


**REVISED**

Halifax Regional Council

December 16, 2008

**TO:** Mayor Kelly and Members of the Halifax Regional Council

**SUBMITTED BY:**   
*for* Councillor Russell Walker, Chair, HRM Grants Committee

**DATE:** December 12, 2008

**SUBJECT:** **By-law T-224: Tax Exemption for Non Profit Organizations: Review of Conditional Awards and Records Management**

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**ORIGIN**

Grants Committee meeting of November 3, 2008.

**RECOMMENDATION**

It is recommended that *Regional Council* approve in principle:

1. The removal of Creighton-Gerrish Development Association, Bayside Baptist Camp Association, and Coastal Communities Economic Development Cooperative as per the timelines set out in the Discussion section of the report dated July 23, 2008;
2. The continuation of the current level of tax exemption for the Neptune Theatre Foundation, Community Care Network, and Nova Scotia Islamic Community Centre.

### **BACKGROUND**

See staff report dated July 23, 2008, Attachment 1 to this report.

### **BUDGET IMPLICATIONS**

If approved, the removal of Creighton-Gerrish Development Association (5522 Buddy Daye Street, Halifax), the Bayside Baptist Camp Association and Coastal Communities Economic Development Association would create a combined savings of \$5,968.50 in fiscal year 2008-2009.

### **FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

### **ALTERNATIVES**

See staff report dated July 23, 2008, Attachment 1 to this report.

### **ATTACHMENTS**

1. Supplementary Report dated July 23, 2008
2. By-law T-224 Respecting Tax Exemption for Non-profit Organizations.
3. Letter to HRM from Neptune Theatre Foundation dated July 23, 2008
4. Letter from HRM to Neptune Foundation dated July 14, 2008

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210 or Fax 490-4208.

Report Prepared By: Barbara Coleman, Legislative Assistant.



PO Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

HRM Grants Committee  
November 3, 2008

TO: Chair and Members HRM Grants Committee

SUBMITTED BY:

A handwritten signature in black ink, appearing to read "Bruce Fisher", written over a horizontal line.

Bruce Fisher, Manager, Tax & Fiscal Policy

DATE: July 23, 2008

SUBJECT: **By-Law T-224 Tax Exemption for Non-Profit Organizations: Review  
of Conditional Awards and Records Management**

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### SUPPLEMENTARY REPORT

#### ORIGIN

This report originates with staff of HRM Finance and provides recommendations with respect to conditional tax exemption awards and title transfers. This version has been updated to include an amendment to the value of the pro-rated exemption to Creighton-Gerrish Development Association (removal as of date of title transfer), a status update on the NS Islamic Community Centre, and the addition of Coastal Communities Economic Development Cooperative which will be a pro-rated saving as of the date of title transfer to HRM.

#### RECOMMENDATION

It is recommended that the HRM Grants Committee approve in principle:

1. The removal of Creighton-Gerrish Development Association, Bayside Baptist Camp Association, and Coastal Communities Economic Development Cooperative as per the timelines set out in the Discussion section of this report;
2. The continuation of the current level of tax exemption for the Neptune Theatre Foundation, Community Care Network, and Nova Scotia Islamic Community Centre.

## BACKGROUND

The Municipal Government Act (1998), Section 71, permits municipalities, at their discretion, to provide partial or full tax exemption to non-profit organizations and charities who "...provide a service that might otherwise be a responsibility of Council". HRM has implemented such a program under By-law T-200.

- In prior years awards have been granted subject to specific terms and conditions, or subject to further review. This report provides an update with respect to three (3) conditional awards.
- Since By-law T-223 advanced to Regional Council, some property transfers require removal from By-law T-200; tax exemption is not transferable.

If the recommendations detailed in the Discussion section of this report are approved by Regional Council a public hearing is required for the removal of three properties.

## DISCUSSION

### Conditional Awards

#### 1. Neptune Theatre Foundation, 1593 Argyle Street, Halifax - Arts

The Neptune Theatre Foundation was originally on By-law T-200 at 50% exempt at the Residential rate (By-law T-201, 1997). In 2001, the foundation asked for an increase in exemption level to full exemption to assist with payment of the increased cost of capital debt. The request was approved conditional upon "...application of the savings in property taxes to capital debt repayment, commencing 2001-2002" (By-law T-206). In 2008, the theatre retired its mortgage and the exemption level should be reviewed. The property is assessed as Commercial and taxes are \$355,804. HRM pays a subsidy of \$355,804 and the foundation pays \$0. In response to staff's review the foundation have provided a written update of the status of their capital debt repayment and proposed capital replacement plan as detailed in correspondence included as **Attachment 2** of this report.

