CITY OF VANCOUVER

COUNCIL REPORT

Report Date:	October 3, 2023
Contact:	Grace Cheng
Contact No.:	604.871.6654
RTS No.:	15781
VanRIMS No.:	08-2000-20
Meeting Date:	October 18, 2023

Submit comments to Council

TO: Standing Committee on City Finance and Services

FROM: Director of Finance

SUBJECT: Pilot Development Potential Relief Program – Stakeholder Feedback & Considerations for 2024

Recommendations

A. THAT Council receive for information the stakeholder feedback on the 2023 Pilot Development Potential Relief Program (the "DPRP") as summarized in this Report and included as Appendix B.

B. THAT Council approve, in principle, the continuation of the Pilot DPRP for the 2024 tax year, including the proposed refinements generally as outlined in this Report.

C. THAT, subject to Recommendation B, upon receiving from BC Assessment the list of properties that meet the Provincial eligibility criteria (the "Provincial List") for the 2024 tax year, Council require the owner(s)/agent(s) of each property on the Provincial List to provide a written declaration to the City, by February 29, 2024, that:

- the property was in use from October 1 to December 31, 2023;
- the primary use of the property does not fall into one or more of the City exclusions; and
- the tenants/occupiers of the property must be informed of any tax relief resulting from the 2024 Pilot DPRP;

FURTHER THAT properties whose owner(s)/agent(s) fail to provide such written declarations to the City by February 29, 2024, will not be considered for the 2024 Pilot DPRP;

AND FURTHER THAT the Director of Legal Services, in consultation with the Director of Finance, be instructed to bring forward for enactment a Development Potential Tax Relief Declaration By-law as soon as practical.

D. THAT, based on the written declarations received, the Director of Finance be instructed to report back for Council's consideration, before March 31, 2024, the 2024 Pilot DPRP, including:

- a list of eligible properties;
- the percentage of assessed land value subject to the DPRP general purpose tax rate by neighborhood/zoning district;
- the DPRP general purpose tax rate (expressed as a percentage of the blended rate for Classes 5 and 6); and
- the projected tax rate impact based on the 2024 Completed Roll.

E. THAT Council request that the Mayor write a letter to the Province to seek *Vancouver Charter* amendments to enable application of development potential relief on the Provincial school tax and taxes levied by TransLink, Metro Vancouver, BC Assessment and Municipal Finance Authority of BC.

F. THAT the Director of Finance be instructed to continue to seek to engage the Province and BC Assessment to address the assessment data limitations.

Purpose and Executive Summary

The purpose of this Report is to present to Council the stakeholder feedback on the 2023 Pilot DPRP; and seek Council approval, in principle, the continuation of the Pilot DPRP, including certain proposed refinements, for the 2024 tax year.

The Pilot DPRP was implemented in March 2023 under a short timeline given that the enabling legislation *Bill 28 – Municipal Affairs Statutes (Property Taxation) Amendment Act, 2022* ("Bill 28") only came into effect in November 2022. Despite the assessment data limitations and various systems and implementation challenges, the City is the first and only municipality in BC to launch a program to kick-start the much needed relief for independent businesses and community partners in 2023.

Based on the lessons learned from the 2023 Pilot DPRP and feedback from key stakeholders, staff have proposed certain refinements to stabilize the program for the 2024 tax year, including:

- validation of a property's primary use (for the purpose of determining eligibility) through the declaration process (instead of relying primarily on BC Assessment use codes)
- inclusion of certain independent businesses and community partners from the arts, culture and non-profit sector occupying certain excluded types of property (e.g. warehouses)
- clearer definitions of certain City criteria
- extension of declaration timeline from ~2 weeks to ~6 weeks

It should be noted that development potential relief only applies to the municipal general purpose tax levy, unlike land assessment averaging that applies to taxes levied by the City and other taxing authorities. Should the Province amend the *Vancouver Charter* to harmonize the two programs, the DPRP would be much more impactful, annual program administration would be less complicated, and communication with taxpayers would be much simpler.

Applying development potential relief will not affect the amount of general purpose tax levy collected from Classes 5 and 6; however, the tax relief provided to eligible properties will be redistributed to the remaining properties within those classes. Broadening the DPRP will increase the taxation impact on other Class 5 and 6 properties; as such, Council must consider the interplay between the DPRP and land assessment averaging, and weigh the costs and benefits accordingly.

Council Authority/Previous Decisions

Bill 28, which came into effect in November 2022, enables municipalities to provide time-limited development potential relief (maximum five years) to eligible Light Industry (Class 5) and Business and Other (Class 6) properties on a permissive basis.

As authorized by s. 374.6 of the *Vancouver Charter*, Council can, each year, consider whether or not to apply a lower general purpose tax rate on a portion of the assessed land value of eligible properties (relative to the standard Class 5 and 6 tax rates). Council can set their own eligibility criteria (in addition to the provincial eligibility criteria), and determine the level of tax relief to be provided.

Eligible properties can benefit from either the DPRP or land assessment averaging, but not both. Should Council decide to proceed with the DPRP, the annual *General Purpose Taxes Rating By-law* (typically adopted in mid-May) must specify the percentage of land value for each property that is to be taxed at the lower rate.

In March 2023, Council approved the Pilot DPRP that featured a 50% reduction in the municipal general purpose tax rate on a portion of the eligible land for certain Class 5 and 6 properties; and instructed the Director of Finance to engage key stakeholders to assess the efficacy of the Pilot DPRP and explore enhancement opportunities for future years.

City Manager’s Comments

The City Manager concurs with the foregoing recommendations.

