

## Issue: Commercial Property Tax Spikes

### Position

The Chamber recommends that the Provincial Government amend the BC Assessment Act and work with BC Assessment and local governments to:

1. Implement Split Property Assessments for all commercial properties which delineates the proportion of a property's market value that is derived from its current use and the proportion derived from its potential use, and have it taxed accordingly by local taxing authorities;
2. Create a 'Highest and Best Use' Exemption for long-standing businesses to allow them to apply to have their properties valued and taxed on the current business use, and not on the potential redevelopment potential; and
3. Explore implementing a Business Property Tax Deferral Program to allow property owners to defer the property tax owed to help the business remain viable while bridging the time until redevelopment of the property can begin.

### Background

The rapid property value increases across many parts of BC, especially metropolitan areas, have translated into steep and often disastrous property tax bills for many businesses. These conditions can lead to the closure of otherwise healthy, longstanding businesses that form the heart of many communities in BC. This destroys jobs, livelihoods, and ultimately undermines the well-being of the communities in which these businesses exist.

The problem stems from the current "highest-and-best use" model of valuing and taxing a commercial property. Under this model, used by B.C. Assessment, properties are valued based on the the most probable use of a property that would return the highest value rather than its current use. As a result, when local governments make changes to official community plans that densify neighbourhoods, it causes businesses to be taxed for the redevelopment potential of their property. In addition, B.C. Assessment is also mandated to *classify* properties based on current or actual use. This means that a small business will pay the higher commercial property tax rate on a property valued in large part on its residential redevelopment potential. These businesses are thus subject to significant increases in property taxes despite there being no change in their actual use or cash-flow generation. This increase can be cost prohibitive for continued operations.

For example, imagine a one-story mom-and-pop café operates on a property that has been re-zoned to allow the construction of a high-rise condo development. BC Assessment would value the property as a potential residential condo tower instead of its current use as a one-story café, and the taxes due would reflect that value. The burden is further compounded by the café having to pay the much higher business tax rate on the entire redevelopment value, rather than the residential tax rate, even though the redevelopment value is based on its residential potential.

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### Who is affected?

Businesses in areas facing rezoning to higher density use.

Current case in Tri-Cities: Businesses along the Austin Heights corridor.

### Outcome

The provincial government implemented Bill 42 authorizing B.C. Assessment to continue assessing qualifying industrial properties based on their current industrial use rather than their future highest and best use for a period of two years with the option for extension.

The provincial government is currently investigating options to alleviate the burden of property tax spikes for commercial use properties.

### Chamber Actions

**6/25/2018** – The Chamber shares a package of recommendations with the B.C. Small Business Task Force (SBTF) under the Ministry of Jobs, Trade and Technology, which includes a request to investigate the feasibility of “split assessments.” See [here](#) for SBTF engagement summary paper delivered to the Minister.

**7/4/2018** – Letter to Minister of Housing, The Honourable Selina Robinson, requesting assistance and encouraging her Ministry to assess the feasibility of “split assessments.”

**Fall 2018** – Stakeholder meetings with Austin Heights business owners, AH BIA, Coquitlam City Councillors, and property tax experts.

**5/24/2019** – Our Chamber endorses a BC Chamber policy resolution with recommendations to address commercial property tax spikes. That policy will be sent to government.

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