

Template – Early Scoping of Key Mandate Letter Deliverables

(Ministries to determine which key mandate letter items would benefit from an early scope check -- not required for straightforward mandate letter items. Two pages max.)

Ministry	Ministry of Finance
Mandate letter commitment	Property Assessment Strategic Review (Work with the Minister of Municipal Affairs to continue work to provide relief for commercial tenants with triple-net leases who are paying high property taxes).
What the initiative will achieve or what problem will be addressed	s.13
<p>Proposed Scope of Initiative</p> <p>If applicable, pls address:</p> <p>What is the general approach to delivery?</p> <p>Are implementation phases recommended?</p>	
Are there specific questions for which Cabinet direction is sought?	
Proposed timeline - high level	

From: [Michell, Jennifer FIN:EX](#)
To: [Wood, Heather FIN:EX](#)
Subject: FW: TIMELINES: Key Ministry Commitments
Date: December 9, 2020 9:21:27 AM
Attachments: [mandate letter items.docx](#)

FYI

Jennifer Michell
Director, Executive Operations & Strategic Initiatives
Office of the Deputy Minister | Ministry of Finance

From: Tanaka, Kashi FIN:EX
Sent: December 7, 2020 11:20 AM
To: Michell, Jennifer FIN:EX
Cc: Spaven, Teri FIN:EX
Subject: FW: TIMELINES: Key Ministry Commitments

Hi Jennifer,

All of the templates were prepopulated with the basic information and have been sent out.

I can also confirm that we are done all the mandate deliverables from the 2017 letter that had a fixed deliverable. s.13

s.13

Kashi

Kashi Tanaka | Ministry of Finance
c: 250 415-9706 | w: 778 698-8562 | Pronouns: he/him

From: Spaven, Teri FIN:EX <Teri.Spaven@gov.bc.ca>
Sent: December 7, 2020 10:05 AM
To: FIN DMO MFEX <DMOMFEX@Victoria1.gov.bc.ca>
Cc: Tanaka, Kashi FIN:EX <Kashi.Tanaka@gov.bc.ca>
Subject: TIMELINES: Key Ministry Commitments

Good Morning,

This morning Kashi will be sending out the templates to those of you have been identified as LEAD for the mandate letter items (list attached). Please ensure you are working with your ADM colleagues in other divisions if they will have a role in the delivery of the mandate item.

Templates are to be returned to Kashi by **mid-day Wednesday**, allowing time for us to compile a complete package for Heather by the end of that day. We expect the documents to go the Minister's Office on Thursday and Jen is working on securing a time to brief MSR.

We had hoped to have a special MFEX to discuss; however, timing may be that we will need to discuss after we've submitted – stay tuned, Jen is working through the logistics.

From: Spaven, Teri FIN:EX <Teri.Spaven@gov.bc.ca>
Sent: December 4, 2020 1:03 PM
To: FIN DMO MFEX <DMOMFEX@Victoria1.gov.bc.ca>
Cc: Tanaka, Kashi FIN:EX <Kashi.Tanaka@gov.bc.ca>

Subject: Key Ministry Commitments

Importance: High

Good Afternoon,

Further to the update provided by Heather at MFEX on Tuesday, the new Planning and Priorities Secretariat within the Office of the Premier has been tasked with gathering information on key ministry commitments from the recently issued mandate letters. s.12

s.12

The first deliverable is two fold and needs to be completed and returned to the Secretariat by Friday, December 11. We are working through our internal process and timeline; however, I wanted to provide you with the templates so that you can begin to familiarize yourself with the work ahead.

- Key commitment timeline template (sample a) – intended to be high level and must be kept to a single page per item.
- Key commitments at a glance template (sample b) – this is to capture your preliminary sense of where the main milestones for key commitments and initiatives will fall, especially with respect to Cabinet and TB submissions and legislation.

On Monday we will send you blank templates (sample a/b) for each of the mandate letter items assigned to you. Not all mandate items require completed templates so we will only send those that require completion. An email will also go out to MFEX on the process/timeline ensuring that we have adequate time to brief Minister Robinson in advance of the Friday deadline.

