Okanagan Falls
Incorporation Study

ISSUE SHEET
February 2024

Incorporation Impacts on Agricultural Properties

Introduction

Given the number of agricultural properties both within and outside the Agricultural Land Reserve (ALR) in the Incorporation Study Area, there is a need to understand what incorporation would mean specifically for agricultural properties in terms of:

- property tax exemptions for agricultural lands and improvements
- the process and requirements used by the Agricultural Land Commission (ALC) to review applications dealing with development on ALR land and removal from the ALR
- local government services

This *Incorporation Impacts on Agricultural Properties* Issue Sheet addresses each of these issues.

Agricultural Properties in BC

Before considering the implications of incorporation, it is useful to review the ALR and the role of the ALC. It is also important to explain the significance of the terms “farm” and “farm class” as they apply to ALR and non-ALR properties.

Agricultural Land Reserve

The ALR is a provincial zone in which agriculture is the priority use. The ALR was established by the provincial government in 1973 to protect agricultural land in British Columbia from non-agricultural development. Within the ALR, agriculture, which is broadly defined to include farming and ranching activities that produce crops and/or livestock, is encouraged, and non-agricultural uses are restricted. A variety of "farm uses" are also permitted, such as wineries and cideries, processing facilities for farm products, timber production, seasonal agri-tourism activities, and others.

Agricultural Land Commission

The ALC is an independent administrative tribunal that exists to administer the ALR. Under the province's *Agricultural Land Commission Act*, the ALC works to:

- preserve agricultural land throughout BC
- encourage farming
- encourage local governments (regional districts and municipalities) to promote agriculture in local plans, bylaws, and policies

The ALC reviews 500 to 700 applications from property owners and governments each year to remove land from the ALR,[1] subdivide land within the ALR, allow non-adhering residential uses and non-farm uses, or to place or remove soil. Applications are also received to bring land into the ALR. Six regional panels of ALC members, all appointed by the provincial government, are in place to hear the applications using the processes and evaluation criteria set out in the *Agricultural Land Reserve General Regulation*, and the *Agricultural Land Reserve Use Regulation*. In 2023, decisions were made on 117 ALC applications in the Okanagan Region.

Farm Class Properties

The terms "farm" and “farm class” refer to a property tax class – Class 9 – that is assigned by BC Assessment to ALR and non-ALR parcels that are actively used for farming, and that meet minimum income-generating and other requirements set out in the *Assessment Act.*

[1] Since 2020, only local governments, First Nations governments or the provincial government can make an application to remove land from the ALR.

Figure 1: Farm Class properties in the Incorporation Study Area

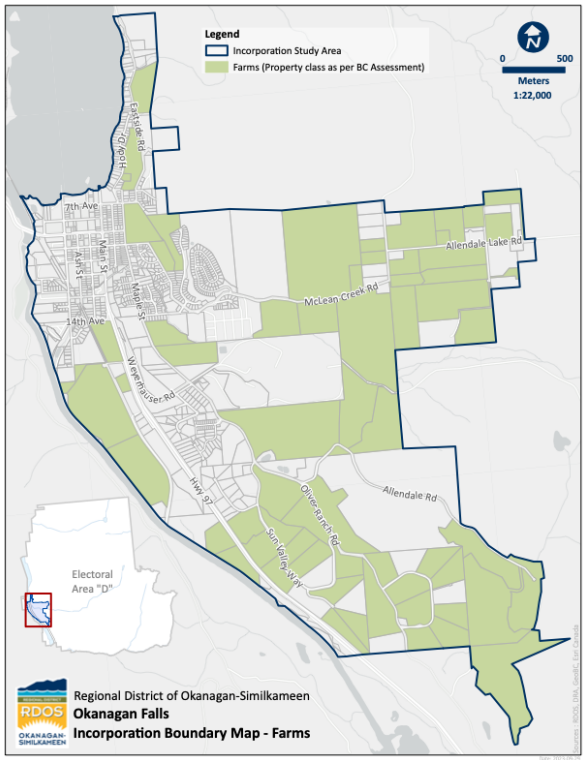


Figure 1 shows the farm class properties within the Okanagan Falls Incorporation Study Area. It is useful to note that not all ALR parcels are classified as farm for the purpose of property taxation. Likewise, not all properties classified as farms by BC Assessment are located within the ALR. Lands both inside and outside the ALR must apply for and meet specific regulations to receive the farm class status.[2]

