



## Committee of the Whole Report For the Meeting of September 14, 2023

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**To:** Committee of the Whole **Date:** August 17, 2023  
**From:** Jo-Ann O'Connor, Deputy Director of Finance  
**Subject:** Permissive Tax Exemptions 2024-2025

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### RECOMMENDATION

That Council:

1. Direct staff to bring forward a 2024-2025 permissive tax exemption bylaw for all properties detailed in Table 1 and Table 2.
2. Forward these recommendations to the October 5, 2023 daytime Council meeting.

### EXECUTIVE SUMMARY

Under current policy, Council considers permissive property tax exemptions on a three-year cycle. Council approved permissive tax exemptions for 2023-2025 in the summer of 2022. Each subsequent year, additional applications are considered by Council. This report addresses the applications received this year requesting permissive tax exemptions for 2024-2025.

The City received 22 permissive tax exemption applications from 10 organizations. Fifteen applications meet the requirements of the City's Permissive Exemption Policy (Appendix D) and are recommended for approval as detailed in Table 1 and Table 2. Renewal applications and new applications recommended for approval can be found in Appendix A and B respectively. Seven applications do not meet policy requirements and are not recommended for approval as detailed in Table 3. Applications not recommended for approval can be found in Appendix C. One exemption previously approved requires a correction for 2024-2025 due to a lease with a third party as detailed in Table 1.

### PURPOSE

The purpose of this report is to outline applications from non-profit organizations requesting permissive property tax exemptions for 2024 to 2025 for Council's consideration.

### BACKGROUND

Section 224 of the *Community Charter* allows the City to provide property tax exemptions to non-profit organizations that provide services which Council considers directly related to the purposes of the organization. It also provides for permissive exemptions for some properties in addition to

statutory exemptions, such as church halls or land surrounding places of public worship. Exemptions provided for in section 224 are at the discretion of Council and there is no obligation to give the exemption. In contrast, statutory exemptions are provided under Section 220 of the *Community Charter*, and these are automatically applied to the property taxation roll by BC Assessment.

The City’s Permissive Tax Exemption Policy (Appendix D) further guides permissive exemptions by providing specific eligible categories for exemptions. The City’s policy provides exemptions to 7 broad categories of properties shown below:

Category	Brief description
1. Special needs and supportive housing	Short term, crisis or emergency housing, housing for people with special needs, transitional or halfway houses, group homes with supportive staff
2. Social Services	Services provided to community members who are disadvantaged
3. Arts and Culture	Preparation and delivery of artistic and cultural events or exhibits to the public; or ethno-cultural community centres
4. Educational Facilities	Independent schools. Due to a change in legislation, land and improvements owned and occupied by independent schools are now statutorily exempt and permissive exemptions are no longer needed.
5. Athletic or Recreational Facilities	Provide space and equipment for physical and mental enjoyment of participants
6. Places of Worship	Land and improvements surrounding statutorily exempt place of worship or land and improvements occupied by a religious organization as a tenant
7. Rail/Track	Rail or track and other related property

In 2009, Council amended the policy to temporarily include affordable rental housing. This short-term measure was put in place to promote the development of affordable rental housing during the economic downturn and to support tax incentives for strategic affordable housing initiatives. In 2010, Council extended the policy to include affordable housing projects reviewed at Council on March 25, 2010. There are currently no properties receiving an exemption under this legacy provision with the last exemption expiring in 2022. Table 3 summarizes three new applications requesting an exemption for affordable housing. As there is no category for affordable housing these applications are not recommended for approval.

In May 2013, Council revised the City’s Permissive Tax Exemption Policy, moving to three-year exemptions, placing a cap of 1.6% of property taxes and removing grandfathering provisions. The three-year exemption cycle, as opposed to one-year, was implemented to provide certainty and reduce administrative burden for organizations applying for exemptions. The cap was introduced to establish a ceiling on the tax burden shift to non-exempt properties. The cap was set at a higher level than the existing level of exemptions and that cap has been sufficient to accommodate all eligible applications since it was implemented. The 1.6% cap based on the 2023 property taxes is \$2,660,127. Exemptions approved for 2023 total \$2,222,781 or 1.34% of the municipal portion of property taxes leaving \$437,346 available for off-cycle applicants. The grandfathering provisions relate to properties that had historically been provided exemptions, but at a higher level than what the policy set out. Those exemptions were reduced over a 10-year period and are now all in line with the current policy.