For information only at this time ---- The second deliverable, due December 21, is a 1-2 page scoping document. Before substantive work begins there is value in scoping the key deliverables in the new mandate letters at this early stage. For smaller, straightforward mandate letter items the scoping document will not be required. Once we complete the first deliverable we will advise you which need a scoping document – I have provided the template (sample c) for your reference.

If you have any questions please reach out and otherwise please look for additional information on Monday.

Teri

Minister of Finance / Parliamentary Secretary for Gender Equity

MANDATE LETTER ITEMS

	Mandate Letter Item	Lead
1.	Invest in the economic recovery of our province from the COVID-19 pandemic, including by continuing to make the investments needed to support people and business and ensuring the successful implementation of StrongerBC.	PLD
2.	As soon as possible, provide immediate relief for people by delivering a one-time Recovery Benefit.	Revenue
3.	Introduce an income tested renter's rebate to support rental households that need it most and are not already receiving other rental support.	PLD
4.	Launch a new Recovery Investment Fund to deliver an additional 1% of GDP each year in capital projects, above and beyond our existing capital commitments, to drive new growth and investment, including funding new schools, hospitals, child care spaces, roads and transit and more.	TBS
5.	With support from the Parliamentary Secretary for Anti-Racism, lead efforts to support increased IBPOC (Indigenous, Black and People of Colour) representation within government and set targets for IBPOC representation in the public sector.	PSA
6.	Enhance the Treasury Board capital review process to ensure that public projects deliver on the priorities of government, including ensuring that projects are assessed based on their ability to, where possible, provide opportunities to create new child care spaces, use mass timber, include Community Benefit Agreements and assist in meeting our CleanBC targets.	TBS
7.	As our province moves ahead with a strong stimulus and recovery plan, and people and businesses are back on their feet, ensure the implementation of budget policies to keep BC fiscally sound over the long run.	TBS
8.	Establish a Crown agencies secretariat.	Cas
9.	Re-establish the government-film sector task force to recommend the size and term of a new visual tax credit based on production costs, with support from the Parliamentary Secretary for Arts and Film.	PLD
10.	Help more people make the switch to active transportation by removing the PST on e-bikes to make them more affordable.	PLD
11.	Assume responsibility for property assessment , including oversight of BC Assessment.	PLD
12.	With support from the Attorney General and Minister responsible for Housing, control the rising cost of strata insurance by building on work already done to close loopholes and enhance regulatory powers and acting on the forthcoming final report of the BC Financial Services Authority. If rates have not corrected by the end of 2021, explore a public strata insurance option.	PLD
13.	Work with the Minister of Municipal Affairs to continue work to provide relief for commercial tenants with triple-net leases who are paying high property taxes.	Umbrella

14.	Support the Minister of Energy, Mines and Low Carbon Innovation to require realtors to provide energy efficiency information on listed homes to incent energy saving upgrades and let purchasers know what energy bills they will face.	Supporting
15.	Support the work of the Minister of Municipal Affairs to bring down the cost of housing for people by streamlining and modernizing housing construction and approvals.	Supporting
16.	Ensure our government's commitment to gender equality is reflected in our budgets, policies, and programs.	GEO
17.	Act as government's liaison with feminist and women's organizations and other organizations concerned with gender equality and the advancement of women.	GEO
18.	With support from the Minister of Labour, lead work to close the gender pay gap by continuing to address systemic discrimination in the workplace and moving closer to equal pay for equal work through new pay transparency legislation.	GEO
19.	With support from the Minister of Public Safety and Solicitor General, lead work to develop an action plan to end gender-based violence , including minimum standards for sexual assault response, more training for police, crown council and justices and establishing core funding for sexual assault centres.	GEO

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Withheld pursuant to/removed as

s.12

From: [Michell, Jennifer FIN:EX](#)
To: [Tanaka, Kashi FIN:EX](#)
Cc: [Spaven, Teri CITZ:EX](#)
Subject: RE: New Final Version of Mandate Deck
Date: January 12, 2021 11:05:10 AM
Attachments: [fin_mandate_presentation_final - Notes Pages.pdf](#)
[image001.png](#)

Here is the final version, approved by MO, that reflects the one change to the first speaking note as discussed. In case you needed a copy for your files.

