



# Corporate Report

NO: R165

COUNCIL DATE: July 24, 2006

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## REGULAR COUNCIL

TO: Mayor & Council DATE: July 15<sup>th</sup>, 2006  
FROM: General Manager, Finance, Technology & HR FILE: 6930-01  
SUBJECT: Tax Incentive Program for Surrey City Centre

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## RECOMMENDATION

That Council approve a tax incentive program for Surrey City Centre for a two-year period on a pilot basis.

## INTENT

The intent of this report is to respond to the September 6<sup>th</sup>, 2005 presentation to Council-in-Committee by Lesley Tannen, Executive Director of the Whalley Business Improvement Association, regarding a tax incentive program for the Surrey City Centre.

## BACKGROUND

On September 6<sup>th</sup>, 2005 Lesley Tannen, Executive Director of the Whalley Business Improvement Association, appeared before Council-in-Committee to request consideration for a tax incentive program for the City Centre Revitalization Area.

Her presentation acknowledged the importance of the incentives that have already been adopted by Council. She indicated that the City also needed to encourage the upgrading of properties in the City Centre area that were not yet ready for re-development. On behalf of the Whalley Business Improvement Association, she proposed that Council consider a revitalization tax exemption under Section 226 of the BC Community Charter for the City Centre.

## **DISCUSSION**

Section 226 of the Community Charter grants authority to municipal governments to provide revitalization tax exemptions. Council may designate a revitalization area, set the objectives for the area and provide exemptions for property owners who construct new improvements or alter existing improvements in that area. Exemptions are limited to the increase in assessed values that are due to the new or altered improvements. The exemption is limited to a five-year period, with an option to renew this arrangement for a further five years. Only the general property taxes qualify for these exemptions. Other provincially mandated taxes do not qualify.

The authority to grant revitalization tax exemptions is available to municipalities to promote or achieve specific goals. Before granting revitalization tax exemptions, the benefits as well as possible implications need to be considered. The criteria for such an exemption should promote clarity, consistency and certainty to the municipality, the taxpayers and perspective applicants.

Several other municipalities in BC have already adopted some form of a downtown revitalization tax exemption. This list includes Abbotsford, Chilliwack, Prince George, Salmon Arm and Kelowna.

### **Required Steps for Implementation by Council:**

In order to implement this incentive, Council would be required to:

1. Designate a Revitalization Area in either the Five-Year Financial Plan or the Official Community Plan. Should Council approve the proposed initiative, designation in the Five-Year Financial Plan is recommended. The designation must include the reason for the designation, and the objectives that the designation is intended to achieve;
2. Establish a Revitalization Tax Incentive Program, which should include the kind of property revitalization that will be eligible for exemption, the extent of the exemption available, conditions on which tax exemption certificates may be issued and provisions for a recapture amount;
3. Provide notice of a proposed bylaw that defines the Revitalization Incentive Program, in accordance with Sections 94 and 227 of *The Community Charter*;
4. Adopt the bylaw as proposed in the above requirement;
5. Enter into a Tax Exemption Agreement with the property owner that sets out the extent of the exemption and the conditions upon which, the exemption is being made;
6. Provide public notice of a proposed exemption bylaw for each Agreement, which includes the property subject to the bylaw, a description of the proposed exemption, the number of years of exemption and an estimate of the amount of taxes that would be imposed on the property if it were not exempt;
7. Adopt a bylaw for each proposed exemption. The bylaw can be adopted at any time throughout the year; however, it must be adopted by October 31<sup>st</sup> of any year, in order to qualify for the tax exemption in the following year. The bylaw must identify each property subject to exemption, describe the extent of the exemption and the period of the exemption and any conditions to which the exemption is subject;
8. Issue a Tax Exemption Certificate once all of the above requirements have been met.
9. Forward a copy of the Revitalization Tax Exemption Certificate to BC Assessment Authority.

Council is only permitted to provide a revitalization exemption up to the amount that the assessed value of the land and improvements on a parcel of land increases between the year before the construction or alteration began and the year in which the revitalization tax exemption certificate is issued.