Context and Background

In 2023, BC Assessment identified ~3,420 properties that were eligible under the Provincial criteria (see Appendix A). Because development potential relief is intended to support independent businesses and community partners residing in under-developed properties, with a focus on neighborhood retail along high streets, Council approved a number of exclusions in addition to the Provincial criteria:

- senior government properties; big box stores; international and national chains; banks and financial institutions; hotels; gas stations; parking lots; car dealerships and auto service; self-storage and warehouses; office use; development presentation centres; strata properties; and billboards
- properties seeking additional density or change in use
- properties with little or no development potential value (i.e., difference between the Highest and Best Use (HBU) value and the current use value is less than 5%)

As a result, the number of eligible properties fell from ~3,420 (2023 Provincial List) to 1,361 (2023 Pilot DPRP). Owners (or agents) of the eligible properties were required to submit a declaration by March 31, 2023 attesting that the:

- property was in use on October 31, 2022;
- primary use of the property did not fall into one or more of the City exclusions; and
- tenants/occupiers of the property were informed of any tax relief resulting from the Pilot DPRP.

1,017 (75%) of the 1,361 property owners submitted declarations, including ~70 properties in the Broadway Subway construction zone. As most properties have multi-tenants, thousands of businesses and community partners received ~$3.4 million of property tax relief in 2023.

Discussion

I. Stakeholder Engagement

Staff took a targeted approach to collect feedback primarily from owners and tenants of underdeveloped Light Industrial (Class 5) and Business (Class 6) properties, with a focus on program parameters that are within the City's jurisdiction.

Consulting firm "Delaney, the engagement people" ("Delaney") was contracted to coordinate the stakeholder engagement, which included a workshop and a survey:

- 19 stakeholders participated in the workshop, representing Vancouver Business Improvement Associations ("BIAs"), Greater Vancouver Board of Trade ("GVBOT"), Canadian Federation of Independent Business ("CFIB"), Building Owners and Manager Association ("BOMA"), and the Arts, Culture and non-profits sector
- 242 respondents participated in the survey; but only 73 fully completed it

Delaney's report on the stakeholder feedback is in Appendix B, and below is a summary of the key themes that emerged from the engagement:

- City eligibility criteria and exclusions were too broad; some arts, culture and non-profit tenants occupying properties on the exclusion list not eligible for relief
- Development potential relief was applicable only to the municipal general purpose tax, not taxes levied by other taxing authorities which account for half of the overall taxes
- Properties only need to be in use/occupied as of October 31 of the preceding year; but the City should consider requiring a longer in-use period to be eligible for relief
- Concern about tax redistribution and impact on commercial properties not eligible for relief

II. Lessons Learned & Proposed Refinements

Below are key lessons learned from the 2023 Pilot DPRP and proposed refinements for 2024.

1. **BC Assessment property use codes require validation**

   Given the six-week implementation timeline for the 2023 Pilot DPRP, staff relied on BC Assessment's property use codes, cross-referenced with Google Maps and VanMap on a sample basis, for screening eligible properties. However, there are limitations with the use codes, which may not always reflect the actual use of the property. For instance, certain properties coded as "warehouses" (an ineligible use under City criteria) were occupied by community partners as artist production or performance space.

   Proposed refinement*: Around mid-January 2024, the City send out written declarations to the owner(s)/agent(s) of each property on the Provincial List to confirm if the BC Assessment use code reflects the actual use of the property, and that the primary use of the property does not fall into one or more of the City exclusions.*

   Through the declaration process, owners/agents will also have the opportunity to identify circumstances where an otherwise ineligible property (e.g. warehouses) is occupied by a community partner for arts and culture use (e.g. artist production or performance space).

2. **Development potential relief more impactful if applicable to both City and other taxes**

   Development potential relief is applicable to the municipal general purpose tax only; it does not apply to taxes levied by other taxing authorities (Provincial school, TransLink, Metro Vancouver, BC Assessment and Municipal Finance Authority) which account for half of the overall taxes. Land assessment averaging, on the other hand, applies to both City and other taxes. Harmonizing the two programs would make the DPRP much more impactful, annual program administration less complicated, and communication with taxpayers much simpler.

   Proposed refinement*: Seek Vancouver Charter amendments to extend development potential relief to other taxes.*

3. **Eligibility based on in-use/occupancy status on October 31 not sufficient**

   Provincial legislation requires that a property be in use/occupied for only one day (October 31 of the preceding year) to be eligible for development potential relief. This could create a potentially awkward situation where a property could be vacant after October 31 but eligible for relief, while a property could be in use after October 31 but ineligible for relief.

   Proposed refinement*: Expand the in-use/occupancy requirement from one day to three months, from October 1 to December 31.*

4. **Eligibility for multi-tenant, mixed use properties needs clarity**

   Most properties have multiple tenants with a mix of eligible and ineligible uses. Staff received and responded to numerous inquiries seeking clarification on eligibility.

   Proposed refinement*: Include on the website and in the declaration form clearer eligibility criteria, and establish 50% of floor space as the threshold for "primary use".*

5. **Tight declaration timeline and inadequate communication**

   Staff received reports that some landlords refused to participate because they felt the declaration process was too onerous and the timeline was too tight (only two weeks); resulting in tenants not receiving the much needed tax relief.

Proposed refinement: *Start the declaration process around mid-January and extend the submission timeline up to six weeks. Partner with Vancouver BIAs, CFIB and BOMA to share program criteria, timeline, declaration requirements and other pertinent information with property owners/agents, business tenants, and community partners from the arts, culture and non-profit sector in Fall 2023.*

Figure 1 below summarizes the key changes proposed for 2024.

