

Metro Vancouver has a Property Tax Problem

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The following piece explores a series of stories from real business owners in Metro Vancouver who share the same problem: rising property taxes crippling their business.

Property Tax Problem

In order to grow and build our local communities, municipal governments must collect taxes to fund spending initiatives. But what happens when taxes rise much faster than local taxpayers can keep up?

Unfortunately, this is an all-too familiar scenario for many small businesses operating in Metro Vancouver. Every year, BC Assessment determines the value of residential and commercial properties. Due to rapid development in the Metro Vancouver region, many commercial properties have seen a massive increase in value. In fact, the average business owner in Metro Vancouver saw their property assessment increase 87 per cent between 2015 and 2019¹. Because property taxes are determined by a property's assessed value, this has resulted in skyrocketing property taxes.

Businesses who rent their space are feeling the pain too, as property taxes are often passed through to tenants in a lease agreement. Small local business typically operate in highly competitive markets with thin property margins, and anytime governments hike taxes it puts them in a hard place with difficult decisions to make.

The Canadian Federation of Independent Business met with several business owners in Metro Vancouver to discuss how rising property taxes have impacted them and their business. This piece tells their stories.

¹ CFIB Metro Vancouver Property Tax Survey, January 8 – January 31, 2019, n=271. "Please share your business's property assessment in each of the following years (if applicable):" 2019 mean = \$5,483,936; 2015 mean = \$2,919,082.

Background

It is often said that small business is the heart and soul of communities. Without them, our streets would be far less vibrant. Unfortunately, rising property taxes are threatening Metro Vancouver’s heart and soul.

Over half of small business owners in Metro Vancouver indicate they have considered moving their business or closing down due to property taxes and/or their lease costs. While it is unlikely to expect these local businesses to disappear tomorrow, it has become common to see empty storefronts haunt many of Metro Vancouver’s main streets. Property taxes are one of the largest reasons as to why.

Figure 1

Empty store fronts continue to riddle Vancouver’s most popular streets



Pictured: A street banner reads “ENJOY LOCAL” while towering over a boarded store front.

Because property taxes are based on a property’s value, businesses must pay the tax regardless if they are profitable. Property taxes can drastically change year over year, which also makes them an unpredictable cost. This can seriously impact a business owners’ ability to plan for the future adding even more stress to all the other challenges they face. As the cost of overhead becomes increasingly unaffordable, business owners have less flexibility to hire additional employees, give wage increases, and offer more benefits. In fact, uncertainty from possible property tax and/or lease increases prevent 3 out of every 4 business owners from growing their business. In other words, skyrocketing overhead hurts local workers, the local community and the overall economy. Without action from policy makers, businesses located in developing areas will remain trapped under BC’s unfair property tax system.



55%

of Metro Vancouver business owners have considered closing down due to property taxes and/or lease costs.

Source: BC Provincial Government 2 Years and Property Tax Survey, July 4 – July 18 2019, n=208, breakout for Greater Vancouver.

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60%

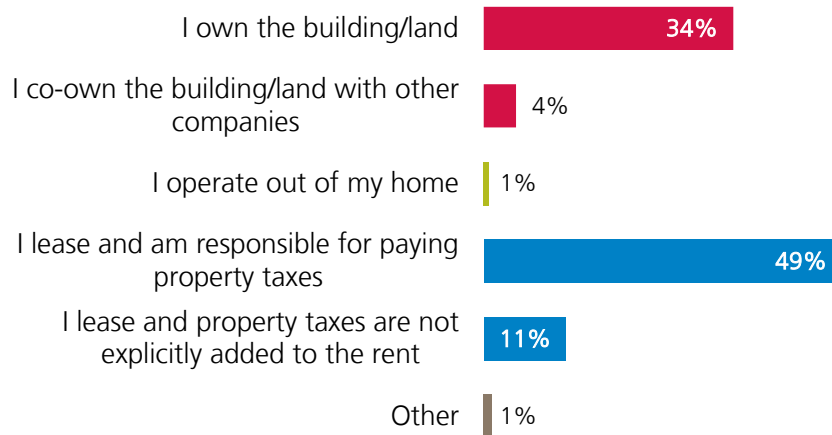
of business owners in Metro Vancouver do not own the building or the land where they operate.

Source: BC Provincial Government 2 Years and Property Tax Survey, July 4 – July 18 2019, n=208, breakout for Greater Vancouver.