I've sent this off to Donna Sanford, so this item is complete.

Thanks for all your help!

Jennifer Michell

Director, Executive Operations & Strategic Initiatives

Office of the Deputy Minister | Ministry of Finance

From: Tanaka, Kashi FIN:EX
Sent: January 12, 2021 10:20 AM
To: Wood, Heather FIN:EX
Cc: Michell, Jennifer FIN:EX ; Spaven, Teri FIN:EX
Subject: New Final Version of Mandate Deck

Hi Heather,

How will this work: 's.12; s.13

s.12; s.13

Kashi



Kashi Tanaka

Executive Director, Performance Management & Corporate Priorities

Ministry of Finance | Innovative, Collaborative, Transparent

c: 250 415-9706 | w: 778 698-8562 | Pronouns: he/him



Living and working on the traditional territory of the WSÁNEĆ and Lekwungen peoples

Page 10 of 33 to/à Page 20 of 33

Withheld pursuant to/removed as

s.12

From: [Postma, Tobin](#)
To: [Wood, Heather](#) FIN:EX
Cc: [Mochrie, Paul](#); [Impey, Patrice](#)
Subject: Follow-up from meeting
Date: March 1, 2021 8:21:52 AM
Attachments: [14. Feb 2020 Mayors Letter to Min Robinson re Bill 10.pdf](#)

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Good morning Heather,

I just wanted to follow-up from our meeting last week on a couple of things.

In response to your question on understanding why the interim property tax relief legislation has not been taken up by municipalities, I'm attaching a letter that was sent to Minister Robinson in late February 2020 by a group of ten Metro Vancouver mayors and the former UBCM president outlining their concerns and reiterating their position that implementing split assessment through a new commercial subclass will be the most effective way to address the property tax impacts of development potential.

Furthermore, staff from Patrice's team will be reaching out to your staff in order to provide them with more information on the work Metro Vancouver is doing on municipal financial reform in order to share data and discuss some of the concepts we had spoken about.

In the meantime, if there is any further information you need then please do not hesitate to reach out.

Best wishes,

Tobin

Tobin Postma | Director, Intergovernmental Relations + Strategic Partnerships

City of Vancouver

453 West 12th Avenue

Vancouver BC V5Y 1V4

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tobin.postma@vancouver.ca

February 27, 2020

The Honourable Selina Robinson
Minister of Municipal Affairs and Housing
PO Box 9056 Stn Prov Govt
Victoria, BC V8W 9E2

Dear Minister Robinson:

We appreciate the Province's efforts to address the property tax issues being faced by small businesses and arts, culture and non-profit organizations in our communities.

Property tax 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.

The interim property tax relief legislation announced on February 24, 2020 by the Province does not address property taxation on development potential. As well, it poses multiple implementation challenges including:

- The timing of the legislation does not allow sufficient time to engage stakeholders in a meaningful way, or to put processes in place to implement the legislation;
- The data required to address the criteria of the legislation is not readily available; and
- There could be unintended consequences such as businesses receiving tax relief for the wrong reasons, and struggling businesses and organizations end up paying higher taxes.

(A more detailed analysis of the challenges is provided in the attached Appendix.)

Further, we are concerned the proposed legislation will raise unrealistic expectations amongst small business, arts, culture and non-profit communities about the extent to relief to be provided which will likely result in additional public outcry and confusion.

We respectfully request the province to continue to work as part of the Intergovernmental Working Group (IWG) on implementing split assessment through a new commercial sub class - split assessment.

