



SURREY PROPERTY TAX SURVEY RESULTS:

THE MOUNTING COST OF DOING BUSINESS IN SURREY

June 21, 2021



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1. INTRODUCTION

The Surrey Board of Trade (SBOT), a not-for-profit organization with a membership of over 6,000 business contacts, supports business and attracts business. Our role is to enhance economic opportunities. The Surrey Board of Trade contributes to city-building initiatives that enhance livability in the region.

The Surrey Board of Trade continues to assess the bottom-line impacts of tax increases and fees from all levels of government as part of our advocacy portfolio. The Surrey Board of Trade asked its membership through a survey for their input on the City of Surrey tax increases to business.

Many businesses have indicated a large increase in their property tax rates between 2019 and 2021. The difference was noticeably larger between 2020 and 2021 due to the reduction of the Provincial School Tax in 2020, a relief measure for the COVID-19 pandemic.

POSSIBLE ACTIONS & BACKGROUND

The Surrey Board of Trade presented to Mayor and Council starting in September last year and met with Senior Management at Surrey City Hall at least four times, as we knew these tax increases would be coming. Ultimately the decision is up to Mayor and Council, Metro Vancouver and the BC Government. Some of the reasons for the tax increases are noted below. Certainly, even in 2019 prior to the pandemic, we had expressed significant concern publicly and to the City about Class 4, 5, and 6 businesses facing increases as high as 150%. This is unacceptable and unsustainable. There is no room for tax payment delays given the cash flow challenges of the pandemic. We need a tax climate that is conducive to the success and sustainability of businesses - and over the years all levels of governments have put significant tax burden on business. Please note that businesses do not have a vote. The burden of taxation on business is unsustainable and damaging to economic recovery and growth.

Reasons for Property Tax Increases

BC Assessment determines the value of each property by July 1 each year, using the income approach to valuation, using market rent rather than actual rent. Hence, your assessed value could be higher than market or appraised value. Most do not dispute the value of their home or business property with BC Assessment (the deadline is at the end of January or February each year).

In April or thereabouts, each municipality allocates a tax rate for each type of property. Industrial property can fall under Class 5 or 6, each one having a different tax rate. Class 5 is primarily industrial uses only, whereas Class 6 includes other uses as well, such as retail, office, and hotels.



Increases over 2020 occurred for several reasons:

1. Low Assessment in 2020

If your property was under-assessed in 2020, BC Assessment could be doing a catch-up. Hence, if you were 10% under-assessed, your taxes will go up 10% in relation to other properties.

2. Municipal Budget

Any budget increases or reallocations by Council will increase all taxes (e.g. capital parcel tax).

3. Other Government

The tax rate includes amounts for BC Assessment, Metro Vancouver, Municipal Finance, Sewer and TransLink. This increase appears to differ by municipality.

4. BC Government School Tax Subsidy

In 2020 the BC Government provided a subsidy to Class 5 and 6 properties by reducing the tax rate for the Provincial School Tax. This reduced taxes for 2020. Part of this year's increase is a return to the school taxes charged in 2019.

We recommend that businesses:

1. Send letters throughout the year - and especially in September when the City of Surrey is starting their planning for their budget for 2022 to:

- City of Surrey Finance Managers: Kam Grewal KGrewal@surrey.ca and Sally Gill sbbhullar-gill@surrey.ca
- City of Surrey Manager: Vince Lalonde valalonde@surrey.ca
- Mayor Doug McCallum: mayor@surrey.ca - his assistant NatalieJones@surrey.ca
- Councillors:
 - Laurie Guerra laurie.guerra@surrey.ca
 - Allison Patton allison.patton@surrey.ca
 - Doug Elford doug.elford@surrey.ca
 - Mandeep Nagra mandeep.nagra@surrey.ca
 - Jack Hundial jack.hundial@surrey.ca
 - Linda Annis linda.annis@surrey.ca
 - Brenda Locke brenda.locke@surrey.ca
 - Steven Pettigrew steven.pettigrew@surrey.ca