*Staff recommend continuation of tax exemption at 100% of the Residential rate (Schedule 26) pending any future tax assistance program re-design.*

#### 2. Nova Scotia Islamic Community Centre, 777 Kearney Lake Road, Bedford - Ethnocultural

In 2004, the Nova Scotia Islamic Community Centre was added to By-law T-200 at 100% exempt pending development of an expanded community centre. The conditions of funding stated that "...the status of the project be reviewed annually according to the construction of amenities and revised property assessment" (By-law T-213). The property is assessed as Residential and taxes are \$1,091. HRM pays \$1,091 and the society pays \$0.

A representative of the group met with staff October 23rd and provided an update. A capital fund has been established and an appeal to Revenue Canada upheld (September, 2008) to allow for the accrual of funds for a capital project. The need for a gymnasium in this location has yet to be confirmed relative to the HRM Indoor Facilities Master Plan, the amenities proposed as part of the construction of a new church in the

vicinity, market demand, and a feasibility study. The group is also interested in building a mosque and may have to re-visit their planning priorities based on financial and human resource capabilities. Staff will continue to monitor the development of the site.

*Staff recommend continuation of tax exemption at 100% of the Residential rate (Schedule 26) pending any future tax assistance program re-design.*

### **3. Community Care Network, 2425 Maynard Street, Halifax - Social Supports**

In 2003, the property located at 2425 Maynard Street, Halifax, was added to By-law T-200 at 50% exempt at the Residential tax rate pending re-development of the property. At the time the organization's stated aim was to accommodate a daycare, job training site, wellness centre, medical office, and an expansion of the food bank located at 2415 Maynard Street. Partial exemption was awarded conditional upon confirmation of on-site operations. The medical/health and employment services were not considered for subsidy (By-law T-212). The property is assessed as Commercial and taxes are \$11,134. HRM pays a subsidy of \$9,184 and the society pays \$1,950.

A site visit was made on September 11, 2008, to confirm the current use of the property. The facility is primarily a skills training centre with courses offered in partnership with Nova Scotia Community College and/or the Nova Scotia Department of Community Services. A portion of the upper and lower floor also contains storage for the furniture bank overflow and for furniture refinishing classes. Students are not exclusively clients of the food bank but include referrals from social services and self-referrals.

*Staff recommend continuation of partial tax exemption at 50% of the Residential rate (Schedule 28) pending any future tax assistance program re-design.*

## **Recommend Removal**

### **4. Bayside Baptist Camp Association, 1 Youth Camp Road, Bayside - Recreation**

The Bayside Baptist Camp Association owned and operated a camp site in Bayside that provided seasonal summer camps for children. However, the 10 acre site proved too small and the association could not accommodate any increase in the number of program participants. A private party has donated 100 acres in the Sambro area and construction of a new facility has started, including some winterized cabins to extend programming year-round. Property tax exemption is not transferable, therefore the property must be removed from By-law T-200 effective as of the date of sale. The property is assessed as Commercial and taxes are \$13,818. HRM pays a subsidy of \$13,818 and the society pays \$0.

*Staff recommend removal from By-law T-200 (Schedule 26) effective as of December 31, 2008, or the date of closing, whichever is sooner. The estimated pro-rated cost saving to the program for 2008-2009 is \$3,454.50 (3 months @ \$1,151.50 /month).*

*The association will have to make application to the program for the 2009-2010 fiscal year to add the new camp site to the program. HRM's ability to provide financial assistance will be subject to budget*

capacity. The association has been advised in writing September 10, 2008.

**5. Creighton-Gerrish Development Association, 5522 Buddy Daye Street, Halifax - Affordable Housing**

In 2004, the property located at 5522 Buddy Daye Street, Halifax (formerly civic address 2375-79 Crieghton Street) was added to By-law T-200 at 100% exempt during the holding and construction period (By-law T-213). In June, 2008, title was transferred to Harbour City Homes who will now own and operate the premises. Property tax exemption is not transferable, therefore the property must be removed from By-law T-200 effective as of the date of sale. The property is assessed as Residential and taxes are \$2,567. HRM pays a subsidy of \$2,567 and the association pays \$0.

