



ADMINISTRATIVE REPORT

Report Date: April 10, 2019
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Meeting Date: April 24, 2019

TO: Standing Committee on City Finance and Services
FROM: Director of Finance
SUBJECT: 2018 Property Tax Exemptions

RECOMMENDATION

THAT Council receive the 2018 Property Tax Exemptions for information.

REPORT SUMMARY

This report serves to meet the *Vancouver Charter* requirement of an annual report outlining the objectives and policies in relation to the use of tax exemptions. The report also summarizes the statutory and permissive tax exemptions and any compensating payments-in-lieu of taxes in 2018.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Section 219 ("s219") of the *Vancouver Charter* stipulates that a report be submitted to Council, by April 30, outlining the objectives and policies for that year in relation to the use of tax exemptions under sections:

- 396A – exemptions for heritage property
- 396C – exemptions for riparian property
- 396E – revitalization tax exemptions
- 396F – exemptions for not-for-profit property

Section 396 ("s396") of the *Vancouver Charter* sets out two types of tax exemptions that are available in Vancouver:

- **Statutory Exemptions** – Specified in the *Vancouver Charter* as well as the *Canadian Constitution Act*, these exemptions are administered by BC Assessment as part of the assessment and classification process. Council approval is not required.
- **Permissive Exemptions** – These exemptions are provided under Council's authority when determining the eligibility of individual properties in accordance with program criteria set by Council.

Council has established the following policies and practices regarding tax exemptions:

- The City will rely on the statutory exemptions available under s396(1) of the *Vancouver Charter* and limit the use of permissive exemptions to heritage properties (s396A) approved as part of the Heritage Building Rehabilitation Program (expired in 2015).
- The City's support for charitable and not-for-profit organizations will continue through the existing range of statutory exemptions available under s396(1) and the City's extensive grant programs as opposed to permissive exemptions (RTS 08713).
- Tenants occupying City-owned properties held for non-civic use will make lease payments which include an amount equivalent to property taxes to ensure equity among tenants occupying privately owned properties and those occupying tax exempt City properties.
- Tax exemptions are applicable to property owners. The City does not have jurisdiction over how property owners share these costs with their tenants.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background & Analysis

This section outlines the various tax exemptions available under the *Vancouver Charter* and the amount of forgone tax revenue which is partially offset by compensating payments in lieu of taxes.

Statutory Exemptions s396(1) – These exemptions are prescriptive and eligibility requirements are established by legislation, not Council. All taxes levied by the City and other taxing authorities are exempt for the following eligible properties:

- Crown lands – property owned and occupied by the federal, provincial or regional governments, or a Crown corporation
- City of Vancouver property
- Property owned¹ and occupied by incorporated charitable institutions, and wholly in use for charitable purposes

¹ As a registered owner or owner under agreement

- Property owned¹ 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 owned¹ 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 owned¹ 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
- British Columbia Cancer Agency Branch located on the north side of the 600 Block of West 12th Avenue

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

Permissive Exemptions – The following exemptions are available under the *Vancouver Charter*.

- s396A – exemptions for heritage property
- s396C – exemptions for riparian property
- s396E – revitalization tax exemptions
- s396F – exemptions for not-for-profit property

Permissive exemptions are an “optional” form of tax relief whereby Council, at its sole discretion, may choose to exempt certain properties from taxation, in whole or in part, for periods of up to 10 years to promote specific goals and objectives of the City. Within the limitations set out by legislation, Council, by two thirds of the votes cast, has the authority to determine the application of these exemptions. If enacted, eligible properties would receive exemption for all taxes levied by the City and other taxing authorities, except for revitalization exemptions which apply only to City taxes. 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.

In 2003, Council established the Heritage Building Rehabilitation Program to encourage the upgrading of heritage buildings and stimulate economic revitalization within the Downtown Eastside historic areas including Chinatown, Gastown, Victory Square and the Hastings Street Corridor. The program, which included heritage exemptions, was established as a 5-year initiative. Council extended the program in April 2010 and again in December 2013 (RTS 10148) to end of 2015. Council has approved 22 properties under the program of which two did not proceed with the heritage upgrade. The value of exemptions for the remaining 20 properties total \$24.1 million (Appendix A).

To date, Council has not implemented additional permissive exemptions outside of heritage exemptions. In September 2011 (RTS 08713), Council adopted the policy to continue to support not-for-profit organizations through the existing range of statutory exemptions available under

s396(1) of the *Vancouver Charter* and the City's grant programs, and not consider further permissive exemptions.

Supportive Housing

In addition to statutory and permissive exemptions, eligible properties designated as Supportive Housing (Class 3) are assessed at a nominal value and effectively exempt from property taxes. This property class was created by the Province pursuant to the *Small Business and Revenue Statutes Amendment Act 2008*.

In 2018, 108 properties in Vancouver were designated as Supportive Housing and paid no taxes. This represents additional financial subsidies from the City above and beyond the capital funding and land already committed to the development of supportive housing, as any forgone tax revenue is borne by all taxpayers.

