

ATTACHMENT A



BRITISH
COLUMBIA

NEWS RELEASE

For Immediate Release
2020MAH0032-000322
Feb. 24, 2020

Ministry of Municipal Affairs and Housing

Tax relief for small businesses, non-profits, arts and culture groups

VICTORIA – A new Interim Business Property Tax Relief program will allow local governments to provide immediate property tax relief for the 2020 tax year.

This relief will apply to small businesses and non-profits, as well as arts and culture organizations, that are struggling with high lease costs as a result of years of rapidly increasing property values.

"Years of an out-of-control real estate market have resulted in unexpected tax spikes for many small businesses that pay property taxes as part of their commercial leases," said Selina Robinson, Minister of Municipal Affairs and Housing. "People have been asking for help, and today we're offering a way for local governments to provide that help. This new program empowers local governments to provide immediate relief to the small businesses and organizations most affected by skyrocketing property taxes in their communities."

Recognizing the challenges look different in each municipality, this tax relief program will allow municipalities to exempt, by bylaw, a portion of the assessed value of those properties most affected by this issue in a way that works for their community.

The changes enable significant relief for small businesses and others who have been calling for changes for over a decade. It will reduce the taxes paid by these properties, reducing lease costs for tenants with triple-net leases. The legislation gives municipalities maximum flexibility to tailor the way they identify properties in need of relief in their communities and to set the amount of tax exemption for selected properties.

To help communities meet the timeline to deliver relief for the 2020 tax year, ministry staff have worked with interested communities since advance notice of the legislation was given in January. The Province has worked with municipalities to help them prepare for implementation and will further support them by providing a model bylaw, staff advice, a user guide and procedural changes.

This program is an interim solution while the Province continues to work with local governments and the Union of British Columbia Municipalities, as well as business and community stakeholders on a permanent solution that will work for communities of all sizes throughout the province.

This legislation, the municipal affairs and housing statutes amendments act, also introduced four other minor amendments to the Assessment Act, Local Government Act, Community Charter and the Vancouver Charter.

Quotes:

Michael Hind, CEO, Tri-Cities Chamber of Commerce –

“We appreciate the provincial government's efforts to address the large commercial-property tax increases threatening many small businesses around B.C., including in the Tri-Cities. The proposed interim measures are a step in the right direction, but we continue to stress the need for the provincial government to develop a comprehensive long-term solution.”

Brian McBay, executive director, 221A and chair, City of Vancouver Arts and Culture Advisory Committee, Cultural Spaces Committee –

“Vancouver is being emptied out of music and performing art venues, art galleries and artist studios. The city reported over 20 cultural spaces with approximately 400 artists were closed in the last year. The cultural sector is in a crisis and the Province's tax measures are the right step toward halting the closure of art spaces that bring joy and humanity to our democracy.”

Learn More:

For more information about the municipal affairs and housing statutes amendment act, visit:
<https://news.gov.bc.ca/21630>

A backgrounder follows.

Contact:

Ministry of Municipal Affairs and Housing
Media Relations
778 584-1255

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BACKGROUND

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Key elements of Interim Business Property Tax Relief program

The Interim Business Property Tax Relief legislation sets standard requirements that all local governments implementing it should meet, while offering significant flexibility to tailor their approach beyond these basic requirements.

This basic framework requires a property to be assessed in a commercial class – Class 5 (Light Industry), Class 6 (Business and Other) or a combination of the two – and have at least one tenant responsible for all or a portion of the property taxes to qualify for the exemption.

Local governments that choose to use the legislation will need to pass a bylaw to set further parameters to identify properties where the taxes have increased significantly due to a spike in land value in their communities. Those parameters include:

- a base tax year of 2015 or later to use as comparison to the current taxation year. For example, a municipality where property values began to spike in 2017 could choose 2016 as the base year.
- a minimum percentage of increase in commercial land value since the chosen base year. For example, a municipality can determine that the land value of the commercial portion of the property (Class 5/6) for 2020 must be 50% higher than it was in a 2016 base year to qualify;
- a minimum percentage of the total property value that must be land value. For example, a municipality can require that in order to qualify for the exemption, 80% of the property's total assessed value must be the value of the land (not the building); and
- the percentage of the exemption by property, area or kind. For example, a municipality can decide that eligible properties in neighbourhood B will receive a 10% exemption on the commercial portion (Class 5/6) of the property.

