

Report

Date September 9, 2025
Subject 2026 Permissive Tax Exemption Application

File:

PURPOSE

To provide the Committee of the Whole with the Permissive Tax Exemption applications received for the 2026 assessment roll and to seek direction to prepare a Permissive Tax Exemption Bylaw.

BACKGROUND

Section 224 of the *Community Charter* provides Council with the authority to exempt, by bylaw, certain lands, improvements, or both, from municipal property taxes. In 2023, Council identified the need to strengthen the existing policy and introduce more rigorous criteria. Following a workshop and Committee of the Whole discussions, a new policy and application form were developed and subsequently adopted on June 19, 2024. The updated policy and application form (Attachment 1) remain in effect and continue to reflect Council's direction, requiring applicants to clearly demonstrate how they meet the established criteria.

The current Permissive Tax Exemption Bylaw, set to expire in 2027, grants exemptions to 155 properties, resulting in an estimated \$871,705 in foregone tax revenue based on 2025 assessment values and tax rates. According to Section 4.2 of the revised policy, 'At the time the bylaw is approved, the estimated aggregate value of permissive tax exemptions will not surpass 2% of the current year's total budgeted property tax levy'. For 2025, this 2% threshold amounts to \$836,220. As it stands, the bylaw exceeds this limit even without any new additions.

DISCUSSION

North Cowichan has received three applications, encompassing five properties, for consideration of permissive tax exemptions. These exemptions, if approved, would span for the 2026 and 2027 tax years. Of the three applications received, two are from organizations that have previously been granted tax exemptions and have since acquired new properties. The House of Grace Society is the only new applicant this year.

Clements Centre

In the current Permissive Tax Exemption Bylaw 3972, 2024, Clements Centre Society receives exemptions on five properties totalling \$30,882 in forgone revenue. They are requesting an exemption on a newly acquired property located at 5855 Clements Street. The application meets the mandatory requirements of the Permissive Tax Exemption Policy. If granted a 100% exemption, the estimated forgone revenue on this property would be an additional \$3,819, and if granted a 50% exemption, the estimated forgone revenue would be \$1,910.

Maple Bay Yacht Club

The Maple Bay Yacht Club is requesting an exemption for two additional properties, both are leased from Crown Provincial; however, as stated in the lease, the Yacht Club is responsible for paying all realty taxes. The Yacht Club currently receives a 50% exemption on Class 8 property, which totals \$3,132 in forgone revenue. The application meets the mandatory requirements. If granted a 50% exemption on Class 8 for the two properties, the estimated forgone revenue would be an additional \$1,229.

House of Grace

The House of Grace Pregnancy Centre Society is requesting a permissive tax exemption for its leased units (#103 and #202) located at 5855 York Street. As stated in the lease documents, they are responsible for paying all the realty taxes. These spaces are within the same building as The Sword Ministries, which currently receives a tax exemption. The application meets all mandatory criteria outlined in the Permissive Tax Exemption Policy. Although the Society applied for an exemption in 2023 and was denied by Council, they did not submit an application in 2024 and are now reapplying for the 2026 tax year. If approved for a 100% exemption, the estimated foregone tax revenue would be \$3,000; a 50% exemption would result in approximately \$1,500 in foregone revenue.

If Council was to approve all applications for tax exemptions, the total foregone revenue would be approximately \$8,048 based on the 2025 assessment and tax rates.

Council has directed staff to reduce the property tax rate from 9.26% to 5%, a mandate that requires careful budgetary adjustments and prioritization. While permissive tax exemptions support valuable community services, each exemption granted adds to the financial pressure on the budget. As staff work to meet Council's directive to lower taxes, the approval of additional exemptions presents a challenge, as it increases the amount of foregone revenue that must be offset elsewhere in the budget.

OPTIONS

1. **(Recommended Option)** THAT the Committee of the Whole recommend that Council deny the 2026 applications for permissive tax exemptions.
 - As noted above, Council has set a clear mandate to aim for a maximum 5% tax increase, while the current status quo sits at 9.26%. In this context, any decision to forego revenue significantly hinders staff's ability to meet this target and contradicts the direction Council has provided.
2. THAT the Committee of the Whole direct staff to amend Permissive Tax Exemption Bylaw No. 3972, 2024 to include *[Council to insert organization name(s) and percentages]*.
 - Granting tax exemptions reduces available revenue, which in turn places additional pressure on staff to identify equivalent reductions within the budget. This makes an already challenging budgeting process even more complex.
 - Additionally, Council is currently above their policy limit of 2%.

RECOMMENDATION

THAT the Committee of the Whole recommend that Council deny the 2026 applications for permissive tax exemptions.

Report prepared by:



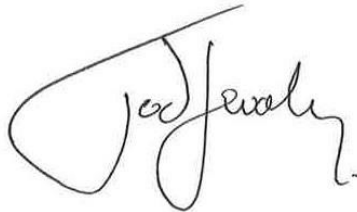
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Report reviewed by:



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Approved to be forwarded to Council:



Ted Swabey
Chief Administrative Officer

Attachments:

- (1) Permissive Tax Exemption Bylaw No. 3972, 2024
- (2) Permissive Tax Exemption Policy
- (3) Clements Centre PTE Application
- (4) Maple Bay Yacht Club PTE Application
- (5) House of Grace PTE Application