

# Memo



To: Committee of the Whole  
From: **Chief Financial Officer**  
Date: 2018-07-23  
Subject: Revitalization Tax Exemption Bylaw

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## Background

At the June 11, 2018 Regular Meeting of Council, Council directed staff to prepare a report and draft bylaw for downtown landlords who were impacted by flooding and wish to further improve their structures within the City's form and character policy.

Revitalization tax exemptions (RTEs) are a tool which municipal councils can use to encourage certain types of revitalization in order to achieve certain social, economic, or environmental objectives in accordance with the City's Official Community Plan.

### Objectives of a Revitalization Tax Exemption Program

The following outlines some objectives which may be realized by means of a revitalization tax exemption program:

Economic - to encourage investment and create or retain jobs in the community by revitalizing the economic base

Social - to increase the supply of affordable housing or preservation of affordable rental units

Environmental - to promote green building technology and encourage environmental sustainability

Other - such as beautification or rejuvenation of a neighbourhood experiencing urban decay

### Legislative Requirements

Section 226 of the Community Charter grants municipal councils the authority to exempt property from municipal taxes by means of a revitalization tax exemption. A tax exemption under this section is an exception to the general prohibition on providing assistance to business imposed by Section 25 of the Community Charter.

In order to meet the requirements of Section 226, Council must do the following:

- establish a revitalization tax exemption program bylaw,
- enter into an agreement with property owners, and
- issue a revitalization tax exemption certificate once all the conditions of the agreement and bylaw have been met

Furthermore, Section 226 (6) requires that Council give consideration to the bylaw in conjunction with the objectives and policies for the use of permissive tax exemptions as set out in the annual financial plan bylaw, and must provide notice of the proposed RTE bylaw prior to its adoption.

### Bylaw Requirements

Section 226 requires a revitalization exemption program bylaw to include the following:

- a description of the reasons for and objectives of the program, and how the program will achieve those objectives,
- a description of the kinds of property or related activities that will be eligible under the program,
- the extent and amount of tax exemptions available, and
- the maximum term of an exemption, which may not exceed ten years

The Community Charter also sets out requirements for certain terms which must be included in the exemption certificate.

### Other Relevant Information

- A tax exemption does not take effect until the year following the issuance of the exemption certificate, as long as the certificate is issued no later than October 31. A certificate issued after October 31 will not give effect to an exemption until the second year following its issuance.
- Only municipal property value taxes can be exempted. The exemption does not extend to parcel taxes and taxes imposed by other authorities such as school, hospital, regional district, BC Assessment or the MFA.
- Council has a significant amount of flexibility in determining how best to provide a tax exemption, as the revitalization program bylaw may be different for different areas of the municipality, property classes, or activities and uses of a property.
- Exemptions may apply to the value of land or improvements, or both.
- Exemptions may be applied to the full or partial value of the assessment increase over the exemption term. For example, a property may receive a 100% exemption for the first year, with a declining amount for subsequent years.
- While not required, most municipalities limit the tax exemption to the increase in assessed value that results from the new construction or renovation.
- The tax exemptions generally accrue to the ultimate buyer of a property rather than the person making the investment (the developer).

### Revitalization Bylaw General Considerations

A successful Revitalization Tax Exemption program is one which meets the municipality's goals with respect to attracting investments which might not otherwise happen, while minimizing the risk of foregoing potential tax revenues. A great deal of thought is required to set parameters and properly tailor a bylaw which reflects Council's intentions and achieves those objectives.

In developing a revitalization tax exemption program, Council should consider broadening the scope of the program beyond simply being reactive to a specific situation such as the downtown flooding. An RTE program presents an opportunity for Council to stimulate the type of developments identified as necessary in the Official Community Plan, such as affordable and sustainable housing,

In developing an effective revitalization tax exemption program, Council should consider the immediate and long-term impacts of such a program. Some topics for discussion include the following:

What are the community's goals, values and needs?

What type and or uses of property will benefit the community?

How would property tax exemptions help to accomplish community goals, such as social and economic development?

Are there alternatives to tax exemptions which would be more effective in accomplishing these goals?

Should particular benefits or needs be targeted for exemptions?

What are the immediate and long-term implications of providing exemptions under this program?

Will this revitalization occur without a tax incentive?

What are the costs to manage the program, and what additional resources are required, such as building inspections and financial/administrative resources?

Is the exemption program consistent with the BC/Alberta Trade, Investment and Labour Mobility Agreement (TILMA) under which investment distorting subsidies are prohibited?

#### Specific Considerations for an RTE Bylaw

A review of various RTE bylaws across the province illustrates considerable diversity in how municipalities have designed their exemption programs, with very few parameters common to each community.

Staff has prepared a draft RTE bylaw with a broader scope than requested in order to encompass some of the needs recognized in the official community plan. Some proposed terms have been included, but these need to be confirmed pending review and discussion. Further input from Council is required with respect to the following options:

- a) The proposed time span for exemptions to apply (Section 4)
  - five years only, or with an option to renew
- b) Geographic scope - revitalization areas (Section 5)
  - downtown core
  - other commercial or residential areas

- c) Type of eligible improvements and thresholds (Section 6)
  - new commercial construction
  - commercial renovations
  - mixed-use residential commercial
  - multi-family residential
  - energy efficient or green construction
- d) Value of the tax exemption (Section 7)
  - 100% each year, declining amount, or a combination of both
  - Different amounts for different types of projects
- e) Recapture amounts (Section 9)
  - full exemption provided to date, current year only, or pro-rata portion of current year
- f) Expiry date on the program itself (not included)

### Summary

Staff has spent a significant amount of time researching and reviewing tax exemption programs in other municipalities, and feels that considerably more time is still required to properly structure an RTE program which is effective in meeting the guidelines and goals of the OCP. While there appear to be few analyses or studies on the effectiveness of RTE programs, information uncovered thus far indicates that these programs have very limited or no success in attracting investment. One can conclude that the success of such initiatives depends on clear identification of the goals and a great deal of thought to setting parameters which will achieve the desired result.

Due to the time requirements for adoption of an RTE bylaw and completion of an agreement, along with the October 31 deadline for issuing an exemption certificate, it is unlikely that any of the downtown landlords currently remediating their properties could benefit from the implementation of a revitalization tax exemption program. While other municipalities may have included clauses which allow expenditures undertaken prior to adoption of a bylaw, this is unusual. It is recommended that a proposed RTE bylaw be reviewed by legal counsel, particularly with respect to any unusual clauses or conditions.




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## **Benefits or Impacts**

### **General**

Establishing a revitalization tax exemption program is a means by which Council can encourage various types of investment consistent with the objectives and goals of the Official Community Plan.

## Strategic Impact

-  Attracting new investment which would not otherwise occur would result in increased long-term tax revenue.
-  An RTE program could be used to stimulate economic activity by providing a tax incentive to potential commercial developers.
-  A tax exemption program can include social objectives to encourage affordable housing.

## Policy/Legislation

Community Charter Section 226

## Attachments

Draft Revitalization Tax Exemption Bylaw

Ministry of Community Services report - *Revitalization Tax Exemptions, A Primer on the Provisions of the Community Charter*