Compensating Payments-in-lieu of Taxes

Under the statutory exemption categories, there are properties for which the City receives payments-in-lieu of taxes:

Payments-in-lieu of Taxes (PILTs) – The Federal and Provincial governments are constitutionally exempt from property taxes; however, the *Payments in Lieu of Taxes Act* and the *Municipal Aid Act*, respectively, stipulate that payments be made to local governments in lieu of property taxes on certain exempt properties. In general, payments are calculated based on assessed values and local tax rates to generate an amount equivalent to taxes which would be paid by a taxable owner. However, both statutes provide some discretion for the granting government to determine which properties are grantable and payments to be made. Discrepancies between PILTs billed and collected can be appealed at the Taxes Dispute Advisory Panel².

Rent-in-lieu of Taxes – The City has a large portfolio of properties, primarily held in the Property Endowment Fund, that are not required for civic purposes and are leased to commercial, residential and not-for-profit tenants. These properties are exempt from property taxes pursuant to s396(1) of the *Vancouver Charter*. To ensure equity among tenants of City properties and privately-owned properties, Council has a policy of setting lease payments for City properties to equalize the impact of taxes.

² The mandate of the PILT advisory Panel is to give advice to the Minister of Public Works and Government Services in the event that a taxing authority disagrees with the value, dimension or effective rate applicable to any federal property

Table 1 below summarizes the 2018 tax exemptions in Vancouver.

Table 1: 2018 Summary of Property Tax Exemptions

PROPERTY TAX EXEMPTIONS	Exempt Value	Forgone General Tax Levy	Payments-in-Lieu of Taxes
STATUTORY EXEMPTIONS			
Federal Crown & Agencies	1,218,881,000	7,433,000	4,556,000
Provincial & Crown Agencies	3,479,587,000	26,653,000	20,539,000
Metro Vancouver	394,207,000	2,280,000	-
Transit	1,339,604,000	34,743,000	-
School, Colleges & Universities	9,985,696,000	49,773,000	28,000
Hospitals and Health Authorities	3,631,277,000	17,862,000	-
Charitable Organizations	1,869,929,000	4,755,000	-
Churches	2,310,993,000	3,030,000	-
Other Partial Exemptions	17,145,000	56,000	-
Statutory Exemptions - Non-City Properties	24,247,319,000	146,585,000	25,123,000
City Properties	29,349,538,000	72,674,000	9,927,000
TOTAL STATUTORY EXEMPTIONS	53,596,857,000	219,259,000	35,050,000
PERMISSIVE EXEMPTIONS			
Heritage Property	135,103,000	566,000	-
TOTAL EXEMPTIONS	53,731,960,000	219,825,000	35,050,000

Financial Implications

In 2018, \$53.7 billion of properties (11% of the Assessment Roll) were exempt, resulting in forgone general purpose taxes of \$219.8 million, which was partially offset by \$35.1 million of compensating payments-in-lieu of taxes.

Values of exempt properties are not factored into general purpose tax rate calculations. Any forgone taxes (net of compensating payments-in-lieu of taxes) are borne by non-exempt properties.

CONCLUSION

This report summarizes the statutory and permissive exemptions provided under s396 of the *Vancouver Charter*, and the compensating payments-in-lieu of taxes payable to the City in 2018.

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HERITAGE PROPERTY EXEMPTIONS
2003 - 2018

PROPERTY	COUNCIL APPROVAL	MAXIMUM DURATION	MAXIMUM VALUE
50 Water St *	29-Jan-04	10 years	\$768,700
42 Water St *	29-Jan-04	10 years	\$382,000
163 West Hastings*	16-May-06	10 years	\$1,948,159
210 Carrall Street*	11-Jul-06	10 years	\$314,307
5 West Pender	15-Feb-05	10 years	\$247,294
53 West Hastings – Commercial *	26-Sep-06	10 years	\$59,260
53 West Hastings - Residential *	26-Sep-06	3 years	\$125,339
108 & 128 West Cordova *	21-Mar-06	3 years	\$3,500,000
412 Carrall Street	11-Jul-06	10 years	\$947,502
1 Gaoler's Mews	13-Jun-06	10 years	\$1,299,928
51 East Pender *	28-Feb-06	10 years	\$500,395
12 Water Street – Commercial*	26-Sep-06	10 years	\$1,033,686
12 Water Street - Residential *	26-Sep-06	3 years	\$229,034
133 Keefer Street	08-Jul-08	10 years	\$421,353
208 East Georgia	19-Jan-10	10 years	\$448,171
101 West Hastings – Commercial	21-Mar-06	10 years	\$8,140,000
18 West Hastings	16-Sep-08	10 years	\$144,492
564 Beatty St	01-Nov-11	10 years	\$3,019,986
71 East Hastings	12-Feb-08	10 years	\$173,670
9 West Cordova	24-Mar-15	10 years	\$358,680
TOTAL			\$24,061,956

*Heritage exemptions are set for maximum duration or maximum \$ value, whichever is reached first. These properties have reached maximum duration or value.