Community Energy Association

A Policy Planning Companion for Local Governments

Climate Action Revitalization Tax Exemption

Stimulating energy retrofits of large commercial and multi-family residential buildings using a Revitalization Tax Exemption.

July 2025

AT A GLANCE

This document outlines the key considerations and recommendations for the development of a Climate Action Revitalization Tax Exemption (CATE) program that will motivate building owners of large commercial and multi-family residential buildings to invest in upgrades they might otherwise defer. Such a program can address multiple objectives including achieving climate action goals, improving building stock, retaining affordable housing, and enhancing resident well-being.

While RTE programs are commonly used throughout BC, the application to climate action goals is new; to date, the District of Saanich and City of Victoria are the only known municipalities to have done so. This guide therefore draws heavily from publicly available resources and lessons learned through those municipalities. A more detailed description of how the two organizations planned and launched their respective programs can be found in a case study published by CEA in May, 2025.

KEY TAKEAWAY

Tax exemptions are a flexible tool that can be adapted to encourage energy retrofits in contexts where other financial incentives are not applicable. Research and planning should include data collection on target building types and significant engagement with stakeholders and building owners, as well as an evaluation of how to support building owners on their retrofit journey.

Contents

Introduction

It is estimated that 70% of existing buildings will still be standing in 2050, therefore any plan to reduce greenhouse gas (GHG) emissions must include energy retrofits of existing buildings. In fact, the Pembina Institute estimates[1] that BC needs to retrofit 3% of its building stock *every year* until 2050 to meet provincial climate targets. That is 30,000 homes, 17,000 apartment units, and 3 million square metres of commercial space annually.

It's clear that energy retrofits are a critical action for local governments to meet their climate action targets. While there are various tools at their disposal to support and enable retrofits of both Part 3 and Part 9 buildings, retrofitting large commercial and multi-family residential buildings is complex and expensive, and the programs and incentives available to building owners are insufficient. As local governments explore alternative mechanisms to incentivize the decarbonization of large buildings, they are met with the Community Charter's restriction on providing financial assistance to businesses.[2] Therefore, the only suitable municipal tool currently available under existing legislation is a Revitalization Tax Exemption (RTE).

[1] https://www.pembina.org/pub/retrofitbc-infographic

[2] Under the BC Building Code, "Part 3" buildings refer to those which have a building area 600 square metres or greater or are greater than three storeys, typically apartment buildings, condos, commercial, institutional or industrial uses.

Context

What is a revitalization tax exemption?

A revitalization tax exemption[4] (RTE) is a tool to encourage development and redevelopment that aligns with the municipality's revitalization goals by providing a temporary reduction or elimination of municipal property taxes. RTE programs can have different goals such as to stimulate economic growth, encourage investment in targeted areas, promote the redevelopment of underutilized or deteriorated properties, or support specific community objectives (e.g., affordable housing, environmental sustainability, or downtown revitalization).

RTEs apply to the municipal portion of property taxes only, while other components of property taxes (e.g., school, library, and hospital taxes) are not included in the exemption.

How does a revitalization tax exemption program work?

To use the authority under Section 226, a municipal Council must pass a bylaw establishing a revitalization program with defined objectives and eligibility criteria. The specific requirements and application processes can vary significantly between municipalities depending on the objectives of the program. In designing a tax exemption program, it is important to word the bylaw carefully to ensure intended objectives are met. Property owners who meet the criteria can apply for a tax exemption, and the municipality then enters into an exemption agreement that sets out the terms and conditions that must be met.

Once all specified conditions of the program and the agreement have been met, the property owner is entitled to an exemption from property tax according to the terms of the agreement. The property owner receives an exemption certificate issued by the municipality which also must be provided to BC Assessment (October 31 deadline for exemptions in the following tax year). The duration and extent of the tax exemption must be specified and can vary depending on the municipality's program. However, the maximum term allowed is 10 years.

