



CITY OF VANCOUVER

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ADMINISTRATIVE REPORT

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TO: Vancouver City Council
FROM: General Manager of Corporate Services / Director of Finance
SUBJECT: Annual Report on Property Tax Exemptions

INFORMATION

The following is submitted for Council information

COUNCIL POLICY

The *Vancouver Charter* provides limited authority for Council to approve property tax exemptions for real property in the City. Council has approved a program to support heritage revitalization in the Gastown, Chinatown and Downtown Eastside areas, including the use of time/dollar limited property tax exemptions as appropriate. While Council has the authority, permissive exemptions under the Riparian and Revitalization subsection of Section 396 have not been approved.

Exemptions for other properties uses are provided available based on legislative provisions in Section 396 of the Charter.

It is Council policy that City properties on lease to third parties should make tax-equivalent payments to ensure equity among those occupying private property and those occupying tax exempt City-owned property.

PURPOSE

The purpose of this report is to summarize the property tax exemptions that are available to real property in the City and the offsetting payments-in-lieu of taxes payable to the City.

BACKGROUND

New provisions in the Vancouver Charter imposed by the provincial legislature in 2007 require Council to consider the extent to which permissive tax exemptions are utilized by the City during the annual Operating Budget process.

There are two kinds of property tax exemptions available to municipal Councils under their enabling legislation:

- Statutory exemptions are exemptions specified in the legislation for properties that meet certain criteria. For example, municipal legislation (as well as the federal *Constitution Act*) exempts property owned and used by senior governments as well as schools and churches. Municipal Councils have no authority to vary these exemptions.
- Permissive exemptions are those that are available to property upon the approval of municipal Councils. For example, subject to conditions specified in the legislation, most municipalities have the authority to exempt heritage properties or properties deemed important for revitalization purposes within their jurisdictions. In all municipalities, except Vancouver, permissive exemptions are available to charitable and other organizations again upon the approval of the Council.

The status of property with respect to property taxation exemptions is specified in Section 396 of the Vancouver Charter¹. This section establishes the following taxation requirements for real property in the City:

396(1) All real property in the city is liable to taxation subject to the following exemptions:

The listed exemptions are primarily statutory and eligibility of individual properties to benefit from the exemption is not subject to Council review. These exemptions are administered by the BC Assessment Authority in developing the annual assessment roll. These include exemptions for:

- Properties owned by senior governments, unless occupied by a tenant;
- City property in any use;
- Charitable institutions;
- Certain institutions wholly used for providing education to children;
- Hospitals receiving aid under the *Hospital Act*;

¹ found at http://www.qp.gov.bc.ca/statreg/list_statreg_v.htm

- Church property used for the public worship of God;
- Property used by Simon Fraser University;
- Emergency Shelters;
- Land or improvements used for pollution control;
- The Vancouver Courthouse,
- The BC Cancer Agency.

There are three subsections of Section 396 which are permissive and therefore require Council approval for properties to be eligible. Subject to developing specific programs to govern eligibility for these exemptions, Council, by a two-thirds vote, is able to provide exemptions for:

- heritage revitalization (municipal and other taxes);
- riparian property (municipal taxes only);
- general revitalization (municipal taxes only).

Each year as part of the Operating Budget process, Council is required to consider a report outlining the extent of the permissive exemptions provided to properties in the City and to make that report available to the public.

DISCUSSION

Table 1 below provided summarized information about the property tax exemptions provided under statutory and permissive authorities in 2007. In total, this table includes data related to approximately 2850 properties. The table shows the gross value of the properties, the value of the assessment exemption provided and the property tax implications of the exemption.

