



POLICY REPORT  
FINANCE

Report Date: September 14, 2011  
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Meeting Date: September 22, 2011

TO: Standing Committee on City Services and Budgets

FROM: Director of Finance

SUBJECT: Vancouver Charter Section 396F "Exemptions for Not-for-profit Corporations"

**RECOMMENDATION**

THAT Council continue to support not-for-profit organizations through the existing range of statutory property tax exemptions available under Section 396(1) of the Vancouver Charter and the City's grant programs; and THAT no further permissive property tax exemptions be considered at this time.

**CITY MANAGER'S COMMENTS**

The City Manager RECOMMENDS approval of the foregoing.

The City of Vancouver has had a longstanding, unique statutory property tax exemption provision in Section 396(1) of the *Vancouver Charter* - something not available to other municipalities in British Columbia - that provides statutory exemptions to a range of eligible charitable and not-for-profit organizations.

In July 2010, with little notice to the City, the Province enacted Section 396F of the *Vancouver Charter*, providing Council additional *permissive* authority to exempt "*not-for-profit corporations*" from property taxes. This is above and beyond the existing statutory property tax exemptions described above. The *Community Charter*, which governs other municipalities in British Columbia, does not provide statutory exemptions to charitable and not-for-profit organizations (with the exception of churches), and relies solely on the permissive exemption provision.

Over the years, Vancouver has been a leader in supporting community partners through financial and in-kind contributions. In 2009, the City contributed \$37.4 million in the form of property tax relief, grants and other support to charitable and not-for-profit organizations.

This is equivalent to \$59.5 per capita contribution from Vancouver residents, the highest rate in the Metro Vancouver region.

To determine whether there is a need for a permissive property tax exemption program under Section 396F in addition to the current statutory property tax exemption program under Section 396(1), at Council's direction, staff undertook a holistic review of the City's approach to supporting community partners and the effectiveness in leveraging external funding and partnership opportunities to advance Council's strategic priorities and meet the community's needs.

The review indicates that the City's extensive grant programs are more effective, flexible, transparent and accountable than the property tax exemption program in supporting community partners, including the veteran groups. As such, staff recommend that Council continue to support community partners through the existing range of statutory property tax exemptions available under Section 396(1) and the City's grant programs; and no further permissive property tax exemptions be considered at this time.

### **COUNCIL POLICY**

It has been Council policy to rely on the statutory property tax exemptions available under Section 396(1) of the *Vancouver Charter* and limit the use of permissive property tax exemptions to heritage properties only (396A).

It has been longstanding Council policy to not extend any property tax exemptions to tenants. Property taxes and any exemptions, if eligible, are applicable to property owners, not tenants. How property owners share these costs with their tenants is beyond the City's jurisdiction.

### ***PURPOSE***

The purpose of this report is to respond to Council's request that staff report back on the tax and other financial implications related to the addition of the permissive property tax exemption authority (396F) in the *Vancouver Charter*. In particular, the report:

- provides Council with an overview of the City's approach to supporting charitable and not-for-profit organizations, including an assessment of the effectiveness of the approach;
- benchmarks the City's approach with those of neighboring municipalities; and
- recommends that Council continue to rely on the existing range of support mechanisms for charitable and not-for-profit organizations provided through statutory property tax exemptions available under Section 396(1) and the City's grant programs; and not expand the existing support framework to include permissive property tax exemptions.

### ***BACKGROUND***

On July 29, 2010, the Province enacted Section 396F of the *Vancouver Charter* expanding the range of property tax exemptions available to charitable and not-for-profit organizations to include broad *permissive* authority. In response, Council approved the following motion:

*WHEREAS the Province of British Columbia has indicated that they will amend the Vancouver Charter to provide permissive property tax exemptions to charitable, philanthropic and not-for-profit organizations; and*  
*WHEREAS this change will bring Vancouver in line with other municipalities in the province; and*  
*WHEREAS the City of Vancouver has many charitable, philanthropic and not-for-profit organizations like the Legions that undertake important work for our citizens.*  
*THEREFORE BE IT RESOLVED that the City Manager be directed to report to Council the tax and other financial implications of the provincial decision to allow permissive property tax exemptions along with suggested actions for proceeding.*

### Prior to Charter Amendment

Section 396 of the *Vancouver Charter* stipulates two types of property tax exemptions: *Statutory* exemptions are prescriptive; eligibility requirements are established by legislation, not Council. *Permissive* exemptions are effected based on eligibility requirements established by Council.