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This split assessment approach was recommended by the entire IWG as the most viable approach as:

- It addresses the root cause of the problem by allowing municipalities to tax existing use versus development potential differently;
- It offers a common platform for municipalities while allowing a high degree of flexibility, scalability and customization, similar to the intent behind a permissive exemption. Municipalities can decide whether or not to use the tool and determine the eligibility requirement, tax rate and duration of the tax relief by-laws; and
- It is more transparent and straight-forward to administer than the proposed permissive exemption approach.

For the past year and a half, chief financial officers from various municipalities worked with senior staff from the Ministry of Municipal Affairs and Housing, as well as the Ministry of Finance and BC Assessment, as part of the IWG to review the development potential issue. In May 2019, the IWG submitted a recommendation for split assessment. The IWG agreed this was the most targeted approach to address the core issue - taxes on development potential - impacting small business, arts, culture and non-profit organizations.

The need for split assessment arises due to properties being assessed at highest and best use. As Metro Vancouver cities grow and evolve, official community plans (OCP) and neighborhood plans are developed to set out 20-25 year plans to densify communities to support anticipated population and job growth, and to expand commercial and light industrial space. As OCPs and neighborhood plans are implemented over time, certain properties will continue their existing use for a number of years until redevelopment occurs, while their assessed value reflects a higher and better future use as per OCPs/neighborhood plans.

At present, there is no property class for this future development potential as a type of use. Existing use value and the future development potential value is aggregated into the same property class. As a result, local governments cannot set different tax rates for existing use versus future development potential. This limitation has significantly impacted the viability of local independent businesses as well as the arts, culture and non-profit sectors, particular for tenants on triple net leases. The split assessment recommendation would create a sub class for this future development potential.

Moreover, the split-assessment recommendation proposed by the IWG would be enabling legislation that would only have to be adopted by municipalities that

...3/

choose to use it, similar to the proposed interim solution. As well, it will not result in tax shift across municipalities - for municipalities that choose to use split assessment, any tax reallocation will be confined within the municipality.

In summary, while the interim solution put forward by the Province may satisfy the desire to put a mechanism in place for the 2020 tax year, given the challenges expressed above, the undersigned Mayors do not support the interim permissive property tax exemption legislation.

We respectfully request that the Province continue to work with the IWG on implementing split assessment through a new commercial sub class, in order to address the property tax impacts of development potential.

If you have any questions or concerns about the contents of this letter, please feel free to reach out to any of the signatories in this letter.

Sincerely,



Mayor Kennedy Stewart
City of Vancouver



Mayor Richard Stewart
City of Coquitlam



Mayor Mike Little
District of North Vancouver



Mayor Maja Tait
District of Sooke

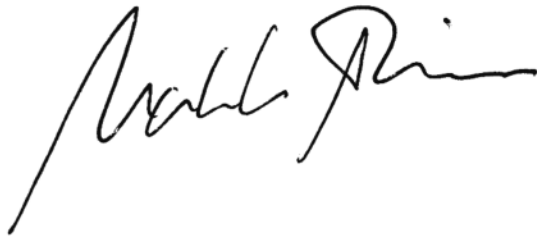


Mayor Linda Buchanan
City of North Vancouver



Mayor Mary-Ann Booth
City of West Vancouver

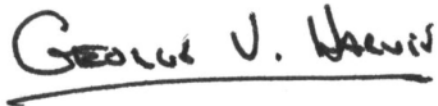
...4/



Mayor Malcolm Brodie
City of Richmond



Mayor Mike Hurley
City of Burnaby



Mayor George V. Harvie
City of Delta



Mayor Rob Vagramov
City of Port Moody



Mayor Doug McCallum
City of Surrey

Appendix: Challenges With Interim Property Tax Relief Legislation

Key challenges municipalities are facing with the Province's interim property tax relief legislation include:

Public Consultation

- Similar to the Province needing more time for consultation across British Columbia before implementing split assessment, municipalities need time for public consultation and engagement with stakeholders prior to implementing any solution including a permissive tax exemption. Among other things, the public and stakeholders need to understand how and who can qualify for an exemption and the impacts of a permissive exemption.
- The proposed legislation will result in a transfer of the tax burden of both municipal and school taxes among taxpayers. Municipalities will be required to collect the same amount of school tax, which means the tax rate will have to be adjusted, resulting in a redistribution of the tax burden for school taxes. Municipalities will either have to collect less tax, or redistribute the tax burden among taxpayers.
- A structured policy is required to determine who receives benefits, the amount of the benefits, and who pays for the benefits. Time for proper consultation is critical to enable staff and elected officials to understand the issues and answer questions as to why some businesses receive benefits and others don't. This is particularly important as the proposed legislation is not based on development potential, something that the public is keenly aware of and understands. An appropriate public consultation process will ensure that the opinions of all those impacted are considered when creating changes.

Lack of Required Data to Meet Criteria as per Proposed Legislation

- There is no common definition of "small business" for property assessment/taxation purposes.
- Private legal contractual agreement information and other owner/operator versus tenant data is not available from BC Assessment or other sources except private sources.
- A process to validate lease agreements to ensure only those with triple net leases are receiving the exemption is required and there is insufficient time to implement such a policy.

Unintended Consequences and Risks

- The proposed permissive exemption that segments the business class on such a short time frame without sufficient public consultation and proper due diligence creates risks for city councils such as potential legal challenges, error and omission in inclusion/exclusion of properties, and undetermined impacts on tax revenues
- Risk of the small businesses, arts culture and non-profit organizations subsidizing big box/chain stores is a major concern. Based on proposed legislation, if a tenant on a triple net lease occupies the same property as a big box store, the entire property would receive the tax exemption due to private legal contractual agreements. However, a small mom-and-pop owner occupied and operated business will not be eligible to receive the exemption. This will result in small owner-operated businesses potentially subsidizing big box stores.
- The original intent was to provide relief to small businesses, arts, culture and non-profit organizations from large increases in property taxes created by development potential. The interim solution risks placing additional tax pressures on some of these properties and ultimately, there is insufficient time to address these risks.

From: [Postma, Tobin](#)
To: [Wood, Heather](#) FIN:EX
Cc: [Mochrie, Paul](#); [Impey, Patrice](#)
Subject: RE: Follow-up from meeting
Date: March 1, 2021 9:35:00 AM
Attachments: [Recommendation to Province \(May 17\) \(FINAL\) \(2\).pdf](#)

[EXTERNAL] This email came from an external source. Only open attachments or links that you are expecting from a known sender.

Sorry, I neglected to attach this letter as well which was the recommendation made to the province regarding split-assessment from the Intergovernmental Working Group (IWG) which was set up to explore this.

Members of the IWG included staff from the Ministry of Municipal Affairs and Housing, the Ministry of Finance, City of Coquitlam, District of North Vancouver, District of West Vancouver, City of Burnaby, City of Surrey, City of Richmond and the City of Vancouver. Staff from BC Assessment participated in an advisory role.

Regards,
Tobin

From: Postma, Tobin
Sent: Monday, March 01, 2021 8:22 AM
To: 'heather.wood@gov.bc.ca'
Cc: Mochrie, Paul ; Impey, Patrice
Subject: Follow-up from meeting

Good morning Heather,

I just wanted to follow-up from our meeting last week on a couple of things.

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Best wishes,
Tobin

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ISSUE

In British Columbia, properties are assessed at “highest and best use” (full market value) in accordance with the *Assessment Act*, and property taxes are allocated to individual properties based on those values.

For underdeveloped/non-HBU commercial properties, the unrealized development potential could result in significant property tax implications.

- i. In zoning districts where there is enough specificity in zoning by-laws on residential vs. commercial use, underdeveloped/non-HBU properties could be eligible for “Split Classification” (a.k.a. Amacon) where a portion of the development potential value would be classified and taxed as Residential (Class 1) while the residual value as Business (Class 6).
- ii. In zoning districts where a) there is not enough specificity in zoning by-laws on residential vs. commercial use, or b) residential development is not an allowable use (e.g. light industrial districts), both existing use and development potential values would be classified and taxed as Business (Class 6).