Additional information about revitalization tax exemptions

- Revitalization Tax Exemptions: A Primer on the Provisions in the Community Charter (Province of BC)
- Legal overview: Revitalization Tax Exemptions

[4] The authority to exempt properties from municipal property value taxes is provided by Section 226 of the *Community Charter* and does not contravene section 25 of the Community Charter which prohibits assistance to businesses.

Why use a revitalization tax exemption for building retrofits?

Overcome financial obstacles to retrofits in large buildings.

Many building owners cite capital costs as a major obstacle to retrofits. A revitalization tax exemption provides a substantial reduction in property taxes and acts as an incentive layered on top of other targeted programs to help bridge the gap between the high upfront cost of deep energy retrofits and longer-term benefits and payoff periods. This is especially crucial for rental buildings where landlords face a "split incentive" (i.e., they pay for upgrades while tenants benefit from lower utility bills). Building owners in Saanich and Victoria identified tax exemptions as one of the top ways to make retrofits more accessible.

A Climate Action Revitalization Tax Exemption Program (CATE) can advance local priorities.

Municipalities can tailor CATE programs to address specific needs and priorities—affordable housing, seismic upgrades, or accessibility improvements—and target building types that are a priority in the community. It may be especially useful for supporting retrofits of large multi-family buildings (MURBs), including rental apartments. Improving the efficiency and resilience of MURBs can:

- Advance equity by providing MURB residents with similar opportunities as residents in single-family homes. For example, access to clean energy technology like heat pumps.
- Contribute to climate goals since deep retrofits of large buildings can significantly influence community GHG emissions.
- Accelerate and build industry capacity and market adoption in the short to medium term because electrification of multi-family buildings is earlier in the market transition than single family homes.

Program Design Considerations

Context and Data

A useful place to start is to consider the local and current context in your community. Does your community have an existing climate plan that includes commitments to encourage retrofits and reduce emissions from existing buildings? Is the proposed approach consistent with the Official Community Plan? Also consider other plans and policies that may be related such as a housing strategy. Aligning a CATE program with community plans, strategic priorities, and other complementary policies is an effective way to introduce the policy and demonstrate its applicability as a tool to support community goals and priorities.

Review existing data such as GHG emissions inventories and any existing building inventories. An analysis of the existing mix of building stock, conditions of buildings, and building archetypes in the community is important for targeting incentives and tailoring the program for the greatest impact. In the case of the City of Victoria, an early step in program development involved a Market Rental Revitalization Study that analyzed existing market rental multi-unit residential buildings in the municipality and made recommendations. Similarly, the District of Saanich conducted a Commercial Building Inventory using data from BC Assessment to understand community-wide commercial building stock. Having baseline data about the existing buildings in the community and their estimated energy usage will help determine what the potential impact of a tax exemption program might target in terms of GHG emissions reduction and alignment with other community priorities. In addition, review existing municipal and provincial incentive programs for various building types to determine where gaps in programming exist.

Gathering and analyzing the information above will help to build a compelling case for Council and senior leadership, which has been identified by municipal staff as an important first step in developing a climate action tax exemption program. As program development proceeds, having numerous touchpoints with Council to provide alternatives and seek direction is recommended to build support for eventual adoption of the program.

Internal Collaboration

While the idea is straightforward—a tax holiday to support building energy retrofits—the actual development and design of a CATE program is complex and nuanced. There are important considerations involved in determining how to structure the exemption program and how to do the necessary calculations. This requires collaborating internally across municipal departments including with the municipality's legal counsel, Director of Finance and finance team, and revenue services department to understand the legal and tax implications of a new tax exemption program. Calculations for the incentive amount need to take into consideration changes in property tax rates and increases in property value that could potentially increase the amount of an incentive beyond the value of the retrofits, which is where working with the finance team to work through various models and options is important.

It may also be necessary to work with the community long range planning department to ensure alignment with development and redevelopment plans. For example, there may be properties where for various reasons, replacement/redevelopment is preferential to retrofitting. In this case, it would be important to ensure that the bylaw wording is specific about eligibility to ensure incentives are directed toward higher value buildings. For example, Saanich incorporated a land value ratio calculation into the eligibility criteria for commercial buildings to address this concern.

