests is \$50,219.04. The average annual refund for private property owner requests is \$0.00.</p>	<p>to Council regarding their tax cancellation/ refund decisions.</p>	
<p>Since 2012, Council has deferred \$486,434.04 in municipal property taxes for non-profit organizations. Council has not approved any private property owner tax deferral requests in the last five years.</p> <p>The average annual refund for all non-profit tax deferrals is \$81,072.34. The average annual refund for private property owner requests is \$0.00.</p>	<p>This metric does not have a target and is meant to provide context to Council regarding their tax deferral decisions.</p>	<p>That City Council be aware of the budget impact of their decisions.</p>

Justification of Recommendation:
 Local improvement charges have been applied to the subject tax accounts in accordance with the *Municipal Government Act* and City of Edmonton Bylaws. If cancellation or deferral is provided, the City would revive a decade-old precedent.

Attachments

1. Letter from Our Lady Queen of Peace Ranch (Northern Alberta) Ltd., dated May 17, 2017
2. Letter from Our Lady Queen of Peace Ranch (Northern Alberta) Ltd., dated June 13, 2017
3. Aerial photo of subject and surrounding properties

Others Reviewing this Report

- R. Smyth, Deputy City Manager, Citizen Services
- R. G. Klassen, Deputy City Manager, Sustainable Development