



URBAN DEVELOPMENT INSTITUTE – PACIFIC REGION

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February 19, 2018

Patrice Impey
General Manager, Finance, Risk & Supply Chain Management/CFO
City of Vancouver
453 West 12th Ave
Vancouver, BC V5Y 1V4

Dear Ms. Impey:

Re: Supporting Small Business Presentation to Council

The Urban Development Institute (UDI) would like to thank you and your staff for meeting with stakeholder groups over the past few weeks regarding the continuing problem of escalating property assessments and taxes on commercial properties in high growth areas of the City. As you know this has been a difficult issue for small businesses; many of which have been forced to relocate, or close down. UDI is pleased to provide comment on the City's approach and recommendations for resolving many of the issues.

Province-led Intergovernmental Working Group with Stakeholders

UDI is very supportive of staff's recommendation for a Province-led Intergovernmental Working Group of Provincial, Municipal, and BC Assessment officials working with stakeholder groups to find and develop mechanisms to reduce the growing tax burden on small businesses in Vancouver and other communities. We are keenly interested to be a part of this Working Group, and we believe other groups such as BOMA, NAIOP, Business Improvement Associations, Chambers of Commerce and the Canadian Federation of Independent Businesses would also like to participate. We believe there is strong support from all stakeholders to move forward with this approach and we would be pleased to join the City's efforts in making this a priority for the Province's consideration.

Split Class Assessments

For several years, UDI has been an advocate for split class assessments, and we are pleased that the City is considering this as a solution. As you are aware, buildings in high growth areas face a double burden. They are assessed at very high residential values, but then are classed as commercial properties with much higher mill rates. This is especially true in Vancouver where the ratio between commercial and residential rates is 4.5:1. While it is true that the City is not receiving an overall windfall from the high valuations on these commercial sites, it is still profiting from them. These sites are not receiving anywhere near the services from the City that they are paying for through taxation. These sites are, in effect, subsidizing other properties. We have argued that these properties should be "classed as they are valued" to ensure there is a level of fairness. We hope this will be an immediate priority for the Intergovernmental Working Group.

Adjustments to C2C and C2C1 District Schedules

The City does not need to wait for the Province to act to address the taxation problems facing many small businesses. As you know, there is a provincial regulation, which was written to address the unfair tax treatment some commercial properties face in mixed use zones. Under it, properties can be taxed residential if two conditions exist:

1. Land having no present use; and
2. The land is specifically zoned residential

With the recent AMACON decision, the Court determined that air space or density above a community retail building on its own qualified as land. As a result of the decision, if the unbuilt density is specifically zoned residential and not available for commercial development as per the zoning alone then the airspace can be taxed at residential rates. This has been expanded to a number of properties through negotiations with BC Assessment and decisions by the Property Assessment Appeal Board. C2B zones now fall under the regulation. The City's C2C and C2C1 zones could fall under the regulation with two minor text amendments that would add clarity to the zones:

1. Excluding basement areas in FSR (as is done in other zones); and
2. Clarifying that 35 feet in height equals 3 stories.

We urge the City to review this approach, and consider an accelerated implementation given the urgent nature of the challenges.

Tax Deferral

UDI is not opposed to utilizing this measures, as it would allow owners to defer taxes until redevelopment occurs. This could assist store and building owners in some situations. However, if the overall high tax burden for these properties is not resolved, the problem is only being delayed.

Targeted Tax Averaging

Extending the tax averaging period would slow down property tax increases in areas where land values are increasing rapidly. However, if the land values do not decrease, taxes will eventually increase to the point when many small businesses will not be able to continue.

Split Tax Bill

As your staff correctly noted at our February 14th Vancouver Liaison Committee meeting, land owners are opposed to having split tax bills (one for tenants and one for land owners). We understand that this approach would be difficult for BC Assessment to implement and we believe it will exacerbate the unhelpful narrative that unfairly compares land owners and tenants. It is different than split class assessments in which the assessor has already been providing a split between residential and commercial values simply based on zoning. Split tax bills would require two valuations:

1. A section 19.4 “going concern” value; and
2. A highest and best use value, in which there may be difficulty in establishing market support for the partial interest in the property.

In addition, there would likely be more property tax appeals because more parties will be receiving BC Assessment valuations and tax bills from the City. It is also not clear how all this work would benefit tenants. Lease arrangements will likely be adjusted – especially if the tax burden for the sites remains unfairly high. We understand that the BIAs who represent tenants are aware of this concern, and are therefore also opposed to split tax bills. We are also unaware of any of the stakeholder groups that have participated in the recent consultations, having indicated their support for this proposed measure.

UDI agrees that more information and education about leasing arrangements and property taxes should be provided to tenants, and we would support City and Provincial efforts in this regard. This would be an appropriate issue for the Province-led Intergovernmental Working Group to address.

Commercial Rent Control

We are pleased that commercial rent control measures will not be recommended as a solution to address the commercial property tax problem facing Vancouver. Land owners and investors are strongly opposed to this measure, and we agree that it would undermine future investment in commercial and industrial spaces in Vancouver – and likely across the Province. For this reason, the BIAs are also opposed to this measure. They want commercial space to expand in their areas, which would not be possible if commercial rent controls were introduced. UDI is unaware of any other tenant stakeholder groups that would support rent controls.

UDI appreciates the opportunity to meet with City staff on the critical issue of rapidly increasing property taxes in mixed used areas. It is significantly impacting our members and their tenants, while undermining the vibrancy of neighbourhoods and the services being provided to Vancouverites. If you have any questions regarding the points noted above, please do not hesitate to contact us. We look forward to working with you and your staff, and hopefully the Intergovernmental Working Group as these important issue moves forward.

Yours sincerely,



Anne McMullin
President and CEO