Property Tax Exemptions

Under provincial law, ALR properties and farm class (Class 9) properties across British Columbia receive partial or full exemptions from different types of property taxes, including taxes that are charged to pay for local government services. The majority of the tax exemptions apply to all ALR properties used for farm or residential purposes, and all farm class (Class 9) properties regardless of whether the property is located in a municipality or in an unincorporated area. These universal ALR and farm class exemptions are referenced in Figure 2.

Additional exemptions are provided to residences on farm class parcels but are dependent on:

- the taxing authority
- the incorporation status of the jurisdictions in which the properties are located

These exemptions are explained in more detail below.

Property Tax Class

Lands in the ALR are classified by BC Assessment either as Class 9 (farm) or as Class 1 (residential) depending on their use. As noted earlier, lands receive Class 9 designation when they are actively used for farming, and when they meet minimum income-generating and other requirements set by the province. Parcels do not have to be within the ALR to be assessed as Class 9.

BC Asssessment classifies all residences as Class 1 (residential) improvements. Farm outbuildings on Class 9 land that support active farming are also designated Class 1. Buildings used for other purposes, such as business or light industry, are assessed for that purpose. Properties can have more than one property

TAX EXEMPTIONS ON ALR LAND AND FARM (CLASS 9) PROPERTIES
(Electoral Area and Incorporated)

Tax Authority	Tax	Land	Residence
Provincial	School	50% Exempt	No Exemption
	Police Tax	50% Exempt	No Exemption
Regional District (RDOS)	RDOS Services	50% Exempt	No Exemption
	Hospital	50% Exempt	No Exemption
	ORL	50% Exempt	No Exemption
Other	BC Assessment	50% Exempt	No Exemption
	MFA	50% Exempt	No Exemption

[2] In 2023 there were 63 Class 9 properties in the Study Area. Four of those properties are not within the ALR.

class that applies, and BC Assessment relies upon its definitions to determine what buildings on a farm are considered to be "farm-related" improvements. BC Assessment does not consider the incorporation status of the jurisdictions in which properties are located when assigning tax classes.

Taxing Authority

In British Columbia, property taxes are charged by three main authorities and a few other agencies. The three main authorities are the provincial government, regional districts, and municipalities.

- *Province* - The provincial government taxes all properties in BC to help pay for schools. In electoral areas, the province also charges a provincial rural tax primarily to help fund the cost of local roads. The rural tax is not applicable in municipalities. A police tax is charged by the province in electoral areas and small municipalities (below 5,000 population) to recover part of the cost of providing police services.

- *Regional Districts* - Regional districts charge property taxes to electoral area residents to pay for local services. Taxes are charged to residents in electoral areas and municipalities to pay for sub-regional and regional services provided in these areas. Property taxes charged to fund regional hospital districts are considered regional district taxes, as are property taxes charged for regional library districts and other inter-regional services in which regional districts may participate.

- *Municipalities* - Municipal governments charge property taxes to municipal residents to fund local services that are provided by councils within municipal boundaries. Municipal taxes are not levied in electoral areas.

Other taxing authorities that appear on all tax notices include the Municipal Finance Authority and BC Assessment Authority.

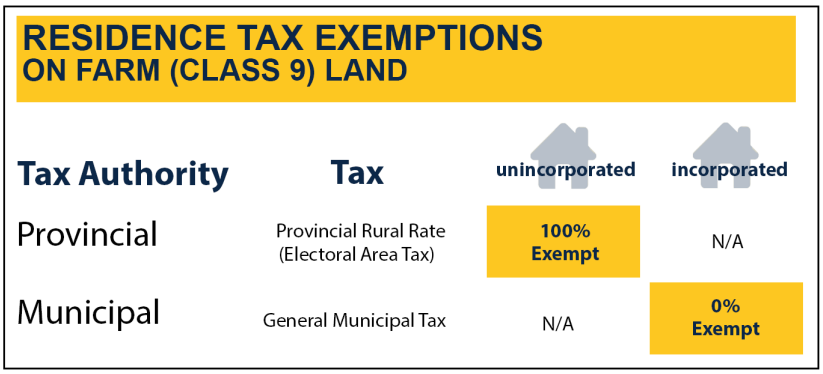
Incorporation Status

As noted previously, the majority of tax exemptions received by the owners of properties that are assessed as farm class, are unaffected by incorporation status.