In 2021, Council passed a motion to amend the Arts and Cultural Facilities category to include ethno-cultural community centres. Since the 2022 tax year, five ethno-cultural community centres have been approved for an exemption. There were no additional applications received this year from ethno-cultural community centres.

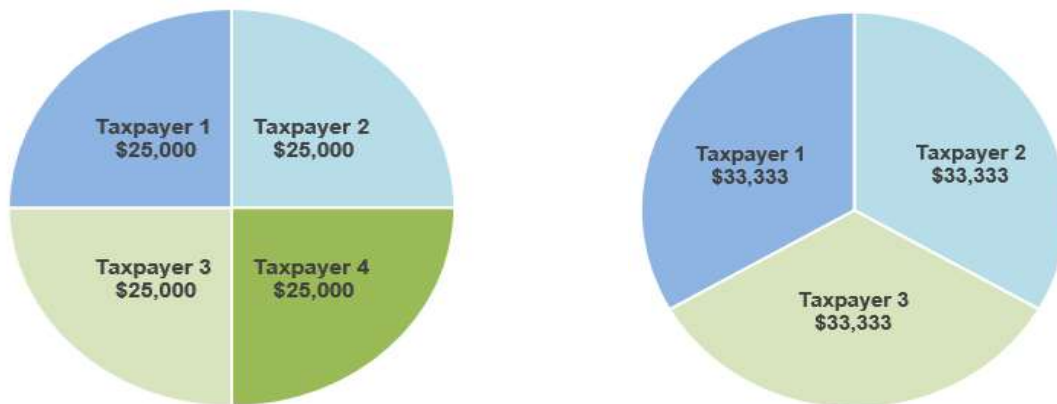
Council also passed a motion in 2021 reducing the exemption on surface parking lots by 20% each year over a five-year period starting in 2023, where surface parking lots are 50% or more of the total property area. This policy change was made to encourage better and higher uses of surface parking lots through redevelopment. There are fifteen properties that met this criteria that began paying partial property taxes on surface parking lots in 2023. Table 3 summarises two applications not recommended for approval requesting that the exemption be reinstated on the surface parking lot portion for 2024-2025.

There is currently one exemption in place for the Royal Canadian Legion Trafalgar Pro Patria Branch 292 that has been approved by Council as an exception to the policy. In 2019, Council approved an exemption on the Class 8 (recreation) portion of the property for the 2020-2022 exemption cycle. In 2021, Council approved an additional exemption on the Class 6 (business) portion of the property providing the Royal Canadian Legion with a 100% exemption for 2022. The full exemption was extended by Council for 2023-2025 in anticipation that the province will amend legislation to provide the Royal Canadian Legion with a statutory exemption.

The Permissive Tax Exemption Policy requires that the non-profit organization be on title as owner of the property, except in the case of a place of worship. This requirement limits the number of applicants and enables exemptions to fit within the 1.6% cap. Table 3 summarizes two applications not recommended for approval on leased properties.

### ISSUES & ANALYSIS

Providing permissive exemptions is entirely at Council’s discretion and does not reduce the overall property tax revenue received by the City however, it redistributes the property tax levy to other non-exempt taxpayers. A very simplistic example is provided below. If the City required a total property tax levy of \$100,000 and had four taxpayers, then each taxpayer would pay an equal share of \$25,000 as shown in the first graph below. If the fourth taxpayer is granted an exemption, then the tax levy collected from the three non-exempt taxpayers increases to \$33,333 as shown in the second graph. The 1.6% cap based on the City’s annual budgeted tax levy determines the maximum amount of tax burden that can be shifted from permissively exempt properties to non-exempt properties annually.



