
TO: Tom Osborne
General Manager, Recreation and Parks Services

DATE: June 9, 2014

FROM: Dean Banman
Manager of Recreation Services

FILE:

SUBJECT: Parksville Curling Club Viability under Reduced Tax Exemption

PURPOSE

To provide the information requested under RDN Board resolution #14-264 related to the Parksville Curling Club (PCC) Society's use of the District 69 Arena and the reduction of the tax exemption to the facility and lands.

BACKGROUND

In the fall of 2013 the PCC was made aware that the 100% tax exemption eligibility they had been given since their inception (2003) by the City of Parksville had been reduced to 50% effective 2014. Along with this immediate 50% reduction the Club was informed of the possibility of further reductions in exemption status in future years may materialize.

Based on BC Assessment valuations in January 2014 this effectively placed a property tax assessment on PCC of \$16,564.26 (50% of \$33,128.52). With the help of RDN and City of Parksville staff an appeal was submitted to BC Assessment and the assessed valuation was reduced from \$1,567,000 to \$630,103 which reduced the assessment by approximately 60% to \$13,126.85. The taxes payable by PCC now stands at \$6,563.43 (50% of \$13,126.85).

Although now lower than originally assessed an unanticipated annual tax assessment fee of \$6,563.43 is still in effect and placing pressure on the operating of the PCC. To this PCC appeared as delegations at the February 2014 District 69 Recreation Commission and the March 2014 City of Parksville Council Meeting. The District 69 Recreation Commission passed the following resolution that was approved by the RDN Board at their Regular Meeting in March 2014:

RDN Board Resolution #14-264

That staff prepare a report on the impacts the Parksville Curling Club and the District 69 Arena facility is facing with the reduction and removal of the Permissive Tax Exemption by the City of Parksville for the leased parklands and to provide options that will ensure the club and the regional district facility can be sustained in the long term.

At the April 23, 2014 Regular Meeting of the City of Parksville, the City Council received a city staff report outlining possible options related to the PCC tax exemption. This report was received as information only, leaving the tax assessment owed by PCC for 2014 still at \$6,563.43.

Through the Sublease Agreement with the RDN, the Society is responsible for all operational and capital costs associated with the facility and surrounding grounds. The Club's current membership is just over 300 members. The society regularly hosts bonspiels and larger sanctioned events such as the 2012 and 2013 Men's Provincial Championships, 2009 BC Scotties Tournament of Hearts and most recently the 2014 BC High School Championships. With their membership base PCC anticipates a \$22.00 per member additional annual fee will be required to meet the demands of the reduction in permissive tax exemption. PCC has indicated that there is a likelihood that should this additional membership fee be put in place, membership could fall dramatically to the point that the continued operation of PCC is at risk.

ALTERNATIVES

1. To convert the existing Lease Agreement between the RDN and the Parksville Curling Club to an Operating Agreement and therefore being eligible for 100% statutory tax exemption under Division 6 (s) 220 of the Community Charter.
2. To request the City of Parksville to grant 100% tax exemption status for the land and building excluding the commercial area of the building (licensed lounge) in the calculation of taxation assessment.
3. To approach the City of Parksville with a request to amend the existing Lease Agreement between the RDN and City to reduce the size of the leased area by approximately 65% in order to further reduce the land's assessment by the same amount.
4. That alternative direction be provided.

FINANCIAL IMPLICATIONS

1. Converting the Existing Lease with PCC to an Operating Agreement

The agreement between the RDN and PCC may be eligible for 100% statutory tax exemption under Division 6 (s) 220 of the Community Charter if it was seen as the RDN still held or was vested in the District 69 Arena. Currently the sub-lease between the RDN and PCC is an impediment to this statutory exemption being applicable. There may be a possibility through a City of Parksville bylaw under Division 7 (s) 225 of Community Charter that a 100% permissive tax exemption to the PCC may be possible should the existing lease agreement between the RDN and PCC be converted to a form that reflects more of an operating agreement between the RDN and PCC.

These types of agreements would however place the RDN in more possession and control of the District 69 Arena and increase both its responsibility and liability. The RDN's solicitor Stewart, McDannold, Stuart (SMS) has provided legal opinion on the matter. In essence, an operating or partnering agreement may provide PCC with 100% tax exemption but the RDN would then likely need to take on additional responsibilities. Some examples of the types of responsibilities the RDN *may* need to assume are;

maintenance and repair over a specified dollar amount and provision of an annual operating management fee.