ABOUT LAND VALUE RATIOS

A land value ratio (as well as the similar term land-to-asset ratio which is often used in real estate to assess the investment potential of a property) is a measure of how much of a property's overall value is made up the land component versus the value of assets such as buildings or other improvements. This measure is important because land values tend to increase over time, while buildings depreciate. In the case of Saanich, the formula for calculating the land value ratio is (Building value / Land value) x 100. Saanich's bylaw requires that commercial buildings must have a land value ratio equal to or greater than 15, when calculated using the most recent BC Assessment values.

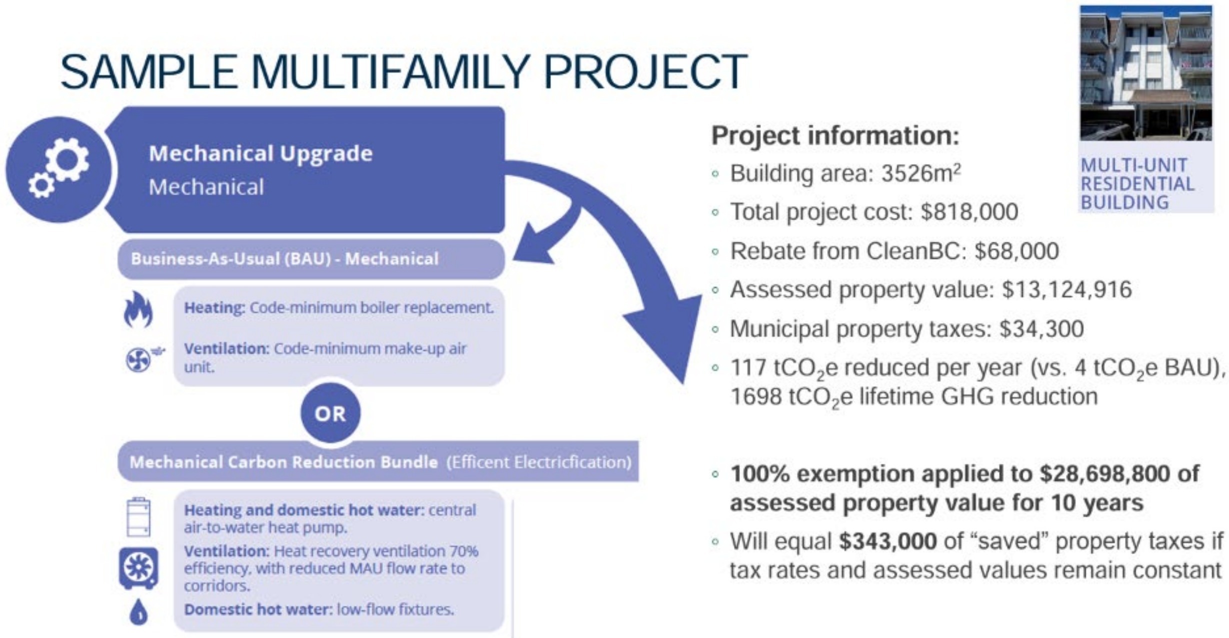
External Engagement

External partners and stakeholders should also be engaged early in the process of program development. Consider engaging with industry, building owners, BC Hydro, the Province, tenant groups, and associations such as the Building Owners and Managers Association of BC (BOMA) to identify current opportunities, knowledge, capacity and barriers in your community. Seeking feedback from structural and mechanical engineers and equipment suppliers may also be required to develop a better understanding of the technical solutions available to property owners.

Building Archetypes

The program design will be contingent on the type(s) of buildings targeted for improvement and the overall objectives of the program. Energy analysis and modelling of potential energy and emissions reductions, as well as costing analysis can help to determine recommended retrofit measures for different building archetypes, their estimated capital cost, utility cost changes, and recommended incentives.