*Staff recommend removal from By-law T-200 (Schedule 26) effective as of July 1, 2008. The estimated pro-rated cost saving to the program for 2008-2009 is \$1,927.*

*Harbour City Homes could make application for the 2009-2010 fiscal year to add the property to the program. HRM's ability to provide financial assistance will be subject to budget capacity. The association has been advised in writing September 12, 2008.*

**6. Coastal Communities Economic Development Cooperative, 1030 Terence Bay Road, Terence Bay - Recreation**

In 2003, a portion of the property located at 1030 Terence Bay Road was added to By-law T-200 at a Conversion to the Residential tax rate; this municipal grant was intended to subsidize the operation of the wharf and public parking that served the abutting HRM-owned public boat launch. In a report to Regional Council August 12, 2008, it was proposed that HRM acquire the site for a nominal fee plus costs. The purchase price includes payment of outstanding property taxes. The property is assessed as Commercial and taxes are \$4,480. HRM pays \$2,890 and the cooperative pays \$1,590.

*Staff recommend removal from By-law T-200 (Schedule 29) effective as of date of title transfer to HRM. The estimated pro-rated cost saving to the program for 2008-2009 is \$2,890.*

**BUDGET IMPLICATIONS**

If approved, the removal of Creighton-Gerrish Development Association (5522 Buddy Daye Street, Halifax), the Bayside Baptist Camp Association, and Coastal Communities Economic Development Association would create a combined saving of \$5,968.50 in fiscal year 2008-2009.

**FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

1. The HRM Grants Committee could overturn or amend a staff recommendation.

ATTACHMENTS

1. By-law T-224 Respecting Tax Exemption for Non-Profit Organizations.
2. Letter to HRM from Neptune Theatre Foundation dated July 23, 2008.
3. Letter from HRM to Neptune Theatre Foundation dated July 14, 2008.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Peta-Jane Temple, Team Lead, Tax, Grants & Special Projects, HRM Finance 490-5469

Attachment 1.

HALIFAX REGIONAL MUNICIPALITY  
BY-LAW NUMBER T-224  
BY-LAW RESPECTING TAX EXEMPTIONS

Be it enacted by the Council of the Halifax Regional Municipality, under the authority of Section 71 of the Municipal Government Act, Chapter 18, R.S.N.S 1989, is amended as follows:

**1. Schedule 26 of the by-law is amended by:**

- a) Remove ANN#4364759, Creighton-Gerrish Development Association, 5522 Buddy Daye Street, Halifax
- b) Remove ANN# 4710916, Bayside Baptist Camp Association, 1 Youth Camp Road, Bayside

**2. Schedule 29 of the by-law is amended by:**

- c) Remove ANN#04554035, Coastal Communities Economic Development Cooperative, 1030 Terence Bay Road, Terence Bay
- d) Remove ANN#04554035, Coastal Communities Economic Development Cooperative, 1030 Terence Bay Road, Terence Bay

Dated October xx, 2008

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Acting Municipal Clerk

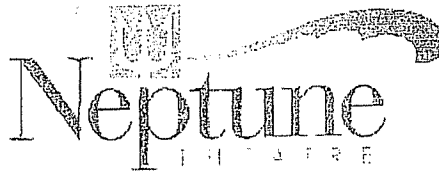
I, Julia Horncastle, Acting Municipal Clerk for the Halifax Regional Municipality, hereby certify that the above noted by-law was passed at a meeting of the Halifax Regional Council held on (month) (day), 2008.

\_\_\_\_\_  
Acting Municipal Clerk



Attachment 2.

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Tel: (902) 498-7300  
Fax: (902) 429-1211  
E-mail: Office@neptune-theatre.com



1593 Argyle Street  
Halifax, Nova Scotia  
Canada B3J 3B2  
Website: www.neptune-theatre.com

July 23, 2008

Ms. Peta- Jane Temple  
Team Lead  
Tax, Grants & Special Projects  
Halifax Regional Municipality  
3<sup>rd</sup> Floor Duke Tower, P.O. Box 1749  
Halifax, NS B3J 3A5

Dear Ms. Temple:

**Re: Property Tax Status Review**

In response to your July 14<sup>th</sup> letter requesting information for the staff report to go to the HRM Grants committee for their meeting of September 8, 2008, I thought it might be useful to review the history surrounding the tax exemption related to Neptune Theatre.

When the New Neptune project was being proposed in the mid 1990's and funds were being raised from both the private and public sector, the City of Halifax made a commitment that part of its contribution to the project would be full tax exemption. It appears that during the amalgamation which resulted in HRM, somehow this commitment was not reflected in the relevant amalgamated city by-laws.

Thus as the new building opened in 1997, Neptune was still being assessed taxes at 50% of the residential rate while HRM provided a grant that initially exceeded the value of the taxes. However, when the new building was assessed during the late 90's, the tax expense grew at a higher rate than the offsetting grant so that by 2000 Neptune actually had a net tax expense to HRM.