Additional liability responsibilities would likely result and could be mitigated with language within an agreement. The essence of an operating or co-management type agreement is to satisfy the requirement within the Community Charter that the RDN held or was vested in the control of the building. SMS does provide comment in their opinion that the influencing case law and local government legislation in this area of law makes tax exemption eligibility not straight forward and open to interpretation.

RDN staff have reviewed existing agreements from other local governments that have 100% tax exemption and the language within these agreements are consistent with these local governments active role in the operating/management of the facilities. Some examples of the agreements reviewed include City of Parksville (Parksville Community Centre Society), Town of Qualicum Beach (Qualicum and District Curling Club) and individual agreements between City of Nanaimo and; Nanaimo Curling Club and Nanaimo White Rapids (Kin Pool). Equally important to the 100% tax exemption status of these groups is the willingness of local governments to approve 100% tax exemption status under Division 7 of the Community Charter.

2. Granting of Full Tax Exemption Excluding Commercial Areas of the Facility

By limiting the taxable area for tax exemption purposes to the approximately 300 sq. m. commercial area of the facility (licensed lounge) the assessed area value of would be \$13,233, down from \$630,103 and the taxable amount to \$276.00, down from \$13,127. It can be argued that a tax exemption on the licensed lounge provides PCC with an unfair advantage over other commercial establishments with the City of Parksville that provide these same services and are required to pay property taxes. For this reason it is relevant that some percentage of tax assessment is warranted at PCC. No other facility or organization provides curling within the City of Parksville or immediate area so no unfair competitive advantage related to the other portion of the PCC leased land and facility is apparent. It appears from City of Parksville Bylaw 1500 Schedule 'A' that they do have a willingness to approve 100% tax exemptions for like facilities and services that hold the same property class as PCC.

3. Reduction of Lease Area

The RDN could request the City of Parksville amend the existing lease space to a smaller area in closer proximity to the arena. The existing space leased by the RDN from the City of Parksville and subsequently sub-leased to PCC includes 127 parking stalls, 8 light standards, and boulevard landscaping with approximately 30 trees. Utilities for the light standards and boulevard watering is supplied from the PCC currently at no cost to the City of Parksville. Throughout the year this space is used by patrons of the community park with the majority of use by PCC September to March. PCC is responsible for the space year around. For purposes of PCC, the leased area could be reduced by approximately 65% (13,700 sq. m. to 4,800 sq. m.) which in affect would reduce the assessed value the same percentage or by \$409,567. This in effect would reduce the tax assessment to approximately \$5,251 from the current amount of \$13,126.85.

The existing lease between the City of Parksville and the RDN was renewed in April 2013 and expires at the end of March, 2018. The City of Parksville is under no obligation to amend the existing agreement.

4. Other Considerations

The RDN has intimate knowledge of the efforts, both financial and labour, a recreation facility such as a curling facility requires. A facility the size and age of the District 69 Arena will continue to require annual maintenance along with capital work.

Through possible Corporate Climate Action fund (CCAF) or other relevant sources, funding an independent assessment of the District 69 Arena building integrity and life expectation of major operating systems would help both PCC and RDN in management of the asset. The information gathered from this assessment could be used in the development of an asset management plan for the facility. The implementation and management of this plan would, depending on the structure of a use agreement, fall to either the RDN, PCC or both. It is estimated that the building assessment would cost in the range of \$10,000 - \$15,000.

PCC currently charges each of its members an annual \$20.00 facility development fund fee. These fees go into a dedicated reserve fund to help finance capital projects. This fund currently has a balance of \$14,000. Prior to 2003 when PCC was looking to possibly build a facility or convert an existing structure, fundraising efforts had accumulated approximately \$100,000. Over the years this fund has been used in conjunction with the facility development fund in financing capital projects. Currently the original \$100,000 fund sits at \$50,000 and is used as a security against a \$50,000 line of credit.

The Curling Club has made over \$157,700 in leasehold improvement to the facility including but not limited to replacement of the facility's condenser, installation of a Low E ceiling, an addition of a lounge, repairs to the roof, and upgrades to the ladies washroom.

In the event the Parksville Curling Club is unable to operate the District 69 Arena and the RDN's participants of the District 69 Arena function, which includes Parksville, Qualicum Beach, Electoral Area's E, F, G and H, decide to demolish the building if deemed to have no community use value, the cost to undertake this work would be borne by participants.

In 2012 the RDN commissioned a facility asset appraisal for the District 69 Arena and the demolition costs for the facility (not including any soil remediation if required) was estimated to be \$235,000. This figure may be low as when the City of Nanaimo's Civic Arena was demolished in 2006, the cost was \$739,645 (not including soil remediation). As the range between the two samples is relatively large, the RDN would need to confirm the likely demolition costs as part of their long term financial planning process. Table I outlines the proportional share for both cost removal estimates.

