



MEETING BRIEFING NOTE

Date: January 27, 2021

Prepared For: Honourable Josie Osborne, Minister of Municipal Affairs

Topic: Economic recovery of commercial areas

Purpose: Tax equity and fairness for the sustainability and growth of small and medium sized businesses. Methods to alter increasing commercial property tax burden.

Meeting With: Teri Smith, President, Business Improvement Areas of British Columbia, February 2, 2021.

KEY MESSAGES:

- **Thank you for reaching out with your congratulations and sharing your interest in sustainability and growth of small and medium-sized businesses in British Columbia (B.C.).**
- **I appreciate the contribution BIAs make to the vibrancy and health of communities and local economies.**
- **The decision to continue the reduction in school taxes will be up to the Minister of Finance as part of the 2021/22 Provincial budget.**
- **The Province of B.C. (with the Ministry of Finance as the lead) understands concerns about commercial property assessment. The creation of a commercial sub-class requires significant policy examination and consultation.**
- **An interim relief model was implemented for 2020. Municipalities were enabled, for the years 2020 through 2024, to exempt properties where leaseholders were impacted by increases in property taxes due to spiking values.**

BACKGROUND:

Business Improvement Areas of British Columbia

Business Improvement Areas of British Columbia (BIABC) is a provincial umbrella organization representing more than 70 business districts across the province, which collectively constitutes thousands of small and medium-sized businesses - the backbone of B.C.'s economy. Since its inception in 1991, BIABC has been committed to championing strong, vibrant and successful downtowns, main streets and commercial districts across the province.

BIABC asserts that many of its business members have been in crisis mode for a number of years prior to COVID-19, with conditions worsening since the start of the pandemic. It asserts that the Province and municipal governments need to look at methods to alter increasing commercial property tax burden.

In the short term, it is proposing the continuation of the 50 percent decrease in the Provincial School Tax in 2021 as part of B.C.'s economic recovery efforts.

Over the long-term it is asking for the creation of a new commercial sub-class to moderate the property tax impact of the current assessment methodology of highest and best use by allowing municipalities, if they wished, to tax unbuilt density at a lower rate than existing built density, which would allow for more targeted relief.

Business Improvement Area Creation

Business Improvement Areas (BIA) are member-led organizations that work to assist local businesses and property owners to enhance and upgrade neighborhood venues and increase socio-economic activity.



Currently, there are BIAs spread across many parts of BC, with the largest in terms of members and budget located in Metro Vancouver and South Vancouver Island.

BIAs were first introduced as an option for local governments in the *Municipal Act* of 1979 and are now governed by the Community Charter and the Societies Act. The Community Charter gives the local government the authority to create a business improvement area and contains provisions relating to electoral approval and taxation to create and support the BIA. The governance and operations requirements of the BIA as a society are described in the Societies Act.

BIAs are created by local governments but operate at arm's length from municipalities as distinct societies. They receive a yearly contribution specified in the contribution agreement and business improvement area establishing bylaw, which is then recovered by the municipality through a tax levy on BIA member properties. This tax levy is used to fund security, maintenance, market promotion, cultural and social events and general economic development of the defined area.

Ministry Role in BIAs

The Governance and Structure Branch typically receives 2-5 calls and emails pertaining to the creation, renewal and scope of operations of BIAs yearly. A staff member from the Branch attends BIABC monthly Board meetings to provide information and answer questions on provincial initiatives.

Ministry staff offer advice on the legislation and provide a provincial overview but there is no decision-making authority for ministry staff or the Minister. Prior to 2008, the ministry provided BIABC with a yearly grant to facilitate a province-wide conference but now the event is self-funded.

Commercial Property Assessment and Taxation

School taxes are a portion of the property taxes payable on a tax notice received by a business. A reduction in school taxes reduces the tax burden for a property owner. The decision to continue the reduction in school taxes must be made by the Minister of Finance. The Minister of Finance will consider the issue of continuing a reduction of school taxes during development of the Provincial budget for 2021.

The Province of B.C. understands concerns about commercial property assessment. The creation of a commercial sub-class requires significant policy examination and consultation before the process of legislative change. An interim relief model was implemented for 2020. Municipalities were enabled, for the years 2020 through 2024, to exempt properties where leaseholders were impacted by increases in property taxes due to spiking values.



DISCUSSION:

While the 2021 budget is being developed, Ministry of Finance staff will not comment on specific decisions regarding Provincial revenue.

Property Assessment Services, now part of the Ministry of Finance, Tax Policy Branch, is working on the issue of commercial assessments and the potential for split assessments and other mitigation strategies.

The Ministry of Municipal Affairs is responsible for the legislation for BIAs and provides support and advice on their creation; however, much like its approach to local governments, the ministry is not directly involved in the operations of BIAs. The ministry recognizes that BIAs are independent organizations governed by elected directors who provide leadership to the BIA in line with the society's constitution. Directors operate similar to a municipal council, offering strategic direction, managing officers and providing operational decision making.

Any changes to the local government system involving finance and taxation is a significant undertaking, involving consultation and collaboration with UBCM, the Municipal Finance Authority and other stakeholders.

GBA+ OR DIVERSITY AND INCLUSION IMPLICATIONS:

According to Statistics Canada, majority women-owned businesses represent 15.7 percent of all Canadian small and medium-sized businesses. Majority women-owned businesses have lower growth rates, experience more difficulty accessing growth capital, and have less developed networks than men-owned businesses. Majority women-owned businesses also lag male-owned enterprises in business performance such as sales, profits and employment. The effect of a permanent mitigation strategy to address property tax impacts on women-owned businesses would need to be considered.

According to Statistics Canada, 12 percent of all small and medium-sized businesses in Canada are majority owned by visible minorities*. Data for the third quarter in 2020 shows that businesses majority owned by visible minorities are struggling from COVID-19 impacts more than businesses majority owned by non-minorities. Compared to the third quarter in 2019, businesses majority owned by visible minorities were more likely to see lower revenues than businesses owned by non-minorities. Similarly, businesses majority owned by visible minorities were less likely to report an increase in revenue and less likely to have the ability to take on more debt. The effect of a permanent mitigation strategy to address property tax impacts on visible minority-owned businesses would need to be considered.

*persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour

FINANCIAL IMPLICATIONS:

- N/A.

PREPARED BY:

Catherine Lee, Senior Program Analyst,
Governance and Structure
Josh Craig, Financial Officer, Infrastructure and Finance

APPROVED BY:

Tara Faganello, Assistant Deputy Minister
Okenge Yuma Morisho, Deputy Minister

DATE APPROVED:

January 26, 2021

January 27, 2021