



## STAFF REPORT

**Title:** Tax Exemption - Kokum's House

**Meeting Date:** July 11, 2023

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### **Executive Summary:**

The Cold Lake Native Friendship Centre (CLNFC) has applied for a tax exemption for Kokum's House which is a thrift shop located at 4803 51 Street. Thrift stores are usually exempt in whole or part if they meet the definition of a Thrift Store and meet the criteria in Section 362(1)(n) of the MGA, and parts 1 and 3 of The Community Organization Property Tax Exemption Regulation (COPTER). Upon reviewing the application, Administration has determined that Kokum's House meets all the requirements for tax exemption for a non-profit organization as a thrift shop.

Kokum's House owned and operated by CLNFC, a non-profit organization, has been tax exempt since 2016 and has not made any changes to the organization that affect this exemption since that time. COPTER Section 16 gives the municipality authority to exempt the property up to a maximum of three (3) years if the application is received by September 30<sup>th</sup> if they meet all the criteria set out in the regulations.

The agreement for Kokum's House to rent the facilities located at 4803 51 street, came into effect June 1, 2023. This is past the September 30, 2022 deadline for the 2023 property tax year based on COPTER. As per MGA Section 368 (2 and 3), if there is a change in the property or part of the property for an applicant who is eligible for tax exemption then the taxes can be prorated for the part of the year a tax-exempt organization is located in the premises. Kokum's House would qualify for the exemption and as a result the property taxes being prorated for exemption during the year of June 1, 2023 to December 31, 2023.

With the lease agreement being for one year, June 1, 2023 to May 31, 2024, and possible extension of five years. The minimum period for exemption at the property would be for one year to May 31, 2024 with a possible maximum of 3 years as per COPTER.

### **Background:**

In order to be exempt, Kokum's House Thrift Store must meet the general conditions for a tax exemption under Section 362(1)(n) of the MGA and meet the definition of a "thrift shop" under Part 3 Regulation 13(h) and meet the requirements of COPTER.



**Exemptions for Government, churches and other bodies**

**362(1)** The following are exempt from taxation under this Division:

- (n) property that is
  - (i) owned by a municipality and held by a non-profit organization in an official capacity on behalf of the municipality,
  - (ii) held by a non-profit organization and used solely for community games, sports, athletics or recreation for the benefit of the general public,
  - (iii) used for a charitable or benevolent purpose that is for the benefit of the general public, and owned by
    - (A) the Crown in right of Alberta or Canada, a municipality or any other body that is exempt from taxation under this Division and held by a non-profit organization, or
    - (B) by a non-profit organization,
  - (iv) held by a non-profit organization and used to provide senior citizens with lodge accommodation as defined in the [Alberta Housing Act](#), or
  - (v) held by and used in connection with a society as defined in the [Agricultural Societies Act](#) or with a community association as defined in the regulations,and that meets the qualifications and conditions in the regulations and any other property that is described and that meets the qualifications and conditions in the regulations;

**Part 3 Other Property Exempt Under Section 362(1)(n)**

**Definitions**

**13** In this Part

- (h) “thrift shop” means a retail outlet operated for a charitable or benevolent purpose that sells donated clothing, appliances, furniture, household items and other items of value at a nominal cost to people in need

The thrift store owned and operated by the non-profit organization CLNFC, meets the conditions of Section 362(1)(n)(iii) of the MGA which states the non-profit organization operations must be used for a charitable or benevolent purpose that is for the benefit of the general public and the property and must be owned or leased by a non-profit organization. Kokum’s House also meets the definition of a thrift store under section 13(h) of COPTER. A thrift shop is a retail outlet operated for a charitable or benevolent purpose that sells donated clothing, appliances, furniture, household items and other items of value at a nominal cost to people in need and the proceeds are used to support the CLNFC’s men’s homeless shelter.

The non-profit organization must also meet the requirement of the following COPTER regulations:



1. Must be charitable or benevolent, provide a relief of poverty, an advancement of education, an advancement of religion or any other purpose beneficial to the general public within the community and not be limited to a group through memberships or a group of business associates (COPTER s1(b)(c)).

**Interpretation**

**1(1)** In this Regulation,

- (a) “Act” means the Municipal Government Act;
- (b) “charitable or benevolent purpose” means the relief of poverty, the advancement of education, the advancement of religion or any other purpose beneficial to the community;
- (c) “general public” means pertaining to the general community, rather than a group with limited membership or a group of business associates;

2. Property must be primarily used at least 60% of the time for the charitable or benevolent purpose (COPTER s.4).

**Primary use of property**

**4(1)** Property is not exempt from taxation under section 362(1)(n)(iii), (iv) or (v) of the Act or Part 3 of this Regulation unless the property is primarily used for the purpose or use described in those provisions.

