



COUNCIL REPORT

Report Date: April 12, 2023
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Meeting Date: April 25, 2023
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TO: Vancouver City Council
FROM: Director of Finance
SUBJECT: 2022 Property Tax Exemptions

Recommendations

THAT Council receive the 2022 Property Tax Exemptions report for information.

Purpose and Executive Summary

Pursuant to s. 219 of the *Vancouver Charter*, this annual report outlines the objectives and policies in relation to the use of property tax exemptions, and summarizes the statutory and permissive tax exemptions and any compensating payments-in-lieu of taxes for the year.

In 2022, \$56.2 billion of properties (11% of the Assessment Roll) were exempt, resulting in forgone general purpose taxes of \$237.0 million, which was partially offset by \$31.7 million of compensating payments-in-lieu of taxes. Any forgone taxes (net of compensating payments-in-lieu of taxes) are redistributed to other taxable properties.

Council Authority/Previous Decisions

s. 396 of the *Vancouver Charter* sets out two types of property tax exemptions:

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 processes. 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 long-standing policies and practices regarding property tax exemptions:

- The City will rely on the statutory exemptions available under s. 396(1) of the *Vancouver Charter* and limit the use of permissive exemptions to heritage properties (s. 396A) that were 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 s. 396(1) of the *Vancouver Charter* and the City's extensive grant programs as opposed to permissive exemptions (RTS 08713).
- To ensure equity among tenants of tax-exempt City properties and privately-owned properties, lease payments for City properties are set at a rate that equalizes the impact of taxes.
- Similar to property taxes, tax exemptions are applicable to property owners. The City does not have jurisdiction over how property owners share the savings arising from tax exemptions with their tenants.

City Manager's Comments

The City Manager concurs with the foregoing recommendation.

Context and Background

This section outlines the various property tax exemptions available under the *Vancouver Charter* and the compensating payments-in-lieu of taxes where applicable.

Statutory Exemptions s. 396(1) – These exemptions are prescriptive and eligibility requirements are established by legislation, not Council. Over the years, the applicability of statutory exemptions has been defined by the Property Assessment Appeal Board and court decisions.

Statutory exemptions are available to the following types of properties under the *Vancouver Charter*:

- 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
- 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

¹ As a registered owner or owner under agreement

- 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

Properties that are eligible for statutory exemptions are exempt from all taxes levied by the City and other taxing authorities. However, there are certain 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 tenants. These properties are exempt from property taxes pursuant to s. 396(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 property taxes.

Permissive Exemptions – These 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. 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.

The following permissive exemptions are available under the *Vancouver Charter*:

- s. 396A – exemptions for heritage property

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

- s. 396C – exemptions for riparian property
- s. 396E – revitalization tax exemptions
- s. 396F – exemptions for not-for-profit property

Eligible properties are exempt from all taxes levied by the City and other taxing authorities, except for revitalization exemptions which apply only to City taxes.

Discussion

Table 1 below summarizes the property tax exemptions, both statutory and permissive, for 2022.

Table 1: 2022 Property Tax Exemptions (\$000)

PROPERTY TAX EXEMPTIONS	Exempt Value	Foregone General Purpose Tax Levy	Payments-in- Lieu of Taxes
STATUTORY EXEMPTIONS			
Federal Crown & Agencies	1,569,744	8,409	6,321
Provincial & Crown Agencies	3,830,793	28,800	17,096
Metro Vancouver	480,165	2,623	-
Transit	1,479,628	40,050	-
School, Colleges & Universities	10,291,236	48,324	25
Hospitals and Health Authorities	4,058,875	18,755	-
Charitable Organizations (see Note)	2,399,886	6,870	-
Churches	2,140,957	3,539	-
Other Partial Exemptions	18,229	69	-
Statutory Exemptions - Non-City Properties	26,269,513	157,439	23,442
City Properties	29,937,592	79,382	8,292
TOTAL STATUTORY EXEMPTIONS	56,207,105	236,821	31,734
PERMISSIVE EXEMPTIONS			
Heritage Property	42,113	196	-
TOTAL EXEMPTIONS	56,249,218	237,017	31,734

Note: Prior to 1974, seniors housing and community care facilities in Vancouver were granted statutory exemption. At the time, there were 39 seniors housing facilities that met the exemption criteria. The Province then amended the *Vancouver Charter*, transferring the exemption decision for any new seniors housing to Council. The pre-existing 39 facilities were protected, and continued to be exempt from taxes by by-law. Council also adopted a policy that permissive exemption not be granted to seniors housing projects constructed after March 31, 1974, and that future applicants requesting such exemption be denied.