Another deliberate limitation under the policy is the requirement for properties to be owned by the non-profit organization providing the service as opposed to being leased. The reason this limitation was included is that there are a significant number of non-profit organizations in Victoria and exempting them all would result in a large shift of the property tax burden. While there is no single data source that identifies the number of non-profits that operate in the City, a very high-level estimate is 570 organizations. The City currently provides exemptions to 98 organizations for 135 properties and this level of exemption fits within the policy cap. If the application volume resulted in the cap being exceeded, all eligible exemptions would be reduced proportionally to stay within the approved cap.

Already approved exemptions for the 2023-2025 tax years total \$2,222,781 or 1.34% of the City’s 2023 tax levy. Approximately \$437,000 in off-cycle permissive tax exemptions can be approved without exceeding the 1.60% cap. The City received 22 applications for 2024-2025 permissive tax exemption from 10 organizations. Recommended approvals total \$45,985 in City taxes as shown in Table 2. For permissive tax exemptions to apply for the 2024 tax year, a bylaw must be passed on or before October 31, 2023.

**A. Renewal Applications – Recommended for Approval (Appendix A)**

*Island Corridor Foundation:* This organization has applied for an exemption under the Rail/Track Property category for the properties listed in Table 1 below. This organization is a federally registered charity established for the purposes of owning and managing the former E&N Corridor on Vancouver Island. These properties are rail/track structures or assets, and most have been granted a permissive tax exemption since 2008 with the most recent exemption term spanning from 2014-2023. The properties at 289 Russell Street, 335 Mary Street, 350 Mary Street, and 360 Catherine Street host part of the Kimta E&N Cycling Connector featuring multi-use pathways. The property-use typically remains static and these applications are therefore recommended for a further ten-year exemption from 2024-2033 permitted under the policy for rail/track properties. Approving these applications would exempt this organization from \$55,318 in municipal taxes and \$82,208 in total taxes.

**Table 1: Renewal Applications Recommended for Approval**

<b>Applicant</b>	<b>Folio</b>	<b>Property Address</b>	<b>Category</b>	<b>City Portion</b>
Island Corridor Foundation	01077015	Store St	Rail/Track Property	\$ 42
Island Corridor Foundation	01092005	n/a	Rail/Track Property	1,688
Island Corridor Foundation	12781104	698 Wilson St	Rail/Track Property	1,431
Island Corridor Foundation	12795001	289 Russell St	Rail/Track Property	4,861
Island Corridor Foundation	12795002	350 Mary St	Rail/Track Property	4,861
Island Corridor Foundation	12796001	345 Mary St	Rail/Track Property	4,861
Island Corridor Foundation	12796002	325 Esquimalt Rd	Rail/Track Property	4,861
Island Corridor Foundation	12796003	360 Catherine St	Rail/Track Property	24,272
Island Corridor Foundation	12796025	335 Mary St	Rail/Track Property	7,497
Island Corridor Foundation	13083341	100 E&N Rail Line	Rail/Track Property	944
<b>Total</b>				<b>\$ 55,318</b>