The provision for statutory property tax exemptions is unique to the City of Vancouver. The *Community Charter*, which governs other municipalities in British Columbia, does not provide statutory exemptions to charitable and not-for-profit organizations (with the exception of churches), and relies solely on the permissive exemption provision for these types of properties.

*Statutory property tax exemptions* are set out in Section 396(1) of the *Vancouver Charter* and are administered by BC Assessment as part of the assessment and classification process. These exemptions apply to the following types of property:

- Crown lands<sup>1</sup> - property owned and occupied by the federal, provincial, or regional governments, or a Crown corporation
- City of Vancouver property
- property owned<sup>2</sup> and occupied by incorporated charitable institutions, and wholly in use for charitable purposes
- property owned<sup>2</sup> and occupied by incorporated institutions of learning, and wholly in use for providing to children education accepted as equivalent to that furnished in a public school
- property owned<sup>2</sup> and occupied by hospitals receiving aid under the Hospital Act, and wholly in use for the purposes of the hospital or held for future use as a hospital-site
- churches owned<sup>2</sup> and occupied by religious organizations, and in use for the public worship of God
- property occupied by Simon Fraser University at the Sears Harbor Centre
- emergency shelters for persons or domestic animals
- property for pollution control
- Vancouver Court House occupied by the Vancouver Art Gallery Association

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<sup>1</sup> The Federal *Payments in Lieu of Taxes Act* and the Provincial *Municipal Aid Act* stipulates that payments be made to local governments in lieu of property taxes on certain exempt properties under senior governments' ownership

<sup>2</sup> As a registered owner or owner under agreement

- British Columbia Cancer Agency Branch located on the north side of the 600 Block of West 10th Avenue

Over the years, the applicability of these exemptions has been defined and refined by the Property Assessment Appeal Board and court decisions rather than Council actions.

*Permissive property tax exemptions* are set out in Sections 396 A, C and E of the *Vancouver Charter*. Within the limitations set out by the legislation, Council, by two thirds of the votes cast, has the authority to determine the application of these exemptions. Permissive exemptions are an "optional" form of tax relief whereby Council, at its sole discretion, may choose to exempt certain properties from taxes, in whole or in part, for periods of up to 10 years in order to promote specific goals and objectives of the City. The following exemptions are available:

- *Exemptions for Heritage Property (396A)* - The primary purpose of these exemptions is to promote conservation of eligible heritage properties. Without these exemptions, the heritage properties might not be retained, or the redevelopment leading to new construction and property taxes might not occur.
- *Exemptions for Riparian Property (396C)* - The primary purpose of these exemptions is to promote conservation of eligible riparian properties.
- *Revitalization Tax Exemptions (396E)* - Enacted in 2007 by the Province, Section 396E provides Council with a tool to promote economic, social or environmental revitalization through exemption of municipal property tax only. Within this authority, Council may establish the policy which lays out eligibility requirements for approving individual exemptions.

To date, Council has only applied permissive property tax exemptions under Section 396A for the purpose of heritage property conservation. The other two categories of permissive exemptions as listed above have not been used.

In June 2008, pursuant to the Small Business & Revenue Statutes Amendment Act 2008, the Province legislated the creation of *Class 3 "Supportive Housing"* for assessment purposes. Eligible "Supportive Housing" properties are subject to special valuation rules that reduce the assessed value of the Class 3 portion of the property to a nominal amount, effectively exempting the property from taxation. In 2011, 68 properties in Vancouver were designated as Class 3 "Supportive Housing", all of which are operated by not-for-profit organizations with financial support from the Province.

