

DATE OF MEETING APRIL 27, 2020

AUTHORED BY LAURA MERCER, DIRECTOR, FINANCE

**SUBJECT 2020 CITY FACILITY LEASING AND RENTAL RELIEF**

## **OVERVIEW**

### **Purpose of Report**

To provide Council with information on City facility leasing and rentals proposed financial relief program under the COVID-19 Financial Response, Relief and Recover Framework.

### **Recommendation**

That Council grant temporary relief from lease and rental payment to organizations that occupy City facilities that have been closed and/or have been severely impacted due to the Province of BC Health Emergency issued as a result of the COVID-19 Pandemic.

## **BACKGROUND**

On 2020-MAR-17, the Province of BC declared a Provincial Health Emergency due to the COVID-19 Pandemic. All Parks, Recreation and Culture (PRC) facilities were temporarily closed as a result.

At the 2020-APR-09 Special Council meeting, Staff presented Council with the COVID-19 Financial Response, Relief and Recovery Framework. This framework outlined the estimated financial impact that the COVID-19 Pandemic could have on the City of Nanaimo.

At the 2020-APR-20 Special Council meeting, Staff presented the City Facility Leasing and Rental Relief information report for Council's consideration. At that meeting, Council was presented with information on the financial impact of providing temporary lease/rent relief to organizations that occupy space in the City's closed facilities.

## **DISCUSSION**

In the 2020 – 2024 Financial Plan, \$987,762 (excluding parking) has been budgeted for lease and rental revenues for the 2020 year. Of this amount, PRC has budgeted \$374,485 for City facility rentals for 2020. As the PRC facilities have been closed, the organizations that have leased/rented space in these facilities have been required to temporarily close as well.

The Community Services Building, located at 285 Prideaux Street, is owned by the City and is home to several non-profit organizations. Under these extraordinary circumstances, these organizations have also been impacted by the COVID-19 Pandemic and are included in the list for lease/rental relief.

Consistent with the COVID-19 Financial Response, Relief and Recover Framework, Council could consider providing these organizations with temporary relief from monthly lease/rent payments for the duration of the closure. This will provide some immediate financial relief to those organizations who are unable to conduct their business due to the closures. Staff anticipate that lease/rental revenue would continue to be received from all the locations that have not been closed due to the COVID-19 Pandemic.

As these facilities incrementally start to reopen, the lease/rent payment for the first month will be prorated based on their re-open date.

### **Financial Implications**

The following chart breaks the facility lease/rental revenue down by department. It also shows the amount of the relief if the closures persist until 2020-DEC-31. The \$245,380 represents the anticipated revenue loss for nine (9) months (April to December).

City of Nanaimo Facility Leases and Rentals 2020 Budget		
	Budget	Relief
RCMP	\$ 290,893	\$ -
Real Estate Services	254,000	14,400
Public Works	48,384	-
Nanaimo Fire Rescue	20,000	-
Parks, Recreation & Culture	374,485	230,980
	<b>\$ 987,762</b>	<b>\$ 245,380</b>

### **OPTIONS**

1. That Council grant temporary relief from lease and rental payment to organizations that occupy city facilities that have been closed and/or have been severely impacted due to the Province of BC Health Emergency issued as a result of the COVID-19 Pandemic.
  - The advantages of this option:
    - This would give temporary relief to those organization who operate in City facilities that have had to close due to the COVID-19 Pandemic.
  - The disadvantages of this option:
    - The City would not collect City facility rental revenue as outlined in the 2020 – 2024 Financial Plan.
  - Financial Implications:
    - The City would have an estimated decrease in City facility rental revenue of \$245,380 if the Health Emergency persisted to the end of the year.
  
2. That Council NOT grant temporary relief from lease and rental payment to organizations that occupy City facilities that have been closed and/or have been severely impacted due to the Province of BC Health Emergency issued as a result of the COVID-19 Pandemic.
  - The advantages of this option:
    - The City would continue to collect facility rental revenue for these facilities.

