

**From:** "Mochrie, Paul" <Paul.Mochrie@vancouver.ca>  
**To:** "Direct to Mayor and Council - DL"  
**CC:** "City Manager's Correspondence Group - DL"  
"Impey, Patrice" <Patrice.Impey@vancouver.ca>  
**Date:** 1/24/2020 10:49:24 AM  
**Subject:** Memo - Jan 2020 Provincial Announcement Property Tax Relief Legislation  
**Attachments:** Memo to Council - Jan 2020 Provincial Announcement Property Tax Relief Legislation.pdf

Dear Mayor and Council,

The attached memo provides Council with information regarding the recent announcement by the Province regarding upcoming Property Tax Relief Legislation and staff's next steps regarding this announcement.

- On Friday January 17<sup>th</sup>, 2020 the Province **announced** that it is working on legislation to implement interim property tax relief measures that would allow municipalities to grant permissive exemption to certain commercial properties. This announcement has generated significant interest and questions from small business, arts, culture and non-profit organizations in understanding the impact of this legislation on their specific properties.
- The proposed legislation is not what was put forward by the Metro Vancouver Intergovernmental Working Group (IWG) in its May 2019 recommendation to the Province. It appears to focus more on addressing property tax volatility versus the core issue of property tax impacts arising from development potential, which is what the IWG recommendation addressed.
- When additional details become available, staff will need to review and analyse the property tax impacts and compare the relief provided with the targeted averaging program already in use by Vancouver to address tax volatility.
- The legislation is expected to be tabled in early March and the deadline to implement the legislation is March 31. This will make it challenging to do a thorough analysis and conduct meaningful consultation with our stakeholders.

Should you have any questions regarding this topic, please feel free to contact Patrice Impey at 604-873-7610 or at [patrice.impey@vancouver.ca](mailto:patrice.impey@vancouver.ca). Staff will update Council again once the detailed legislation is available.

Best,  
Paul

**Paul Mochrie** | Deputy City Manager  
Office of the City Manager | City of Vancouver  
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604.873.7666





## MEMORANDUM

January 24, 2020

TO: Mayor and Council

CC: Sadhu Johnston, City Manager  
Paul Mochrie, Deputy City Manager  
Lynda Graves, Administration Services Manager, City Manager's Office  
Rena Kendall-Craden, Civic Engagement and Communications Director  
Katrina Leckovic, City Clerk  
Neil Monckton, Chief of Staff, Mayor's Office  
Alvin Singh, Communications Director, Mayor's Office  
Anita Zaenker, Chief of Staff, Mayor's Office  
Grace Cheng, Director Long Term Financial Strategy

FROM: Patrice Impey  
General Manager, Finance, Risk and Supply Chain Management

SUBJECT: Provincial announcement regarding Property Tax Relief Legislation

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Dear Mayor and Council,

The purpose of this memo is to provide Council with information regarding the recent announcement by the Province regarding upcoming Property Tax Relief Legislation and staff's next steps regarding this announcement.

On Friday January 17<sup>th</sup>, 2020 the Province [announced](#) that it is working on legislation to implement interim property tax relief measures that would allow municipalities to grant permissive exemption to certain commercial properties. This announcement has generated significant interest and questions from small business, arts, culture and non-profit organizations in understanding the impact of this legislation on their specific properties.

The proposed legislation is not what was put forward by the Metro Vancouver Intergovernmental Working Group (IWG) in its May 2019 recommendation to the Province. It appears to focus more on addressing property tax volatility versus the core issue of property tax impacts arising from development potential, which is what the IWG recommendation addressed.

When additional details become available, staff will need to review and analyse the property tax impacts and compare the relief provided with the targeted averaging program already in use by Vancouver to address tax volatility. The legislation is expected to be tabled in early March and

the deadline to implement the legislation is March 31. This will make it challenging to do a thorough analysis and conduct meaningful consultation with our stakeholders. Staff will update Council again once the detailed legislation is available.

We would like to use this opportunity to remind Council of the [background information](#) that was presented at the July 10<sup>th</sup>, 2019 Standing Committee on Policy & Strategic Priorities and to share with Council what City staff know at this point regarding the proposed legislation.

## **BACKGROUND**

In November 2018, an Intergovernmental Working Group, endorsed by Metro Vancouver and UBCM was formed to address the property tax challenges being faced by small business in Metro Vancouver.

The Intergovernmental Working Group was comprised of:

- Senior Staff from the Ministry of Municipal Affairs and Housing & the Ministry of Finance;
- Senior Staff from BC Assessment;
- Chief Financial Officers and designates from a sub group of Metro Vancouver municipalities delegated by Metro Vancouver Regional CFO's

The full working group met 4 times between November 2018 and May 2019.

The Intergovernmental Working Group agreed that a major issue impacting small businesses is that properties are taxed on unutilized potential. In BC, properties are assessed at highest and best use (or full market value) in accordance with the BC Assessment Act. Property taxes are allocated to individual properties based on those values.

Small business tenants that have triple net leases are often most impacted as they have to pay taxes on the spaces they rent and taxes on the development potential. While these tenants shoulder the entire tax burden, they do not benefit from the increase in market value upon rezoning, redevelopment or sale of the property.

In May 2019, the Intergovernmental Working Group submitted a recommendation to the Province for a Split Assessment through a New Commercial Sub-Class. This would allow the development potential value to be split from the actual use value for underdeveloped/non-highest and best use properties that meet eligibility criteria, and the development potential value to be captured in a new sub-class that would be taxed at a lower rate.

The Intergovernmental Working Group agreed that this approach best addressed the core issue – which is the taxation impacts arising from development potential. It offers a common platform for municipalities while allowing for a high degree of flexibility, scalability and customization. Municipalities can decide whether or not they want to apply the tool, and determine eligibility requirements, tax rates and the duration of tax relief by by-laws.

## **CONCLUSION AND NEXT STEPS**

The Intergovernmental Working Group was not consulted on the proposed tax relief measure announced on Jan 17<sup>th</sup> and at this time City of Vancouver staff do not have any details on the legislation or how the exemptions will work. What we do know is that the proposed legislation is not what the Intergovernmental Working Group recommended and that it appears to target tax volatility versus the underlying issue of property taxes on development potential being borne by

small business tenants as well as non-profit, arts and cultural organizations. As you are aware, the City has been using targeted land assessment averaging to address assessment volatility. The City is the only municipality in British Columbia to use this tool.

The next Legislature session is February 11, 2020 to March 5<sup>th</sup>, 2020. We understand from the Province that the deadline for municipalities to pass a by-law to use the proposed tax relief measures is March 31, 2020. This will result in less than four weeks for municipalities to analyse the program and make recommendations to their Councils. It will also make it very challenging to do meaningful consultation and engagement with our stakeholders.

If and when the legislation is passed, and details become known, staff will report back on the implications of the tax relief measures, including an assessment of the effectiveness compared to the targeted land averaging program.

Should you have any questions regarding this topic, please feel free to contact me at 604-873-7610 or at [patrice.impey@vancouver.ca](mailto:patrice.impey@vancouver.ca).

Best Regards,

A handwritten signature in black ink, appearing to read 'Patrice Impey', written in a cursive style.

Patrice Impey  
General Manager, Finance, Risk and Supply Chain Management

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[patrice.impey@vancouver.ca](mailto:patrice.impey@vancouver.ca)