### Charter Amendment (Section 396F)

The addition of Section 396F to the *Vancouver Charter* in July 2010 significantly broadens Council's authority to provide permissive property tax exemptions to "*not-for-profit corporations*" which would not qualify under Section 396(1). Unlike Section 396(1) which stipulates the specific eligibility requirements for statutory property tax exemptions, the definition of "*not-for-profit corporations*" included in Section 396F is very broad:

*"eligible not-for-profit property" means land or improvements, or both,*  
*(a) in respect of which, either directly or through trustees, a not-for-profit corporation is the registered owner or owner under agreement, or*

*(b) that are held, either directly or through trustees, by a not-for-profit corporation, and that the Council considers are used for a purpose that is directly related to the purposes of the not-for-profit corporation;*

*"not-for-profit corporation" means a charitable, philanthropic or other not-for-profit corporation.*

While Section 396(1) provides statutory property tax exemptions to "incorporated charitable institutions", Section 396F enables Council to exempt a much broader scope of "not-for-profit corporations" from property taxes under the permissive provision, including those charitable, philanthropic and other not-for-profit organizations which currently do not qualify for statutory exemptions. These organizations can operate for any purpose other than profit; that is, their work does not need to be charitable in nature, nor does it need to align with Council's strategic priorities. Furthermore, Section 396(1) stipulates that a property must be owned and occupied by an "incorporated charitable institution", and must be wholly in use for charitable purposes. Section 396F, on the other hand, does not limit eligibility to "owned" property and can be applied to any form of occupancy. Given such broad definition, it is up to Council to limit application through policy.

Council has full authority over the scope of permissive property tax exemptions under section 396(F): from defining the policy which lays out eligibility requirements to approving individual exemptions, in whole or in part, for periods of up to 10 years. There are specific timelines which must be adhered to under the legislation: to effect an exemption in any calendar year, Council must adopt a by-law specifying the exemption on or before October 31 in the preceding year. Thus, should Council wish to exempt a property from taxation in 2012, a by-law must be adopted by October 31, 2011.

It is important to note that many of the statutory property tax exemptions included in Section 396(1) of the *Vancouver Charter*, including those for charitable and not-for-profit organizations, are unique to the City. While the *Community Charter* extends the same statutory exemptions to crown lands, schools, hospitals and churches, any exemptions for charitable and not-for-profit organizations are only permissive in the *Community Charter*. As such, other municipalities in British Columbia rely on a permissive exemption process to exempt charitable and not-for-profit organizations should their Council so wish. The scope and policies around permissive property tax exemptions vary across municipalities, some being more restrictive than others. It is likely that some charitable and not-for-profit organizations, especially those who can secure a long term interest in property, choose to locate in Vancouver because of the availability of statutory property tax exemption under Section 396(1) where exemptions are not subject to Council decisions. It is estimated that over 20 (10%) of those properties currently exempt under Section 396(1) for charitable purposes are owned and occupied by charities registered outside of Vancouver. If taxable, these properties would have generated \$278,000 in general purpose tax.

## DISCUSSION

The enactment of Section 396F has raised the opportunity to consider whether there is a need for an alternative mechanism to support not-for-profit organizations that do not qualify for statutory property tax exemptions and provide broader public benefit in Vancouver.

## City of Vancouver Support to Not-for-Profit Organizations

The City's various support programs, financial and in-kind, for charitable and not-for-profit organizations have developed over many years and include:

- statutory property tax exemptions under Section 396(1)
- tax relief for Class 3 "Supportive Housing" designated by the Province
- operating and capital grant programs directed to not-for-profit organizations that provide specific Council defined community benefits
- access to city-owned space at reduced or nominal rents
- Development Cost Levy (DCL) relief for non-market housing projects

Together these programs account for a significant commitment of public resources. To determine the need for a permissive property tax exemption program under Section 396F and the associated operational and financial implications to the City, it is important to understand holistically the City's approach to supporting these organizations and the effectiveness of such investments in leveraging external funding and partnership opportunities to advance Council's strategic priorities and meet the community's needs.