- The disadvantages of this option:
    - This would not provide any temporary relief to those organization that operate in City facilities that have had to close due to the Health Emergency related to the COVID-19 Pandemic.
  - Financial Implications:
    - There would not be an impact to the 2020 – 2024 Financial Plan.
3. That Council provide alternative direction. |

### **SUMMARY POINTS**

- The City owns several facilities that have leased/rented space in them and the annual budget for 2020 for this revenue stream is \$987,762.
- PRC facilities have been closed due to the COVID-19 Pandemic and has budgeted lease/rental revenue of \$374,485 for 2020.
- Council is being asked to consider giving rental and lease payment relief to those organizations that have been closed to do the PRC facility closures.
- The estimated cost of the temporary lease/rent payment relief is \$245,380 if the closures are in effect to 2020-DEC-31.

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DATE OF MEETING APRIL 27, 2020

AUTHORED BY LAURA MERCER, DIRECTOR, FINANCE

**SUBJECT 2020 PROPERTY TAX DUE DATES**

## **OVERVIEW**

### **Purpose of Report**

Consistent with the COVID-19 Financial Response, Relief and Recovery Framework, provide Council with information on the City of Nanaimo's 2020 property tax collection scheme and options to align all classes with same treatment.

### **Recommendation**

That Council:

- Keep the property tax due at 2020-JUL-02; and,
- Extend the tax penalty due for all property classes to 2020-OCT-01 at 5% and 2020-NOV-12 at 5%, applicable on any outstanding current year tax balances on those dates.

## **BACKGROUND**

Every year, prior to May 15<sup>th</sup>, Council must adopt a Property Tax Rates bylaw per Section 197 of the *Community Charter*. The bylaw imposes rates on all taxable land and improvements according to their assessed value to provide the funds required to operate City functions as specified in the *Charter*.

Under the default municipal tax collection scheme, property taxes are due on July 2 each year. Any unpaid tax, including unclaimed home owner grant are subject to penalty after July 2.

A municipality may opt for an alternative tax collection scheme which allows for changing the due date and/or penalty. The *Community Charter* provides legislation to establish an alternative municipal tax collection scheme under Section 235. This section includes how penalties are to be applied in relation to payments made after a due date establish by the bylaw. The penalty rate is established in the *Municipal Tax Regulation* and is currently 10 percent.

## **DISCUSSION**

On 2020-MAR-17, the Province of BC declared a Provincial Health Emergency due to the COVID-19 Pandemic.

On 2020-APR-16, the Province of BC announced new COVID-19 supports for businesses and local governments. The relief measures introduced were:

### Business Relief

- Further reducing the school property tax rate for commercial properties to achieve an average 25% reduction in the total property tax bill for most businesses, providing up to \$700 million in relief. This enhances the 50% reduction to the provincial school property tax rate that was originally announced for classes 4, 5, and 6 as part of B.C.'s COVID-19 Action Plan.
- Postponing the date that late payment penalties apply for commercial properties in classes 4,5,6,7 and 8 to 2020-OCT-01, to give businesses and landlords more time to pay their reduced property tax, without penalty.

### Local Government Relief

- Authorizing local governments to borrow, interest-free, from their existing capital reserves to help pay for operating expenses, such as employee salaries.
- Delaying provincial school tax remittances until the end of the year. This will provide significant relief to local governments facing cash flow issues.
- Providing local government's greater flexibility to carry debt for an additional year.
- These measures will provide local governments with the resources to meet their operational costs and required remittances to regional districts, regional hospital districts, TransLink and transit authorities, BC Assessment, the Municipal Finance Authority and other taxing authorities. This will ensure that other minor taxing authorities can count on receiving the full amount they bill to municipalities and the Province's surveyor of taxes before 2020-AUG-01.

At the 2020-APR-20 Special Council meeting, Staff presented Council with information on options relating to the property tax due and subsequent property tax penalty due dates.

### Property Tax Due Date

The Provincial government is encouraging municipalities to keep the 2020-JUL-02 property tax due date to help maintain sufficient cash flows. This is in line with current legislation and no change is being recommended.

Maintaining the 2020-JUL-02 property tax due date will support the City's cash flow needs as taxpayers with the capacity to pay on the due date will be encouraged to do so.