B. New Applications –Recommended for Approval (Appendix B)

1. *Anawim Companions Society - address is confidential*: This organization has applied for an exemption under the Social Service and Supportive Housing categories. This property will provide a safe residence for women fleeing violence or living in dangerous conditions on the streets and who may be looking to recover from substance use. The women will be provided with supports to change their lives and become self-sufficient. The property will provide accommodation for up to seven women each having their own bedroom and a shared bathroom. This application meets the criteria of the Permissive Exemption Policy and is therefore recommended for approval. Approving this application would exempt this organization from \$4,472 in municipal taxes and \$6,940 in total taxes.
2. *Fernwood Neighbourhood Resource Group Society - 1240 Gladstone Avenue (folio 07461010)*: This organization has applied for an exemption under the Social Service category for the portable building used to provide licenced childcare located behind the Fernwood Community Centre building. Although the use of the portable building as a childcare facility does not fall within any of the policy categories, nor is this organization the registered owner of the property, this application is unique, however, and may require consideration beyond the scope of the policy because this property is owned by the City and the City has an operating agreement with this organization to provide recreation and community services at this property on behalf of the City. Approving this application would exempt this organization from \$1,443 in municipal taxes and \$2,239 in total taxes.
3. *Glad Tidings Church - 853 Caledonia Avenue (folio 01515007)*: This organization has applied for an exemption under the Social Service and Place of Worship categories. This property is adjacent to the Glad Tidings Pentecostal Church located at 945 Caledonia Ave. The property at 853 Caledonia Ave provides administrative office space as well as spiritual counselling space for the Children and Families Ministry, Youth Ministry as well as meeting space for the Welcome Wagon Ministry which provides supports to refugees and immigrants to Canada. The property is also used to prepare back-to-school backpacks for children in need as well as packages of essential household items and non-perishable food for newcomers to Canada. The Church leases space to a commercial tenant and therefore the exemption cannot be extended to the lessee. Approving this application would exempt this organization from \$6,337 in municipal taxes and \$9,541 in total taxes.
4. *Other Guise Theatre Company Society – 716 Johnson Street (folio 01020125)*: This organization has applied for an exemption under the Arts and Cultural Facility category. Founded in the year 2000, this organization is committed to developing theatrical presentations reflecting the history and culture of our community while supporting the livelihoods of island professionals and emerging artists. This two-storey building will be a shared arts hub for the performing arts community and a renovation will outfit the main floor with moment frames, fully equip black box theatre, and a cabaret performance space. This organization has been approved by Council for a \$100,000 Cultural Infrastructure Program grant in 2023 to support the creation of this new arts facility. Approving this application would exempt this organization from \$19,626 in municipal taxes and \$29,547 in total taxes.
5. *Winners Chapel International Victoria – 734 Caledonia Ave (folio 01015013)*: This organization has applied for an exemption under the Social Service and Place of Worship categories for leased property. This organization is a community of believers tasked with empowering their community spiritually, mentally and physically through teachings and preaching of the word of

faith to reach their full potential. This property will be used to provide weekly worship and prayer meetings, bible study, bible training, food distribution and counselling. This organization was previously approved by Council for an exemption on a leased property at 810 Cormorant Street. Facilities for public worship occupied by a religious organization as a tenant are eligible for an exemption under the policy, therefore this application is recommended for approval. Approving this application would exempt this organization from \$14,107 in municipal taxes and \$21,867 in total taxes.

C. Previous Exemption Correction

*Greater Victoria Citizens' Counselling Centre – 941 Kings Rd (folio 09661002)*: This organization was previously approved for an exemption for the entire property; however, a portion of the property is leased to a third-party non-profit organization. The Permissive Tax Exemption Policy requires that the non-profit receiving the exemption be the registered owner of the property, therefore the exemption has been reduced to align with this requirement.

**Table 2: New Applications Recommended for Approval and Previous Exemption Correction**

<b>Applicant</b>	<b>Property Address</b>	<b>Category</b>	<b>City Portion</b>
Anawim Companions Society	Confidential address	Social Service & Supportive Housing	\$ 4,472
Fernwood Neighbourhood Resource Group Society	1240 Gladstone Avenue	Social Service	1,443
Glad Tidings Church (Exemption excludes leased area)	853 Caledonia Avenue	Social Service & Place of Worship	6,337
Other Guise Theater Company Society	716 Johnson Street	Arts and Cultural Facility	19,626
Winners Chapel International	734 Caledonia Avenue	Place of Worship	14,107
<b>New Applications Total</b>			<b>\$ 45,985</b>
Greater Victoria Citizens Counselling Centre Society (Exemption excludes leased area)	941 Kings Road	Social Service	\$ 4,021

D. New Applications – Not Recommended for Approval (Appendix C)

- Anglican Church of St. Barnabas - 1633 Belmont Ave (folio 07428001)*: This organization has applied for an exemption under the Place of Worship category for the portion of surface parking lot that has become taxable. The parking lot is an essential component of the St. Barnabas Church providing drop-off and parking space for community members participating in worship services, events and programs. The surface parking lot represents 65% of the total property area and is therefore subject to a reduction in the permissive tax exemption of 20% each year over a five-year period starting in 2023. The application is not recommended for approval because it is contrary to current policy. Approving this application would exempt this organization from \$3,154 in municipal taxes and \$4,533 in total taxes.
- Anglican Church of St. Barnabas - 1525 Begbie Street (folio 07428002)*: This organization has applied for an exemption under the Place of Worship category for the portion of surface parking lot that has become taxable. This property provides parking and a drop-off area that is vital to aging and disabled members of the congregation. The parking lot is also used extensively for

events and programs throughout the year and is an essential component of the St. Barnabas Church. This property is entirely surface parking lot and is therefore subject to a reduction in the permissive tax exemption of 20% each year over a five-year period starting in 2023. The application is not recommended for approval because it is contrary to current policy. Approving this application would exempt this organization from \$1,051 in municipal taxes and \$1,511 in total taxes.