However, for two specific taxes — the **Provincial Rural Rate**, *which only applies in unincorporated (electoral) areas*, and the **General Municipal Tax**, *which only applies in municipalities* — the exemptions are different depending on the incorporation status of the community in which the property is located. The differences are in the exemptions that apply to the improvements (residences and the farm outbuildings) — the land is fully taxed in both instances.

The key difference in exemptions that apply to residences is illustrated in Figure 3. The chart highlights the full (100%) exemption that residences on farm class properties in unincorporated (electoral) areas receive (regardless of whether they are in the ALR or not), from the Provincial Rural Rate tax. In comparison, if the community in which that property is located becomes incorporated as a municipality, the Provincial Rural Rate no longer applies to the property, but a General Municipal Tax does. The farm residence does not receive any exemption from the General Municipal Tax (i.e., it pays the full General Municipal Tax rate the same as residences that are not on farms).

Figure 3: Tax exemptions for residences on Farm Class (Class 9) properties in unincorporated and incorporated communities



For ALR properties that do not have farm status there are no exemptions from either the Provincial Rural Rate or the General Municipal Tax on the land or the residence. So for a property in the ALR without Class 9 farm status, only the exemptions in Figure 1 would apply, and there would be no change to the exemptions as a result of incorporation.

Farm Buildings

Non-dwelling farm buildings (farm outbuildings such as barns) on farm class properties receive similar exemptions in both electoral areas and municipalities. In electoral areas, farm-related outbuildings are 100% exempt from the Provincial Rural Rate. If the farm is located inside a municipality, the farm buildings receive an exemption on the first $50,000 of assessed value, or 87.5% exemption on the full value, whichever is greater. The differences that result from changes in incorporation status on farm outbuildings are highlighted in Figure 4. Exemptions on all other taxes are the same in both types of jurisdictions for these structures. As noted previously, not all buildings on a farm property are necessarily assessed as farm-related buildings. For instance, farm market buildings are assessed as commercial if used to sell alcoholic beverages, or if they sell a significant amount of non-farm merchandise. A single property can have multiple property classes.[3]

In all, the most significant tax impact for a farm class property as a result of incorporation relates to the General Municipal Tax. Ultimately the actual impact will depend on the Class 9 and Class 1 rates that are charged by the municipality to recover the cost of municipal services, and how those rates compare to the Provincial Rural Tax charged in the electoral area prior to the incorporation. In the event of incorporation, any tax impact faced by farm class properties would, by law, be phased-in over a five-year period.

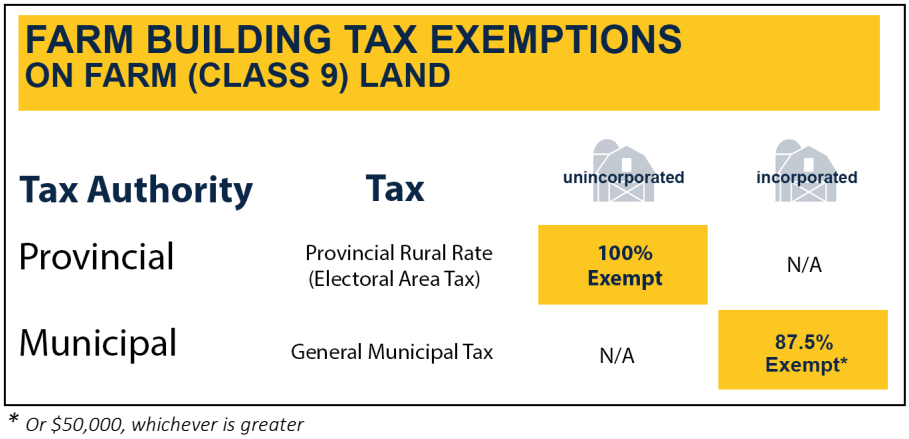
The tax impact expected for Class 9 farm properties within the Okanagan Falls Incororation Study Area will be calculated once the full analysis of services has been completed as part of the Study. Once the analysis is complete, sample tax notices for a sample farm (Class 9) property and an ALR property that does not have farm status (Class 1) will prepared to share with residents and illustrate the impacts.

