

2011

AiMHi

Leaving a Lasting Legacy

Guide to Making Charitable Gifts of Real Estate

Julie O'Reilly
AiMHi
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Who Are We?

We are a registered charity in the area of community living in BC and a significant employer in Prince George, with approximately 460 employees.

AiMHi supports over 700 Infants, Children, Families, Adults and Senior Citizens throughout the year.

We offer a vast array of services in this community. Our services are provided in over 40 different locations in the Prince George area; from residential services to vocational programs for both children and adults. Our residential services are provided on a 24 hour / 7 day per week basis. Many of our homes are licensed through the Community Care Licensing Act. Additionally, we provide various advocacy support programs for people who live in this community.

We are proud of our history which spans over 50 years.

Vision Statement

One Community – One Vision

Mission Statement

Strong communities recognize and celebrate the value of all citizens. AiMHi contributes to a strong community by providing advocacy, supports and services to people who have special needs and their families. Our culture supports people to have good lives at work, at home and in the community.

Values Statements

1. At the heart of AiMHi is the fundamental belief that the organization's role is to help people achieve a good life.
2. The foundation of AiMHi is a culture of excellence, innovation and celebration.
3. The individual development of every person contributes to the success and future of AiMHi.
4. AiMHi supports people to feel confident, empowered and connected to others around them.
5. AiMHi builds community through the development of respectful, supportive relationships and partnerships.
6. AiMHi supports people to define opportunities, make choices and challenge limitations.
7. AiMHi believes that advocating for positive social change contributes to a stronger, healthier community for everyone.

The Challenge

People who have developmental disabilities have very little access to affordable housing in Prince George. AiMHi has managed a Rent Subsidy Program through BC Housing for many years. This has included issuing 45 monthly rent subsidies, yet there are 19 people on the waiting list for assistance from the Rent Subsidy Program.

Without subsidies or access to affordable housing people are faced with the awful dilemma of how to survive on their limited income. Their poverty is hidden; they pay high market rent and make significant sacrifices that take their toll on their health and well being. People are forced into these vulnerable situations, leaving them with very little money for food, clothing, transportation and personal healthcare. People who live on a limited income provided by the BC Government often pay 65 percent of their income towards housing. Without access to affordable housing people who have special needs slip further and further into poverty, poor health and despair.

Dwayne and Rose are married and have lived in rental units without Rent Subsidies. They paid 65 percent of their income on rent and spent less money on groceries. ‘We lived on macaroni and cheese, we never bought fruit or vegetables because they were too expensive and sometimes we had to go to food banks.’ ‘If we didn’t have a subsidy today we would still be paying off the gas bill from Jan and Feb.’ ‘I’d like to own a home one day, but I know that I never will.’

AiMHi faces other challenges as well. We manage 40+ homes providing 24 hour support 7 days a week to people who have developmental disabilities. These homes were often rented by our agency. AiMHi had made extensive modifications in some of the rental homes to address the needs of people we support that have environmental sensitivities or access and mobility issues. Dealing with rental homes came with a number of problems that were costing the agency and overall we found ourselves investing in someone else’s property.

Anita lived in a home that was not wheelchair accessible. It was a small dark home and she could not access her own backyard. Melinda and Bill, AiMHi Executive Directors, wanted to help her therefore they made a commitment to purchase a home that was suitable for her. They involved Anita’s mom, Julie. They asked Julie to view the home they were considering. Julie liked the home as it was open, bright and cheerful; something that Julie feels was necessary for Anita. Julie had one recommendation; she recommended that AiMHi put a gate on the stairs going to the basement as an extra precaution. Other renovations were done to provide more access. Anita’s washroom upstairs was renovated to meet Anita’s needs so that she can move from her bedroom to her bathroom with

ease and privacy and she has easy access her backyard which she couldn't do in the rented home.' As a parent Julie is very pleased saying 'Melinda was awesome, she really listened to me.'

Today AiMHi owns 28 homes. We purchased these homes based on the needs of the people who planned to live in them. Yet these homes are only affordable for people because AiMHi is subsidizing the rent and utilities. AiMHi is not funded for the mortgages on these homes. AiMHi collects the allowable (\$375.00) rent from people who live on low incomes; however it does not meet the demands of the overall housing costs or monthly mortgage payments.

Cheryl loves her new home and AiMHi asked for her input before they purchased the home. AiMHi has plans to renovate Cheryl's bathroom making it more accessible. Now in the summer months Cheryl can invite her friends over and have a Barb B.Q. outside in her accessible backyard!

