Category
Land Value Capture

Geography/ Location
AB, BC, MB, ON

Municipality Size
Medium

Tier
Enabling

Constraints
Equity

Administrative Capacity Required
Medium

Fiscal Tool Brief: Revitalization Tax Exemptions (RTEs)

Local Governments for Sustainability
Les gouvernements locaux pour le développement durable
CANADA

Revitalization Tax Exemptions reduce municipal property taxes temporarily to encourage private investment in redevelopment, sustainability upgrades, and other community revitalization goals.

Revitalization Tax Exemptions (RTEs) are municipal fiscal tools that allow local governments to temporarily reduce or eliminate the municipal portion of property taxes on eligible properties to encourage redevelopment or investment that aligns with community objectives. Municipalities typically provide exemptions for a fixed period on the incremental increase in property tax resulting from improvements or redevelopment. Their primary purpose is to stimulate private investment in projects that align with local revitalization goals, which may include economic development, environmental sustainability, and social benefits such as affordable housing.

To establish an RTE program, a municipality must pass a bylaw specifying the program's objectives, eligibility criteria, application process, and exemption terms. Once a property owner applies and is approved, they enter into an agreement with the municipality and receive a tax exemption certificate. The exemption applies only to the municipal portion of property taxes and typically applies to the increase in assessed value resulting from redevelopment or improvements, rather than the entire property value. This structure is intended to incentivize targeted redevelopment or improvements in specific areas, such as downtown cores, underutilized industrial zones, or areas affected by environmental degradation.

In Canada, RTEs are most formally established in British Columbia, where Section 226 of the Community Charter grants municipalities explicit authority to create revitalization tax exemption programs. Ontario offers a functionally similar mechanism through Community Improvement