Fig. 1: Key Changes for 2024 Pilot DPRP

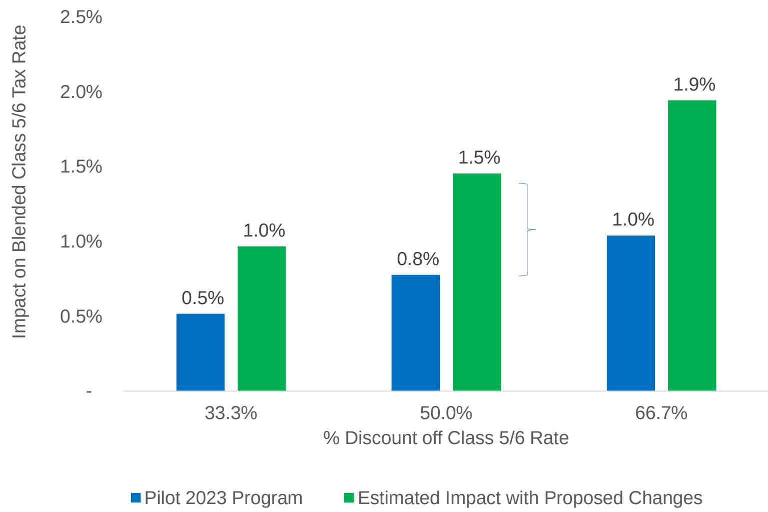
2023 Pilot DPRP	Proposed refinements for 2024
Determining eligibility…	
Based on BC Assessment Use Code	Validate primary use information through declaration
City criteria & exclusions…	
Primary use not defined	Primary use defined as uses that cover ≥ 50% of floor space
Storage, warehousing and office uses excluded	Same, unless ≥ 50% of floor space occupied by arts, culture and non-profit tenants
Car dealership and auto service uses excluded	Same, unless ≥ 50% of floor space occupied by independent auto service
In use/occupancy requirement…	
Must be in use on Oct 31 of the preceding year	≥ 50% of floor space must be in use/occupied from Oct 1 to Dec 31 of the preceding year
Declaration submission…	
Up to 2 weeks	Up to 6 weeks

Financial Implications

Applying development potential relief will not affect the amount of general purpose taxes collected from Classes 5 and 6; however, the tax relief provided to eligible properties will be redistributed to the remaining properties within those classes. As such, broadening the DPRP will increase the taxation impact on other Class 5 and 6 properties.

Figure 2 below shows the estimated tax rate impact from the proposed refinements using the 2023 Assessment Roll.

Fig. 2: Estimated Tax Rate impact from Proposed Refinements



Should the DPRP tax rate continue to be set at 50% of the blended Class 5/6 tax rate, the proposed refinements would double the tax rate impact from 0.8% (2023 DPRP) to 1.5%. To manage the cumulative taxation impact on Classes 5 and 6 properties from the Pilot DPRP and targeted land assessment averaging, Council may consider setting a limit on the reduction in land value under land assessment averaging, similar to the limit on land value subject to the lower tax rate under the DPRP.

Staff will report back on the 2024 Pilot DPRP, including the projected tax rate impact based on the 2024 Assessment Roll, for Council's consideration In March 2024.

Legal Implications

Should Council approve, in principle, the continuation of the Pilot DPRP for the 2024 tax year, including the proposed declaration process (Recommendation C), the Director of Legal Services, in consultation with the Director of Finance, will bring forward for enactment a Development Potential Tax Relief Declaration By-law, as authorized by section 374.6 of the *Vancouver Charter*, that reflect Council's decision.

* * * * * * * * *

APPENDIX A

Development potential relief is applicable to eligible Light Industry (Class 5) and Business and Other (Class 6) properties. Pursuant to s. 374.6 of the *Vancouver Charter,* a commercial property could be eligible if:

- it has land and improvements in the Class 5 and/or 6; and
- it was in use as of October 31 of the preceding tax year; and
- it has a combined Class 5/6 land value that is greater than or equal to 95% of the total Class 5/6 assessed value.

A commercial property would not be eligible if:

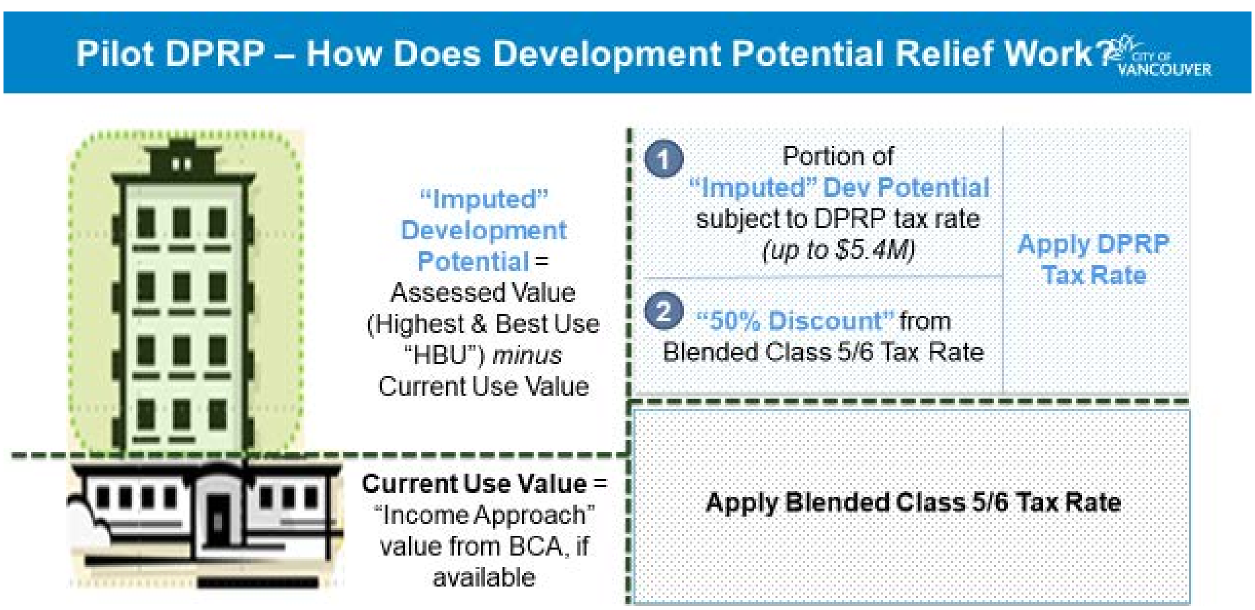
- a portion of its assessed value is in Classes 2, 3, 4, 7, 8 or 9; or
- it is a restricted-use property or has a prescribed value; or
- a portion of its assessed value is exempt from municipal taxation; or
- it benefits from assessment averaging or phasing.