The City's various support programs target significant taxpayer support to the not-for-profit sector. There are approximately 25,000 incorporated not-for-profit organizations in British Columbia, of which 10% are charities that registered in Vancouver. Revenue Canada defines a not-for-profit organization as follows:

*A club, society, or association organized and operated for any purpose except profit, which may include recreation or pleasure, civic improvement, and social welfare.*

Generally speaking, the City's grant programs, including the provision of City-owned space at reduced or nominal rents, support organizations that provide civic improvement or social welfare services to the community which align with Council policy, priorities and objectives. Council currently supports approximately 430 such organizations through the grant programs administered by Social Policy and Cultural Services.

To be eligible for a statutory property tax exemption under Section 396(1), a not-for-profit organization must meet more stringent requirements - it must be a registered charity. Revenue Canada defines a registered charity as follows:

*An organization established and operated exclusively for charitable purposes, which may include relief of poverty, advancement of education and religion, and purposes beneficial to the community. It must devote its resources to charitable activities and cannot use its income to benefit its members. A charity has to meet a public benefit test by demonstrating the following:*

- *its activities and purposes provide a tangible benefit to the public*
- *those people who are eligible for benefits are either the public as a whole, or a significant section of it, in that they are not a restricted group or one where members share a private connection, such as social clubs or professional associations with specific membership*
- *its activities must be legal and must not be contrary to public policy*

There are 2,500 charities registered in Vancouver. However, property tax exemptions are available to those who meet the tenure requirements set out in Section 396(1) - they must own and occupy the property and must use the property wholly for charitable purposes. There are approximately 410 such properties (including churches) in Vancouver.

#### (i) Statutory Property Tax Exemptions (Section 396(1))

In 2009, approximately \$12 billion of non City-owned properties were exempt from property tax under statutory provisions, equivalent to 6.5% of the Assessment Roll value. If taxable, these properties would have generated approximately \$120 million in net general purpose tax, most of which was related to properties owned by senior governments and school boards. Approximately \$5.7 million was related to 210 properties owned by charitable organizations and an additional \$1.9 million was related to 300 properties classified as churches, equivalent to approximately \$12 per capita in total.

#### (ii) Grant Programs

Over the years, the City has developed a number of grant programs to support organizations that provide community services and programs that align with Council priorities and to enable them to leverage external funding and partnership opportunities from senior governments, private funders and the community. These programs include:

- *Infrastructure-related* - assist not-for-profit organizations in addressing facility needs through one-time capital grants and ongoing rental subsidies for use of City-owned space at reduced or nominal rents
- *Program-based* - enable not-for-profit organizations to provide programs and services that address specific social and cultural issues
- *Neighborhood-based* - enable not-for-profit organizations to provide programs and services that address social and cultural issues in specific neighborhoods and communities
- *Capacity-development* - enable not-for-profit organizations to build capacity and enhance organizational effectiveness in achieving their mandate
- *Childcare* - enable not-for-profit organizations to deliver affordable, quality childcare and child development services and enhance program delivery through research, innovation and policy development
- *Sustainability-related* - support not-for-profit organizations in projects that help reduce the City's ecological footprint in the areas of zero waste, local food, trees and greening, and green transportation

In 2009, Council distributed \$26.3 million in operating and capital grants to community partners to support their programs and the facilities from which they operate, equivalent to \$42 per capita.

#### (iii) Other Support Programs

Besides statutory property tax exemptions and grants, the City also provides tax relief to Class 3 "Supportive Housing", nominal leases and DCL relief to social and supportive housing projects. As summarized in the following table, in 2009, the City contributed \$37.4 million to support over 900 charitable and not-for-profit organizations in Vancouver, equivalent to \$59.50 per capita.

