

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

Update on Property Status

Recommendation

That the May 23, 2019, Financial and Corporate Services report CR_6960, be received for information.

Previous Council/Committee Action

At the April 10, 2018, City Council meeting, the following motion was passed:

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.

Executive Summary

This report provides a property status update on Our Lady Queen of Peace Ranch (Northern Alberta) Ltd. Council has deferred this organization's local improvement charges for the past two years. The property owners are now proposing the City take possession of the parcel on an interim basis. While the City would be in possession of the property, all associated costs, including local improvement charges, will be owed by the City.

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.

Local Improvement Agreement

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 approved by the City of Edmonton, but the cost of this construction falls 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 was set to expire in 2034. The total annual local improvement charge is \$151,859.54. The total cash payout (including two years of deferred payments) is \$2,076,547.54, as of January 1, 2019.

Our Lady Queen of Peace Ranch Ltd. Recent Challenges

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. It is unclear what, if any, programs will be offered in 2019.

Tax Implications Related to Current Challenges

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). This regulation 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. The organization took on the cost of the local improvement knowing that these costs would need to be repaid to the City of Edmonton.

In 2017, the organization requested cancellation of their local improvement levy amount. Council chose instead to defer the organization's annual local improvement payments and requested that Administration return with a status update in 2018. In 2018, the organization indicated that their intake levels were growing, but requested a second year of deferral. In making this request, the organization also stated that they expected to make no further requests to City Council and that they would begin paying their local improvement charges in 2019. Council granted this request and asked for another update report in 2019.

Continuing Discussions

This year, the organization is proposing that the City take possession of their property on an interim basis. This request was first presented to the City verbally on February 15, 2019. The intent of the organization is for the City to be responsible for paying the cost of the local improvements. However, discussions were ongoing at the time of submitting this report, so the full extent of operating costs the City would assume through such a transfer is unknown.

It should also be noted that, in 2007, the City gifted approximately 21 acres of land that is currently owned and operated by Our Lady Queen of Peace Ranch. The total parcel is approximately 200 acres. When this land was gifted, the City placed two caveats on the property. In general, the City's caveats stipulate that in the event Our Lady Queen of Peace Ranch wants to sell its property, it can only be sold to a non-profit organization that will continue to operate in a similar manner, offering programming to children and youth who face physical, mental or financial challenges. If the conditions in these caveats are breached, the City has First Right of Refusal to purchase the gifted land for \$1 less any sums owed on a mortgage required to discharge liens or instruments and encumbrances and the cost of removing any development from the land.

Next Steps

Our Lady Queen of Peace Ranch is in contact with Administration to discuss next steps and provide a greater level of clarity to the aforementioned operations and requests. However, property taxes and associated local improvement charges will be owing on June 30, 2019.

This report is being provided in response to Council's 2018 motion for Administration to return to Executive Committee with an update on the organization's property status. As no formal request has been received in writing from Our Lady Queen of Peace Ranch, Administration provides this report for information purposes only.

Budget/Financial Implications

If Council chooses to continue deferring Our Lady Queen of Peace Ranch (Northern Alberta) Ltd.'s local improvement levy, their annual charge will need to be recognized as a property tax receivable by the City and will need to be funded from an alternative source on an interim basis. This means that the organization's 2019 local improvement debt servicing payment of \$151,859.54 will be funded from the Financial Stabilization Reserve, with the reserve being replenished by the property owner upon repayment of their deferred local improvement levies.

If Council chooses to take possession of the organization's property, the City of Edmonton could be responsible for all its costs, including future local improvement charges and those already deferred, until such time the parcel is sold to a private entity. These costs have not been accounted for within the City's 2019-2022 budget.

2018 marked the first time that the five-year total of tax cancellations granted outside of existing Council policy exceeded the five-year total of tax cancellations provided within Council policy. On January 22, 2019, Council reviewed and updated its Retroactive Municipal Tax Rebate policy to better align with its vision for future rebate requests. This request does not qualify under Council's tax relief policy.

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.

Public Engagement

Public engagement has not been undertaken for this report as it involves a request by a private entity.

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: \$513,905.08 (2014-2018)</p> <p>Ad-hoc requests from non-profit organizations: \$810,247.05 (2014-2018)</p> <p>Private property owners: \$0.00 (2014-2018)</p> <p>Under City Policy C543: \$102,781.02 (2014-2018)</p> <p>Ad-hoc requests from non-profit organizations: \$162,049.41 (2014-2018)</p> <p>Private property owners: \$0.00 (2014-2018)</p>	N/A
Ensure transparent and reasonable tax policy.	Past year's taxes forgone as a result of Council exemption decisions.	Council has approved 5 ongoing municipal tax exemptions for non-profit organizations through Bylaw 12408. In 2018, these tax exemptions shifted \$258,044.22 in property tax burden to the remaining non-residential base.	N/A

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score (with current mitigations)	Current Mitigations	Potential Future Mitigations
Commercial	Tax refunds will shift the tax burden on	5	1	5	Council could choose not to approve the	A refund will be absorbed by the remaining

	to remaining taxpayers.				request.	tax base, but will put pressure on tax increases.
Legal / Regulatory	The City runs the risk of additional groups requesting similar consideration .	3	2	6	This risk is mitigated by the existence of Council policy.	Council ultimately has the authority to approve or deny subsequent requests.
Legal / Regulatory	The City would be out of step with provincial legislation if an independent policy is created.	5	1	5	This will only occur if Council approves tax exemption or cancellation.	The City could work with the GOA to develop policy parity.

Others Reviewing this Report

- C. Owen, Deputy City Manager, Communications and Engagement
- R. Smyth, Deputy City Manager, Citizen Services
- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development
- B. Andriachuk, City Solicitor