The Solution

AiMHi is a registered charity and we provide skilled support and services to people who have developmental disabilities. We are experienced and dedicated to addressing the needs of people we serve in our community. We have managed a number of BC Housing Homes and a Rent Subsidy Program funded through BC Housing for many years.

Our goal is to own and maintain affordable housing (homes and/or an apartment building) for people we serve.

Justin has never been happier. He has lived in several rented homes in the past and had to share his living room with roommates. AiMHi asked for Justin's opinion before they purchased a home for him and his roommate. 'I like it better than the other one – I have my own private living room. I have a place for my computer and a place where I can entertain and offer coffee to my family when they visit.' 'I am close to the bus stop and close to the mall.' 'Things are great here!'

Our intention is to own an apartment building and rent 40 – 60 percent of the units to people receiving support from AiMHi and others in our community living on low income. We will rent the remainder of the apartments out at market value rent to maintain an income stream for the maintenance and building management.

Andrew knows what living in dire circumstances means as he rents a bachelor suite for \$500.00 per month and tries to live off of \$300 for the rest of the month.

He has to buy, food, clothing and pay for phone and cable TV. Andrew can't afford a regular phone so when he has money he buys minutes for his cell phone. He had cable TV until he couldn't afford to pay the bill; now his cable has been cut off. Andrew eats soup and Kraft Dinner as that is all he can afford. Andrew sleeps on a mattress on the floor and his small suite is sparsely furnished. The suite doesn't have a stove so he cooks on the element placed on the countertop. Andrew lives in a very undesirable part of town, and recently he was beat up suffering a broken jaw. Andrew would like to live elsewhere but he has no options on his very limited income.

The Action

AiMHi is taking action in response to the rising cost of housing and lack of affordable housing in Prince George for people who special needs. Our goal is to advocate for positive change for people. By increasing our housing portfolio AiMHi will assist people to live in good homes in good neighbourhoods protecting them from the rising costs of housing. AiMHi will keep rent affordable for people living on low incomes.

AiMHi is always conscious of the responsibilities we have in keeping everyone safe; including the people we support, our employees, and other community members. We strive to identify any risks prior to our work with people, and we mitigate any risks, wherever possible, to the person, or others. AiMHi supports people in the environments that they choose to live in, or choose to participate in.

The Outcome

Affordable housing is a declaration of a caring community where the needs of our community's most vulnerable are at the highest of all considerations. At the heart of AiMHi is the fundamental belief that the organization's role is to help people achieve a good life.

Davie, Rick and Joyce have lived together for 10 years and paid high rent for their rental home. Their old house was old, dark and had very little updates. They soon realized that they were at the mercy of the landlord who decided one day to sell their home. AiMHi Executive Directors, Bill and Melinda, stepped up to help and took Rick and Davie house hunting. Rick and Davie found a new home that was open, airy and bright. It also had a great backyard, a large deck and a full basement suite. When Davie saw the suite he said 'This is mine!!' AiMHi purchased the home and made a commitment to subsidize the home for the three roommates. Davie, Rick and Joyce are very happy now and they are no longer at risk of facing eviction notices.

AiMHi believes that advocating for positive social change contributes to a stronger, healthier community for everyone. We believe that housing is essential to a person's well being and that everyone has the right to affordable, safe and adequate housing. The individual development of every person contributes to the success and future of AiMHi.

Considering Gifts of Real Estate?

Giving can provide a great sense of personal satisfaction while enjoying tax benefits through non-refundable charitable tax credits or for business, tax deductions. The following information will provide you with a brief overview of gifts of real estate as one of the many giving options available to donors.

As the gift of real estate can become complex we strongly encourage you to consult with your legal and financial advisors before finalizing a significant charitable gift.

Most Canadians do not have a large real estate portfolio. Those that do can enjoy significant financial benefits and provide a charitable benefit to the community at the same time with a real estate donation. A gift of Real Estate can help you rid yourself of non-producing properties avoiding capital gains tax on highly appreciated property.

Gifts of real estate can include a gift of a principle residence, rental commercial property, rental residential property, recreational property, vacant land for development and agricultural property.

Real estate donations make good sense for donors. Your real estate donation enables AiMHi to offer quality services and supports to people who have special needs.

Reasons to consider a gift of real estate

- You would like to make a charitable gift while retaining your cash and liquid assets.
- You are discouraged from selling appreciated property because of substantial capital gains tax liability and/or making the decision of how to invest the proceeds.
- You own a rental residential or commercial property that has become a management issue.
- You are considering moving to a smaller home, a retirement complex, or to be closer to your children.