### Property Tax Penalty Due Date

With the 2020-APR-16 announcement, the late payment penalty due date for commercial properties (classes 4, 5, 6, 7 and 8) has been postponed to 2020-OCT-01. It would be an equitable alignment if the late payment penalty due date was postponed to 2020-OCT-01 for all property classes.

If Council chose to change the property tax late payment penalty due date for all classes to 2020-OCT-01, the City is expected to have sufficient cash flows to cover expenses and required government payovers due 2020-AUG-01. This is due in part to delaying the School Tax payover to the end of the year.

Alignment of all classes would also provide additional temporary financial relief to property owner's in the City experiencing financial duress.

## **OPTIONS**

1. That Council:
  - Keep the property tax due at 2020-JUL-02; and,
  - Extend the tax penalty due for all property classes to 2020-OCT-01 at 5% and 2020-NOV-12 at 5%, applicable on any outstanding current year tax balances owing on those dates.
    - The advantages of this option:
      - Short term borrowing through the Revenue Anticipation Borrowing Bylaw will likely not be needed as cash flows should be adequate with the payment of School Tax payover delayed to the end of the year.
      - All property tax payers will be provided with some financial relief by delaying the penalty dates to 2020-OCT-01 and 2020-NOV-12.
      - Provides consistent messaging and treatment to all taxpayers.
    - The disadvantages of this option:
      - The City could see a tax penalty revenue shortfall by delaying the tax penalty due date.
    - Financial Implications:
      - The City could see a tax penalty revenue shortfall if a higher than expected number of property owners pay before the delayed tax penalty due date.
2. That Council:
  - Keep the property tax due at 2020-JUL-02; and,
  - Extend the tax penalty due for all property classes to 10% at 2020-OCT-01, applicable on any outstanding current year tax balances owing on those dates.
    - The advantages of this option:
      - Short term borrowing through the Revenue Anticipation Borrowing Bylaw will likely not be needed as cash flows should be adequate with the payment of School Tax payover delayed to the end of the year.
      - All property tax payers will be provided with some financial relief by delaying the penalty dates to 2020-OCT-01 and 2020-NOV-12.
      - Provides consistent messaging and treatment to all taxpayers.
    - The disadvantages of this option:
      - The City could see a tax penalty revenue shortfall by delaying the tax penalty due date.
      - Tax accounts with current year outstanding balances will be subjected to the full 10% penalty rather than splitting it as is the City's current practice.
    - Financial Implications:
      - The City could see a tax penalty revenue shortfall if a higher than expected number of property owners pay before the delayed tax penalty due date.
3. That Council provide alternative direction. |

### **SUMMARY POINTS**

- Council must adopt a Property Tax Rates bylaw before May 15<sup>th</sup> of each year.
- Under the default municipal tax collection scheme, property taxes are due on July 2 each year and a 10% penalty is regulated to be charged on outstanding current year taxes.
- A municipality may opt for an alternative tax collection scheme which allows for changing the due date and/or penalty.
- The City of Nanaimo currently opts to use an alternative tax collection scheme where the 10% penalty is evenly broken into two (2) 5% due dates.
- Council could maintain the property tax due date of July 2<sup>nd</sup> to encourage payment and minimize the impact to cash flow.
- Council could align all the property tax late payment penalty due date to 2020-OCT-01 for all tax classes to provide consistent messaging and treatment of all taxpayers.

### **ATTACHMENTS:**

Attachment A: Province of BC News Release: New COVID-19 supports for business, local governments |

#### **Submitted by:**

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## NEWS RELEASE

For Immediate Release  
2020FIN0020-000703  
April 16, 2020

Ministry of Finance  
Ministry of Municipal Affairs and Housing

### **New COVID-19 supports for businesses, local governments**

VICTORIA – The Province is providing enhanced relief for businesses by reducing most commercial property tax bills by an average of 25%, along with new measures to support local governments facing temporary revenue shortfalls as a result of COVID-19.