While some entrepreneurs own the property their business operates on, many lease and will not see any long term benefit from any increase in the property's value. And many of those who do own property are struggling to afford the bill, and feel they are being pushed out of their neighborhoods.

Figure 2

Do you own or lease your business property? (Select one answer only)



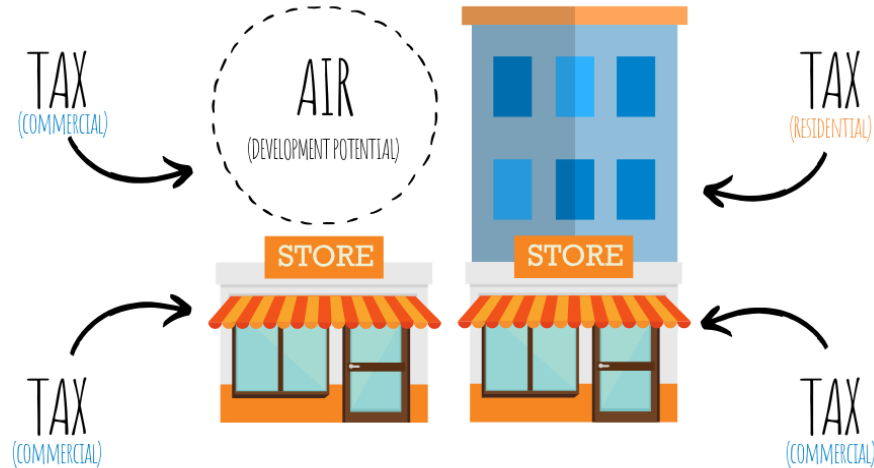
Source: CFIB Metro Vancouver Property Tax Survey, Jan 8 - Jan 31 2019, n=271.

But why are commercial property taxes rising so drastically in Metro Vancouver? BC Assessment uses a “highest and best use” method to assign commercial properties their value. This method calculates the property's value according to what it could be in the future, rather than what the value is today. This is otherwise known as the development potential, and is taxed at the much higher commercial tax rate (e.g. Vancouver municipal commercial rate = \$4.27 per \$1,000 of assessment, residential rate = \$1.34), despite it not being commercial space.

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Figure 3

Highest and Best Use means some BC business owners pay a tax on air



In other words, if a single-story business sits next to a mixed-used building (a business on the ground floor with residential units on top), the single-story business will have to pay a tax on the air above it (see Figure 3). BC Assessment justifies using the “highest and best use” method as a way to capture the value of this single-story business if it were developed into a mixed-use building, just like its neighbor.

This phenomenon is making a significant impact on Metro Vancouver’s local businesses. The consequences are real. This is why CFIB has sought stories of local business owners who have at least one thing in common: a property tax problem. What follows are the real life stories of business owners struggling to make ends meet due to drastically escalating property taxes and/or lease costs.



3 of 4

small business owners in Metro Vancouver say property taxes and/or their lease has made their lives increasingly stressful.

Source: BC Provincial Government 2 Years and Property Tax Survey, July 4 – July 18 2019, n=208, breakout for Greater Vancouver.

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Uncertainty from possible increases in property taxes and/or lease prevent

76%

of business owners from growing their business.

Source: BC Provincial Government 2 Years and Property Tax Survey, July 4 – July 18 2019, n=208, breakout for Greater Vancouver.

MANIFESTO SALON AND HABERDASHERY



Sally Traynor, owner of Manifesto Salon on Commercial Drive, has grown her business by establishing positive connections with her customers and the community. Traynor also supports local artists and craftspeople by selling their products in store.

But Traynor faces a serious problem. For her 750 square foot location, she pays \$3,600/month in rent alone. On top of that, the business must also pay over \$800/month in property taxes. Since first opening 13 years ago, this figure has doubled.

“I have seven local employees. I really care about them and we look out for each other. It’s a real sense of community. Without such massive overhead, I’d definitely reinvest more into them and the business.”

— Sally Traynor, Owner of Manifesto Salon

Traynor fears the prospect of having to move her business due to rising property costs. The looming spectre of her next lease and potential spikes in her property tax bill puts huge stress on Traynor and Manifesto Salon.

Manifesto Salon and Haberdashery is located on Commercial Drive in Vancouver. [Click here to visit the business website.](#)

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“Increases in taxes affect small business owners on a much more personal level, because your employees become like your family and you want to protect them.”