3. *Fernwood Neighbourhood Resource Group Society (FNRG) - 1301 Gladstone Ave (folio 07447001)*: This organization has applied for an exemption under the Social Service category but offers affordable housing and not the services identified under this category. This property provides four, three bedroom below market affordable housing units for families referred through the FNRG's Family Support Program. In addition, the building has four commercial units, one of which is utilized by the FNRG's social enterprise, with the remaining three units generating rental income that subsidizes the housing units and supports upkeep of the building. As the property's use does not fall within any of the policy categories, it is recommended that this application be declined. Approving this application for the residential component of the building would exempt this organization from \$8,081 in municipal taxes and \$12,541 in total taxes.
4. *Fernwood Neighbourhood Resource Group Society (FNRG) - 1222 Yukon Street (folio 07460055)*: This organization has applied for an exemption under the Social Service category but offers affordable housing and not the services identified under this category. This property provides six, three-bedroom below market affordable housing units for families referred through the FNRG's Family Support Program which includes refugees, immigrants, single-parent families, and those living on low incomes. In 2007, Council approved a \$60,000 grant from the Victoria Housing Reserve Fund to support this organization with acquiring this property, with a covenant placed on title restricting the use to affordable housing. This organization previously applied for a permissive tax exemption in 2012, however the application was not recommended by staff nor approved by Council. As the property's use does not fall within any of the policy categories, it is recommended that this application be declined. Approving this application would exempt this organization from \$1,712 in municipal taxes and \$2,657 in total taxes.
5. *Gorge View Society - 11 Chown Place (folio 11757029)*: This organization has applied for an exemption under the Social Service category but offers affordable housing and not the services identified under this category. This property provides 108 units of affordable housing for low-income seniors and supports to foster social connection, internet and computer services, and to navigating health systems and income supports. Approximately \$1.6 million of property assessment for the building and footprint of land beneath the building receives an automatic statutory exemption for elderly citizens housing built between 1947 and 1974. Until 2013, an erroneous statutory exemption was applied by BC Assessment that provided the property with a 100% exemption. In 2014, the erroneous exemption was removed and the Gorge View Society received a significant property tax bill. In recognition of this sudden financial burden, Council approved a permissive exemption as an exception to the policy that was phased out over five years from 2015-2019. This organization has also been approved by Council for a \$295,000 grant from the Victoria Housing Reserve Fund to support the development of 35 affordable one-bedroom rental units for seniors and has entered into a housing agreement with the City to secure these units long-term. As the property's use does not fall within any of the policy categories, it is recommended that this application be declined. Approving this application would exempt this organization from \$54,309 in municipal taxes and \$84,280 in total taxes.

