

Municipality of East Ferris

Report to Council

Report No.: CAO-2019-01

Date: July 9, 2019

Originator: Jason H. Trottier, CAO/Treasurer

Subject: Tax Reduction Request by Seniors Villa of East Ferris Inc.

RECOMMENDATION

That Council approve a tax reduction to the Seniors Villa of East Ferris Inc. as follows:

- Phase 1: Exempt from 50% of all taxes levied from 2019 till the end of the 20-year agreement (2029); and
- Phase 2: Exempt from all taxes levied for the first 10 years of the 20-year agreement (2017-2026) and exempt from 50% of all taxes levied for the 2nd 10-year period of the 20-year agreement (2027-2036).
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BACKGROUND

Past Tax Reductions

See Appendix A for Report TREASURY 2015-01 Subject: Four Year Tax Reduction Extension to Seniors Villa of East Ferris Inc. and Council Resolution No. 2015-073 accepting the recommendation contained in the said report. This information relates to past tax reduction requests and approvals and is provided as background information.

New Request for Tax Reductions

On May 23rd, 2017, Council for the Corporation of the Municipality of East Ferris passed By-Law No. 2017-16 to enter into an agreement with the District of Nipissing Social Services Administration Board and the Seniors Villa of East Ferris Inc. to provide municipal housing facilities pursuant to Section 110 of the Municipal Act, 2001, S.O. 2001, c. 25, as amended. Section 6.1 of the agreement stipulates that the Municipality will provide a property tax reduction

grant by calculating taxes owing using the Residential Tax Rate instead of the Multi-Residential Tax Rate. The said agreement is in force for a period of twenty (20) years.

On April 23rd, 2019, Mr. Michel Champagne, President of the Seniors Villa of East Ferris Inc. made a delegation to Council at their regular meeting requesting property tax reductions. Mr. Champagne's request was referred to the Treasury Department for a review and report. This item of business is a carry forward from the past term of Council.

Additional conversations between staff and the Seniors Villa of East Ferris Inc. included a request to review further tax reductions for the first development of the Seniors Villa as well. The Seniors Villa of East Ferris Inc. are looking to ensure the financial viability of their affordable housing units in East Ferris and have plans to improve the delivery of their services by entering into an agreement with a third-party for property management services. Furthermore, the Seniors Villa need to ensure that funds are available for future capital costs that they will encounter when replacement of major components of the units are required. Providing a tax reduction would provide the Seniors Villa with funds to improve service delivery and keep much needed affordable housing opportunities in our community.

Legislation Allowing Tax Reductions

For information purposes, below are two Subsections (1 and 6) of Section 110 of the Municipal Act, 2001, S.O. 2001, c. 25, as amended:

Agreements for municipal capital facilities

110 (1) *This section applies to an agreement entered into by a municipality for the provision of municipal capital facilities by any person, including another municipality, if the agreement provides for one or more of the following:*

- 1. Lease payments in foreign currencies as provided for in subsection (2).*
- 2. Assistance as provided for in subsection (3).*
- 3. Tax exemptions as provided for in subsection (6).*
- 4. Development charges exemptions as provided for in subsection (7). 2006, c. 32, Sched. A, s. 51.*

Tax exemption

110 (6) *Despite any Act, the council of a municipality may exempt from all or part of the taxes levied for municipal and school purposes land or a portion of it on which municipal capital facilities are or will be located that,*

- (a) is the subject of an agreement under subsection (1);*
- (b) is owned or leased by a person who has entered an agreement to provide facilities under subsection (1); and*
- (c) is entirely occupied and used or intended for use for a service or function that may be provided by a municipality. 2001, c. 25, s. 110 (6); 2006, c. 19, Sched. O, s. 3 (1).*

Based on Section 110 (6) of the Municipal Act, Council may exempt the Seniors Villa from all or part of the taxes levied for municipal and school purposes. Due to this legislative authority, there are three options available for providing tax reductions, but many alternatives when looking at Option #2: Exempt from part of the taxes levied. Furthermore, with both Option #1 and Option #2, Council could choose to limit reductions to certain periods of time such as 5, 10, or 20 years. As the agreement entered into is for a 20-year period, it is suggested that we limit any exemptions to 20 years.