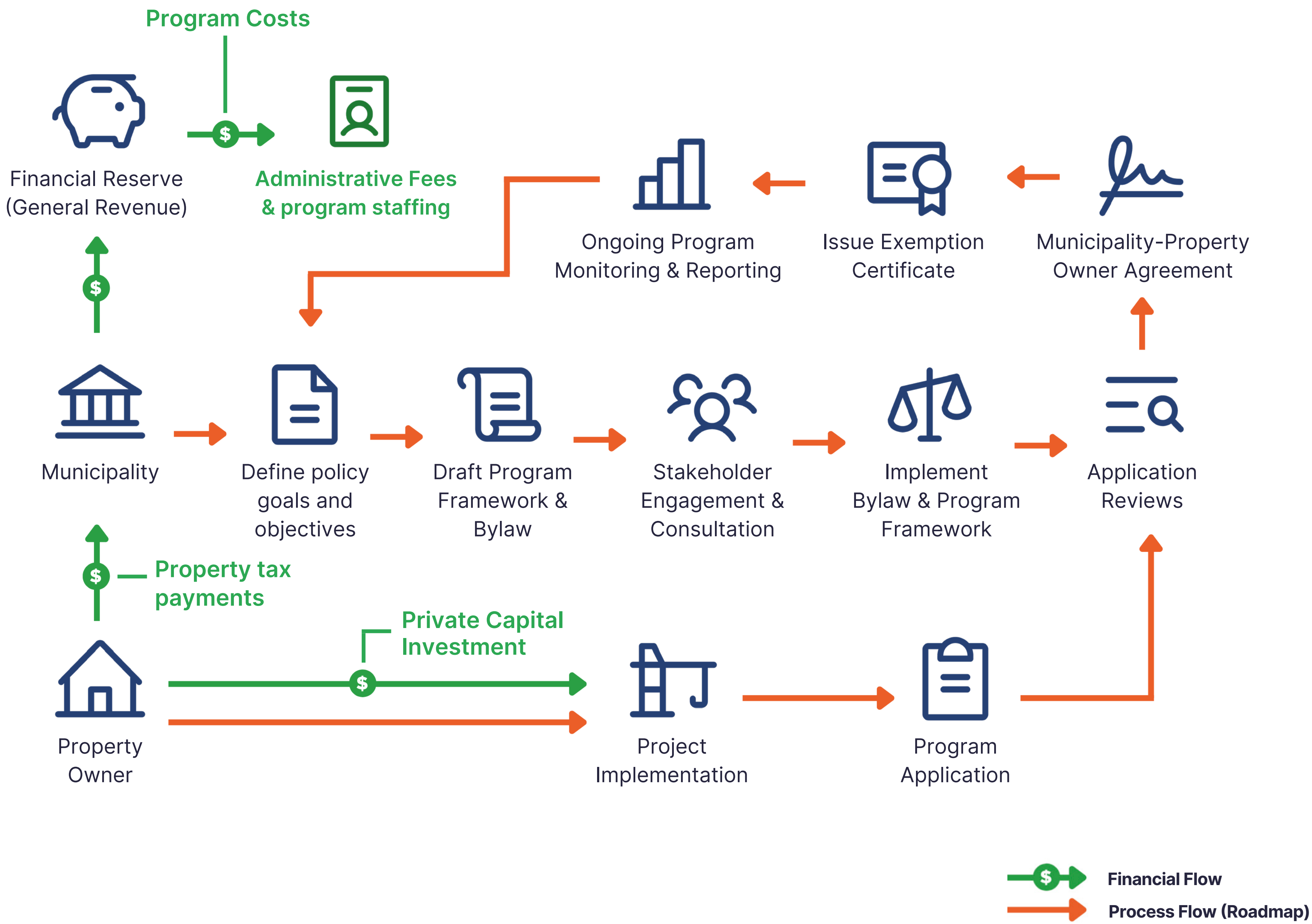

Figure 1. Visual representation of how Revitalization Tax Exemptions work

Plans (CIPs) under Section 28 of the Planning Act, which allow municipalities to provide tax increment-equivalent grants or exemptions within designated improvement areas. While the legislative terminology and administrative processes differ across provinces, the core mechanism of using temporary property tax relief to incentivize targeted private investment is available in multiple jurisdictions. Because they reduce tax liabilities on the incremental value created by development, RTEs are designed to mobilize private-sector capital investment that might otherwise not occur or would occur more slowly. By improving the financial viability of redevelopment projects, particularly those involving higher upfront costs such as brownfield remediation, building retrofits, or resilience features, RTEs can leverage substantial private investment while requiring relatively limited direct municipal spending. RTE programs are inherently flexible since municipalities can tailor eligibility to prioritize certain types of investment, such as building retrofits, brownfield redevelopment, or the integration of green infrastructure. This makes RTEs an adaptable instrument for encouraging private-sector participation in achieving broader community objectives without requiring significant upfront public expenditure.

Examples

Kelowna (BC) implemented an RTE program to provide tax exemptions for purpose-built rental housing, non-profit rental housing, and cooperative housing within specific areas in the City. The City passed a Revitalization Tax Exemption Program Bylaw in 2023, and eligible projects can receive a tax exemption on the municipal portion of property tax attributable to the increase in property value resulting from development of a property for 10 years.[1] In Sooke (BC), the District has adopted a tax exemption program that provides property tax incentives to projects contributing to the well-being of the community.[2] Sooke has historically provided between $500,000 and $620,000 in exemptions each year, with the resulting costs redistributed among other property owners.[3] In Alberta, Calgary's Brownfield Tax Incentive Program provides a five-year exemption of 50% of the municipal property tax increase resulting from new facility construction on contaminated sites, with eligible developments explicitly including solar and wind farms; this positions brownfield remediation as both an environmental cleanup and a renewable energy development tool.[4]

Relevance to Advancing Adaptation

RTEs can be strategically leveraged to advance climate adaptation goals by integrating tax exemptions with the incorporation of resilience-enhancing measures in development or redevelopment projects.[5] For example, in a novel application of the RTE mechanism for climate adaptation, the District of Saanich (BC) launched its Climate Action Tax Exemption (CATE) program, offering municipal property tax exemptions of up to 100% of project costs for electrification retrofits in multi-unit residential buildings and 50–80% for commercial buildings. The program targets the conversion of fossil fuel-powered space heating and hot water systems to electric systems, directly reducing building-level GHG emissions while improving resilience to energy price volatility.[6] Victoria (BC) has adopted a parallel program targeting market rental apartment buildings.[7] The Saanich case demonstrates that by tying eligibility criteria to adaptation measures, municipalities can use RTEs to redirect private development capital toward projects that incorporate resilience features. In this way, relatively modest tax incentives can leverage substantially larger private investments in climate-resilient infrastructure and buildings.