- You are no longer using vacation property as you have in the past and are considering selling.
- You recognize the illiquidity of real estate and would like to avoid problems associated with forced sales, costs of property holding and loss of control.

Donating real property can produce surprising benefits

The immediate benefits of donating property can be substantial. Donors can dispose of an asset with accumulated capital gains, and, in most cases generate sufficient charitable tax credits to fully offset the capital gain tax, as well as providing for future offset of other income tax. An important additional benefit of giving real estate is the opportunity to dispose of real estate without undue pressure, expense and anxiety.

What are the Most Common Ways to Make a Gift of Real Estate?

Outright Gift

You can make the gift during your lifetime and witness the benefits that the gift brings. You can simplify your estate, reduce probate taxes and be free of property maintenance and taxes.

A gift can be made of a partial or entire interest in a real estate holding, which is accomplished through the creation of a new deed reflecting AiMHi ownership of a portion or all of the real estate.

Bequest

You can give property to AiMHi through a bequest in your Will, and receive a charitable tax credit for your estate while relieving your Executor of the illiquidity and tactical issues associated with real estate.

Bargain Sale

You can sell your real estate to AiMHi for a price below its market value and receive both cash and a charitable tax deduction for the forgone value in the property.

Charitable Remainder Trust

If you have income producing property that you would like to benefit yourself or your heirs, you could transfer the property to a charitable trust for a period of years, after which the property reverts to AiMHi.

Steps to Making a Gift of Real Property

AiMHi will review all relevant information before deciding to accept a gift of real estate. Information and documents required for review include:

1. A copy of the deed to the property;
2. A copy of any condominium agreements, restrictive covenants, leases and/or management agreements;
3. A copy of a current real estate appraisal by a qualified real estate appraiser;
4. A copy of any property tax statements and insurance policies;
5. The estimated or actual carrying costs for the real estate. These costs include property taxes, insurance and maintenance, and depending on the type of property, this may include utilities, grounds care, snow removal, caretaker fees and condominium fees.

In addition, AiMHi will conduct a title search at our own expense.

Obtain a Qualified Appraisal

The donor will need to obtain a “qualified appraisal,” as defined by the Canada Revenue Agency (CRA), and provide a copy to AiMHi for its review. The qualified appraisal is required by CRA in order for the donor to substantiate the value of the gift and receive a charitable tax receipt. In some cases, this cost can be deducted on Donor’s income tax return.

Give AiMHi Time to Review the Gift

Once we have all the necessary information, our Fund Development Committee will conduct a due diligence review in order to decide whether to accept the gift. We will keep the donor informed about the timing and the process by phone, and follow up with a confirmation letter.

Make Arrangements to Transfer the Property

Once the proposed gift has been approved, we will coordinate with the donor and the donor’s legal advisors to arrange the closing and transfer of title. The donor’s legal advisors will prepare and record the deed and any related documents because of their knowledge of local law and procedures. AiMHi will assist by providing draft language for the documents. The date of gift is usually the date on which title to the property is transferred to AiMHi.

Tax Benefits to Donor

If you have owned your home or other real estate for a long time, no doubt it has increased in value significantly. What happens if you sell or donate the property? If the gift property has been the donor’s principal residence throughout the period of ownership, the capital gain is generally not taxed. For other real estate (with the exception of gifts of ecologically sensitive land), 50 percent of the gain will be taxable. However, the tax credit will exceed the tax on the gain, resulting in a net tax credit that can be applied up to the amount of the annual contribution limit.

Charitable donations not applied in a particular year can be carried forward five years. Gifts made in the year of death can be applied to fully eliminate taxes in the year of the death and the year prior. Executors can amend the deceased’s previous year’s tax return to claim donations made through the Will.

The annual contribution limit for charitable donations of appreciated property is 75 percent of the donor’s net income, plus 25 percent of the taxable portion of the gain.

Examples:

Donation of Real Estate (Tax on Capital Gain)

Bob and Mary J, residents of Prince George, rarely use the cabin they purchased 30 years ago for \$60,000. They had considered selling it, but decided instead to contribute it to a charity with which they have long been affiliated. An appraisal of the property determines its current fair market value to be \$300,000. Their net income from other sources is \$150,000 per year, and both combined tax rate and their donation tax credit rate are assumed to be 43.7 percent.