2. Speak at the Council meeting in late November/early December when the budget is presented, prior to approval.

3. Send a media release to say you are opposed to unsustainable tax increases.

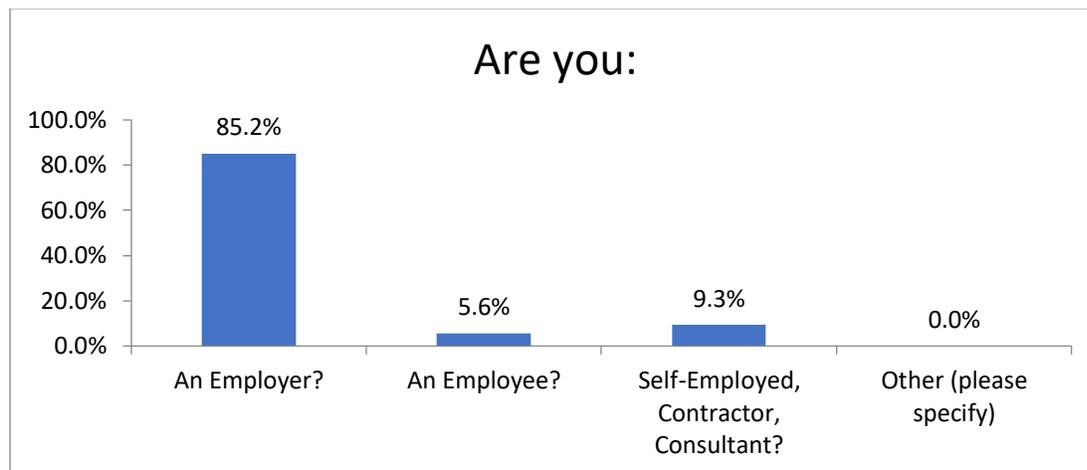
2. RESULTS SUMMARY

A simple survey was distributed to the Surrey Board of Trade’s membership and network via email and social media. The survey contained six questions:

1. Describe yourself as a respondent (employer, employee, self-employed (contractor or consultant), or other);
2. How many employees are at your company;
3. What is your NAICS category;
4. List your total property tax in 2019, 2020, and 2021;
5. What was the percentage increase of your tax bill between 2020 to 2021; and,
6. What was the dollar increase of your tax bill between 2020 to 2021?

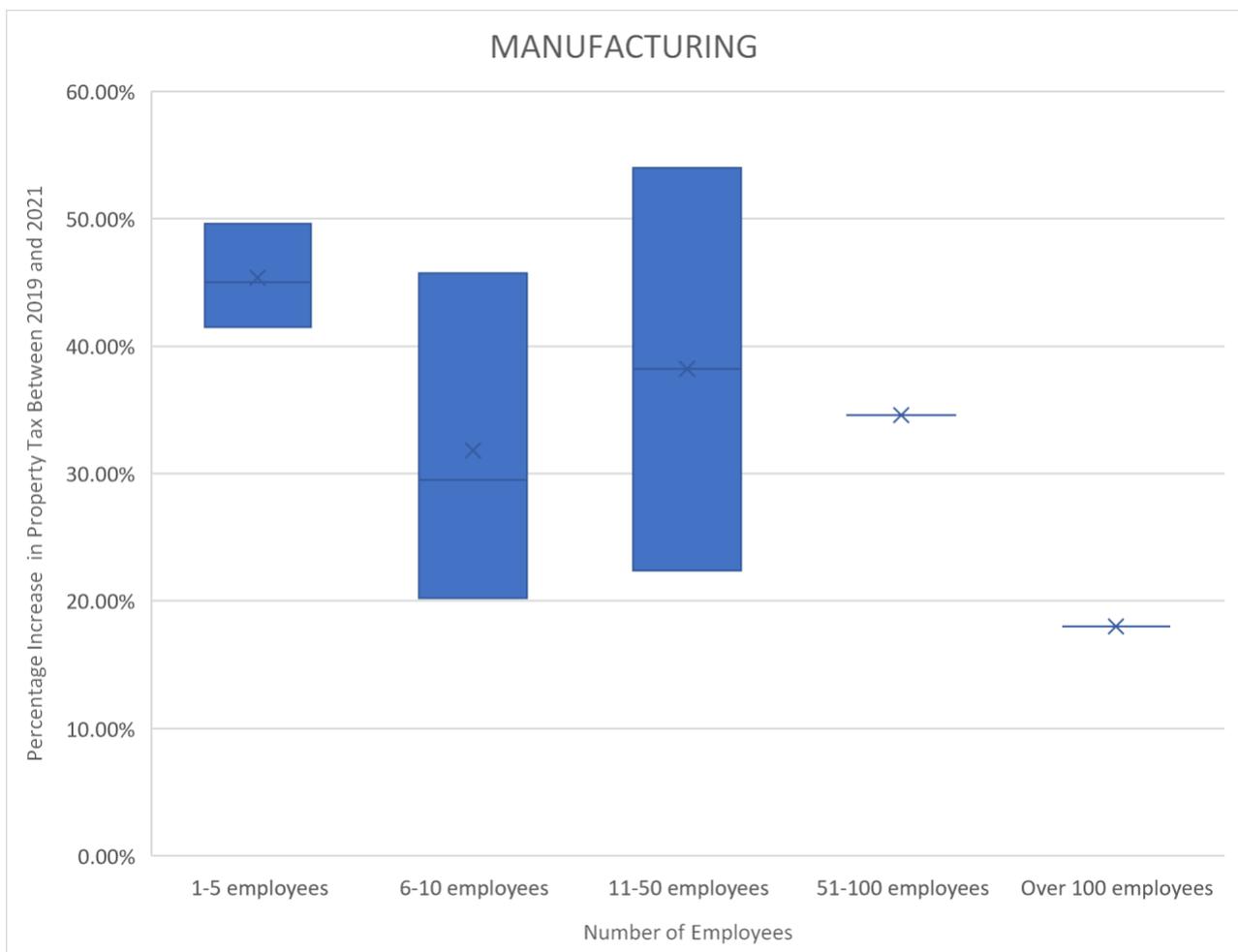
We received 55 responses from our membership, who were all businesses that operate in Surrey. This is simply a pulse survey of what business are facing. Although the responses were low due to the limited time for engagement, these respondents had an opportunity to engage with the Surrey Board of Trade and help us to advocate for them on this important issue.