The figure below is an example from the District of Saanich of a sample retrofit project modelling the energy efficiency implications and associated tax exemption amounts:



Incentive Value and Amount

A revitalization tax exemption typically applies to the increase in property value resulting from improvements. However, in the case of energy retrofits, the increase in property value will not be substantial enough to justify the capital costs of improvements. Therefore, to effectively incentivize uptake, it is recommended to apply the tax exemption amount to the full property value, with stipulations that the exemption amount will not exceed total eligible project costs incurred.

That said, the incentive should be large enough to be attractive. Findings from engagement in Saanich and Victoria indicated that an incentive of 50% of project costs for residential buildings would not be sufficient to attract building owners to undertake projects that would go beyond business as usual. Residential buildings have a lower municipal tax rate but typically higher project costs for electrification. Therefore, a higher exemption amount/timeline for buildings under that class may be warranted.

Requirements for full building electrification may be undesirable as it could impose financial barriers by forcing the replacement of equipment that is not yet at end of life, which is when equipment is typically budgeted for replacement. In the case of Saanich and Victoria's programs, a major building system is required to electrify (i.e. space or water heating), but not necessarily both in order to qualify. Also consider building flexibility into the program to allow for complementary envelope upgrades such as upgrading insulation and installing triple pane windows.

The table below compares the available incentives for different building types under Victoria and Saanich's tax exemption programs:

Victoria	
Market rental apartment buildings and mixed-use buildings where the residential occupancy is primary, and the project improves equipment in the residential portion of the building	Up to 100% of eligible project expenses for a maximum of 10 years
Saanich	
Multi-Unit Residential Buildings (rental apartment or condominium strata)	Up to 100% of eligible project expenses for a maximum of 10 years
Commercial Buildings with no electrical service upgrade and a gas backup	Up to 50% of eligible project expenses for a maximum of 3 years
Commercial Buildings requiring electrical upgrade or no gas backup	Up to 80% of eligible project expenses for a maximum of 3 years
Mixed-Use Buildings (non-strata):	Exemption Amount is apportioned based on residential and commercial floor areas.

KEY TAKEAWAY FOR LOCAL GOVERNMENTS

- Research and engagement can inform the value of incentives so they are attractive enough to inspire uptake while not exceeding total eligible project costs incurred.

Coordinate with Provincial Incentives

It is important to coordinate the CATE program with existing provincial incentive programs. In the case of Victoria and Saanich, the tax incentive programs were originally designed to rely on existing BC Hydro and CleanBC electrification programs to support verification and ease administration requirements. However, changes to provincial programs resulted in challenges that ultimately required amendments to the bylaws to add additional pathways for applicants through third party verification.

KEY TAKEAWAY FOR LOCAL GOVERNMENTS

- A tax exemption bylaw should account for potential changes to provincial programs by including flexible alternatives for program eligibility, while still accounting for the value of other rebates so as not to over-incentivize.

Retrofit Concierge Support

A bylaw without complementary wrap around support may not yield the desired results because even with financial support, retrofitting large commercial and multi-use buildings is complex and owners often don't have previous experience with the process or technology. As a complement to a tax exemption program, consider implementing additional retrofit support services such as a concierge program to help building owners navigate the complexity of energy-efficiency building retrofits. Communities that have implemented a tax exemption program have found that having someone available to work directly with building owners is critical. CATE programs should have an equal number of spaces in the energy advisor program as in the exemption program to offer comprehensive support. For more on retrofit concierge program models for Part 3 and Part 9 buildings and links to existing programs, review the Retrofit Levers Best Practices Bulletin.

Financial Considerations

The Climate Action Revitalization Tax Exemption program's primary financial impact is forgone tax revenue, rather than a direct budget expenditure. Tax exemptions require rebalancing the tax burden across affected building classes to distribute the tax levy across properties. Financial analysis should consider the average annual municipal taxes paid by target buildings, determine the range of potential annual tax exemptions, and compare the costs of building electrification to potential tax exemption amounts. While generous incentives are recommended to encourage program participation, this will need to be balanced with what is acceptable to Council. To limit the potential impact to the tax base, consider setting caps on the number of buildings to be supported through the program and/or a limit to the total value of tax exemptions per year. While the Community Charter allows a maximum of 10 years for tax exemptions under a Revitalization Tax Exemption program, the number of years could be reduced depending on the analysis of expected financial impacts.