**(2)** For the purposes of this Regulation, a property is primarily used for a purpose or use if the property is used for the specified purpose or use at least 60% of the time that the property is in use.

3. Must not be restricted by race, culture, ethnic origin or religious belief or ownership of property, require fees of any kind other than minor entrance or services fees and must not be require membership to access (COPTER s. 7(1)(a)(b)(c)(d)).

**Meaning of restricted**

**7(1)** In this Regulation, a reference to the use of property being restricted means, subject to subsections (2) and (3), that individuals are restricted from using the property on any basis, including a restriction based on

- (a) race, culture, ethnic origin or religious belief,
- (b) the ownership of property,
- (c) the requirement to pay fees of any kind, other than minor entrance or service fees, or



(d) the requirement to become a member of an organization.

4. Must be a registered Society under the Societies act (COPTER s.6).

**Non-profit organization**

6 When section 362(1)(n)(i) to (v) of the Act or Part 3 of this Regulation requires property to be held by a non-profit organization, community association or residents association as defined in section 13 for the property to be exempt from taxation, the property is not exempt unless

(a) the organization or association is a society incorporated under the Societies Act, or

(b) the organization or association is

(i) a corporation incorporated in any jurisdiction, or

(ii) any other entity established under a federal law or law of Alberta

that is prohibited, by the laws of the jurisdiction governing its formation or establishment, from distributing income or property to its shareholders or members during its existence.

5. A thrift store may apply and must be granted if it meets all the criteria and resources are devoted to charitable or benevolent purposes (COPTER s.15, s.16).

Kokum's House has an annual surplus that is used only for charitable purpose with all revenues going towards the operational costs of Kokum's House or to CLNFC's men's homeless shelter. The property is owned by Soumah Holdings Ltd. and rents the property to CLNFC to utilize for Kokum's House. The rental agreement is for a one-year term ending May 31, 2024 with the possibility of an additional five years. There are no restrictions. CLNFC are incorporated under the Alberta Societies Act.

As per Section 16 of COPTER, the municipality must grant a non-profit organization an exemption from taxation in a taxation year, if they meet the outlined conditions, and have made application prior to September 30 of the year preceding the taxation year, and supplied all data required by the Municipality by February 15 of the taxation year.

Section 17 of COPTER states that a municipality that has granted a non-profit organization an exemption from taxation, may waive the application requirement for tax exemption up to 3 consecutive taxation years.

Section 368 (2 and 3) of the MGA states that if a property is eligible for tax exemption for a portion of the year then the property taxes on the property can be pro-rated based on when premises were leased or owned by the eligible non-profit organization.



**Changes in taxable status of property**

**368(2)** A taxable property or part of a taxable property becomes exempt if

- (a) the use of the property changes to one that qualifies for the exemption, or
- (b) the occupant of the property changes to one who qualifies for the exemption.

**(3)** If the taxable status of property changes, a tax imposed in respect of it must be prorated so that the tax is payable only for the part of the year in which the property, or part of it, is not exempt.

Kokum's House application for tax exemption was received June 28, 2023. They have provided the municipality with all the information required to review the request. Kokum's House is used only for charitable purpose with any revenues going towards operational costs or to the CLNFC's men's shelter. The property is leased by the non-profit organization, CLNFC, which is incorporated under the Alberta Societies Act and as per the rental agreement is responsible for paying the property taxes.

Based on the review of the information provided, Administration confirms that Kokum's House meets the criteria of an exempt property for taxation purpose and would be eligible to receive a property tax exemption. The property is currently assessed at \$166,700. The applicant will be responsible to inform the City if there are any changes to the operation and Administration will monitor any changes to renter of the property.

**Alternatives:**

Council may choose one of the following options:

1. Council may exempt the property from taxation for 3 years.
2. Council may exempt the property for less than 3 years.
3. Council may exempt the property taxes for term of the lease. One-year June 1, 2023 to May 31, 2024 and re-evaluate if an extension is taken.
4. Council give administration direction to write a bylaw to not exempt the property.

**Recommended Action:**

That Council approve Administration's recommendation to grant a tax exemption to Tax Roll No. 4000017027, being 4803 51 Street, for one-year June 1, 2023 to May 31, 2024 and re-evaluate if an extension is taken.

**Budget Implications (Yes or No):**

Yes. Reduced taxes collected of \$1,469.35 for 2023.

**Submitted by:**

Kevin Nagoya, Chief Administrative Officer