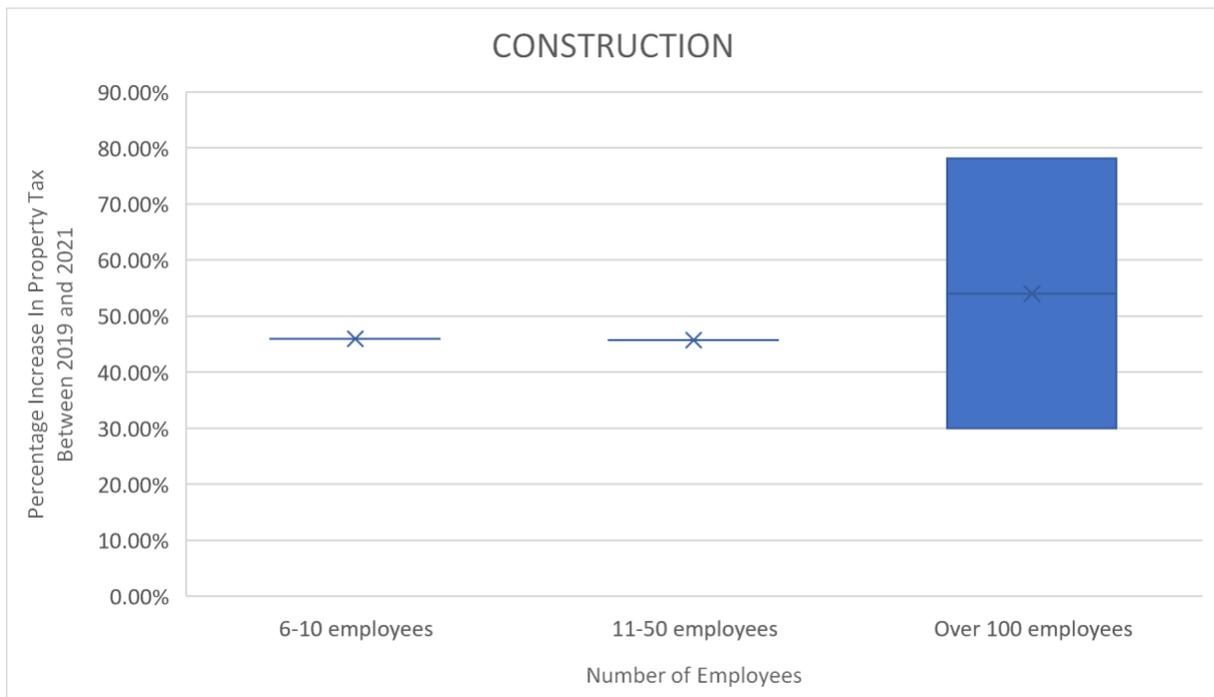
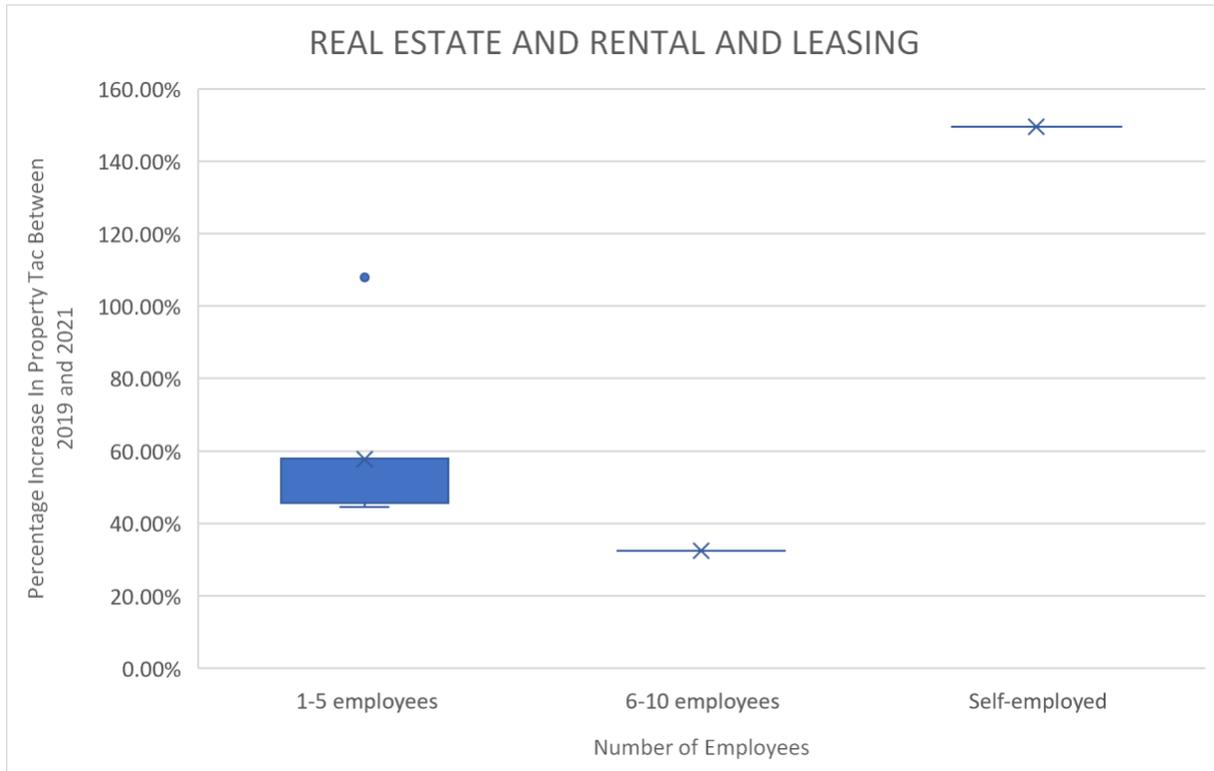
We had 85.2% employers, 9.26% self-employed, contractors or consultants, and 5.56% employees respond.