Council can, by by-law:

- identify certain properties to be eligible for the relief;
- specify the percentage of land value for each eligible property to be subject to the DPRP tax rate (lower than the standard Class 5 and 6 rates);
- set the DPRP tax rate; and
- require the owner of an eligible property to give notice of tax relief to the occupiers as a condition of the relief.

Figure 3 below shows how development potential relief works.

Fig. 3: Development Potential Relief



APPENDIX B

Development Potential Relief Program Engagement Report

Presented to the City of Vancouver

August 2023

Prepared by Engage Delaney

Development Potential Relief Program Engagement Report

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Executive Summary

Independent businesses and community partners, such as non-profit and arts-based organizations, in Metro Vancouver are being affected by the tax impacts of unbuilt development potential. The Province passed Bill 28 in November 2022, which enables municipalities to:

- Identify certain Light Industrial (Class 5) and Business (Class 6) properties to be eligible for tax relief;
- Specify the amount of land value for each eligible property to be subject to the Development Potential Relief Program ("DPRP") tax rate (a lower tax rate compared to the regular Class 5/6 tax rates); and
- Set the DPRP tax rate.

Due to a number of assessment data issues and complexity of the legislation, municipalities, while interested, have been hesitant to implement a relief program in 2023. This past year the City of Vancouver led the first pilot Developmental Potential Relief Program in the Province. Under Bill 28, a commercial property would be eligible if it had land and improvements in eligible classes[1], it was in use as of October 31 of the preceding tax year, and the combined land value was greater than or equal to 95% of the total assessed value. This resulted in an initial ~3,420 properties being eligible under the provincial criteria. Given the pilot nature of the program and to ensure a focus on independent businesses and community partners, the City excluded certain types of properties. To see the full list of City property exclusions, please see Appendix A.

The City identified 1,361 eligible properties and invited them to provide a written declaration by March 31, 2023. 1,017 properties completed the Declaration and were in compliance with both the Provincial and City criteria and received tax relief. The owner(s) (or authorized agent(s)) of each eligible property were required to declare that:

- ✓ The property was occupied as of October 31, 2022;
- ✓ The property does not fall into one or more of the City exclusions; and
- ✓ Notice of the tax relief has been provided to the occupiers of the property.

The pilot DPRP was implemented quickly to provide rapid relief to eligible properties. Engage Delaney supported the engagement process by planning and facilitating a workshop and analyzing and reporting on the key findings from the workshop and a subsequent survey. Between July 5 and July 31 over 136 people provided ideas and recommendations to inform the DPRP for the 2024 tax year.

The complexity of the DPRP was confirmed by the feedback and questions received in the workshop and in survey responses. Engage Delaney, as a third-party consultant, seeks to reflect the feedback as participants shared it. The following themes emerged from participant input:

[1] Class 5 (Light Industry), and Class 6 (Business and other)

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Prioritize property use

Instead of just relying on BC Assessment's use codes, participants indicated that they wanted a more detailed look at property use, which included the type of organizations that used space and their potential revenue generation capabilities. When participants considered the current property exclusion list, they indicated that mixed occupancy property types such as commercial stratas, offices, or warehouses should not be excluded based only on their use codes.

Focus on longer-term occupancy

As part of Bill 28, properties needed to attest that the property was occupied on October 31st of the preceding year. Workshop participants felt that eligibility should be based on a longer period of occupancy versus one day and this was consistent with survey respondents also favouring a longer period of occupancy. **Extending taxes to other authorities is supported if it is beneficial.**

Respondents wanted to ensure that the tax relief was providing assistance to those organizations that need it. There was support to extend development potential relief to taxes levied by other taxing authorities (provincial school tax, TransLink, Metro Vancouver, BC Assessment, etc.). This said, there was the following additional input:

- Participants wanted to understand the impacts of extending it to taxes levied by other taxing authorities.
- Consideration that the tax burden is transferred to other properties

Ensure tenants are notified of the DPRP

In both the workshop and survey, respondents favored landlords notifying their tenants if they are receiving property tax relief. Respondents primarily saw this as a way to encourage transparency and support relationship building between landlords and tenants.