Table I - Proportional Share of District 69 Arena Demolition Costs

\$235,000 Estimate		\$739,645 Estimate	
Parksville (26%) -	\$61,940	Parksville -	\$194,950
Qualicum Beach(20%) -	\$45,988	Qualicum Beach -	\$144,742
EA E (18%) -	\$41,514	EA E -	\$130,662
EA F (12%) -	\$27,187	EA F -	\$85,569
EA G (16%) -	\$37,712	EA G -	\$118,696
EA H (8%)-	\$20,659	EA H -	\$65,026

A revision should be made to Bylaw #1504 that would expand the authority to use reserve funds for the demolition of the District 69 Arena should it be required. For illustrative purposes if \$20,000 was

annually budgeted under a revised Bylaw #1504 the impact on the tax assessment of the contributing areas is shown in Table II. The information through a building assessment would provide more accurate information on the required need to begin contributing to this reserve fund.

Table II - Proportional Share of District 69 Arena Annual \$20,000 Contribution to Bylaw #1504

Parksville	\$5,200	EA F	\$2,400
Qualicum Beach	\$4,000	EA G	\$3,200
EA E	\$3,600	EA H	\$1,600

STRATEGIC PLAN IMPLICATIONS

The fitness and social benefits derived from the RDN working with the City of Parksville and the PCC related lease agreements promote active living which is a recognized initiative within the strategic plan. Specifically, the RDN is striving to achieve its goal to provide opportunities to residents that improve the physical, social, and cultural and health needs while striving to balance location, accessibility, and usage fees. The initiatives PCC has consistently undertaken also increase the sports tourism exposure that is desirable to the community and is also a specified initiative with the existing RDN strategic plan.

SUMMARY

As of 2014 the Parksville Curling Club Society (PCC) is subject to a 50% tax assessment on the District 69 Arena property and building it leases from the RDN. Prior to 2014 PCC was given a 100% tax exemption from the City of Parksville. Due to the sheer size of the leased area the 2013 assessed value was \$1,567,000. At this value the PCC was faced with paying a \$16,564.26 (50% of \$33,128.52) property tax bill. In early 2014 PCC appealed this assessed value and was successful in having the value reduced to \$630,103. At this assessed value the current property assessment for the PCC is \$6,563.43 (50% of 13,126.85).

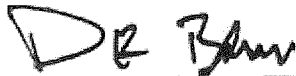
Under the current sub-lease agreement with the RDN, PCC is responsible for 100% of the operating and capital work required at the District 69 Arena as well as all applicable taxes. Since taking over the facility as a curling club PCC has met this obligation with investments of approximately \$157,000 in the building and its equipment.

Through no fault of the PCC some of the significant operating systems and structures are showing signs of age and the need for more capital planning. PCC feels that the additional financial burden of paying annual property tax (\$6,563.43) will add more hardship to the operating of the facility. They have appeared as a delegation to both the District 69 Recreation Commission and City of Parksville Council requesting reinstatement of the 100% tax exemption status.

The District 69 Recreation Commission and Regional Board directed staff to provide a report on the impact the removal of 100% tax exemption will have on the District 69 Arena as well as the PCC. The City of Parksville has replied to PCC that no changes back to a 100% tax exemption are being considered at this time and in fact more reductions in tax exemptions may be considered in the future.

RECOMMENDATIONS

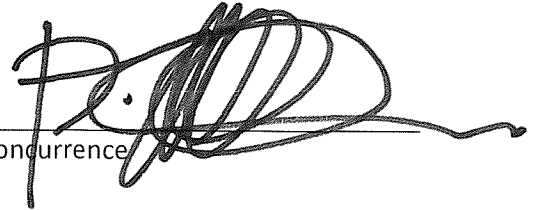
1. That the Regional District request the City of Parkville to grant 100% tax exemption status for the land and building leased by the Parkville Curling Club Society excluding the commercial area of the building (licensed lounge) in the calculation of taxation assessment.
2. That the Regional District commission an independent building assessment of the District 69 Arena through the Corporate Climate Action fund (CCAF) to confirm the integrity and life expectancy of the structure and major operating systems to use in long term management of the asset.
3. That the District 69 Arena Reserve Fund Bylaw #1504 be amended to allow funds to be allocated for the eventual removal of the District 69 Arena when required.



Report Writer



General Manager Concurrence



C.A.O. Concurrence