PERCENTAGE CHANGE BETWEEN 2019 AND 2021 PROPERTY TAX BILLS

We asked respondents to categorize their business or company based on North American Industry Classification System (NAICS). We had 26% of respondents in the manufacturing sector, 18.5% from the real estate and rental and leasing category, and 9.3% from the construction sector. These three categories represented the majority of the respondents. The charts below illustrate the percentage change in their property tax bill between 2019 and 2021. These years were compared because many tax breaks, namely the Provincial Schools Tax, were afforded to businesses in 2020 due to the COVID-19 pandemic, and therefore would not tell the full story. The full list of responses can be found in the Appendix on page 8.

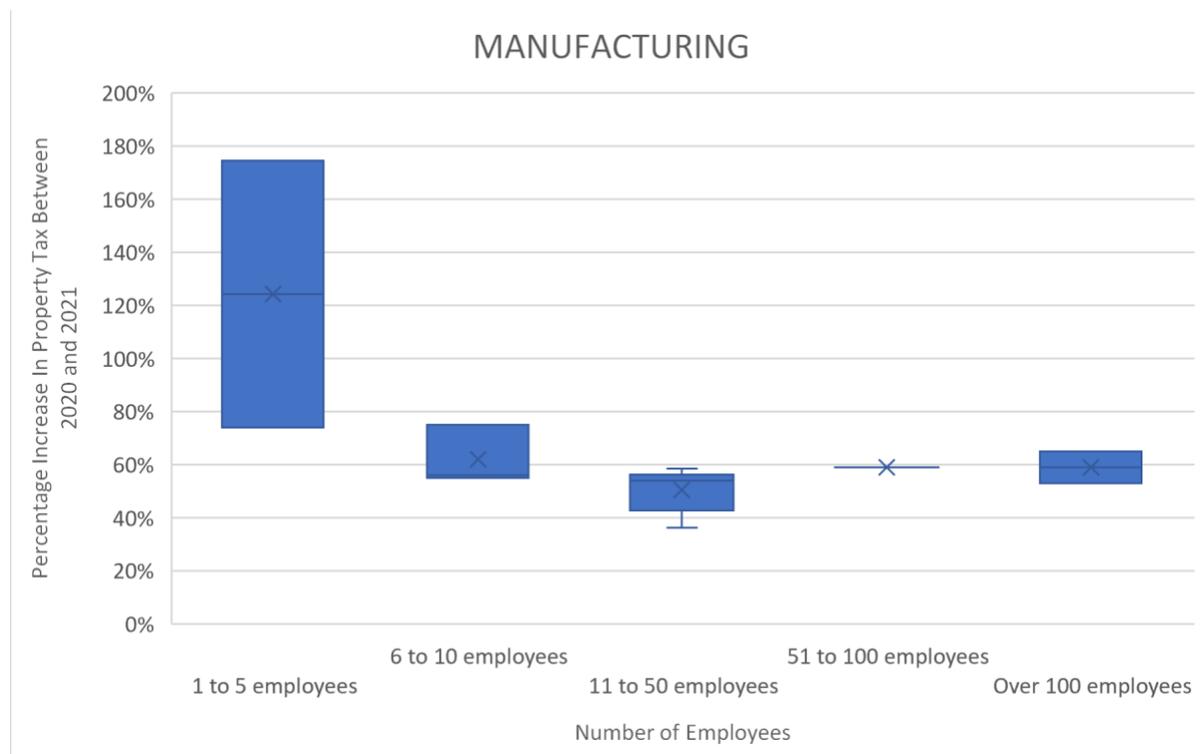


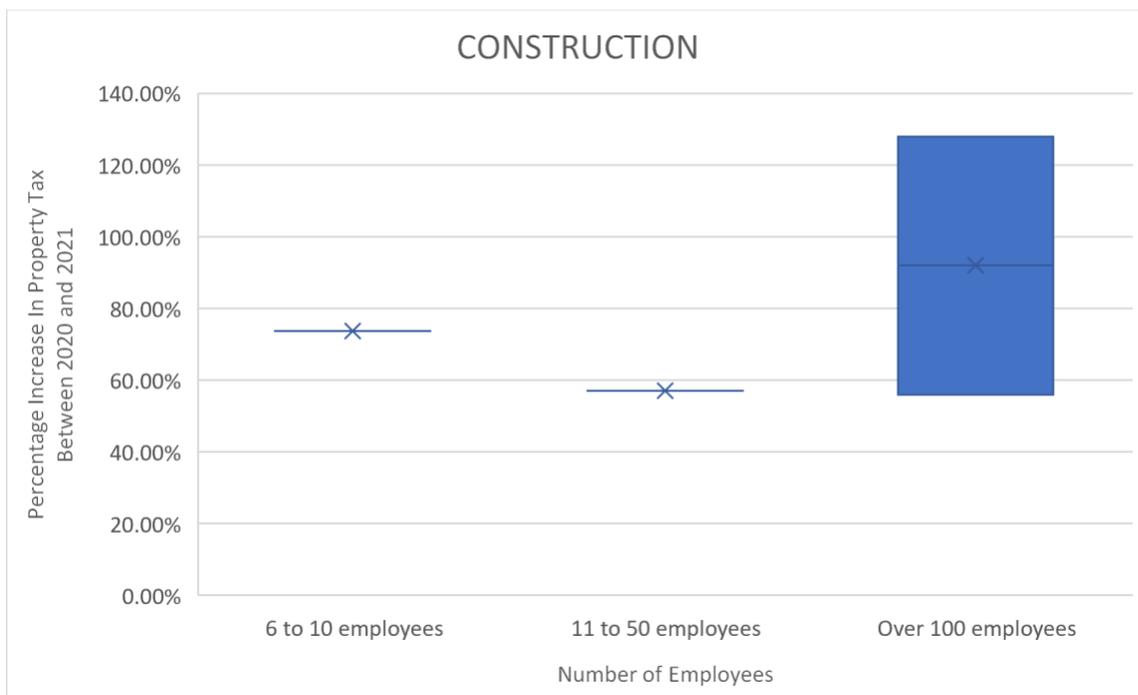
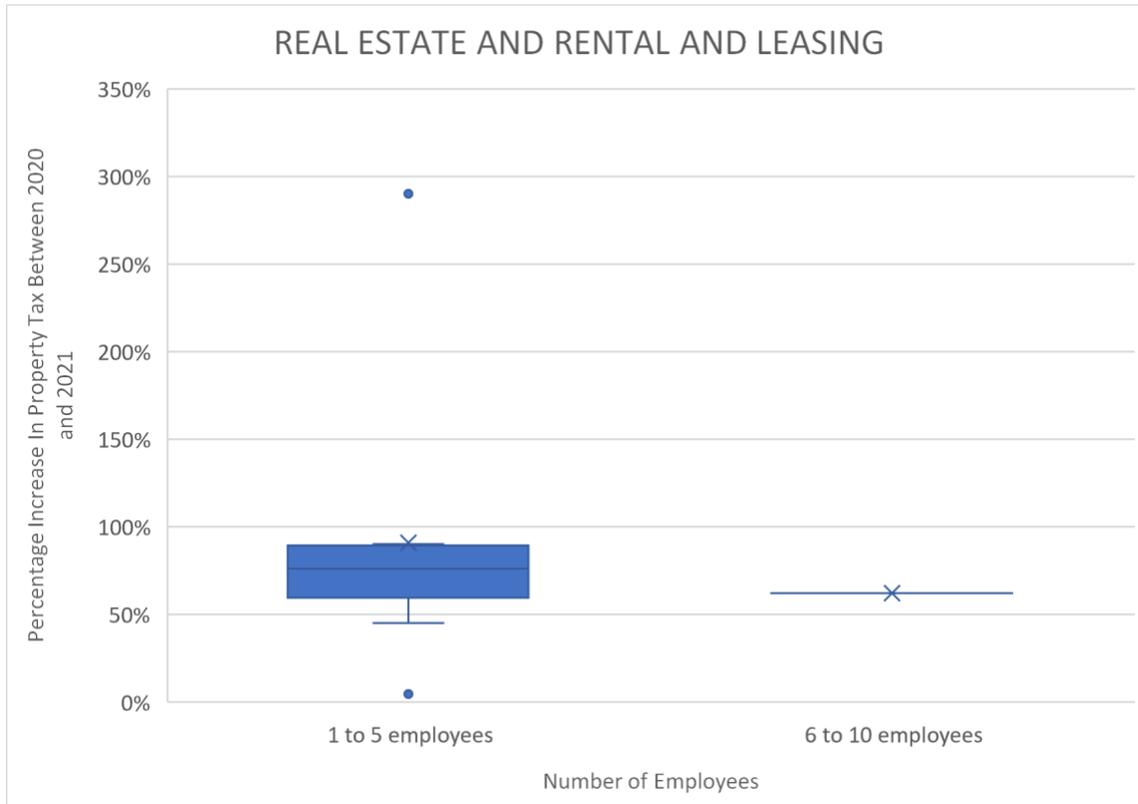