Increase awareness and simplify the application process

While the process to receive the DPRP required eligible properties to make a declaration to the City, survey respondents indicated that there was an opportunity for City to "simplify the application process," which may indicate the limited awareness of the pilot and processes. Participants indicated:

- They had not been aware of the DPRP
- They wanted clarity about the actual benefit of the tax relief and whether the administrative burden of applying was a net benefit.
- That the relief be automatically applied to those properties that qualified,
- They needed to better understand the impacts of being removed from land-averaging to qualify for the DPRP.
- It might be beneficial to have the tenant seek the relief instead of the landlord.

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Introduction and Context

In November 2022, an enabling BC legislation (Bill 28) allowed municipalities to provide development potential tax relief to eligible properties in the 2023 tax year. As a result of Bill 28, the City of Vancouver launched a pilot Development Potential Relief Program (DPRP). The pilot program was aimed at supporting independent, small businesses and community partners who are paying high taxes due to the development potential of their properties or the properties they lease. Due to a number of assessment data issues and complexity of the legislation municipalities, while interested, have been hesitant to implement a relief program in 2023.

Under Bill 28, a commercial property is eligible if:

- ✓ It has land and improvements in the Class 5 (Light Industry) and/or 6 (Business);
- ✓ It was in use as of October 31 of the preceding tax year; and
- ✓ Total assessed land value is greater to or equal to 95% of the total assessed value.[2]

Based on the above criteria, BC Assessment identified 3,420 potentially eligible properties based on the provincial criteria; however, given the pilot nature of the program and to ensure a focus on tax relief for small independent businesses and community partners, The City identified 1,361 eligible properties[3] . The owner(s) or authorized agent(s) of these properties were required to provide a written declaration by March 31, 2023, attesting that:

- ✓ The property was occupied as of October 31, 2022;
- ✓ The property does not fall into one or more of the City exclusions; and
- ✓ Notice of the tax relief has been provided to the occupiers of the property.

Declarations were completed for 1,017 properties (~75%) that were in compliance with both the Provincial and City criteria and received tax relief.

The pilot Development Potential Relief Program was implemented quickly to provide relief to eligible business in 2023. To continue to improve and enhance the DPRP, City staff sought to engage with key stakeholders such as BIAs, Canadian Federation of Independent Business (CFIB), Board of Trade, arts and culture organizations, and the Building Owner Managers Association (BOMA). Engage Delaney supported the engagement process by developing and facilitating a workshop and analyzing and reporting on the key findings from the workshop and a subsequent survey.

Approach

The City of Vancouver staff sought to better understand from stakeholders their experience with the program to date and how to refine the program for the coming year. Throughout the engagement process, City staff sought to share information about what was within the City's control and what was influenced by the provincial government. Thus, the engagement sought feedback, ideas, and insights to

[2] Assessment values reflect the current market value.
[3] See Appendix D for full list of exclusions.

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refine the DPRP within the sphere of influence, but also sought to understand gaps that may require further dialogue with the province and or BC Assessment.

City staff reached out to contacts from the Canadian Federation of Independent Business, Vancouver Business Improvement Associations, Building Owners and Managers Association, Greater Vancouver Board of Trade and Community Partners from the arts, culture and non-profit sectors and asked them to identify approximately five representatives for each organization to attend the facilitated virtual workshop.

Workshop attendees also received a link to a survey via email and were asked to distribute to members of their organizations. The survey link was also sent via email to people who had contacted the City through the taxrelief.ca inbox.

Engagement Methods

A virtual workshop and online survey allowed those impacted by or interested in the DPRP to provide input. Overall, a total of 136 people participated in the workshop and survey.

Table 1 – Engagement Participation Summary

Engagement Method	Count
Workshop	19
Survey	117[4]
Total	136

Workshop

Representatives from Business Improvement Associations, Canadian Federation of Independent Business, Board of Trade, arts and culture organizations, and the Building Owners and Managers Association, were invited to attend a two-hour workshop to discuss the following components of the DPRP:

- Eligibility
- Occupancy
- Application of tax relief
- Informing tenants

Nineteen people attended the workshop on July 5, 2023. The workshop was initiated with a land acknowledgement and introductions by City of Vancouver staff and the facilitation team. Participants were asked to introduce themselves and the organization they represented. City of Vancouver staff provided a brief overview of the program, and participants were broken into two breakout dialogue groups. Throughout the small group dialogues, there were opportunities for participants to voice questions, and these questions were subsequently discussed in whole group. Notes were taken by

[4] This number is reflective of partially completed surveys – 73 respondents completed the survey in full.

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facilitation team members, and City of Vancouver staff were active in the small group dialogue sessions. Please see Appendix B for workshop poll response.

Survey

The online survey was launched on July 10th and remained open until July 31, 2023. The City of Vancouver reached out via email to representatives of the organizations that attended the workshop to distribute the survey to their membership. Two hundred and forty-two people initiated the survey, with 73 people completing the survey, and 117 people providing a partial response. Survey responses and workshop participants often shared similar sentiments. Please see Appendix C for detailed survey responses.

Emerging themes were discussed according to questions topics:

- Exclusion considerations: the City sought feedback on the appropriateness of current exclusion considerations.
- Occupancy date eligibility: the City sought to explore the appropriateness of simply having October 31 as the only means of determining eligibility.
- Other taxing authorities: the City wanted to explore how participants felt about extending the tax relief program to other taxing authorities.
- Tenant notifications: the City wanted to better understand ideas and insights related to tenant / landlord communications around the tax relief.