**Table 1 - Summary of CoV Financial & In-kind Support to NPOs in 2009**

CoV Support NPOs (2009)		Total Investment (\$)
Statutory Property Tax Exemptions		
	Charitable / Not-for-Profit Organizations	\$5.7 million
	Churches / Religious Organizations	\$1.9 million
		\$7.6 million
Operating and Capital Grants		
	Housing	\$7.4 million
	Childcare	\$2.1 million
	Cultural	\$10.5 million
	Community Service	\$6.3 million
		\$26.3 million
Class 3 "Supportive Housing" Tax Relief		\$0.1 million
Nominal Leases for Housing		\$2.0 million
Non-market Housing DCL Relief		\$1.4 million
<b>Total</b>		<b>\$37.4 million</b>

Note: In 2011, there are 68 Class 3 "Supportive Housing" properties in Vancouver resulting in total forgone tax of \$0.7 million.

### City of Vancouver Support Compared to Neighboring Municipalities

The level of support to charitable and not-for-profit organizations provided by the City is well above that provided by most other municipalities in Metro Vancouver and Vancouver Island. Based on a survey of seven municipalities - Burnaby, Coquitlam, North Vancouver (District), Richmond, Saanich, Surrey, and Victoria - it is evident that Vancouver is a leader in supporting community partners through property tax exemptions and grants.

As summarized in the following table, in 2009, total statutory property exemptions for charitable and not-for-profit organizations amounted to \$5.7 million (exclude churches which are not reported by others), equivalent to \$9.10 per capita. Taking into consideration the grant programs, total contribution amounted to \$32 million, equivalent to \$51 per capita.

**Table 2 - Benchmarking CoV with Selected BC Municipalities (Property Tax Exemptions & Grants) in 2009**

	Property Tax Exemptions				Grants (\$'000)	Total Contribution (\$'000)	Per- Capita
	NPOs (\$'000)	Veterans (\$'000)	Total (\$'000)	Per- Capita			
<b>Vancouver</b>	<b>\$5,743.0</b>	<b>\$0</b>	<b>\$5,743</b>	<b>\$9.1</b>	<b>26,298</b>	<b>\$32,041</b>	<b>\$51.0</b>
Municipality #2	\$943.7	\$39.5	\$983	\$2.1	\$3,213	\$4,196	\$9.0
Municipality #3	\$1,278.6	\$0.0	\$1,279	\$15.4	\$2,730	\$4,009	\$48.4
Municipality #4	\$321.9	\$15.1	\$337	\$3.9	\$1,610	\$1,947	\$22.5
Municipality #5	\$1,051.1	\$0.0	\$1,051	\$9.3	\$0	\$1,051	\$9.3
Municipality #6	\$822.6	\$0.0	\$823	\$4.3	\$0	\$823	\$4.3
Municipality #7	\$314.0	\$25.2	\$339	\$2.8	\$463	\$803	\$6.5
Municipality #8	\$375.1	\$2.4	\$378	\$1.7	\$0	\$378	\$1.7

Note: Property tax exemptions for church properties are excluded from the above analysis as not all municipalities report such exemptions.



## **Effectiveness of Property Tax Exemptions vs. Other Forms of Support**

It is important to note that property taxes and any exemptions, if eligible, are applicable to property owners, not tenants. How property owners share these costs with their tenants is beyond the City's jurisdiction. As such, it has been Council policy to not extend any property tax exemptions to tenants.

To understand how property tax exemptions may benefit community partners, we need to consider the level of property ownership within this sector. Of the 2,500 charities registered in Vancouver, approximately 12% are owner/occupiers and 88% are tenants. Of those properties owned and occupied by registered charities, 94% are exempt from property taxes, in whole or in part, under Section 396(1). Of those properties rented by tenant-type charities, 20% are exempt from taxes as they are owned by other charities, churches, schools, hospitals and senior governments and agencies.