PERCENTAGE CHANGE BETWEEN 2020 AND 2021 PROPERTY TAX BILLS

The percentage increase of businesses tax bills from 2020 to 2021 was also indicated by respondents. The tables below indicate the top 3 respondent industries: manufacturing; real estate and rental and leasing; and construction.

It is apparent that the percentage increase is greater than the difference in between 2019 and 2021. There are many reasons for this. One, it could be due to the subsidy provided by the Provincial Government in 2020 in the form of a school tax reduction. Two, it may be because the assessment of the property was not done or was reduced in 2020, and now BC Assessment is playing catchup. Three, it could be due to the increase in municipal taxation amounts levied against a business for new programs such as policing or to fund new capital projects through a fee such as the parcel tax. Four, Metro Vancouver, TransLink, or other service providing government agencies could have increased their fees and taxes.







3. CONCLUSION

The Surrey Board of Trade concludes that a pulse of Surrey's business community has indicated a property tax increase in 2021 that is not sustainable or feasible, especially as businesses still struggle with the effects of the COVID-19 pandemic, and needs to be addressed. There are many reasons why the property taxes have increased, and requires all levels of government to work in coordination with each other to address this issue facing our region.

While this survey presents a snapshot of a few businesses and industries, and the number of respondents is not a significant figure, it should be considered that these are real businesses that have faced these increases. There are some respondents that indicated minimal or no increases in their property tax bill and many others may be in the same boat. The snapshot provided by this survey shows that taxation is creating significant bottom line erosion.