“We know that B.C. communities and businesses are suffering from the economic impacts of COVID-19,” said Carole James, Minister of Finance. “That is why our B.C. COVID-19 Action Plan is focused on the health and safety of British Columbians, direct support for people and businesses and economic recovery for our province. We are providing further support by making additional temporary property tax changes to provide provincewide relief for business and local governments to help weather the pandemic, continue to deliver the services people count on and be part of our province’s economic recovery.”

The Province is taking significant new steps to support B.C. businesses, non-profits and other organizations through the COVID-19 pandemic by:

- further reducing the school property tax rate for commercial properties to achieve an average 25% reduction in the total property tax bill for most businesses, providing up to \$700 million in relief. This enhances the 50% reduction to the provincial school property tax rate that was originally announced for classes 4, 5, and 6 as part of B.C.’s COVID-19 Action Plan.
- Postponing the date that late payment penalties apply for commercial properties in classes 4,5,6,7 and 8 to Oct. 1, 2020, to give businesses and landlords more time to pay their reduced property tax, without penalty.

Responding to key concerns from local governments, the Province is addressing cash flow and revenue shortfalls with new measures that provide additional support:

- authorizing local governments to borrow, interest-free, from their existing capital reserves to help pay for operating expenses, such as employee salaries.
- delaying provincial school tax remittances until the end of the year. This will provide significant relief to local governments facing cash flow issues.
- providing local governments greater flexibility to carry debt for an additional year.
- These measures will provide local governments with the resources to meet their operational costs and required remittances to regional districts, regional hospital districts, TransLink and transit authorities, BC Assessment, the Municipal Finance Authority and other taxing authorities. This will ensure that other minor taxing authorities can count on receiving the full amount they bill to municipalities and the Province’s surveyor of taxes before Aug. 1, 2020.



“The COVID-19 pandemic is having significant financial impacts on all levels of government. It’s going to take hard work from both municipalities and the provincial government, but working together we will get through this,” said Selina Robinson, Minister of Municipal Affairs and Housing. “Many local governments have already shown leadership by taking steps to help people and businesses and maintain services, while addressing their finances. With these new measures, we are giving local governments new tools as a first step to ease their financial burdens and that of businesses in their communities now, and as we look to recovery in the months to come.”

Maja Tait, Union of B.C. Municipalities president, said: “Local governments across B.C. are working hard to support the implementation of COVID-19 orders, while ensuring residents have access to the services they need in these challenging times. The measures announced today provide additional relief to small business and will free up funds for local government. UBCM will monitor the impact of these measures on the state of local governments finances, and work with the Province to ensure that local governments have the resources to sustain their communities.”

Changes to British Columbia’s property tax framework complement federal measures and build on the \$5 billion B.C. COVID-19 Action Plan that provides income supports, tax relief and direct funding for people, businesses and services.

**Learn More:**

For more information on B.C.’s COVID-19 Action Plan, visit:

<http://news.gov.bc.ca/factsheets/bc-takes-steps-to-support-people-businesses-during-covid-19-pandemic>

For information about federal supports for businesses, visit:

<https://www.canada.ca/en/department-finance/economic-response-plan.html>

For the latest medical updates, including case counts, prevention, risks and testing, visit:

<http://www.bccdc.ca/>

Or follow @CDCofBC on Twitter

For provincial health officer orders, notices and guidance, visit: [www.gov.bc.ca/phoguidance](http://www.gov.bc.ca/phoguidance)

For non-health related information, including financial, child care and education supports, travel, transportation and essential service information, visit: [www.gov.bc.ca/covid19](http://www.gov.bc.ca/covid19)

Or call 1 888 COVID19 (1 888 268-4319) between 7:30 a.m. and 8 p.m., seven days a week.

A backgrounder follows.

**Contacts:**

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For media only:  
Ministry of Finance  
Media Relations  
250 213-7724

Ministry of Municipal Affairs and Housing  
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778 584-2433

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## BACKGROUND

For Immediate Release  
2020FIN0020-000703  
April 16, 2020

Ministry of Finance  
Ministry of Municipal Affairs and Housing

### **Changes to B.C.'s property tax framework respond to COVID-19**

Building on B.C.'s COVID-19 Action Plan, the Province is making temporary changes to B.C.'s property tax framework to provide financial support for businesses and local governments.

