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Subject: Messaging regarding tax relief for businesses that reach out to Council

Dear Mayor and Council,

Some of you have received correspondence from local businesses asking about how to access property tax relief as per the province's recently-announced proposed legislation. Here are some messages that you can use to respond:

- The City agrees that property assessment reform is greatly needed, as hundreds of small businesses and our community partners are impacted by property taxation on development potential for properties that are not developed to their highest and best use. However, the proposed interim property tax relief legislation announced on February 24, 2020 by the provincial government does not address property taxation on development potential and includes conditions that may adversely impact small, independent businesses that happen to not qualify for the proposed exemption.
- The provincial government's proposed legislation has not been passed, and it is not known if or when the legislation will be adopted.
- The City of Vancouver, as part of an Intergovernmental Working Group that includes other Metro Vancouver cities, has proposed a different solution called split tax assessment, which would more directly address the issue related to taxation on development potential, by creating a new commercial sub-class for property taxes. We continue to lobby the provincial government to implement the working group's proposed solution.
- The City of Vancouver is currently limited in what it can do to address the impact of property taxes on small businesses, arts, culture and non-profit sector.
- The City also has no legal jurisdiction over contractual arrangements between landlords and tenants, including triple net leases, which allow landlords to pass on property tax increases to tenants.

In terms of the City of Vancouver's role in property taxes:

- The City is responsible for determining how much property tax levy is required to help fund the annual budget, and how the tax levy is shared between residential and non-residential property classes. The City is not responsible for the assessment value or classification which is the responsibility of BC Assessment.
- Whether a property owner pays more or less in taxes in a given year is based primarily on how that property's assessed value has changed relative to the average change within its property class
- Vancouver is the only municipality in BC to use targeted averaging, where land assessments are averaged over five years to help smooth out the effect of increases (this only applies in cases of extreme changes of value within the class (not applicable in the case of a class change); which should provide some additional relief for commercial property owners and their tenants. Properties facing significant year-over-year increases in property values above a certain threshold will be eligible for averaging and this will be reflected on the May tax notices.
- Last year, City Council also approved a 2% shift over three years in the share of property taxes from commercial to residential properties.

I hope this messaging helps.

Best

Sadhu

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The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the Musqueam, Squamish, and Tsleil-Waututh peoples.