Key Findings

Exclusions

Participants of both the survey and the workshop were asked to identify, from a list of current property uses excluded from DPRP eligibility, which property uses they believe should be included in the future. The top five primary uses that *currently* are excluded from the DPRP, but that survey respondents believe *should be* included were:

1. Office primary use
2. Commercial strata properties
3. Miscellaneous (including church office, funeral homes, and privately own colleges)
4. Self-storage or warehouses
5. Car dealerships or auto services

Similarly, of those who engaged on the poll or annotation exercise within the workshop, the five primary uses that are currently excluded, but that the workshop participants believe should be included were:

1. Self-storage or warehouses
2. Commercial strata properties
3. Office primary use
4. Miscellaneous

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5. Hotels

When asked why these properties should not be excluded, three primary themes arose related to the use of those spaces and tax implications:

- Examine the property use and who occupies the space;
- Consider tax relief impact; and
- Suggestions for additional exclusions.

These are discussed below.

Examine the property use and who occupies the space

Respondents in both the survey and workshop generally noted that looking at how a space is used would be beneficial. Participants noted that the current exclusion lists ignores the mix of tenants, and often a broad brush is applied when there are *"a lot of nuances,"* which means excluded properties get overlooked.

There was a desire from arts and community organizations for the program to be bespoke and targeted, and a few participants showed frustrations, noting that it seems like the City got to decide who was "worthy" of relief. Commercial strata properties, warehouses, and miscellaneous were noted as often being used by artists and to *"preserve these spaces and the art scene in Vancouver,"* it was suggested these should be included. One workshop participant noted that production spaces were not listed in the exclusions list, and another noted, "*it is very hard for artists to pay the highest use clause when renting studios space. Painters, sculptors, musicians, craft artists all need a leg up."*

Within the business community there was more interest in defining "small business." For example, in the workshops, one participant noted that franchises are often family businesses with owners who *"put everything into their franchise",* but because of their identity (franchise) they might be excluded. Additional small businesses that people mentioned included artists, small car dealerships, mechanic shops, medical and dental practices, small independent hotel, accountants, and public notaries. A few noted that revenue generation of an occupant was a consideration because they might not have the same revenue capability as other organizations and businesses. One participant noted, *"proportionally these [larger institutions] either have cheaper rents or are subsidized because of their size and clout. Independent ma and pa businesses have none of these advantages."*

Several participants also noted specifically that organizations or businesses that serve and support a sense of community should receive tax relief. Comments made include:

- *"Many, if not all, governmental buildings provide services to the population at large, and should not have to contend with development potential tax increases, like all not for profits."*
- *"Any properties/businesses/groups that provide a potential to draw traffic into neighborhoods should be considered to provide incentive to view the location. Franchises need to be understood that they are small business owners and shouldn't be excluded."*
- *"They all serve as community messaging and or community support and involvement. If they are being used for artistic intent they should be eligible."*

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Consider tax relief impact

Primarily in the surveys, several participants noted financial impacts of (high) taxes for small businesses, or businesses that were in the start-up phase of their life cycle. A couple of respondents mentioned the tax implications for properties themselves, with one noting that property owners are paying heavy taxes and post-pandemic now have half-vacant buildings. Comments included:

- *"A lot of vacant office spaces after the Covid and they have since never been filled up again. Property owners are having a hard time to pay heavy property taxes with a ½ vacant building."*
- *"A lot of business owners are starting out and need to rent office space. High cost of rents and taxes aren't in support of small businesses."*

Furthermore, respondents indicated the importance of considering the impacts of the tax relief on those who do not receive it. Given the total tax collected must stay the same, the tax burden that is taken from those eligible for DPRP will be transferred to ineligible businesses. This was seen as a risk, especially when businesses are perceived to be incorrectly excluded from the program, meaning that they will not only have to pay the typical tax amount, but also have to pay extra, further increasing the negative impacts they will experience.

Suggestions for Additional Exclusions

Participants listed additional property uses which they believe should be excluded from the DPRP. These included:

- Large businesses
- For-profit organizations
- Non-profit organizations in the East Side which already receive other benefits
- Vape Shops
- Cannabis stores
- Breweries
- Liquor stores

Occupancy Date Eligibility

Responses to questions regarding the in-use date indicate alignment between the workshop participants and survey respondents in that, for most, focusing on longer term occupancy was preferred.

When survey respondents were asked if the eligibility date should be based on one day, only 12% (9) indicated yes, with 56% (42) indicating no, and the remaining 32% (24) indicating they did not know. Workshop respondents had more of a split response to this question, with 31% (5) responding yes and another 31% (5) responding no, and 38% (6) responding they did not know.

Some participants favoured a longer period of occupancy, and wanted to understand better if the administrative burden of the relief program outweighed the benefits of delivering it. The cost of determining occupancy for example, might outweigh the benefits received. In addition, there were some

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participants that felt that it should include shorter term occupants and as one person noted "*if a tenant comes into a space on Nov 1 and they could benefit from that tax relief*".

A subsequent question in the survey asked if respondents preferred requiring a certain number of months in-use, to which 79% (59) indicated yes.

Those who answered yes to the above survey question regarding length of occupancy were then asked an open-text format about how many months they believe should be required. Many respondents indicated six months or *"at minimum 6 months",* with others showing preference for nine or 10 months, and several others mentioning 12 months or a year.

Others did indicate shorter terms such as three months, and some comments related to how uncontrollable occupancy was and that it can vary sometimes month-to-month, which is reflected in one respondent's comment, *"this is the wrong standard. It should be available for use or lease."*

Other Taxing Authorities

Municipal tax awareness

Awareness that the DPRP only applied to municipal taxes was split between survey respondents and workshop participants. When asked, *"before today, were you aware that the DPRP applies only to municipal taxes?"* 32% (24) of survey respondents said yes, while 84% of the workshop participants said yes.