**Equity** - With the relatively low level of property ownership among not-for-profit organizations and given Council's policy of not extending property tax exemptions to tenants, a permissive property tax program would cause inequity among community partners as it applies to a small fraction which can afford to own while the majority rents. Furthermore, 94% of properties that are owned and occupied by charities are already exempt from property taxes under Section 396(1). As such, the additional benefit of setting up a permissive property tax exemption program is quite limited.

**Fairness** - Property tax exemptions is assessment-based rather than program-based, and the value of exemptions does not reflect the public benefits generated by individual programs and services. From a value for money standpoint, we find property tax exemptions not the most effective tool for supporting not-for-profit organizations.

**Flexibility** - Property tax exemptions can be effected only once a year at prescribed assessment schedules. Grants can be reviewed and adjusted as required during the year to reflect Council priorities and fiscal capacity.

**Affordability** - The tenant-type registered charities in Vancouver currently rent office space from over 750 private-owned taxable properties of which the combined general purpose tax amounts to \$77 million. To provide an order of magnitude, assuming total rented space is 2% of these taxable properties, extending permissive property tax exemptions to these organizations would result in forgone general purpose tax of \$1.5 million or 0.26% increase in general purpose tax levy. Taking into consideration the broader scope of not-for-profit organizations (those that are not registered charities with Revenue Canada), the impact will be substantially higher. Council will then need to determine how this can be funded, which will likely result in a corresponding reduction in grant programs (which would put additional pressure on the already competitive process), or alternatively a reduction of city services in other areas.

**Administration** - While statutory property tax exemptions are administered by BC Assessment, permissive property tax exemptions are administered by City staff. If Council wish to set up such a program, additional staffing resource will be required for this potentially labor-intensive process.

In summary, the City's support for not-for-profit organizations is substantial and among the highest in Metro Vancouver. Staff have concluded that grants are the best option for supporting not-for-profit organizations as they:

- provide more accountability and transparency
- are more flexible and can be adjusted to effectively align with Council's strategic priorities and community needs
- more closely align with benefits for Vancouver residents
- are regularly reviewed for alignment with strategic goals

As such, staff recommend that Council continue to support community partners through the existing range of statutory property tax exemptions available under Section 396(1) and the City's grant programs and that permissive property tax exemptions under Section 396F not be considered at this time.

### **Financial Support for Veteran's Organizations**

There are two primary veteran organizations: the Royal Canadian Legion (Legion) and the Army, Navy & Air Force Veterans (ANAF). In Vancouver, the Legion has eight branches and the ANAF has five units, together they occupy 12 properties of which nine are owned by the branches/units and three are leased.

Over the years, Council has received property tax exemption requests from these organizations which have indicated that several branches are in dire financial situation and can no longer support their community activities. Based on 2011 property assessment, total general purpose tax on the 12 properties amounts to approximately \$236,000 per year.

Prior to the enactment of Section 396F, the only viable solution was to seek exemption under the statutory provisions pursuant to Section 396(1). Historically, these organizations have not met the eligibility requirements for statutory property tax exemptions. They are incorporated by act of Parliament and not registered as charities with Revenue Canada. From an assessment perspective, they seem to operate primarily as social clubs and have not been able to demonstrate that their properties, in whole or in part, are designated for charitable use. In fact, a fair portion of their facilities are used for commercial purposes - as licensed premises serving alcohol and as rental meeting rooms - accessible by veterans and non-veterans alike.

With the enactment of Section 396F, Council must decide whether it would be good public policy to extend permissive property tax exemptions, in whole or in part, to these organizations if they do not qualify under the statutory provisions pursuant to Section 396(1). There is no question that, to varying degrees, the Legion and ANAF organizations raise money and make "charitable" donations towards social, health, sports and educational programs in the community. Given the limited use of their property for dedicated "charitable" purposes, providing permissive property tax exemption to these organizations would not be consistent with Council policy.