Tax Reduction Options:

1. Exempt from all taxes levied
2. Exempt from part of the taxes levied
3. Status Quo – Levy taxes using the Residential Tax Rate instead of the Multi-Residential Tax Rate (Residential and Multi-Residential classes have the same rate in East Ferris)

Affordable Housing in East Ferris

The availability of affordable housing in East Ferris is an important housing option for the community and is referenced in several of our planning documents and policies. The Provincial Policy Statement 2014 provides for a range of housing types and encourages affordable housing:

2.3.1 Housing

2.3.1.1. Planning authorities shall provide for an appropriate range and mix of housing types and densities to meet projected requirements of current and future residents in the regional market area by:

- a) establishing and implementing minimum targets for the provision of housing which is affordable to low and moderate income households. However, where planning is*

conducted by an upper-tier municipality, the upper-tier municipality in consultation with the lower-tier municipalities may identify a higher target(s) which shall represent the minimum target(s) for these lower-tier municipalities.

Our Official Plan Section 2.5.1. encourages participation in programs designed to assist both private and public interests. One of the stated goals is to encourage and promote affordable housing. As stated in our Official Plan, "The Municipality is also supportive of creating and sustaining affordable housing units within the Municipality. This is evident through Section 4.10.2 Housing Affordability and Secondary Units which provides guidelines that approximately 25% of the housing starts should be affordable, which over the lifetime of the plan would create sixty (60) units or more." Currently, the Municipality does not have 60 units or more of affordable housing.

In our Community Improvement Plan (CIP), we encourage affordable housing developments and are providing financial incentives for the development of new affordable housing units. As stated in the CIP, "The Municipality continues to support and recognizes the need for affordable housing opportunities within the community. Affordable housing can support new residents to the area, allows residents to age within the Municipality and temporary residents coming to the region for employment opportunities."

FINANCIAL IMPLICATIONS

For the year 2019, taxes to be levied to the Seniors Villa of East Ferris Inc. are as follows:

Phase 1: \$21,867.45 (20 units)

Phase 2: \$11,449.64 (8 units)

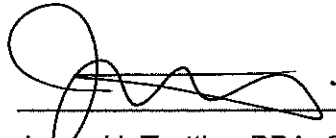
For Phase 2, there are also supplementary taxes to be levied for the years 2017 and 2018. These taxes have yet to be levied. It is suggested that any tax reductions be applied to these years as well.

RECOMMENDATION

It is recommended that Council approve a tax reduction to the Seniors Villa of East Ferris Inc. as follows:

- Phase 1: Exempt from 50% of all taxes levied from 2019 till the end of the 20-year agreement (2029); and
- Phase 2: Exempt from all taxes levied for the first 10 years of the 20-year agreement (2017-2026) and exempt from 50% of all taxes levied for the 2nd 10-year period of the 20-year agreement (2027-2036).

Respectfully submitted,



Jason H. Trottier, BBA, CPA, CMA
CAO/Treasurer



THE CORPORATION OF
THE MUNICIPALITY OF EAST FERRIS

March 10, 2015

Resolution No. 2015-073

Moved by: Terry Kelly
Seconded by: [Signature]

That the Council for the Municipality of East Ferris accepts the recommendation from the Treasurer as per Report TREASURY 2015-01 and approves the tax reduction request of the Seniors Villa of East Ferris Inc.

[Signature]
Carried

Michel Voyer, declared a conflict and did not participate in any vote or discussion.

Recorded Vote (Upon Request of Councillor _____)
Section 246 (1) Municipal Act

	Yeas	Nays
Mayor Bill Vrebosch	_____	_____
Deputy Mayor Pauline Rochefort	_____	_____
Councillor Michel Voyer	_____	_____
Councillor Rick Champagne	_____	_____
Councillor Terry Kelly	_____	_____

Corporation of the Municipality of East Ferris

Report to Council

Report No. TREASURY 2015-01
Originator: Jason H. Trottier, CPA, CMA, Treasurer
Subject: Four Year Tax Reduction Extension to Seniors Villa
of East Ferris Inc.