— Shauna Bailey,
Controller at Raimac
Industries



Raimac Industries is a mainstay business operating in Greater Vancouver for over 100 years, having first opened its doors in 1917. The business supplies grocery and small convenience stores with equipment, displays and other products, all while employing 20 locals.

In 2017 the business moved out of Vancouver to the Township of Langley, in large part due to rising property valuations and higher property taxes. Despite the move, the issue of skyrocketing property taxes has followed Raimac Industries to the Township.

Property taxes at the new location are \$4,400 a month, and growing. Over the past five years, the annual taxes on the building have increased a third. Raimac Industries is seeing many of the same problems as they did in Vancouver: significant increases in the amount of property taxes with no end in sight.

“It’s ridiculous to think you can just pass on the changes in property taxes to customers! It’s virtually impossible to pass on through prices. We face stiff competition, much of it online. With high volume and low margin, you cannot compete. If the Township wants independent business to stay, something has to change.”

— Shauna Bailey, Controller at Raimac Industries

Raimac Food Store Equipment is located in the Township of Langley. [Click here to visit the business website.](#)

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“We care about our employees and consider them family. Our employees have mouths to feed, and it’s important to provide good wages and benefits. But the massive lease and tax bill we face makes it increasingly hard to give the raises we want to.”

— Robert Gaffney,
CEO of Omega
Nutrition



Robert Gaffney founded Omega Nutrition over 30 years ago. His goal is to provide high-quality organic health products such as flaxseed oil, pumpkin protein and apple cider vinegar to improve his customers’ quality of life. Gaffney employs 20 local residents, and plays an important role in his community.

“Quality is where we stand out. My mantra is you need to get the best out of the products you are buying. There is a big difference between what our products offer and what the big guys offer.”

— Robert Gaffney, CEO of Omega Nutrition

But skyrocketing taxes and overhead costs, a shortage of labour, and mass-produced corporate competition have made it increasingly difficult to run the business. Scheduled rent increases over the next three years will cost an additional \$160,000 compared to the business’ previous lease. Add on Gaffney’s 2019 property taxes totalling \$54,000 (nearly twice the amount compared to 2013!), and Omega Nutrition is facing a huge challenge.

Omega Nutrition is based in Vancouver. [Click here to visit the business website.](#)



Corey Lapell opened his business 11 years ago after seeing first-hand how CrossFit improved his life after a serious physical injury. His goal is to help others use fitness to overcome their own challenges. With clients aged between 10 and 85, Lapell is ready to help anyone achieve their goals. But the massive overhead his business faces has made it increasingly difficult.

“I have not brought home a paycheck for nearly 2 years. Despite our rapid growth, overhead grows faster. If I can't pay rent, I can't keep doing this.”

— Corey Lapell, Owner of Crossfit Empower

Lapell's rent has increased 40% over the last 6 years. His lease is now costing over \$9,000 a month just for just 1,900 square feet - this doesn't even include his unpredictable property tax bill. Despite the cost increases, Corey won't pass it all onto his customers, as he repeats: "prices need to be affordable for people".

Even with a growing business, it only gets by with Corey working over 80 hour weeks and not taking home a paycheck. The skyrocketing costs have stalled expansion and prevented hiring additional local trainers.

CrossFit Empower is located on Alma Street, off W 4th in Vancouver. [Click here to visit the business website.](#)

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“There is a huge shortage of light industrial properties in Vancouver – one of the worst in the country. I want to stay in Vancouver because many of my customers are here, but it’s a challenge. I may need to move further out.”

— Mark Greene,
Business Owner
Pacific Controls



Mark Greene’s family-owned light industrial business has been a part of the Mount Pleasant community for 60 years. But after years of rapid property tax growth, Mark finally made the tough call to close up shop and move the branch.

“My dad said eventually property taxes would drive me away. It was maybe twenty years ago that he said that – I didn’t think I was going to be able to hold out for as long as I did.”

— Mark Greene, Owner of Pacific Controls

Property taxes on the company’s warehouse and parking lot have nearly doubled since 2014. Even the 10 car parking strip costs Greene \$30,000 alone in property taxes. All in, the business faces property taxes of \$82,000. Greene is looking to relocate, but it may not be in Vancouver.