The formula for the tax exemption may also subtract the value of CleanBC and/or BC Hydro incentives from the municipal contribution, minimizing municipal expense. A final consideration is the staff time to administer the program and support any complementary services.

Components of the Bylaw

When developing a CATE bylaw, build as much predictability into the process as possible to support building owners in their business case development; building owners need to be able to understand the program and calculate the amount they can expect to receive in order for the incentive program to work as intended.

A bylaw establishing the tax exemption program will need to include the following*:

- A description of the purpose and the objectives of the Program, and the way in which the Program is intended to accomplish the stated objectives
- Program eligibility criteria, including the kinds of property and activities that are eligible for tax exemptions under the Program
- The exemption amount, apportionment and maximum term that is available for different buildings and retrofit types
- The formula used to calculate the tax exemption amount
- Details on the application process, including the Exemption Agreement and requirements that must be fulfilled prior to issuing the Exemption Certificate, both of which may be attached as schedules to the Bylaw
- Reasons and process for the cancellation of an Exemption Certificate
- Delegated authority for staff to administer the Program, including to enter into Exemption Agreements with applicants and to issue the Exemption Certificate

**A comprehensive comparison of the key components of the Victoria and Saanich CATE bylaws is included in this document as Appendix A (pg. 12).*

Summary Of Takeaways For Local Governments

- Engage early and often with Council to obtain buy-in.
- Do not rely on incentives from higher levels of government; structure the CATE program with flexible pathways in case provincial and federal programs change.
- Be explicit about target building types and make the criteria as clear to users as possible.
- Build as much predictability into the process as possible to support building owners in developing their business case.
- Provide wrap around support such as a retrofit concierge program to support building owners in navigating the retrofit process.

Additional Resources

Reports and resources from City of Victoria:

- Bylaw: Market Rental Building Revitalization Tax Exemption Bylaw 23-102
- Bylaw Amendment: Market Rental Building Revitalization Tax Exemption Bylaw, Amendment Bylaw 24-028
- Committee of the Whole Report (May 25, 2023): Market Rental Revitalization Tax Exemption Program report to Committee of the Whole
- Financial Analysis: Revitalization Tax Exemption Financial Analysis Summary

Reports and resources from District of Saanich:

- Bylaw: Climate Action Revitalization Tax Exemption Bylaw NO. 9932
- Bylaw amendment: Climate Action Revitalization Tax Exemption Bylaw Amendment NO. 10010
- Consolidated bylaw
- Tax exemption cap policy: app-annual-exemption-climate-action-nov-2023.pdf
- Council Meeting (December 12, 2022): Presentation on Proposed Revitalization Tax Exemption Program for Climate Action
- Council report (December 12, 2022): Proposed Climate Action Revitalization Tax Exemption (RTE) for Rental Apartment and Commercial Buildings
- Council report (July 13, 2023): Building Retrofit Strategy
- Council report (September 25, 2023): Proposed Climate Action Revitalization Tax Exemption (RTE) Program for Part 3 Buildings