4. APPENDIX

I am:	How many employees	Which category would best describe your company? (NAICS based choices)	What was your Tax bill for 2019, 2020, and 2021?	2021 vs 2019 % change	What was the percentage increase of your tax bill for your business from 2020 to 2021?	What was the dollar increase of your tax bill for your business from 2020 to 2021?
An Employer	Over 100 employees	Accommodation and Food Services	2020 Paid \$5,232.45. Now in 2021 Paying \$9,130.97, a 74.5% Increase in Taxes!	unanswered	8%	\$17,163.00
An Employer	1 to 5 employees	Administrative and Support, Waste Management and Remediation Services	\$55,107. \$45,924. \$71,587.		74.5%	\$3,898.52
An Employer	Over 100 employees	Construction	2019 - \$76,172.37, 2020- \$59,403.45 & 2021- \$135,735.66	29.9%	56%	\$25,663.
An Employer	Over 100 employees	Construction	2020: \$19,000; 2021: \$28,000	78.2%	128%	\$76,332.21 Note (Prop.value increased from \$9,191,000 to \$15,374,000

An Employer	Over 100 employees	Construction	\$6,111.03, \$5,108.40, \$8,909.29	no 2019 data	47%	\$9,000
An Employer	11 to 50 employees	Construction	2019-\$5,273.67, 2020-\$4,429.71, 2021-\$7,697.05	45.8%	57%	\$3,800.89
Self-Employed, Contractor, Consultant	6 to 10 employees	Construction		46.0%	73.759%	\$3,267.34
An Employee	Over 100 employees	Health Care and Social Assistance	Can't find '19 ('18 was 3,909.07), '20 was 4,059.84; '21 is 4,124..67		Not applicable (exempt)	Not applicable
Self-Employed, Contractor, Consultant	1 to 5 employees	Information and Cultural Industries	2019-\$8,521 2020-\$7,050 2021-\$12,056	not enough information	n/a?	n/a?
An Employer	1 to 5 employees	Manufacturing	2019 -\$5,855.75 2020-\$4,896.74 2021-\$8,526.35	41.5%	71%	\$5,006.00
An Employer	1 to 5 employees	Manufacturing	2019 - \$57,384.49 2020 - \$47,887.03 2021 - \$76,137.03	45.6%	8526.35minus 4896.74=3629.61 or 74%	\$3,629.61
An Employer	51 to 100 employees	Manufacturing				\$28,250.00

An Employer	Over 100 employees	Manufacturing	\$103,000 (2018), \$104,000 (2019), \$80,000 (2020, plus \$26,000 COVID 50% school tax red'n, actual would have been \$106,000) \$123,063 (2021)	18.3%	16% (adding back the 2020 COVID relief), 53% (actual, without adding back COVID relief)	\$43,000 (considering COVID relief), \$17,000 (not considering COVID relief).
An Employer	11 to 50 employees	Manufacturing	2019/\$72,757.30 2020/\$88,990.01 2021/\$112,187.44	54.2%	54%	\$23,197.43
An Employer	6 to 10 employees	Manufacturing	2019 = \$70,047.13 2020 = \$58,286.13 2021 = \$90,733.72	29.5%	56%	\$32,447.59
An Employer	6 to 10 employees	Manufacturing	2019 - \$56,317 2020 - \$43,662 2021 - \$67,741	20.3%	55%	\$24,079
An Employer	11 to 50 employees	Manufacturing	\$30,625.53, \$25,165.94, \$37,499.30	22.4%	49.09%	\$12,334.36
An Employer	11 to 50 employees	Manufacturing		unanswered	54%	\$39,430
An Employer	11 to 50 employees	Manufacturing		unanswered	36.2%	\$39,740.82
An Employer	11 to 50 employees	Manufacturing		unanswered	56%, 48%, 71% - three properties	\$2,192 + \$8,598 + \$6,538 = \$15,136
An Employer	Over 100 employees	Manufacturing		unanswered	65%	\$65,000

An Employee	1 to 5 employees	Manufacturing	2019=2,012.80, 2020=678.59, 2021=3,111.16	49.6%	5,232.45 to 9,130.97 = 1.745	\$3,898.52
An Employee	6 to 10 employees	Manufacturing	2019 – 6,202.95 2020 – 5,174.07 2021 – 9,040.28	45.7%	75% increase	\$3,866.21
An Employer	6 to 10 employees	Other - Automotive service technicians, truck and bus mechanics and mechanical repairers	\$6,013.30	not enough information	14	\$0.11
Self-Employed, Contractor, Consultant	1 to 5 employees	Other - Commercial Real Estate Advisory	No Answer	no answer	14.45%	\$218.00
An Employer	1 to 5 employees	Other - Environmental Technology Developer and Manufacturer	2019=\$6,264.21 2020=\$5,232.45 2021=\$9,130.97	45.8%	74.5%	\$3,898.52
An Employer	51 to 100 employees	Other - Food Processing and Trading	0, \$20,247.34, \$26,003.71	no business in 2019	28.43%	\$5,756.37
An Employer	11 to 50 employees	Other - Importer	7,060.73, 5,918.42, 10,571.96	49.7%	78.6%	4,563.54

