



Revitalization Tax Exemptions

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This *Open Bar* provides an overview of the revitalization tax exemption authority granted to municipalities under the *Community Charter* and details some of the specific aspects of the authority that your municipality may wish to consider in its adoption of a tax exemption program.

What is it? Section 226 of the *Community Charter* authorizes municipalities to provide property tax exemptions to encourage various types of revitalization in their communities. Municipalities wishing to use this authority must establish a revitalization program, enter into (optional) agreements with property owners benefiting from the exemption, and then exempt the properties of these owners from taxation once the specified conditions of the program and the agreement have been met. Some of the revitalization objectives that municipalities can encourage include:

- Neighbourhood rejuvenation
- Downtown beautification
- Increasing supply of affordable housing
- Construction or preservation of affordable rental housing
- Investment and employment in resource industries
- Acceleration of remediation activities
- Using green building technology such as solar panels or rainwater recycle

A municipality may only grant a revitalization tax exemption in respect of municipal property value taxes. Other taxes, such as those levied for schools, regional districts, etc. do not automatically qualify for exemption under this program. The revitalization tax exemption is a permissive tax exemption and is an exception to the general prohibition against assistance to business under section 25 of the *Community Charter*. An exemption may be granted for up to 10 years.

Where to start? Municipalities can begin with identifying revitalization opportunities in the community and develop the program by considering the following essentials: objectives of the program; plan to achieve the objectives; properties that create eligibility for exemptions; extent of the exemptions available; and, amount of exemptions.

What is required? There are three key components of the program: the revitalization tax exemption program bylaw, an (optional) agreement between the municipality and the property owner and the exemption certificate. Each component is discussed below.

Bylaw. Council must establish a revitalization tax exemption program bylaw ("Bylaw") which provides for the objectives, scope, amounts and term of the proposed exemption. The Bylaw must be in place

before October 31 in the year before the tax exemption takes effect. A different Bylaw may be adopted for different areas of the municipality, different property classes or classes of land and improvements or different activities and circumstances related to a property or its uses.

Specifically, the Bylaw must include:

- a description of the reasons for and the objectives of the program;
- a description of how the program is intended to accomplish the objectives;
- a description of the kinds of property (or activities or circumstances related to the property) that will be eligible for tax exemption;
- the extent of the exemption available;
- the amounts of tax exemption that may be provided; and
- the maximum term of the exemption, which may not be longer than 10 years.

Agreement. Once the Bylaw has been adopted, Council may enter into an agreement (“Agreement”) with the property owner regarding the revitalization tax exemption to outline the conditions of the exemption that must be met by the owner before an exemption certificate is issued. A municipality should ensure that owners only receive the benefit of tax exemption if the exemption conditions are satisfied during the entire term of the exemption period. To this end, a well crafted Agreement should provide for cancellation and for the recapture of exempted taxes in the event that the property owner fails to meet the conditions of the Agreement. The recapture provisions should operate to recover both those taxes exempted for the assessment period after cancellation and any exemptions that accrued prior to cancellation but while the owner was in breach of a condition of the Agreement. The Agreement, if any, must be in place before October 31 in the year before the tax exemption takes effect.

Certificate. If the requirements of the Bylaw and the Agreement have been met, Council must issue a tax exemption certificate (“Certificate”) no later than October 31 in the year before the tax exemption takes effect. The Certificate must specify:

- the extent of the tax exemption;
- the amount of the tax exemption (or formula for determining the exemption);
- the term of the tax exemption;
- any conditions for obtaining the exemption; and
- any recapture amounts payable upon cancellation.

A copy of the Certificate must also be provided to the relevant assessor after it is issued to ensure that the tax exemption is taken into account during assessment of taxable property value. Council may cancel a Certificate if requested by the property owner or if the owner has failed to meet a condition of the Certificate. Notice of cancellation of a Certificate must be provided to the assessor as soon as practicable after cancellation.

The revitalization tax exemption authority provides municipalities with a legislative tool to assist property owners while furthering a greater objective for the community. If your municipality is considering such a program, check the legislative requirements, remember the deadlines and consider entering into an agreement with the owner to protect the municipality’s rights and interests.