### **Required Steps for the Property Owner**

A property owner, interested in taking advantage of the tax incentive would have to:

1. Enter into a Tax Exemption Agreement with the City at the time the qualified improvement is proposed;
2. Apply for the necessary approvals for the qualified improvements such as a building permit;
3. Request a Tax Exemption Certificate once the building approvals have been obtained from the City, and
4. Substantially complete the construction of the qualified improvement within one year from the date of the Tax Exemption Agreement.

### **Benefits of Providing a Tax Incentive Program**

There are approximately 500 businesses in the Whalley City Centre. This area is illustrated in *Appendix A*. The citizens of Surrey and the businesses in the City Centre area would benefit from a tax incentive program. Specifically the program would:

1. Re-affirm the City's support to businesses in the area;
2. Provide an incentive to update or renovate building exteriors to enhance the image of the City Centre area;
3. Soften the blow of increases in assessed values and property taxes by deferring tax increases;
4. Extend the economic life of buildings;
5. Increase customer traffic in the City Centre area;
6. Create a more pleasant working environment and place to shop and visit, and
7. Demonstrate business pride.

### **Pitfalls of a Tax Incentive Program for the City Centre**

1. The updated or renovated building exteriors may not complement the newer structures in the area;
2. If the property owner had intended to do renovations anyway, the City would lose property tax revenue for the period of the exemption;
3. There may be less incentive for property owners to demolish and re-build;
4. BC Assessment Authority already assumes that buildings are regularly maintained and in good repair. Regular maintenance work, therefore, would not qualify since it does not trigger an increase in assessed value;
5. Every dollar invested will not usually trigger an assessment increase of the same value, and
1. The Program involves additional administration for City staff.

### **Proposed Revitalization Tax Exemption Program**

On balance, Staff holds the view that a Tax Exemption Program has sufficient merit to implement on a 'pilot' basis. It is proposed that Council establish a Revitalization Tax Exemption Program for the City Centre, on a pilot basis, for a two year period, for those properties that meet the following criteria:

1. Class 6 (Business) properties located in the City Centre. A map of this area is provided in *Appendix A*;
2. Renovations or upgrades of building exteriors that would result in an increase in the assessed value of at least \$25,000;
3. The above renovations or upgrades would require the applicant to obtain a building permit from the City of Surrey, and
4. Available for original owner only. As soon as the property is sold, it will be fully taxed.

Businesses in Surrey are taxed at an approximate rate of 1% of assessed value, this would mean that a \$100,000 improvement would cost the property owner an additional \$1,000 per year or \$5,000 over the five-year period. It is therefore proposed that the tax exemption be set at 100% for the five-year period. Should Council approve a Revitalization Tax Exemption Program for the City Centre area, Whalley Business Improvement Association has offered to act as a resource for applicants. It should also be noted that, the City's current tax exemption policy would have to be amended to incorporate Section 226 provisions. At the conclusion of the two-year period, it is proposed that Staff apprise Council of the results of the pilot.

### **CONCLUSION**

Council has already approved several phases of the Whalley Enhancement Strategy in order to improve image, stimulate private sector development and build a greater sense of pride within the community. On September 6<sup>th</sup>, 2005 Lesley Tannen, Executive Director of the Whalley Business Improvement Association, appeared before Council-in-Committee to request consideration for a tax incentive program for the City Centre Revitalization Area.

Section 226 of the Community Charter grants authority to municipal governments to provide revitalization tax exemptions for general property taxes only. The exemption is limited to the increase in assessed values that are due to the new or altered improvements and limited to a five-year period, with an option to renew this arrangement for a further five years.

It is proposed that a Revitalization Tax Exemption Program be initiated on a pilot basis over a two-year period, for those properties that meet the criteria outlined in this report. It is further proposed that, at the end of the two-year pilot, Staff report to Council on the results of the pilot program.

Vivienne Wilke, CGA  
General Manager, Finance,  
Technology & HR

THE AREA COVERED BY THE WHALLEY BUSINESS IMPROVEMENT ASSOCIATION