6. *Rainbow Express Day Care Society - 433 Kingston Street (folio 02138006)*: This organization has applied for an exemption under the Social Services category, however the property use does not fall into any of the categories of the City's Permissive Tax Exemption Policy. In addition, this organization does not meet policy requirements as it is not the registered owner of the property, therefore it is recommended that this application be declined. This property is used to provide licenced childcare services to families with diverse needs and varying socio-economic backgrounds. Programming for children includes music education, neighbourhood and park exploration, environmental sustainability, arts, and socialization among others. This property is owned by the province and until 2022 received a statutory exemption as BC Assessment was unaware that the property was being leased by a taxable occupier. Approving this application would exempt this organization from \$3,561 in municipal taxes and \$5,526 in total taxes.
7. *Vancouver Island Visual Arts Society (VIVAS) - 780 Blanshard Street (folio 01027001)*: This organization has applied for an exemption under the Arts and Cultural Facility category, but the space is leased. This property provides affordable space to artists and arts-related community organizations, free or low-cost community arts programming and arts related non-profit programming to the public. The building is home to visual artists, musicians, leather workers, sculptors, multi-media artists, photographers, filmmakers, music producers, fashion designers, and more. The owner of the property is a private corporation and has submitted a rezoning and heritage alteration permit application to the City to rehabilitate the building and construct a mixed-use hotel and residential building. VIVAS has provided a letter from the property owner in support of entering into a further two-year lease agreement from 2024-2025 with the possibility of a one-year extension provided that the permissive tax exemption has been approved. The application for a permissive exemption was also submitted with over 750 letters to Council from the artist community at 780 Blanshard Street in support of the permissive exemption. The letters of support have not been included with the application in Appendix B as they contain personal information. The Permissive Tax Exemption Policy requires that the non-profit applicant for a permissive exemption be on title as the owner of the property and responsible for the payment of the property taxes, and consequently, it is recommended that this application be declined. Should Council wish to approve an exemption, staff would need to review VIVAS's lease agreement to ensure that the permissive exemption requirements under section 224 of the *Community Charter* are met and that VIVAS is the sole beneficiary of the tax exemption rather than the property owner as the City is prohibited under section 25 of the *Community Charter* from aiding a business. While the amount of the property tax exemption based on the leased area is unknown at this time, the total municipal taxes are \$125,560 and total taxes are \$194,634 for this property.

**Table 3: Summary of Applications Not Recommended for Approval**

Applicant	Property Address	Category	Reason for Ineligibility	City Portion
Anglican Church of St. Barnabas	1633 Belmont Avenue	Place of Worship	Surface parking lot subject to exemption reduction	\$ 3,154
Anglican Church of St. Barnabas	1525 Begbie Street	Place of Worship	Surface parking lot subject to exemption reduction	1,051
Fernwood Neighbourhood Resource Group Society	1301 Gladstone Avenue	Social Service	Does not fit policy category (affordable housing)	8,081



Fernwood Neighbourhood Resource Group Society	1222 Yukon Street	Social Service	Does not fit policy category (affordable housing)	1,712
Gorge View Society	11 Chown Place	Social Service	Does not fit policy category (affordable housing)	54,309
Rainbow Express Day Care Society	433 Kingston Street	Social Service	Does not fit policy category and leased property	3,561
Vancouver Island Visual Arts Society	780 Blanshard Street	Arts and Cultural Facility	Leased property	125,560
<b>Total</b>				<b>\$ 197,429</b>

## OPTIONS & IMPACTS

### Option 1 (Recommended)

Direct staff to bring forward a 2024-2025 Permissive Tax Exemption Bylaw for the properties listed in Tables 1 and Table 2.

The City portion of these exemptions is estimated at \$45,985, increasing the total City portion of permissive exemptions to \$2,268,766 or 1.36%.

### Option 2

Provide alternate direction to staff on which properties to exempt.

### *2023 – 2026 Strategic Plan*

While permissive property tax exemptions are not identified in the City's Strategic Plan, the services provided by the organizations recommended for a permissive tax exemption align with many Strategic Plan objectives including those of Community Well-Being and Safety; and Arts, Culture, Music, Sport and Entertainment.

### *Impacts to Financial Plan*

Approving permissive tax exemptions do not impact the City's Financial Plan since the City will levy the required amount of property taxes to support all the City's programs and services. However, providing exemptions does shift the tax burden to non-exempt properties.

### *Official Community Plan Consistency Statement*

Not applicable to permissive property tax exemptions.

## CONCLUSION

The City has a long-standing practice of providing support to non-profit organizations through property tax exemptions. Approving off-cycle applications will provide organizations with certainty for 2024-2025.

Respectfully submitted,

Layla Monk  
Manager of Revenue

Jo-Ann O'Connor  
Deputy Director of Finance

Susanne Thompson  
Deputy City Manager/CFO

**Report accepted and recommended by the City Manager  
List of Attachments**

Appendix A: Renewal Applications – Recommended for Approval  
Appendix B: New Applications –Recommended for Approval  
Appendix C: New Applications – Not Recommended for Approval  
Appendix D: Permissive Tax Exemption Policy