Date: March 5, 2015

RECOMMENDATION

1. That Council approves the tax reduction request from the Seniors Villa of East Ferris Inc.

BACKGROUND

On June 10th, 2008, Council for the Corporation of the Municipality of East Ferris passed By-Law No. 2249 to enter into an agreement with the District of Nipissing Social Services Administration Board and the Seniors Villa of East Ferris Inc. to provide municipal capital facilities pursuant to Section 110 of the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended. Council was of the opinion that making use of Section 110 was a desirable means of increasing the supply of affordable housing by providing financial or other assistance at less than fair market value to the Seniors Villa of East Ferris Inc. as set out in the agreement. Section 6.1 of the agreement stipulates that the Municipality will maintain its current tax ratio for multi-residential development, which is the same rate as the single residential/farm property class of 1.0000. The said agreement is in force for a period of twenty (20) years.

On July 7, 2009, a special meeting of Council was held to discuss the Seniors Villa of East Ferris Inc. affordable housing development. Council received a request from the Seniors Villa of East Ferris Inc. for a reduction in taxes in order to make the project financially viable. Section 110 of the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended, permits the Council of a municipality to exempt from taxation for municipal and educational purposes land or a portion of it on which municipal capital facilities are or will be located. At this meeting, Council passed a resolution to amend the Municipal Housing Facilities Agreement to provide for a reduction in taxes for a five (5) year period. For the next five (5) years (2010-2014), taxes were to be calculated based on one half of the assessed value of the properties as calculated by the Municipal Property Assessment Corporation to a maximum of \$11,000.00 annually. Council also agreed to review this reduction for further consideration at the end of the five year period. A summary of taxes paid for the period of 2010-2014 is attached as Appendix A.

On February 5th, 2015, staff met with President Michel Champagne and Treasurer Bob Lefebvre of the Seniors Villa of East Ferris Inc. They have submitted a request for a four (4) year tax reduction extension. See Appendix B for a copy of their request letter. The Seniors Villa of East Ferris is requesting on-going tax reductions in order to minimize cash outflows as they have committed to repay a loan of \$35,000 within the next five (5) years received from the Knights of Columbus. Since inception, they have had some issues with the facilities and have had to make capital improvements with a cost of approximately \$125,000-\$130,000 which they paid in cash. They expect to be in a solid cash flow position five years from now.

Corporation of the Municipality of East Ferris

Report to Council

Staff has reviewed the financial effect should the Seniors Villa of East Ferris' request be approved by Council. See Appendix C for a summary of projected taxes for 2015-2019. Assessment values and tax rates change on an annual basis; therefore, the taxes payable figures are based on the 2014 tax rate and 2015 assessment values. As their request letter indicates, the reduction would be phased-in over four years; therefore, the Municipality would begin to realize increased tax revenues of 10% per year beginning in 2015 until their organization is paying 100% of taxes levied in 2019.

The Seniors Villa of East Ferris is a great success story for our community. This development provides upscale affordable housing for low income seniors and is a need for our area. As mentioned in their request letter, the housing they provide is vital for our community. There is a demand for this type of housing in East Ferris; the Seniors Villa has a wait list for seniors needing housing. Their Board is doing amazing work and they plan on expanding their development should funding be made available from the government or an equity partner be found to assist with development.

CONCLUSION

It is recommended that Council approves the request received from the Seniors Villa of East Ferris Inc. for further tax reductions for four (4) years from 2015 to 2018. As cash flow is vital to this local organization, further tax reductions would enable them to repay their debt to the Knights of Columbus and better position them financially for the next five (5) years.