Pacific Controls is located on Columbia Street near W 2nd Ave in Vancouver.
[Click here to visit the business website.](#)

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“Property taxes on this space are making me rethink the direction of my business. Rather than expanding, I may cut down on space to save some money. The tax burden puts my plans in flux. ”

— Blair Ballard,
Business Owner of
Creative Home
Furnishings



Blair Ballard has run his business Creative Home Furnishings in Coquitlam since 2009, with a second location open in Vancouver. Ballard rents his space in Coquitlam, and works closely with his wife and three long-term employees to keep the business afloat. Sourcing almost entirely local products, Creative Home Furnishings works closely with small suppliers across British Columbia to provide his customers local, high quality, custom-built furniture you just can't find anywhere else.

Ballard recalls back in 2010 and 2015, property taxes were not on his radar as a problem. But now, things have gotten really bad.

“Just the increase on my commercial property taxes for one month is the same as my total residential taxes for the full year...”

- Blair Ballard, Owner of Creative Home Furnishings

In 2019, the property value in Coquitlam where Creative Home Furnishings is located jumped from \$11.3 million to \$19 million. Due to the massive increase in valuation, the property's taxes rose from \$160,000 to \$230,000.

As a tenant, Ballard is responsible for covering 25 per cent of the property's taxes through his lease agreement, leaving him with a monthly property tax bill of \$5,000 - keep in mind, this does not include the price of his monthly rent.

Creative Home Furnishings' Coquitlam location is at situated at the intersection of Barnet Highway and Lansdowne Drive, and their Vancouver storefront is located on W 2nd Ave. [Click here to visit the business website.](#)

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Sam Issari left his e-commerce job to pursue a meaningful career he could truly resonate with. In 2016, Issari became the owner of Vancouver School of Healing Arts (VSOHA), employing 3 full-time staff and 50 additional faculty members through contract.

Issari's space at VSOHA currently hosts over 150 students in a warm, welcoming atmosphere with high wooden ceilings and exposed red brick, located in the heart of Gastown. VSOHA offers unique programs in bodywork therapy, yoga teacher training, yoga therapy, and expressive arts therapy to help their students achieve a meaningful career path.

"I would love to do this for the rest of my life - whether or not that is actually possible is a different question."

- Sam Issari, Owner of Vancouver School of Healing Arts

But unpredictable, large increases to Issari's property tax bill has him questioning the entire business model. VSOHA's property taxes went from \$46,740 to \$59,660 this year, with Issari covering the entire bill. In addition, his new lease agreement will increase his rent 60% over the next 5 years, ultimately raising the cost from \$5,700 a month to \$9,800. Issari had to make the difficult decision to lay off one staff member and decrease their marketing budget just to keep the business afloat.

Working 65 hour 7-day work weeks, Issari feels he is "back to step one" despite his efforts to grow the businesses over the last four years, largely in part due to rising costs.

Vancouver School of Healing Arts (VSOHA) is location in Vancouver's Gastown district on Water St. [Click here to visit the business website.](#)



81%

of BC small business owners agree the province needs to take action to address rising commercial property taxes.

Source: BC Provincial Issues Survey, Nov 22 – Dec 17 2018, n= 734.

Recommendations

We need to help protect our local businesses from unjustified skyrocketing tax increases. If action is not taken, we will continue to see our favourite streets riddled with empty store fronts. Municipal governments and the province have a unique opportunity to work together and take action. To do so, we will need to see changes made to at the municipal and provincial levels, and to BC Assessment. CFIB makes the following recommendations:

BC Government

1. The BC government should pass legislation which allows Municipal governments to apply a lower, separate tax rate for small businesses hardest hit by large increases to property value derived from speculative development potential.
2. The BC government should introduce a Commercial Property Tax Deferral similar to the one available to residents to allow business owners who own property with undeveloped potential to defer that component of their tax bill until it is developed and/or sold.

Improvements to BC Assessment

3. Provide a more detailed breakout of how business property is valued (i.e. if a commercial building's value is partially based on undeveloped residential potential, BC Assessment should provide the details on how the value is determined).
4. Specific instructions on how to appeal a property assessment should be made public and communicated to both tenants and landlords (i.e. timelines, process).
5. Extend the window where an appeal can be made on a property's assessment (i.e. currently the end of January to end of February).

Municipal government

6. Once the provincial government passes legislation allowing, municipal governments should work with the business community to introduce a property tax sub-class on development potential for businesses hardest hit by property tax increases. The sub-class would be at a lower rate than the commercial tax rate.
7. When determining annual budgets, be mindful of taxpayers' ability to pay and local economic conditions. Do not increase property taxes more than inflation plus population growth to encourage increases that are more sustainable.

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