Since RTEs can link financial incentives with climate-resilient initiatives, municipalities can shift private investment towards developments that reduce local vulnerability to climate hazards while delivering co-benefits such as improved biodiversity and enhanced community well-being. In addition, when RTEs are embedded within a broader adaptation strategy, they can complement other funding mechanisms, regulatory measures, and community planning efforts, enabling municipalities to further advance their climate adaptation efforts.

Accessibility

Revitalization tax exemptions in their most direct, standalone form are explicitly authorized only in British Columbia. Section 226 of the Community Charter grants municipal councils express authority to exempt land, improvements, or both from municipal property taxation "for the purpose of encouraging revitalization in the municipality."[8] The mechanism operates in three steps: council must adopt a revitalization program bylaw specifying the program's objectives, the kinds of eligible property, the extent and amounts of exemptions, and a maximum term not exceeding 10 years (s. 226(4)); enter into an exemption agreement with the eligible property owner (s. 226(7)); and issue an exemption certificate (s. 226(8)).

In Ontario, a functionally similar outcome is achieved through a two-statute architecture. Section 28 of the Planning Act authorizes municipalities with an official plan containing community improvement provisions to designate community improvement project areas and adopt Community Improvement Plans (CIPs).[9] Once a CIP is in effect, s. 28(7) authorizes grants and loans to owners and tenants of lands and buildings within the project area for eligible costs, which s. 28(7.1) defines broadly to include environmental site assessment and remediation, development, redevelopment, construction, reconstruction, rehabilitation, and energy efficiency improvements. The tax-cancellation component sits in the Municipal Act: section 365.1 authorizes bylaws cancelling municipal and school property taxes on eligible properties that have undergone a phase-two environmental site assessment within a CIP area, for an "assistance period" running until the cancelled taxes equal the cost of remediation.[10] A parallel provision at section 365.2 authorizes tax reductions for eligible heritage properties. Ontario's framework is therefore narrower in scope than BC's (restricted to environmental remediation and heritage contexts) but does include genuine tax-cancellation authority.

In Alberta, the Municipal Government Act (ss. 381.1–381.5) establishes the Community Revitalization Levy (CRL), authorizing councils to pass a CRL bylaw imposing a levy on the incremental assessed value of property in a designated CRL area, to fund infrastructure and other costs associated with redevelopment.[11] The mechanism is a tax-increment capture instrument rather than a tax exemption: property owners in the designated area continue to pay property taxes, but the increment is segregated to fund redevelopment rather than flowing to general municipal revenue.[12] A CRL bylaw has no effect unless approved by the Minister (s. 381.2(3)). A 3% cap on the taxable assessment that may be included in a proposed CRL area is imposed through the provincial Community Revitalization Levy Program Guidelines.[13]

In Manitoba, The Community Revitalization Tax Increment Financing Act operates through a similar increment-capture logic rather than a direct exemption.[14] Real property is designated by regulation as a “community revitalization property” (s. 1 definitions), and a community revitalization levy is imposed under s. 11(1) based on the property’s incremental assessed value as determined under ss. 8–9. As with the Alberta CRL, the mechanism captures value uplift rather than forgoing taxation.

No general RTE framework equivalent to BC’s s. 226 has been identified in Quebec, the Atlantic provinces, or Saskatchewan. In summary, explicit bylaw-level authority to offer property-specific revitalization tax exemptions exists only in British Columbia; Ontario achieves comparable outcomes within narrower substantive limits (environmental remediation and heritage) through the combined Planning Act CIP and Municipal Act tax cancellation architecture; and Alberta and Manitoba offer value-capture rather than exemption, which achieves similar economic incentive effects through a structurally different fiscal mechanism.

Feasibility

RTEs are administratively feasible in municipalities that already have property tax and bylaw management systems because they can simply leverage existing statutory authorities and financial planning processes.[15] However, feasibility can be influenced by local market conditions. For example, in the areas with weak developmental activity, the incentive offered by RTEs may not be sufficient to stimulate investment, reducing the impact of the mechanism. Municipalities with strong developmental sectors and clear revitalization objectives, such as historic downtown renewal or industrial expansion, are more likely to see RTEs result in meaningful investment. Municipalities can also tailor RTE bylaws to support climate adaptation priorities, such as implementing green roofs as conditions for receiving the exemption. There are also considerations around municipal capacity and staffing to manage applications, compliance monitoring, and revenue forecasting, which can be more challenging for smaller jurisdictions with limited planning resources. Since RTEs do not require direct annual expenditures (unlike grants), they avoid significant upfront costs, but assessing long-term fiscal impacts on municipal budgets remain important for feasibility planning. Jurisdictions in which RTEs are more grant-like (i.e. Québec) might experience different fiscal considerations around this tool.

