



January 22, 2019

Rob Fraser  
Executive Director, Property Assessment Services  
Ministry of Housing and Municipal Affairs  
PO Box 9361 Stn Prov Govt  
Victoria, BC V8W 9M2

Re: Bill 42 Follow Up Meeting – Dec. 6, 2018

Dear Mr. Fraser,

On behalf of the Vancouver BIA Partnership, BIABC, and LOCO BC, we would like to thank the Ministry of Housing and Municipal Affairs for its commitment to consulting with various stakeholders to discuss the complex property tax issue and potential solutions to support small business viability.

Small businesses make up 95% of businesses in the province of BC and are integral to the health and vitality of our communities. They contribute to the economic, social and cultural fabric of our neighbourhoods by supporting local economies and employment, providing necessary goods and services, as well as offering gathering places for people to come together and connect. Studies have shown that one of the key indicators for a healthy city is a thriving small business sector. However, we are losing so many of our independent businesses that make our neighbourhoods unique and special, as they simply cannot afford the inequitable and unsustainable increasing costs of doing business.

Once a Vancouver-centric issue, property taxes have now become a Metro Vancouver problem and are reaching areas as far as Vancouver Island and the interior. Time is of the essence and we need immediate support from our municipalities and the province to enable our businesses to survive and thrive. Potential solutions we feel would assist are:

1. Standardization of split assessments (class as you value)
2. Mandate municipalities to utilize the tools already available to them (extended land averaging, revitalization provision)

However, there are other potential solutions being proposed that we do not support and believe they will result in unintended negative consequences. They are:

1. Split tax bills
2. Elimination of triple net leases
3. Creation of a commercial sub-class

None of the above proposed solutions address the underlying flawed property valuation system nor the inequitable tax distribution between the residential and commercial class. Elimination of triple net leases will likely result in landlords utilizing gross leases with substantially higher face rates to circumvent the changes and the local property owners who are unable to cover the related shortfalls in cost recoveries may be forced to sell their properties for redevelopment. This will lead to the displacement of our local

independent businesses that cannot afford the increased rents. Further, there is also concern that interference in commercial property rights will put capital investment interest in our cities at risk. Lastly, any meddling with contract law between landlords and tenants will lead to endless litigation and potential Class Action Suits taken against the city for their proposed regulations. There may also be challenges pertaining to a commercial tenant's ability to obtain financing for building improvements without a long term contractual agreement.

A split tax bill may identify the value attributed to the current use of a property, but does not prevent tax burdens from being passed down to commercial renters. This action would not address the request to "tax as you value". The BIAs are asking for split assessment to reduce the burden on business and ensure that a business property tax is not being applied to future residential development.

The creation of a commercial sub-class will create many questions with respect to how to classify a "small" business. Under the federal and provincial definition of small business the majority of organizations in BC are "small". To further sub classify the commercial class will require a subjective decision as to which organizations we may decide are most deserving of assistance and which are not. Additionally, a commercial sub-class would deter businesses from growth and expansion. It also does not address the fast paced increases in assessment values based on speculation and the fact that commercial property owners are taxed at a much higher rate than residential and subsidize residential services.

Thank you again for our recent meeting and the opportunity to provide our collective feedback. We look forward to further consultation as we move toward realistic, long-term solutions to address the unsustainable property tax issue in our province.

Sincerely,

*Patricia Barnes*  
Vancouver BIA Partnership

  
BIABC

  
LOCO BC