Many neighboring municipalities share this view. While most have at least one veteran property within their jurisdiction, some provide partial permissive property tax exemptions which exclude the licensed premise and revenue producing meeting rooms, while others do not provide any exemptions as the organizations do not meet the eligibility requirements of the permissive property tax exemption program. As noted in Table 2, in 2009, only half of the

selected municipalities in British Columbia provided some form of tax relief to veteran organizations.

The City acknowledges and values the ongoing contributions of these organizations to the community. Discussion is currently underway between BC Assessment and these organizations to determine how their properties, in whole or in part, could become eligible for statutory property tax exemptions under Section 396(1). If statutory exemptions are not applicable, should Council wish to provide other financial support to these organizations, staff recommend that such support be program-based (through grants) instead of assessment-based (through permissive exemptions). Under the granting process administered by Social Policy and Cultural Services, Council can determine the amount and conditions of any support provided, and adjust to align with Council's strategic priorities and community needs.

These organizations should also consider that many of their owned properties are potentially valuable sites with redevelopment potential, some in neighborhoods where housing, childcare and other social infrastructure needs are critical. Staff could further explore strategic partnership opportunities with these organizations which would serve to advance Council's priorities and provide the opportunity for these organizations to continue their community work.

#### **FINANCIAL IMPLICATIONS**

In 2009, the City contributed \$37.4 million to support community partners in the form of property tax relief (\$7.7 million), grants (\$26.3 million), nominal leases (\$2 million), and DCL relief (\$1.4 million), equivalent to \$59.50 per capita.

#### **CONCLUSION**

Over the years, Vancouver has been a leader in supporting community partners through financial and in-kind contributions. Staff's review has indicated that the City's extensive grant programs are more effective, flexible, transparent and accountable than the property tax exemption program in supporting the not-for-profit sector. More importantly, these grants align with the priorities of Council which are a reflection of the priorities of the residents of Vancouver. Staff therefore recommend that Council continue to support not-for-profit organizations through the existing range of statutory property tax exemptions available under Section 396(1) and the City's grant programs; and no further permissive property tax exemptions be considered at this time.

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## Exemptions for not-for-profit property

396F. (1) In this section:

"eligible not-for-profit property" means land or improvements, or both,

(a) in respect of which, either directly or through trustees, a not-for-profit corporation is the registered owner or owner under agreement, or

(b) that are held, either directly or through trustees, by a not-for-profit corporation, and

that the Council considers are used for a purpose that is directly related to the purposes of the not-for-profit corporation;

"not-for-profit corporation" means a charitable, philanthropic or other not-for-profit corporation.

(2) Despite section 396 [*liability to taxation*], the Council may, by by-law, exempt an eligible not-for-profit property from real property taxation under this Part, to the extent, for the period and subject to the conditions provided in the by-law.

(3) A by-law under this section

(a) must establish the term of the exemption, which may not be longer than 10 years, and

(b) does not apply to taxation in a calendar year unless it comes into force on or before October 31 in the preceding year.

(4) If only a portion of a parcel is exempt under this section, the by-law under this section must include a description of the exempt portion that is satisfactory to the British Columbia Assessment Authority.

(5) A by-law under this section ceases to apply to property that ceases to be an eligible not-for-profit property and, after this, the property is liable to taxation under this Part.

(6) Before adopting a by-law under this section, the Council must

(a) publish a notice of the proposed by-law in accordance with section 3, and

(b) consider the by-law in conjunction with the objectives and policies set out in the report under section 219 (2) (c) [*use of permissive tax exemptions*].

(7) The notice under subsection (6) (a) must

(a) identify the eligible not-for-profit property that would be subject to the by-law,

(b) describe the proposed exemption,

(c) state the number of years that the exemption may be provided, and

(d) provide an estimate of the amount of taxes that would be imposed on the eligible not-for-profit property if it were not exempt, for the year in which the proposed by-law is to take effect and the following 2 years.