



City of Richmond

Report to Committee

To: General Purposes Committee
From: Jerry Chong, CPA CA
Director, Finance
Date: July 10, 2019
File:
Re: Intergovernmental Working Group re: Small Business and Property Tax

Staff Recommendation

1. That Council support the recommendations provided by the Intergovernmental Working Group of Metro Vancouver; and
2. That a letter be sent from the Mayor's office to the Premier of the Province of BC, advising of this support.

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REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 
APPROVED BY CAG 	

Staff Report

Origin

The viability of independent small businesses in Metro Vancouver is under threat, particularly for those in neighbourhoods that are experiencing fast pace of change and dramatic increase in market valuation.

Analysis

From 2005 – 2011, the value of commercial properties in Richmond’s City Centre increased dramatically due to the Canada Line construction and to the City Centre Area Plan that allowed for redevelopment of the City Centre from low density commercial buildings into high density mixed use residential towers. The development potential of the area resulted in escalating property values and property taxes which caused extreme tax burden to small commercial tenants who were locked into triple net leases, responsible for the payment of property taxes, and could not share in the capital appreciation.

Limitations of the Assessment Act and the Community Charter prevented the City from providing any tax relief to small businesses. To address this situation, the City had proposed a split assessment solution for discussion at the 2008 UBCM convention. At the time, the Province was unwilling to make the legislative changes because they claimed that this was an isolated issue that only impacted Richmond and did not want a change that could potentially cause negative effect to other municipalities. However, after four years of persistence, in 2012, the Province relented and provided the City with the authority under the Municipalities Enabling and Validating Act to adopt the City Area Transitional Tax Exemption Bylaw. This was a one-time authority to provide a partial tax exemption to those properties in the City Centre with the highest percentage of tax increase as determined by the Council. The purpose of the exemption was to provide businesses with a transitional period to terminate their lease and to relocate to other neighbourhoods or to adjust their business model to accommodate the higher taxes required for their existing location.

Current Issue:

In recent years, commercial property values in many Metro Vancouver municipalities have increased substantially in underdeveloped neighbourhoods with potential for redevelopment. Similar to Richmond’s City Centre situation from 2005-2011, many small businesses that are locked into triple net leases and are located in areas with redevelopment potential are finding it near impossible to meet their property tax obligations because their properties are assessed based on “highest and best use” and not on existing use. These small businesses have approached their City Council for assistance.

As a result, the Regional Finance Advisory Committee (“RFAC”) of Metro Vancouver created an Intergovernmental Working Group in late 2018 with representatives from the Province, BC Assessment, and seven Metro Vancouver municipalities (Vancouver, Burnaby, Richmond, Coquitlam, West Vancouver, District of North Vancouver and Surrey to look at possible policy or legislative changes that will provide the necessary tools that all municipalities can utilize to address this situation. After numerous meetings, recommendations were finalized by the group.

Recommendation Highlights:

- The Province to change the Assessment Act to incorporate the methodology to enable a split assessment for properties that are recognized as having “development potential”; with the value of the “existing use” portion of the property remaining in the original assessment class and the “development potential” portion of the assessment moving into a new commercial sub-class.
- The Province to change the Community Charter to allow municipalities to define, by bylaw, the eligibility criteria, the term for split assessment and the appropriate tax rate to be set for the new sub-class.
- The recommendation is for changes to the Assessment Act and the Community Charter which allows municipalities the option of drafting a bylaw to provide tax relief to small businesses located in areas with redevelopment potential. Municipalities are not required to draft such a bylaw if they do not feel that there is a need in their community.

In general, the current recommendation is similar to the City’s request at the 2008 UBCM Conference in that legislative changes are needed in order for municipalities to have tools to address the tax burden created to underdeveloped properties with high development potential.

The respective municipalities in the Working Group are preparing a joint letter to the Province to convey the urgency for a timely approval in order to enact the required changes in time for the 2020 property tax billing cycle.

On July 10, 2019, the City of Vancouver’s Committee on Policy and Strategic Priorities received information concerning the Intergovernmental Working Group’s recommendations and the Committee recommended that the Province of British Columbia act on this immediately to ensure this is implemented for the 2020 tax year.

Financial Impact

None.

Conclusion

Small businesses in Metro Vancouver are under threat, particularly for those in neighbourhoods that are experiencing fast pace of change and dramatic increase in market valuation. The recommendations for changes to the Assessment Act will help reduce the burden to tenants subject to triple net leases.



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