

February 27, 2020

The Honourable Selina Robinson  
Minister of Municipal Affairs and Housing  
PO Box 9056 Stn Prov Govt  
Victoria, BC V8W 9E2

Dear Minister Robinson:

We appreciate the Province's efforts to address the property tax issues being faced by small businesses and arts, culture and non-profit organizations in our communities.

Property tax reform is greatly needed as hundreds of small businesses and our community partners are impacted by property taxation on development potential for properties that are not developed to their highest and best use.

The interim property tax relief legislation announced on February 24, 2020 by the Province does not address property taxation on development potential. As well, it poses multiple implementation challenges including:

- The timing of the legislation does not allow sufficient time to engage stakeholders in a meaningful way, or to put processes in place to implement the legislation;
- The data required to address the criteria of the legislation is not readily available; and
- There could be unintended consequences such as businesses receiving tax relief for the wrong reasons, and struggling businesses and organizations end up paying higher taxes.

(A more detailed analysis of the challenges is provided in the attached Appendix.)

Further, we are concerned the proposed legislation will raise unrealistic expectations amongst small business, arts, culture and non-profit communities about the extent to relief to be provided which will likely result in additional public outcry and confusion.

We respectfully request the province to continue to work as part of the Intergovernmental Working Group (IWG) on implementing split assessment through a new commercial sub class - split assessment.

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This split assessment approach was recommended by the entire IWG as the most viable approach as:

- It addresses the root cause of the problem by allowing municipalities to tax existing use versus development potential differently;
- It offers a common platform for municipalities while allowing a high degree of flexibility, scalability and customization, similar to the intent behind a permissive exemption. Municipalities can decide whether or not to use the tool and determine the eligibility requirement, tax rate and duration of the tax relief by-laws; and
- It is more transparent and straight-forward to administer than the proposed permissive exemption approach.

For the past year and a half, chief financial officers from various municipalities worked with senior staff from the Ministry of Municipal Affairs and Housing, as well as the Ministry of Finance and BC Assessment, as part of the IWG to review the development potential issue. In May 2019, the IWG submitted a recommendation for split assessment. The IWG agreed this was the most targeted approach to address the core issue - taxes on development potential - impacting small business, arts, culture and non-profit organizations.

The need for split assessment arises due to properties being assessed at highest and best use. As Metro Vancouver cities grow and evolve, official community plans (OCP) and neighborhood plans are developed to set out 20-25 year plans to densify communities to support anticipated population and job growth, and to expand commercial and light industrial space. As OCPs and neighborhood plans are implemented over time, certain properties will continue their existing use for a number of years until redevelopment occurs, while their assessed value reflects a higher and better future use as per OCPs/neighborhood plans.

At present, there is no property class for this future development potential as a type of use. Existing use value and the future development potential value is aggregated into the same property class. As a result, local governments cannot set different tax rates for existing use versus future development potential. This limitation has significantly impacted the viability of local independent businesses as well as the arts, culture and non-profit sectors, particular for tenants on triple net leases. The split assessment recommendation would create a sub class for this future development potential.

Moreover, the split-assessment recommendation proposed by the IWG would be enabling legislation that would only have to be adopted by municipalities that

choose to use it, similar to the proposed interim solution. As well, it will not result in tax shift across municipalities - for municipalities that choose to use split assessment, any tax reallocation will be confined within the municipality.

In summary, while the interim solution put forward by the Province may satisfy the desire to put a mechanism in place for the 2020 tax year, given the challenges expressed above, the undersigned Mayors do not support the interim permissive property tax exemption legislation.

We respectfully request that the Province continue to work with the IWG on implementing split assessment through a new commercial sub class, in order to address the property tax impacts of development potential.

If you have any questions or concerns about the contents of this letter, please feel free to reach out to any of the signatories in this letter.

Sincerely,



Mayor Kennedy Stewart  
City of Vancouver



Mayor Richard Stewart  
City of Coquitlam



Mayor Mike Little  
District of North Vancouver



Mayor Maja Tait  
District of Sooke



Mayor Linda Buchanan  
City of North Vancouver



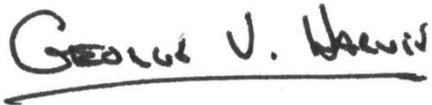
Mayor Mary-Ann Booth  
City of West Vancouver



Mayor Malcolm Brodie  
City of Richmond



Mayor Mike Hurley  
City of Burnaby



Mayor George V. Harvie  
City of Delta



Mayor Rob Vagramov  
City of Port Moody



Mayor Doug McCallum  
City of Surrey

## **Appendix: Challenges With Interim Property Tax Relief Legislation**

Key challenges municipalities are facing with the Province's interim property tax relief legislation include:

### **Public Consultation**

- Similar to the Province needing more time for consultation across British Columbia before implementing split assessment, municipalities need time for public consultation and engagement with stakeholders prior to implementing any solution including a permissive tax exemption. Among other things, the public and stakeholders need to understand how and who can qualify for an exemption and the impacts of a permissive exemption.
- The proposed legislation will result in a transfer of the tax burden of both municipal and school taxes among taxpayers. Municipalities will be required to collect the same amount of school tax, which means the tax rate will have to be adjusted, resulting in a redistribution of the tax burden for school taxes. Municipalities will either have to collect less tax, or redistribute the tax burden among taxpayers.
- A structured policy is required to determine who receives benefits, the amount of the benefits, and who pays for the benefits. Time for proper consultation is critical to enable staff and elected officials to understand the issues and answer questions as to why some businesses receive benefits and others don't. This is particularly important as the proposed legislation is not based on development potential, something that the public is keenly aware of and understands. An appropriate public consultation process will ensure that the opinions of all those impacted are considered when creating changes.

### **Lack of Required Data to Meet Criteria as per Proposed Legislation**

- There is no common definition of "small business" for property assessment/taxation purposes.
- Private legal contractual agreement information and other owner/operator versus tenant data is not available from BC Assessment or other sources except private sources.
- A process to validate lease agreements to ensure only those with triple net leases are receiving the exemption is required and there is insufficient time to implement such a policy.

## Unintended Consequences and Risks

- The proposed permissive exemption that segments the business class on such a short time frame without sufficient public consultation and proper due diligence creates risks for city councils such as potential legal challenges, error and omission in inclusion/exclusion of properties, and undetermined impacts on tax revenues
- Risk of the small businesses, arts culture and non-profit organizations subsidizing big box/chain stores is a major concern. Based on proposed legislation, if a tenant on a triple net lease occupies the same property as a big box store, the entire property would receive the tax exemption due to private legal contractual agreements. However, a small mom-and-pop owner occupied and operated business will not be eligible to receive the exemption. This will result in small owner-operated businesses potentially subsidizing big box stores.
- The original intent was to provide relief to small businesses, arts, culture and non-profit organizations from large increases in property taxes created by development potential. The interim solution risks placing additional tax pressures on some of these properties and ultimately, there is insufficient time to address these risks.