Respectfully submitted,



Jason H. Trottier, CPA, CMA, Treasurer

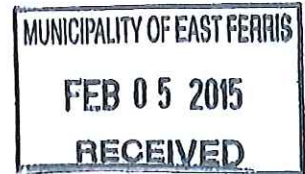
I concur with this report.



John B. Fior, CAO/Clerk

Seniors Villa of East Ferris Inc.**Taxes Paid for 2010-2014**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Taxes Payable (Prior to Reduction)	\$ 16,684.20	\$ 16,893.34	\$ 17,528.55	\$ 16,233.71	\$ 16,216.32
Less: Tax Reduction	\$ (8,342.10)	\$ (8,446.67)	\$ (8,764.28)	\$ (8,116.86)	\$ (8,108.18)
Taxes Paid	<u>\$ 8,342.10</u>	<u>\$ 8,446.67</u>	<u>\$ 8,764.27</u>	<u>\$ 8,116.85</u>	<u>\$ 8,108.14</u>



APPENDIX B

Dec 12, 2014
The Corporation of the Municipality
of East Ferris

Dear Sirs: Re: Seniors Villa of East Ferris Ltd

Further to our delegation to the council meeting of Dec. 9, 2014, we are hereby submitting our request for the review of our municipal tax assessment for year 2015 and forward.

As you are well aware, the township has in the past been a strong ally and significant supporter to the formation of the project started in 2009. Part of that support was the reduction of municipal taxes for a five year term allowing the organization to maintain a positive cash flow. Annual audited financial statements have been provided to the township and Mar. 31, 2014 year end statements reflect a positive cash flow of \$22,395. That figure includes reduced municipal taxes of \$7,070. as a result of an adjustment where we were levied \$14,140. in the previous year. Be that as it may, our annual assessment for 2014 was \$16,216.32 less the favorable adjustment of \$8,108.18.

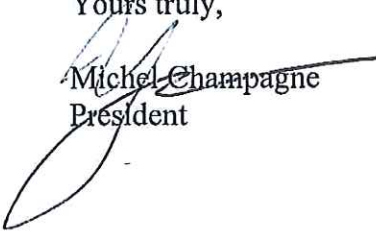
This year, the organization is set to lose the subsidy resulting in annual increased costs of \$8,100. This amount will be presenting a challenge on our cash flow since we are already committed to pay back \$35,000 to our benefactors, the Knights of Columbus and we expect to have this done within the next 5 years.


While we do not wish to minimize our appreciation for your past support and fully understand the need for you to collect appropriate taxes for the community, we would like to propose an arrangement of increasing our tax assessment as detailed on Appendix A attached. The foregoing would permit us to move forward with our debt retirement plan.

All and all, the Seniors Villa of East Ferris has been a resounding success providing our seniors with upscale affordable housing and ensuring its continued success is vital for the community citizens knowing there is available housing for their twilight years.

Once again, thank you for your past support and your consideration of this request.

Yours truly,


Michel Champagne
President


Bob Lefebvre
Treasurer

Appendix A

APPENDIX B - CONTINUED

Tax relief proposal

2015	pay 60% of proposed taxes
2016	pay 70% of proposed taxes
2017	pay 80% of proposed taxes
2018	pay 90% of proposed taxes
2019	pay 100% of proposed taxes

Seniors Villa of East Ferris Inc.**Projected Taxes for 2015-2019**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Taxes Payable (Prior to Reduction)	\$ 16,237.89	\$ 16,237.89	\$ 16,237.89	\$ 16,237.89	\$ 16,237.89
Less: Tax Reduction	\$ (6,495.16)	\$ (4,871.37)	\$ (3,247.58)	\$ (1,623.79)	\$ -
Tax Reduction Rate	40%	30%	20%	10%	0%
Taxes Payable	<u><u>\$ 9,742.73</u></u>	<u><u>\$ 11,366.52</u></u>	<u><u>\$ 12,990.31</u></u>	<u><u>\$ 14,614.10</u></u>	<u><u>\$ 16,237.89</u></u>

Note: Taxes payable based on 2014 tax rate and 2015 current value assessment.