#### **Property tax measures for local governments:**

- Local governments will have the ability to borrow, interest-free, from their capital reserve funds, freeing up billions in assets to cover temporary revenue shortfalls. They will have up to five years to build back the reserve funds.
- Municipalities will be able to access school tax revenue collected for the Province until the end of the year. If a local government chooses to hold onto the school property tax, it must first be used to pay other taxing authorities, including regional districts.
- Working closely with the Municipal Financing Authority (MFA), local governments will be able to extend their revenue anticipation borrowing for a second year past the current limit of one year. To minimize impacts on the MFA, the Province is asking local governments to first use the delayed school property tax payment and their own capital reserve funds before seeking short-term borrowing through the MFA.
- Municipalities will still be required to make all their required remittances to other taxing authorities. Additionally, municipalities will be required to make the full annual payment to TransLink and BC Assessment in August 2020, rather than August and December.

#### **Property tax measures for B.C. businesses:**

- Late payment penalties for commercial properties (classes 4, 5, 6, 7 and 8) will be postponed to Oct. 1, 2020.
- The school property tax rates for classes 4, 5, and 6 were reduced by 50% in the Province's initial economic response to COVID-19. Further reducing the provincial school property tax and introducing an equivalent tax reduction for classes 7 and 8 will lower the overall commercial property tax bill for most businesses by an average of 25%.

#### **Breakdown of tax relief for B.C. businesses:**

- Major industry (property class 4)
  - Budget 2020 mill rate: 3.72
  - March 23 mill rate: 1.86
  - April 16 mill rate: effectively zero
  - Tax cut as a per cent of total tax bill: 4%
- Light industry (property class 5)
  - Budget 2020 mill rate: 3.72
  - March 23 mill rate: 1.86

- April 16 mill rate: 1.0561
- Tax cut as a per cent of total tax bill: 25%
- Business/other (property class 6)
  - Budget 2020 mill rate: 3.72
  - March 23 mill rate: 1.86
  - April 16 mill rate: 1.1070
  - Tax cut as a per cent of total tax bill: 25%
- Managed forest (property class 7)
  - Budget 2020 mill rate: 1.87
  - March 23 mill rate: 1.87
  - April 16 mill rate: effectively zero
  - Tax cut as a per cent of total tax bill: 20%
- Recreation and non-profit (property class 8)
  - Budget 2020 mill rate: 2.29
  - March 23 mill rate: 2.29
  - April 16 mill rate: 0.7844
  - Tax cut as a per cent of total tax bill: 25%

Changes to British Columbia's property tax framework are in addition to measures announced as part of B.C.'s Action Plan to support businesses, including:

- Effective immediately, many provincial tax filing and payment deadlines are deferred to Sept. 30, 2020.
- Businesses with a payroll over \$500,000 can defer their employer health tax payments until Sept. 30, 2020. Businesses with a payroll under this threshold are already exempt.
- Payments for provincial sales tax (PST), employer health tax, municipal and regional district tax on short-term accommodation, carbon tax, motor fuel tax and tobacco tax are also deferred.
- The scheduled increase to the carbon tax rate, and application of PST to e-commerce transactions and sweetened and carbonated drinks, will be delayed.

B.C.'s COVID-19 Action Plan complements federal measures to support businesses:

- The federal government is providing up to 75% wage subsidy for qualifying businesses, for up to three months, retroactive to March 15, 2020, to help businesses to keep and return workers to the payroll.
- The maximum duration of the Work-Sharing program has been extended from 38 weeks to 76 weeks.
- The Business Credit Availability Program will provide \$65 billion of additional support and credit solutions for individual businesses, including the Canada Emergency Business Account and the Loan Guarantee for Small and Medium-Sized Enterprises.
- All businesses can defer, until Aug. 31, 2020, the payment of any income tax amounts that become owing on or after March 18, 2020, and before September 2020. No interest or penalties will accumulate on these amounts during this period.
- All businesses, including self-employed individuals, can defer payments of GST/HST and customs duty until June 30, 2020.

**Contacts:**

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