Appendix A – Bylaw Comparison

	Victoria	Saanich
Bylaw Title	MARKET RENTAL BUILDING REVITALIZATION TAX EXEMPTION BYLAW	CLIMATE ACTION REVITALIZATION TAX EXEMPTION BYLAW
Objectives	A revitalization tax exemption program is established under this bylaw in order to: a. encourage the revitalization and retention of existing rental building housing stock within the City b. increase the seismic resiliency of existing rental buildings c. reduce greenhouse gas emissions from existing rental buildings	The reasons for and the objectives of the Program are to: a. reduce greenhouse gas emissions from commercial and multi-unit residential buildings through the electrification of building mechanical systems b. improve resilience through the addition of cooling in commercial and multi-family buildings c. increase familiarity and capacity for electrification measures amongst local industry d. align with and support the Province of BC's intentions to require that all new and replacement space heating and domestic hot water equipment be at least 100% efficient by 2030
Eligibility Criteria	To be eligible for a revitalization tax exemption under this bylaw, the: a. land must be located within the City of Victoria on which a building meeting the criteria in subsection (b) is situated and operates b. principal building on the land must be a rental building that: is between three to six storeys in height, contains a minimum of ten dwelling units, uses natural gas for domestic hot water or space heating or both, was built prior to January 1, 2000, and does not have an active building permit or development permit for revitalization work contemplated under this bylaw	The following types of Property may be eligible for a Tax Exemption: a. Multi-unit residential buildings which meet the following criteria: i. Each dwelling unit has its principal access from an entrance or hallway common to other dwelling units ii. Minimum 3 residential units a. Mixed-use commercial, residential buildings which meet the following criteria: i. Minimum three residential units b. Commercial buildings that: i. Have a land value ratio equal to or greater than 15, when calculated using the most

	c. land and improvements shall have no overdue property taxes or fees, charges, fines or other amounts owing to the City	recent BC Assessment values as per the following formula: Land value ratio = (Buildings value / Land value) x 100
Maximum term	10 years	10 years for residential buildings 3 years for commercial buildings
Transferable to new owners on sale of land	Yes	Yes
Formula for Calculating Exemption	The exemption will be calculated using the total eligible costs, the mil rate, and the eligible assessed land and improvements values in the year the tax exemption certificate is issued, as per the following formula: **Step 1:** Determine the exemption term by calculating the number of years it would take to pay off the total eligible costs through an annual tax exemption: total eligible costs = A mil rate = B eligible assessed land and improvements value = C Exemption Term = A / ((B / 1000) * C) a. If the final number in step 1 is 10 or more, the exemption term = 10 years. b. If the final number in step 1 is less than 10, the final number is the exemption term. **Step 2:** Calculate the total exemption in each year of the exemption term. a. If the exemption term is 10 years, the tax exemption is 100% in each year of the term. b. If the exemption term is less than 10 years, each whole number of the exemption term is the number of	The Tax Exemption shall be calculated in accordance with the formula below: **Step 1:** Calculate minimum number of years to meet the Exemption Amount, where the resulting value is rounded up to the nearest year: Exemption Term = Exemption Amount / Base Year Municipal Property Taxes a. If the final value in Step 1 is less than the maximum Exemption Term as prescribed in Sections 7-9 above, then this is the Exemption Term to be used in Step 2. b. If the final value in Step 1 is equal to or more than the maximum Exemption Term as prescribed in Sections 7-9 above, then the maximum Exemption Term as prescribed in Sections 7-9 shall be used in Step 2. **Step 2:** Calculate the total assessed land and improvement value that will be exempted to achieve the Exemption Amount: Maximum Assessed Value to be exempted = (Exemption Amount / (Base Year Municipal Tax Rate/1000)) / Exemption Term

	years that a 100% exemption is applied. Any remaining fraction rounded to two decimal places, is applied as a percent exemption in the final year. For example, if the exemption term result from step 1 is 4.73 years, the owner will receive a 100% exemption for years one to four of the term and a 73% exemption in year 5 of the term.	
Program Caps	A maximum of five rental buildings can receive a revitalization tax exemption under this bylaw, of which: a. a maximum of three rental buildings can participate in the GHG Emissions Reduction Stream as the sole or primary stream, and b. a maximum of two rental buildings can participate in the Seismic Upgrade Stream as the sole or primary stream.	To constrain the financial impact of the tax exemption and support financial planning, a maximum annual Exemption Cap of $750,000 will be imposed, whereby the total annual value of new exemptions approved in any given year may not exceed that amount.
Link to Bylaw*	Market Rental Building Revitalization Tax Exemption Bylaw 23-102	Climate Action Revitalization Tax Exemption Bylaw NO. 9932

**Additional resources and links to documents like council reports, bylaw amendments, and meeting minutes are included on page 11, above, under "Additional Resources".*