Independent small businesses operating in underdeveloped/non-HBU properties, particularly those in neighborhoods that are experiencing fast pace of change and dramatic increase in market valuation, are impacted the most.

- i. Through triple net leases, landlords pass the entire tax burden onto tenants - taxes on the space they rent **AND** taxes on the development potential. While tenants shoulder the entire tax burden, only property owners benefit from increase in market value upon rezoning, redevelopment or sale of the property.
- ii. Independent owner/operator small businesses could benefit from increase in market value upon rezoning, redevelopment or sale of the property eventually; until then, they may experience significant cashflow challenges in addressing the increasing tax burden.

This issue has become more acute given the active commercial real estate activities experienced in Metro Vancouver in recent years. It is extremely challenging for independent small businesses, as well as the art, culture and non-profit sector, to afford the high rents and taxes and still remain viable in their neighborhoods.

Intergovernmental Working Group

Endorsed by Metro Vancouver (RAAC & RFAC) and UBCM, the Intergovernmental Working Group was established in November 2018 to come up with viable options to address the issue. **Application of any policy tools must be i) targeted and time-limited, ii) not be administratively burdensome, and iii) not result in unintended consequences.**

Membership of the Working Group is as follows:

- Senior staff from the Ministry of Municipal Affairs & Housing and the Ministry of Finance
- Senior staff from BC Assessment (*data provision and advisory*)
- Chief Financial Officers and designates from a sub-group of Metro Vancouver municipalities

RECOMMENDATIONS

i. Split Assessment

The Working Group strongly supports splitting the “development potential” value from the “existing use” value for underdeveloped/non-HBU properties that meet certain eligibility criteria, and creating a commercial sub-class to capture the “development potential” value in time for 2020 tax year.

- The Province to i) incorporate the “Split Assessment” methodology into the *Assessment Act*, ii) create a new commercial sub-class to capture the “development potential” value, and ii) clearly limits application only to specific properties identified on an annual municipal by-law to limit appeals.

(Note: Initial analysis indicates that of the two hypothetical methods discussed, the Density Approach Proxy method (as per BC Assessment’s discussion paper) is easier to understand and less subjective. Further work needs to be done to finalize methodology.)

- Municipalities to i) define, by by-law, eligibility criteria for split assessment (e.g. underdeveloped/non-HBU properties in certain neighborhood that are not vacant), ii) set appropriate tax rate (e.g. could range from x% below Class 6 - Business to \$0 depending on Council policy), and iii) limit the duration of such relief (e.g. split assessment to be applied to eligible properties for a maximum of x years).

The Working Group strongly believes that “Split Assessment” through a commercial sub-class provides the most targeted and time-limited approach to address taxation impact arising from development potential.

- It upholds the HBU assessment methodology as stipulated in the *Assessment Act* while enabling municipalities to tax “existing use” vs. “development potential” differently.
- It offers a common platform for municipalities while allowing for a high degree of flexibility, scalability and customization. Similar to averaging and phasing mechanisms already available in the *Community Charter* and the *Vancouver Charter*, municipalities 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.
- It is highly scalable and is significantly less administratively burdensome than the revitalization tax exemption tool (based on actual experience of City of Richmond).

ii. Split Classification (a.k.a. Amacon)

The Working Group recommends that the Province adjust the *Assessment Act* to allow municipalities to submit certain “specified” documents to effect “Split Classification” (a.k.a. Amacon) without the need to add stringent specificities in zoning by-laws.

iii. Other Tools

Other tools that were explored by the Working Group and require further analysis include:

- a) Split Tax Bill - Tenants to pay taxes on occupied space and landlords to pay taxes on development potential

(Note: Significant changes to commercial tenancy agreements; further consideration required.)

- b) Tax Deferment - Allow eligible owner/operator small businesses to defer payment of taxes on development potential until such time when the property is sold or rezoned.

(Note: Working Group agreed that first priority is to address taxation impact on independent small business tenants on triple net leases; further consideration required.)

- c) "Highest & Best Use" - Further work to clarify and standardize application within the context of OCP & Community Plans.