Risk

One of the main financial risks associated with RTEs is the opportunity cost of deferred municipal revenue, since councils exempt the municipal portion of property taxes for up to 15 years, potentially reducing funds available for local services.[16] Since exemptions must be adopted through a bylaw and coordinated with financial planning statements, municipalities need to forecast and absorb the fiscal impact of multiple long-term exemptions, which can be difficult under uncertain economic conditions. There is also a risk that RTEs may be structured in ways that benefit private developers disproportionately if eligibility criteria and public benefit conditions are not clearly defined or enforced. In some cases, poorly targeted programs could lead to exemptions for developments that provide limited additional public benefit or fall short of revitalization and climate adaptation goals. In addition, political and reputational risks arise if residents perceive that tax incentives subsidize development without adequate community return, especially when tax relief contributes to shifting tax burdens or service pressures elsewhere in municipal budgets. Additional administrative risk includes the potential for compliance challenges, where property owners may fail to meet conditions stipulated in exemption agreements, requiring monitoring that can strain municipal resources. Therefore, thoughtful program design, transparent criteria, and robust performance monitoring are useful to help mitigate these risks and ensure the tool supports broad community and adaptation objectives.

Scalability

RTEs have significant potential for scaling within and across municipalities in provinces and territories where enabling legislations exist. For example, British Columbia's Community Charter allows councils to expand programs to support a range of economic, social, and environmental objectives. With the enabling legislations, municipalities can tailor RTE bylaws to target different property classes or sectors, such as industrial expansion in North Cowichan or purpose-built rental housing and mixed-use development in Kelowna, enabling diverse applications of the same basic tool.[17] This flexibility encourages replication of successful models across jurisdictions with similar revitalization goals. However, scaling is limited to provinces that have the necessary legislative authority. In addition, local market conditions can also influence scalability. In weaker markets, RTEs alone may be insufficient to attract new investment without complementary tools such as infrastructure investment or development cost charge waivers. Therefore, to scale RTE impacts across broader climate adaptation goals, municipalities can integrate exemption criteria with resilience priorities and other funding programs to encourage larger investment in resilient infrastructure and climate adaptation.

Evaluation Matrix

Scoring: High = +1 | Medium = 0 | Low = −1

Criterion	Rating	Score	Key Evidence	Assessment
Effectiveness & Performance	Medium	0	Incentivizes private investment; adaptation benefits depend on program design	RTEs can support adaptation indirectly by shaping redevelopment, but resilience outcomes depend on explicit eligibility criteria.
Economic Efficiency	High	+1	Leverages private capital with minimal direct municipal expenditure	The tool is relatively cost-efficient because it encourages private investment with limited direct municipal spending.
Equity & Fairness	Low	-1	Tax burden redistribution and potential developer windfalls	RTEs can create inequitable outcomes by shifting fiscal burdens and subsidizing private development without clear proportional public benefit.
Political Acceptability	Medium	0	Potential public concern over tax exemptions for developers	Acceptance is possible, but transparency and visible public benefits are important to address sensitivity around developer exemptions.
Feasibility (Admin/Legal)	Medium	0	Requires enabling legislation and municipal bylaw design	The tool is feasible where authority exists, but it's use depends on provincial legislation and municipal program management capacity.
Coherence (Portfolio Fit)	Medium	0	Aligns with land-use planning and redevelopment strategies	RTEs fit with planning and redevelopment tools, but need coordination with broader adaptation strategies to add value.

Best Use Context

RTEs are most effective in municipalities with strong developmental pressure, where incentives can influence private investment toward more resilient redevelopment. Their usefulness depends heavily on program design and local market conditions, so they work best as a targeted complementary tool rather than a standalone adaptation finance mechanism.

Context Factor	Relevance	Notes
Municipal Size	Medium	More effective in municipalities with active development markets.
Administrative Capacity Required	Medium	Requires bylaw design, monitoring, and financial planning.
Development Pressure	High	Works best where redevelopment and investment demand already exist.
Climate Risk Targeting	Medium	Requires explicit criteria to link incentives to adaptation outcomes.
Fiscal Flexibility Required	Medium	Requires tolerance for short-term foregone revenue.

Recommended Citation

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