Applications to the ALC

As noted earlier, the ALC receives approximately 700 applications each year to remove land from the ALR, subdivide, use agricultural land for non-farm purposes, or purposes that do not comply with the ALR regulations, as well as place or remove soil. The processes used by the ALC to review applications by landowners are the same for all properties, irrespective of the incorporation status of the local jurisdictions in which the properties are located. The owner of a property in a municipality must follow the same application process as the owner of a property in an electoral area.

All applications to the ALC must be submitted through the host local government — that is, through the municipality in the case of an incorporated area, or through the regional district in the case of an unincorporated area. An application fee of $1,500 applies to all applications with the exception of the non-adhering residential use, which is $900. If the property is zoned for

Figure 4: Tax exemptions for farm buildings on Farm (Class 9) properties in unincorporated and incorporated communities



* *Or $50,000, whichever is greater*

[3] 14 Farm class ALR properties in the Study Area also have Class 6 Business or Class 5 Light Industry assessment

agriculture use, the municipality or regional district that receives the application can reject it, or can authorize it to proceed to the ALC for a decision. Since 2020, applications for removal from the ALR can only be initiated by the host local government. As part of a local government application, the municipality or regional district must hold a broader planning process including a public hearing and pass a resolution authorizing an ALR removal application to proceed to the ALC for consideration.

The criteria and considerations used by the ALC in reviewing the applications that come before it are the same for all properties, irrespective of the local government jurisdiction in which the properties are located.

Decisions made by the ALC on applications related to the removal of land from the ALR, the subdivision and development of land in the ALR, and the use of ALR land for non-adhering residential or non-farm purposes, do not take into account the incorporated status of the host jurisdiction. The incorporation of an Okanagan Falls municipality would not, therefore, create any advantage or disadvantage for landowners who wished to apply to the ALC to change their land within the ALR.

Local Government Services

Unincorporated

In electoral areas, agricultural properties and their residents receive local government services primarily from their host regional district — the RDOS in the case of Okanagan Falls. Most services provided by the RDOS are delivered to service areas that include all or most parcels in the Okanagan Falls Incoproration Area, including ALR lands. Examples of such services are emergency planning, land use planning, building inspection, general government, electoral area administration, parks and recreation, fire protection, and several others.

Certain services are provided to more limited service areas that are more urban or semi-urban in nature than their surrounding rural parts. These services typically deliver infrastructure such as water, sewer systems and street light networks. These services are paid for by the properties that receive them. While the majority of ALR properties are not within these service areas, a few ALR parcels in Okanagan Falls receive, and pay toward these services. Where agricultural properties receive the service, such as water, they pay for that service.

Incorporated

In the event of an Okanagan Falls incorporation, ALR and farm property owners whose lands are included in the new municipality would look to the municipality as their primary local service provider. The service area throughout which most municipal services would be delivered would be the entire municipality. All properties within the municipal boundary, including those with ALR status, would receive the services. As at present, however, key infrastructure services — municipal water and sewer systems, in particular — would continue to be provided to urban and semi-urban portions of the jurisdiction. Farm lands that do not currently receive these services would not automatically be provided with, or be required to pay towards these systems as a result of incorporation. Those properties that already benefit or are connected to these systems would continue to pay toward them. Farm properties should not expect to receive new services such as water and sewer as a direct result of incorporation. The primary difference would not be the delivery of new services, but rather that the services and infrastructure would be owned, governed and delivered by a municipality rather than the regional district.

.