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June 30, 2020

**Mayor and Council**

City of Surrey  
**Surrey City Hall**  
 13450 - 104 Avenue  
 Surrey, BC, Canada V3T 1V8

Dear Mayor and Council.

**Re: Class 4 Property Taxes 2020**

With the receipt of the 2020 Commercial property taxes notices, the Class 4 – Major Industry and Class 6 – Business taxpayers have been significantly impacted by unreasonable City tax increases. This letter deals with Class 4.

Teal Jones, a Major Industry Class 4 taxpayer, and included in the recently released City’s 2019 Annual Report - list of the City’s top 10 Employers by employee count - received the following 2020 Tax Statement and has given us permission to disclose their tax position; Table 1 breaks down the impact of the City rate change over its 2019 rates, change in its assessment, and taxes owing to the other jurisdictions (TransLink, BC Assessment, Metro Vancouver, the school district).

Table 1

	2019	2020			2020 Taxes – from change in Assessed value	Total Tax Costs over 2019
Teal Jones - Assessed	\$25.7M	\$30.0M			\$4.2M	
Teal Jones – Taxes		Taxes: from both Rate and Assessed changes	From Change in 2020 Rates	% of Change		



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City Taxes	\$244K	\$720K	\$376K	154%	\$100K	\$476K
Other Jurisdictions	\$94K	\$64K	(\$39K)	(41%)	\$9K	(\$30K)
Total Taxes	\$338K	\$784K	\$337K		\$109K	\$446K

Any City taxpayer group which receives a city driven tax hike of 154% in one year requires the close attention of Mayor and Council.

Surrey has three major sources of revenue, the most significant of which is property taxes (including Residential, Utilities, Major Industry, Light Industry, Business, Recreation, and Farm Classes). Within the City’s 2019 property taxes revenue, 68% of the taxes came from Residential Class 1; 30% came from the 3 business taxes Classes (4,5,6) and 2% from Utilities and all other Classes. Surrey has maintained the approximate revenue tax sharing ratio of 70% Class 1 and 30% Business Classes for many years.

Surrey Mayor and Council’s 2020 Financial Plan – presented in December 2019 – set out annual residential property taxes would only increase by 2.9% for the average single-family dwelling, as a cost of living increase, and some businesses could face a property tax increase of 5.5%.

Arising from our review of the 2020 Plan, the Surrey Board of Trade wrote to Council in December 2019 identifying two classes of businesses would be facing a significant, unexpected tax increases: Major Industry (Class 4) - to \$24.00 per \$1,000 assessment – up from \$9.41 per \$1,000; and Business (Class 6) property tax increase of 5.5% (2.9% increase + 2.6%). These two significant 2020 tax increases were not an acceptable increase in one year. There was no consultation on proposed tax rates with the business community leading up to the 2020 Financial Plan or following our letter to Council. The 2020 tax increase is unfairly weighted against Surrey’s manufacturing sector.

The City’s Annual Plans in recent years – under the economic diversification strategy – identified advanced manufacturing as an integral part of Surrey’s future industry base, one that needed be supported, developed, and built. What is the City of Surrey’s economic development plan to strengthen our diverse industry base and increase good quality jobs in the face of continued increasing financial pressures to business from the local government? How can we create a predictable, sustainable tax environment for business that will support business and attract business? Rising commercial property taxes compromise the success of business owners.



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The City's 2020 tax rate move to dramatically increase the Class 4 Taxpayer's costs has resulted in this Class being a very high property tax regime in Surrey. The high level of the Class 4 taxation in the other municipalities within Metro Vancouver should not be the reason Surrey's Class 4 Taxpayer pays the high price of the City finding more property tax revenue to support our City's growth. In Surrey, Class 4 has always carried a materially higher tax rate than Class 5 and 6 but Class 4 taxpayers use our City services of police services, fire services, parks & recreation, and general government services in a similar manner as Class 5 and 6.<sup>1</sup>

A future City of Surrey fiscal approach on property taxes could be to have the property tax rates for the three business classes in the same range. (e.g. District of Langley). As mentioned earlier, Surrey, for many years, has used the 70-30 tax revenue model. Surrey has stated in recent years that it would like to get to 60-40 model. For fiscal research, and to ensure business support/sustainability, the Surrey Board of Trade can work with the City of Surrey to explore a 65-35 model, (e.g. District of Langley) and a realignment of the three business classes in 2021 to a 'similar tax multiple over Class 1. This would materially reduce Class 4 taxes and essentially recover most of the Class 4 2020 rate increase in 3 - 5 years.

There should be an opportunity for Teal Jones and others in their Class 4 group to meet with you and members of Surrey Council to discuss their options on their 2020 tax costs.

Teal Jones and other companies in their industry classification want to continue doing business in Surrey, but a continued path of significant property tax increases without dialogue is unacceptable.

The business community matters in Surrey. They deserve to have their voice heard by Mayor and Council. Please let me know a time when these businesses can speak to you.

A handwritten signature in black ink, appearing to read 'A Huberman', written in a cursive style.

H. Captain (Navy) Anita Huberman  
CEO, Surrey Board of Trade

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<sup>1</sup> 2019 Tax Multiples over Class 1: Class 4 – 5.4 multiple; Class 5 – 2.6; Class 6 – 3.1