An Employer	11 to 50 employees	Other - material handling	2019/ \$27,325.00 2020/ \$26,745.00 2021/ \$39,927.00 rounded	46.1%	39.05%	\$13,182.00
An Employer	11 to 50 employees	Other - Not-for-profit	SURREY BC	wrong information	Not for profit - charity	Not for profit - charity
An Employer	1 to 5 employees	Other - Printing	\$3,976 (2019) , \$3,389 (2020) , \$6,296 (2021)	58.4%	86%	\$2,907
An Employer	1 to 5 employees	Other - Private held company leasing property to the company that bought our operating company.	Y2019 - \$28,712.72 Y2020 - \$23,805.03 Y2021 - \$43,734.52	52.3%	85%	\$19,929.49
An Employer	1 to 5 employees	Other Services (except Public Administration)	4,671.16 3,838.60 5,563.77	19.5%	45%	\$1,725.17
An Employer	1 to 5 employees	Other Services (except Public Administration)			0	\$0.00
An Employer	1 to 5 employees	Professional, Scientific and Technical Services			48%	\$2,551.21

Self-Employed, Contractor, Consultant	1 to 5 employees	Professional, Scientific and Technical Services	2019 = \$694.59 2020 = \$946.55 2021 = \$970.97	39.8%	2.5%	\$24
An Employer	1 to 5 employees	Real Estate and Rental and Leasing	2019 – 7,152.65 2020 – 5,933.02 2021 – 10,420.84	45.7%	76%	\$4,487.82
An Employer	1 to 5 employees	Real Estate and Rental and Leasing	2019 – 5,855.75 2020 – 4,896.74 2021 – 8,526.35	45.6%	74%	\$3,629.61
An Employer	1 to 5 employees	Real Estate and Rental and Leasing	2019 – 5,855.75 2020 – 4,896.74 2021 – 8,526.35	45.6%	74%	\$3,629.61
An Employer	1 to 5 employees	Real Estate and Rental and Leasing	2019 – 9,848.15 2020 – 8,078.53 2021 – 14,239.98	44.6%	76%	\$6,161.45
An Employer	1 to 5 employees	Real Estate and Rental and Leasing	\$48,000 2019 \$65,000 2020 \$100,000 2021 without zoning	108.3%	45%	\$35,000
An Employer	1 to 5 employees	Real Estate and Rental and Leasing	2019 = \$30,466.18 2020 = \$25,359.29 2021 = \$48,148.75	58.0%	90%	\$22,789.46
An Employer	1 to 5 employees	Real Estate and Rental and Leasing	2019 = \$31,895.85 2020 = \$26,483.13 2021 = \$50,103.66	57.1%	89%	\$23,620.53
An Employer	1 to 5 employees	Real Estate and Rental and Leasing	2019 N/A 2020 \$8,578.56 2021 \$8,978.41	no business in 2019	~4.4%	~\$400

An Employer	6 to 10 employees	Real Estate and Rental and Leasing	\$384,193.64 \$315,075.67 \$509,242.10	32.5%	62%	\$194,166.43
Sole contractor or consultant		Real Estate and Rental and Leasing	2019-3,639.77 2020-3,130.74 2021-9,082.93 (unit made 2) no increase in area	149.5%	290%	\$5,952.19
An Employer	11 to 50 employees	Retail Trade	85,000, 132,000	not enough information	50%	\$47,000.00
An Employer	Over 100 employees	Retail Trade		unanswered	26.2%	70,588
An Employer	11 to 50 employees	Transportation and Warehousing	109,008 81,212 119,436	9.6%	47%	\$38,224.00
An Employer	Over 100 employees	Wholesale Trade	2020 \$100,743 2021 \$155,437	no report in 2019	Increased 54.3%	\$54,694
An Employer	Over 100 employees	Wholesale Trade	2019 \$208,610 2020 \$176,877 2021 \$276,209	32.4%	276,209/176,877 = 56.2% increase	276,209 - 176,877 = 99,332
An Employer	Over 100 employees	Wholesale Trade	100,743 now 155,438	inaccurate information	54.3%	\$54,695
An Employer	11 to 50 employees	Wholesale Trade	2020-\$60,811.96 2021-\$105,484.51	not enough information	73.46%	\$44,672.04
An Employer	11 to 50 employees	Information and Cultural Industries	2019 \$13,756.21 2020 \$11,654.45 2021 \$ 20,100.35	46.12%	73%	\$8,445.90