Table 1: Summary of Exempt Properties in 2007

Property Type	Exempt Code	Exemption Name	Gross Assessed Value	Exempted Value	Property Tax Impact	Payments In Lieu of Taxes
Federal Property		Federal Crown & Agencies	976,463,401	976,463,401	10,213,654	6,844,684
		Consular Properties	29,766,000	29,766,000	102,052	0
		Airport Authority	643,900	643,900	7,589	17,680
			1,006,873,301	1,006,873,301	10,323,295	6,862,364
Provincial and Crown Agencies		Provincial Crown	1,049,033,200	1,049,033,200	6,435,504	5,523,808
		BC Hydro	317,288,700	317,288,700	9,494,888	6,867,537
			1,366,321,900	1,366,321,900	15,930,391	12,391,345
Regional District			110,522,400	110,522,400	804,179	10,298
Translink			553,785,300	553,785,300	19,772,626	0
Schools, Colleges and Universities						
		Public & FEA Schools	2,638,929,000	2,638,929,000	30,977,351	0
		Private Schools	362,842,900	362,842,900	4,184,243	0
		Universities	64,380,800	64,380,800	758,828	16,733
		Colleges	344,312,300	344,312,300	4,058,254	0
			3,410,465,000	3,410,465,000	39,978,676	0
Hospitals and Health Authority			1,398,683,000	1,398,683,000	16,277,785	0
Seniors Housing			30,808,000	30,808,000	64,282	0
Churches			477,746,100	477,746,100	1,147,590	0
Charitable Organizations			600,769,900	600,502,200	3,820,906	0
Permissive Heritage Exemptions						
		50 Water Street	3,325,000	3,325,000	39,190	0
		42 Water Street	1,443,000	1,443,000	17,008	0
			4,768,000	4,768,000	56,198	0
Permissive Revitalization Exemptions			0	0	0	0
Non City of Vancouver Exemptions			8,960,742,901	8,960,475,201	108,175,929	0
City of Vancouver			9,964,408,039	9,964,408,039	57,794,154	11,451,663
Total Exempt Property			18,925,150,940	18,924,883,240	165,970,083	0

The table indicates that approximately \$18.9 billion in assessed property is exempt from taxation, or about 12% of the 2007 roll value. Approximately 50% of this exempt value is property owned by the City of Vancouver, including properties in civic use (parks, recreation and other civic facilities, fire halls and police stations, libraries, etc.) and non-civic use (Property Endowment Fund).

In total, these exemptions represent foregone taxes of \$165.9 million (\$108.2 million excluding City property).

Both the Federal and Provincial governments have passed legislation providing for payment-in-lieu of taxes to local governments for some of the exempt properties they own. These payments are permissive - that is subject to approval of the appropriate Minister - however where payments are made they are generally based on assessed value and local tax rates. In addition, the Council has a policy of requiring tenants occupying non-civic use City owned property to make lease payments that include a payment comparable to property taxes. Together, these sources provide payments to the City of approximately \$30.7 million annually.

Council has approved only limited exemptions in the three areas of section 396 where it has some discretion. In 2007, two properties benefited from exemptions for

heritage revitalization purposes resulting in a total general purposes property tax exemption of \$56,200. A number of additional properties are anticipated to benefit from this reduction in the future. Council has not approved exemptions under the riparian property exemption or revitalization exemption provision in Section 396.

FINANCIAL IMPLICATIONS

As exempt value does not factor into the calculation of property tax rates, these exemptions have no direct financial impact on the tax revenue available to the City. However, to the extent that exemptions are provided, other properties in the City must pay additional property taxes.

In Vancouver, permissive exemptions are used primarily to promote development or redevelopment of heritage property and while the associated assessed value receives a limited exemption from taxation, the arguments for approving exemptions is that without it the heritage values might not be retained or the redevelopment leading to new value and taxes might not occur. However, to the extent that assessed value is exempted from property taxes, other properties are individually required to pay more.

In addition, payments-in-lieu of taxes on some publicly owned exempt parcels provide equity with private property in similar uses through payments that are the equivalent of taxes. These revenues are reported as part of the annual Operating Budget.

CONCLUSION

The Vancouver Charter defines circumstances under which real property in the City can be exempted from property taxation. For the most part, these exemptions are statutory, however, Council does have permissive exemption authority in three sections of the Charter, covering heritage properties, riparian properties and properties deemed important to specific revitalization objectives.

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