In September 2011, Council adopted the policy to continue to support charitable and not-for-profit organizations through the existing range of statutory exemptions available under s. 396(1) of the *Vancouver Charter* and the City's grant programs, and not consider further permissive exemptions (RTS 08713). To date, Council has not implemented additional permissive exemptions outside of heritage exemptions.

Exemptions for Heritage Property – 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 aggregate value of exemptions for the remaining 20 properties is \$24.1 million (Appendix A).

In January 2019, Council approved the updated Heritage Incentive Program (<https://vancouver.ca/people-programs/heritage-grants.aspx>) which included direct financial incentive for eligible heritage properties for 50% of eligible costs to a maximum of \$4 million per qualified building; heritage exemptions were not included in the new program.

Supportive Housing – The Province created a property class for Supportive Housing (Class 3) through the *Small Business and Revenue Statutes Amendment Act 2008*. If designated, these housing projects are assessed at a nominal value and effectively exempt from property taxes.

In 2022, 134 properties in Vancouver were designated as Supportive Housing and paid no taxes. This represents additional financial subsidies from the City towards housing above and beyond its already significant land and capital contributions, as any forgone taxes are redistributed to all taxpayers.

Financial Implications

In 2022, \$56.2 billion of properties (11% of the Assessment Roll) were exempt, resulting in forgone general purpose taxes of \$237.0 million, which was partially offset by \$31.7 million of compensating payments-in-lieu of taxes.

The aggregate assessed value of all exempt properties are not factored into general purpose tax rate calculations. Any forgone taxes (net of compensating payments-in-lieu of taxes) are redistributed to other taxable properties.

Legal Implications

There are no legal implications associated with this report's recommendation.

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PROPERTY	COUNCIL APPROVAL	EXEMPTION	
		MAXIMUM DURATION	MAXIMUM VALUE
42 Water Street*	Jan 29, 2004	10 yrs	\$382,000
50 Water Street*	Jan 29, 2004	10 yrs	\$768,700
5 West Pender Street*	Feb 15, 2005	10 yrs	\$247,294
51 East Pender Street*	Feb 28, 2006	10 yrs	\$500,395
101 West Hastings Street - Commercial*	Mar 21, 2006	10 yrs	\$8,140,000
108 & 128 West Cordova Street*	Mar 21, 2006	3 yrs	\$3,500,000
163 West Hastings Street*	May 16, 2006	10 yrs	\$1,948,159
1 Gaoler's Mews*	Jun 13, 2006	10 yrs	\$1,299,928
210 Carrall Street*	Jul 11, 2006	10 yrs	\$314,307
412 Carrall Street*	Jul 11, 2006	10 yrs	\$947,502
12 Water Street - Commercial*	Sept 26, 2006	10 yrs	\$1,033,686
12 Water Street - Residential*	Sept 26, 2006	3 yrs	\$229,034
53 West Hastings Street - Commercial*	Sept 26, 2006	10 yrs	\$59,260
53 West Hastings Street - Residential*	Sept 26, 2006	3 yrs	\$125,339
71 East Hastings Street*	Feb 12, 2008	10 yrs	\$173,670
133 Keefer Street*	Jul 8, 2008	10 yrs	\$421,353
18 West Hastings Street*	Sept 16, 2008	10 yrs	\$144,492
208 East Georgia Street*	Jan 19, 2010	10 yrs	\$448,171
564 Beatty Street	Nov 1, 2011	10 yrs	\$3,019,986
369 Carrall Street (1 West Hastings Street)	Jan 24, 2006 & Dec 10, 2019	10 yrs	\$385,693
Total**			\$24,088,969

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

** Total does not include lapsed bylaws.