Extending DPRP to taxes levied by other taxing authorities

There seemed to be interest from both survey respondents and workshop participants in extending the DPRP to taxes levied by other authorities. Over half of survey respondents (53%) indicated they opposed limiting DPRP to municipal taxes.

When asked to explain their response, respondents primarily indicated:

- Other taxing authorities should share the burden of providing relief;
- All taxes should be reduced and any tax relief is appreciated; and
- Extending it to other taxing authorities could help mitigate unfair tax policy.

Others thought extending to other tax authorities could limit the benefits, with one person describing the tax relief as requiring, *"lots of paperwork and restrictions for minimal financial impact,"* and another noting, *"this makes the relief less helpful."* Yet another participant suggested keeping the DPRP at the municipal level would be easier to review.

Tenant Notification

In both the workshop and survey, respondents were in favour of landlords notifying their tenants if they are receiving property tax relief. Survey respondents strongly supported (81%) the statement that landlords must notify tenants if they are receiving property tax relief. Similarly, in the workshops participants indicated that this was necessary.

When asked for greater insights into their response regarding notification, survey respondents indicated that it was important that tenants be informed so that tenants will know the actual costs of taxes. It was also shared that notification would prevent landlords from getting relief and not passing the savings onto their tenants, which was seen as important as tenants are impacted by *"triple net rents"* and could benefit from tax relief.

There was a particular theme in the survey feedback that landlords should be required to pass the savings down, as *"the tenants are the ones who often pay that tax they and should be able to plan accordingly"* and that landlords should not be the ones that solely benefit from the relief. Similarly in the workshop session, a participant concurred that this should be a requirement, recommending *"there are a lot more good actors than bad, but keep this in as a safety mechanism."*

Transparency came up frequently in the feedback, with participants noting that if landlords were required to notify tenants, it *"would be good for everyone"* and that it encourages better relationship-building. A few respondents believed that landlords and tenants should be able to negotiate the cost savings and that *"open communication would set precedent for fairer negotiations,"* but that they did not want to be required to disclose anything. It should be noted that one workshop participant and some survey participants identified that for out-of-town landlords' notification may be more challenging for them.

Other Themes

As part of the survey, respondents were asked what had worked well and what could have been improved in the pilot program. Respondents did re-state previous sentiments regarding use. There a general appreciation for the program being initiated, how it seeks to serve small businesses, and that small businesses and properties were able to get some relief. There were two additional themes that emerged: improving the process and increasing awareness and clarity.

Improve the process

Participants suggested that the process to receive relief itself could be improved by:

- Allowing BIAs to help identify businesses that should be included, using the City's appendix of eligible addresses,
- Automatically applying the DPRP without making owners "apply"[5] for the program, and
- Allowing tenants to apply for tax relief. Comments to support this included:

  "We told the landlord and he did nothing so we got nothing."

[5] Many respondents were unaware of the declaration process and often used the term "apply", commenting on how business could apply, the burden of applying, and the application process. This may indicate a need for further education on eligible properties and the declaration process.

> *"Give the tenants/business owners power. Having to rely on absentee landlords, landlords who don't care or ones who do not pass along the information to their tenants is a bad idea."*

One participant suggested a sliding scale for relief for properties that are in their property eligibility category (high property value and low building value), which would result in paying significantly less and provide flexibility.

Another respondent did appreciate that the landlord had to do all the paperwork, *"considering tenants are having troubles…complicated forms are nice to pass off."*

Increase awareness and clarity

There were several general comments about the need for better notice to property owners, better communication, simplified language, and that some respondents had not been aware of the program. Others noted wanting clarity about what and why some properties were included and why others were not, with a request that communication be sent to the businesses and tenants that occupy the properties as well.

There was also some confusion from some around the land averaging tool. One participant shared that they applied for land declaration and then found out they qualified for the DPRP, which resulted in tenants paying more taxes.

Others wanted to understand what the actual benefit is of the DPRP, with one respondent expressing their dismay with their experience: "*I was hoping to see a decrease in our tax rate over the previous year, not just having it stay the same*." Another participant noted, "*we saw absolutely zero reduction in our property tax bill compared to last year. The City should have classified it not as a 'cost saving' measure though, more a 'cost maintaining' measure*." This was mirrored in some of the workshop discussions, with one participant indicating they wanted clarity about the administrative burden of applying to the program versus its overall benefit.

Next Steps

In advance of the 2024 tax season, the City of Vancouver Finance team will consider the feedback received from this engagement process and will work to integrate changes into the 2024 Developmental Potential Relief Program where possible. The project team will also look at suggestions that may lay outside their scope of influence and identify key areas of discussion with the British Columbia government, with the aim of enhancing the pilot over time.

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Appendix A – City Exclusions

Of the ~3,420 Eligible Properties Under Provincial Criteria… CITY OF VANCOUVER

~1,720 properties (~$18.8B)

senior government agencies
big box stores, international/national chains
banks & financial institutions
development presentation centres
gas stations, parking lots
car dealerships & auto service
self-storage & warehouses
hotels, office use, strata properties
billboards

~295 properties (~$1.2B)

- Little or no development potential value
- Imputed development potential (HBU minus current use) < 5% of land value

~48 properties (~$1.6B)

Property owners seeking additional density or change in use

Appendix B – Workshop Reponses Tables

Workshop poll responses – poll 1

Which of the following excluded primary uses do you feel should not be excluded from the DPRP? (Please select all that apply)	Count	%
Self-storage or warehouses	7	41%
Commercial strata properties	7	41%
Office primary use	6	35%
Miscellaneous (including church offices, funeral homes and privately owned colleges)	4	24%
Hotels	3	18%
Car dealerships or auto service	3	18%
None of the above	3	18%
Big box stores	2	12%
International or national chains	2	12%
Standalone billboards or signs	2	12%
Owned or operated by the provincial or federal government, or an agent of the provincial or federal government	1	6%
Development presentation centres	1	6%