At this time, Neptune was also struggling with the large capital debt associated with the New Neptune project. One of the many things being reviewed at that time was the tax situation and the expectation that New Neptune was intended to be 100% tax exempt. We initiated discussions and worked with several of the councilors and HRM staff to effect this change. Indeed this generated significant public discussion (both at Council and in the local media) around whether or not Neptune should be tax exempt and the majority public opinion was that Neptune should be.

This culminated in a vote at council in 2001 and we were delighted to learn that Neptune was made 100% exempt. This full exemption has been reapplied for annually and continued since 2001. In 2001, the exemption was linked with payment of the increased cost of capital debt, which was consistent with our multi pronged plan to reduce our overall capital debt.

We are pleased to report that our capital debt repayment plans went better than originally anticipated. This was achieved largely through growth in box office revenue which generated additional funds that we applied to the debt as a first priority. Last year we were able to make the final payment on the building mortgage, eight years ahead of schedule. This marked the final step in the completion of the New Neptune construction project, a project which spanned almost 15 years from inception to final debt payment.

While the construction project is complete, the maintenance issues associated with owning a facility of the size and scale of Neptune continue. Several years ago we commissioned an engineering firm to prepare a ten year capital replacement/upgrade plan. This identified that we need to invest \$1.6 million over ten years just to maintain the building and specialized equipment in good working order.

Last year with the completion of the mortgage payments, we struck a special committee of our Board to review our options including how this capital replacement plan might be funded. One of the outcomes of that work was the decision to take the \$1.50 per ticket Capital Fund Surcharge which had been used to service the capital debt and allocate that to a separate fund called the Capital Fund to finance these needed upgrades. Over the next ten years, we believe this ticket surcharge will be sufficient to cover the bulk of the necessary upgrades.

We have taken these steps to provide for the long term financial future of the theatre. As we look towards the future, one of the things also critical to our financial stability is the retention of the 100% tax exemption for Neptune Theatre.

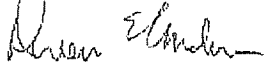
As you complete your review of the existing tax exemptions, we hope you will take the following into consideration:

- While Neptune was successful in accelerating its capital debt reduction through operating surpluses, these surpluses are not guaranteed and indeed are very tenuous. This year for example, we ended our fiscal year with an operating surplus of just slightly over \$100,000 so if we had to pay even 50% taxes, we would immediately be plunged into a deficit situation.
- The vast majority of municipalities across Canada provide their resident theatre companies with full tax exemptions along with significant operating grants. As HRM strives to be named the Cultural Capital of Canada in 2010, its support of its major cultural institutions like Neptune will be compared to the other municipalities across the country. Thus assessing taxes on one of them would be inconsistent with the support that competing municipalities are providing to their theatres.

- Finally, in 2003, on the occasion of Neptune's 40<sup>th</sup> anniversary, we announced with HRM's support, the creation of the Neptune Theatre District. We believe the consent to name this district was an important symbol of HRM's support for Neptune and a visible sign of the importance of Neptune Theatre to both the cultural and economic life of HRM. A return to partial tax exemption would not be consistent with this symbolic support.

This issue is obviously of great importance to us and so if you require any further information or assistance from us as you prepare your report, we would be pleased to provide it.

Yours very truly,



Doreen E. Malone  
General Manager

Cc: Jamie Baillie, President, Neptune Theatre Board of Directors

Attachment 3.



July 14, 2008

COPY

Neptune Theatre Foundation  
1593 Argyle Street  
Halifax, NS B3J 2B2  
Attn: Ms. Doreen Malone

Dear Ms. Malone:

Re: Property Tax Status Review

Staff are reviewing all conditional tax exemptions awarded under By-law T-200. A report is due to go to the HRM Grants Committee for their meeting of September 8, 2008.

Neptune Theatre was originally on By-law T-200 at 50% exempt at the Residential rate. In 2001, the foundation requested an increase in exemption level to full exemption to assist with payment of the increased cost of capital debt. The request was approved conditional upon "...application of the savings in property taxes to capital debt repayment, commencing 2001-2002" (By-law T-216). In 2008, the theatre retired its mortgage and the exemption level is due to be reviewed. I do not anticipate an immediate change in level of exemption for 2008-2009; given the size of the annual tax bill it seems reasonable that HRM would provide advance notice of any proposed change in award value i.e. in 2009-2010.

Please could you confirm that the mortgage is retired and how the additional tax savings have been directed by the theatre.

I thank you in anticipation of your cooperation. If you have questions or concerns please call me at 490-5469.

Sincerely,

Peta-Jane Temple  
Team Lead, Tax, Grants & Special Projects

cc: File