Tax on Gain

Capital gain recognized	240,000
Taxable gain (\$240,000 x 50%)	120,000
Tax on gain (\$120,000 x 43.7%)	52,440

Tax Credit

Donation receipt	300,000
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Tax credit realized over 2 year period 131,100

Net Tax Savings

Tax credit	131,100
Tax on gain	- 52,440
Net tax savings	78,660

Donation of Depreciable Assets

Individuals who own investment property, such as an apartment building, typically depreciate the building each year, and the amount of the depreciation can be taken as an income tax deduction. For example, an investor might purchase an apartment building for \$1,000,000. And over the next ten years depreciate it by \$180,000. If he were to sell the property for \$1,200,000, he would have \$200,000 of capital gain (50 percent of which is taxable) and \$180,000 of recaptured depreciation (all of which is taxable). A gift of the property would produce the same results, except that the charitable tax credit can offset most if not all of the tax on the gain and the recaptured depreciation. This result can often be achieved because the annual contribution limit is increased by 25% of any recaptured depreciation that arises from donations of depreciable capital property.

For example, suppose that the owner of the apartment building has an annual income of \$200,000 in the year that he gives the property to charity.

Taxable gain	
(\$200,000 x 50%)	100,000
Recaptured depreciation	180,000
Other income	200,000
Total Net Income	480,000

Annual Contribution Limit:	
75% of Net Income	360,000
25% of taxable gain (\$100,000)	25,000
25% of recaptured depreciation (\$180,000)	45,000
Annual Contribution Limit	430,000

On this basis, the full capital gain and recaptured depreciation along with \$150,000 of other income is being sheltered from tax using the donation credit in the year the property is donated. In addition \$570,000 of donation is available for carry-forward to offset taxes in any of the five following taxation years.

Note: The above capital gains and tax consideration are general in nature and subject to change. Donors should consult with their legal and financial advisors to determine the current tax implications applicable to their individual circumstances.

Have Questions?

If you have questions about gifts of real property, or another asset you may be considering, please contact us.

Bill Fildes - Executive Director	250-564-6408 ext 226
Melinda Heidsma – Executive Director	250-564-6408 ext 227
Amber Genero – Finance Director	250-564-6408 ext 237

Leadership of the organization

Here at AiMHi, we are very fortunate to have a diverse group of dedicated community members who oversee the governance of our society. Individually, and more importantly collectively; they bring a wealth of knowledge, experience, and expertise to our agency. Their dedication to AiMHi knows no bounds, as they volunteer their time for meetings, committee work, special events, community awareness activities, and offer support to the Executive Directors. Many are long standing Board Members and all have a strong commitment to enhance the lives of adults and children supported by AiMHi.

- Alain LeFebvre, President
- Guy Tremblay, Vice President
- Brenda Peacock, Secretary/Treasurer
- Rory Summers, Past President
- Barb Warkentine, Director
- Gary Godwin, Director
- Paul Raines, Director
- Mary Parkin, Director
- Ruth Stanton, Director
- Holly Kavanaugh, Director
- Lorelei (Dolly) Hilton, Director
- Fred Nelson, Director

Described in our Constitution and Bylaws, there shall be twelve (12) Directors, six (6) elected for a two-year term at each Annual General Meeting. The Officers consist of a President, Vice-President and a Secretary/Treasurer who shall be elected by, and from within, the Board of Directors, following the

Annual General Meeting. The Officers shall also include the past president so long as that person is a Director of the society. Board Members must be an adult member of the Society in good standing and they must not receive any remuneration from either this Society or the BC Association for Community Living (BCACL). Board Members subscribe to and uphold the Constitution and By-laws of the Society and at least one Director shall be elected from the Prince George Self-Advocates Caucus or advocacy group which this Society serves. Any Director shall be eligible to serve as an Officer of this society so long as they shall not have served in that office for a period of time exceeding three (3) consecutive terms or six (6) consecutive years, whichever shall be greater.

Audited annual financial statements are prepared by the Association's External Auditors. This process is found in the financial policy F-1 – Financial Management.

Each Board Member signs Conflict of Interest and Ethical Code of Conduct declarations and an Oath of Confidentiality at the first Board Meeting, following each Annual General Meeting.

The Directors of the Board participate in monthly Board Meetings.

- Officers of the Board participate in monthly Finance and Executive Committee meetings.
- Two of our Board Members are members of the BC Association for Community Living (BCACL) Board of Directors.
- One of our Board Members is a member of the Canadian Association for Community Living (CACL) Board of Directors.
- The entire Governance section of the Policy and Procedures Manual assures stakeholders that governance is active in our organization.