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Gas stations	1	6%
Parking lots	1	6%
Banks or financial institutions	0	0%

Workshop responses – poll 2

Do you agree that the eligibility for tax relief should be based on occupancy as of October 31 of the previous year?	Count	%
Yes	5	31%
No	5	31%
Don't know	6	38%
Total	**16**	**100%**

Workshop responses – poll 3

Before today's session, were you aware that tax relief only applies to city taxes, not other taxing authorities?	Count	%
Yes	16	84%
No	3	16%
Total	**19**	**100%**

Appendix C – Survey Reponses Tables

Survey responses – question 1

Which of the following applies to you?	Count	%
I rent property to a business or arts, culture, non-profit organization in Vancouver.	47	19%
I own/operate a business in Vancouver and own my business property.	22	9%
I own/operate a business in Vancouver and rent my business property.	115	48%
None of the above	58	24%
Total	**242**	**100%**

Survey responses – question 2

Which of the following excluded primary uses do you feel should not be excluded from the DPRP? (Please select all that apply)	Count	%
Office primary use	25	33%

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Commercial strata properties	22	29%
Miscellaneous (including church offices, funeral homes and privately owned colleges)	22	29%
Self-storage or warehouses	21	27%
Car dealerships or auto service	17	22%
Owned or operated by the provincial or federal government, or an agent of the provincial or federal government	17	22%
International or national chains	15	20%
Parking lots	15	20%
Big box stores	13	17%
Hotels	13	17%
Banks or financial institutions	12	16%
Standalone billboards or signs	12	16%
Development presentation centres	10	13%
Gas stations	10	13%

Survey responses – question 5

Do you agree that the eligibility for tax relief should be based solely on one day (October 31 of the previous year)?	Count	%
Yes	9	12%
No	42	56%
Don't know	24	32%
Total	**75**	**100%**

Survey responses – question 6

Would you prefer requiring a property to be in use for at least a certain number of months including October 31st? (Note that October 31 is the statutory requirement)	Count	%
Yes	59	79%
No	4	5%
Don't know	12	16%
Total	**75**	**100%**

Survey responses – question 8

Before today, were you aware that the DPRP applies only to municipal taxes?	Count	%
Yes	24	32%
No	45	61%

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Not sure	5	7%
Total	**74**	**100%**

Survey responses – question 9

Do you support or oppose limiting the DPRP to municipal taxes only (i.e., not extending it to taxes levied by other taxing authorities)?	Count	%
Oppose	39	53%
Not sure	21	28%
Support	14	19%
Total	**74**	**100%**

Survey responses – question 11

Would you support a DPRP tax rate that is (please select all that apply):	Count	%
Lower than 50% of the regular commercial tax rate	33	45%
50% of the regular commercial tax rate	32	44%
Higher than 50% of the regular commercial tax rate	13	18%
None of the above	10	14%

Survey responses – question 13

To what extent do you agree or disagree with the following statement: The landlord must notify tenants if they are receiving property tax relief.	Count	%
Strongly Agree	59	81%
Somewhat Agree	5	7%
Neutral	7	10%
Somewhat Disagree	1	1%
Strongly Disagree	1	1%
Total	**73**	**100%**

Survey responses – question 17

Did you receive property tax relief this year as part of the pilot DPRP?	Count	%
No	53	74%
Yes	10	14%
Unsure	9	13%
Total	**72**	**100%**

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Survey responses – question 18

Which area of Vancouver is your business or arts, culture, non-profit organization located in?	Count	%
Downtown or West End	9	12%
Northeast (north of 16th Ave and east of Main St)	35	47%
Northwest (north of 16th Ave and west of Main St)	9	12%
Prefer not to say	4	5%
Southeast (south of 16th Ave and east of Main St)	7	9%
Southwest (south of 16th Ave and west of Main St)	10	14%
Total	**74**	**100%**

Survey responses – question 19

Do you belong to a Business Improvement Association?	Count	%
No	37	50%
Not sure	2	3%
Prefer not to say	3	4%
Yes	32	43%
Total	**74**	**100%**

Survey responses – question 20

Please indicate which Business Improvement Association you belong to:	Count	%
Chinatown	1	3%
Commercial Drive	1	3%
Hastings North	4	13%
Kerrisdale	2	6%
Marpole	2	6%
Mount Pleasant	2	6%
Point Grey Village	5	16%
South Granville	3	9%
Strathcona	8	25%
West 4th	1	3%
West Broadway	2	6%
West End	1	3%
Total	**32**	**100%**

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Survey responses – question 21

If you are a tenant, how long have you occupied your current property? If you are not a tenant, please select N/A.	Count	%
10 years or more	23	32%
7 to 10 years	6	8%
5 to 7 years	1	1%
3 to 5 years	7	10%
1 to 3 years	8	11%
Less than 1 year	1	1%
N/A	24	34%
Prefer not to say	1	1%
Total	**71**	**100%**

Survey responses – question 22

How many employees work for your business or organization? (Include all City of Vancouver-based locations, including full-time and part-time staff)	Count	%
0 (i.e. self-employed) to 3	32	44%
10 to 99	16	22%
100 or more	1	1%
4 to 9	16	22%
Prefer not to say	8	11%
Total	**73**	**100%**