To support local governments wanting to implement this tool this year, the Province has extended the deadline for when communities must have their bylaw passed to April 22, rather than March 31, 2020, and is providing them with staff advice, a model bylaw and a user guide.

Municipalities will be required to publish the public notice of the bylaw only once, instead of twice. Third reading and adoption of the bylaw can happen on the same day.

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BACKGROUNDER

INTERIM BUSINESS PROPERTY TAX RELIEF

POTENTIAL BENEFITS

- If passed, the legislation would enable municipalities to provide immediate, short-term property tax relief for commercial property tenants who have been struggling for years with unexpected and significant property tax increases, particularly small businesses, non-profits and arts and culture organizations.
- If municipalities choose to use the tool, they would be able to exempt, by bylaw, a portion of the commercial (Class 5 – Light Industry and Class 6 – Business and Other) property value from taxation; this would result in lower property taxes for commercial lessees who are required to pay all or a portion of these taxes under the terms of their leases.

DURATION OF THE INTERIM SOLUTION

- This legislation would allow municipalities to give targeted relief for up to five years (through the 2024 tax year), while the Province continues to work with local governments and key stakeholders on a permanent solution.
- However, we do not think it will take five years to find a permanent solution that works for everyone; once we introduce a longer-term mitigation strategy, this interim solution would be rescinded, and the permanent fix would replace it.

SUPPORT FOR MUNICIPALITIES

- To help municipalities meet the tight timelines for 2020, we pre-announced the legislation and have been engaged in several outreach efforts with interested municipalities under the terms of non-disclosure agreements. We also extended the bylaw adoption deadline and adjusted notification and adoption requirements for 2020, and BC Assessment is providing property data when requested so municipalities can run some preliminary numbers.
- As well, we have prepared a user guide, model bylaw and sample notice to provide further support for implementation.
- If your municipality is interested in implementing the Interim Business Property Tax Relief program for 2020, please contact Brian Currie at Brian.Currie@gov.bc.ca or (250) 356-6075 for more information.

ELIGIBILITY REQUIREMENTS

- The legislation would have a basic framework requiring a property to be assessed as commercial and occupied by at least one commercial tenant responsible for property taxes in whole or in part, the amount of which varies with the amount of tax imposed.

- The legislation would also require a municipality to set certain criteria thresholds properties would have to meet to be eligible for this exemption. This is to ensure municipalities have flexibility and autonomy in addressing their unique community needs, at the local level. These include:
 - Base year (2015 or any year thereafter), to use as comparison to the current tax year;
 - Percentage increase in assessed Class 5/6 land value over base year (e.g., the combined Class 5/6 land value for 2020 must be 50% higher than it was in 2015);
 - Minimum land value percentage of total assessed value (e.g., for the current tax year, the portion of the total assessed value of the property attributable to land must be 80%); and
 - Percentage of the exemption by property, area or kind (e.g., all properties in neighbourhood X receive a 10% exemption).
- This issue looks very different in each community. A top-down, blanket approach from the Province would be moving in the wrong direction; municipalities are in the best position to address the issue in their communities and determine what specific properties need relief.
- It would be up to municipalities to determine annually which properties are eligible and the amount of the exemption.

MUNICIPAL TAX REVENUE IMPLICATIONS

- Municipalities would be able to decide whether to give up the municipal tax revenues those properties would have generated or redistribute the tax burden within or among classes by adjusting tax rates.

INTERIM SOLUTION VS. SUB-CLASS PROPOSAL

- Introducing a new sub-class would have further complicated an already complex assessment system, required a new methodology for valuing “development potential”, and was legislatively challenging to implement. Precedent-setting changes to the assessment system need to be done thoughtfully and with great care as they have a significant impact and potential for unintended consequences.
- The UBCM resolution was only endorsed by a small margin (54% Yes, 46% No) and while it reflects a strong desire on the part of municipalities to provide relief to small businesses, it was also clear that there was significant concern about whether that approach would work for all municipalities, not just those in Metro Vancouver.
- This interim solution would allow municipalities to give businesses and organizations immediate relief while the Province continues to work with local governments and key stakeholders to develop a permanent solution that works for everyone.

FLOW-THROUGH TO SCHOOL TAXES

- This exemption would flow through to school taxes.
- Municipalities would be required to raise the same amount of school tax revenue as would have been raised without the exemption by adjusting school tax rates for Class 5 and/or Class 6.