

August 28, 2020

Hon. John Horgan, Premier
Hon. Carole James, Minister of Finance
Hon. Lisa Beare, Minister of Tourism, Arts & Culture
Hon. Selina Robinson, Minister of Municipal Affairs & Housing
Government of British Columbia
Victoria, BC

RE: URGENT – Recommendations on Property Tax Relief

Dear Premier Horgan, Minister James, Minister Beare, Minister Robinson

The British Columbia Hotel Association (BCHA) advocates for the interests of the accommodation industry in British Columbia; including hotels, lodges, and other small, independently owned businesses. The BCHA has representation from communities across the province, and is largely made up of small independently owned businesses. According to Statistics Canada, 1,201 businesses in the accommodation sector have less than 100 employees, out of 1292 across the province.¹ BCHA's members account for 60,000 employees and bring in \$3.2 billion (2018) in annual revenues. These revenues form a substantial portion of B.C.'s \$13.8 billion tourism trade. This revenue does not include ancillary revenue from tourism operations such as events, transportation, culinary, retail, spa, restaurants, or other interconnected industries.

COVID-19 has been particularly devastating for the hotel industry and the BCHA has been working hard to ensure members are able to continue to operate in some capacity while being aligned with public health and emergency orders. The BC hotel community stepped up at the beginning of the Pandemic to support communities all over the province when deemed an essential service to provide safe shelter. At the same time, BCHA took the lead on behalf of all accommodation types, except the short-term rental sector, to develop and establish Best Practices and Protocols that adhered to BCCDC and WorkSafeBC guidelines. This Best Practices document ensured our province and accommodation industry were prepared to ensure the health and safety of our employees and guest alike. BCHA continues to work hard in hand with industry on health and safety training. The BCHA is also participating in the Metro Vancouver Tourism and Hospitality Response and Recovery Task Force, BC Business Council, BC Business Roundtable, The Regional Secretariat Recovery Strategy team, and the Economic Recovery Strategy Group to assess the economic impact of COVID-19 and provide opportunities for discussions with all levels of government on the state of the industry.

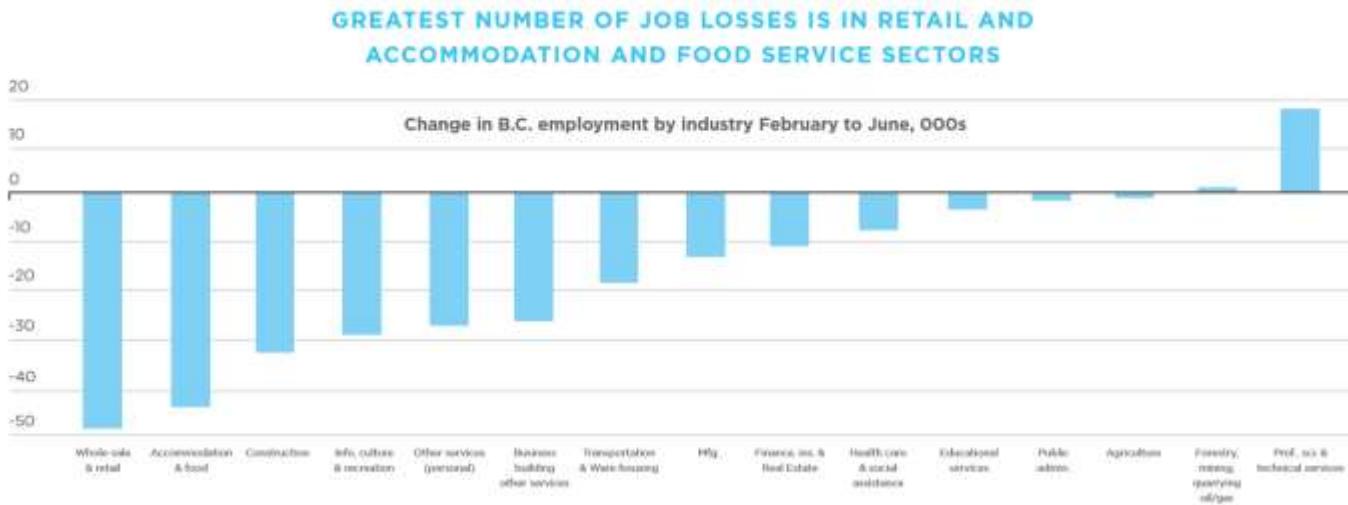
¹

<https://www150.statcan.gc.ca/t1/tbl1/en/cv!recreate.action?pid=3310010501&selectedNodeIds=1D11,3D3,3D1293,3D1294,3D1295,3D1296,3D1297,3D1298,3D1299&checkedLevels=1D1,1D2,2D1&refPeriods=20180701,20180701&dimensionLayouts=layout3,layout2,layout2,layout2&vectorDisplay=false>



Impact of COVID-19

According to the Statistics Canada, Labour Force Survey, the hotel industry in B.C. has been one of the most heavily impacted by COVID-19 and, despite gains in July, employment remains well below pre-COVID-19 levels.



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COVID-19 has also raised the cost of operations. In order to comply with public health orders and WorkSafeBC to ensure the safety of employees and guests alike, the protocols issued by the BCCDC change as the pandemic and information changes, and therefore, so do the operational protocols and procedures, which impact training, product and operational expenses. Additional operating costs, such as increased cleaning and sanitizing, as well as investment in distancing hardware, training, safety plan development, limited seating, time between cleaning and check in to name a few, coupled with a loss of revenue has resulted in painful layoffs and business losses. Operators will still face large property tax bills in September and, without the necessary revenue or relief measures in place, many operators will likely have to default as the Vancouver Sun reports that **close to 40 percent of hotels are currently facing bankruptcy.**³

As the road to economic recovery remains unclear, operators are also deeply concerned about long-term impact.

This is particularly concerning for hotels in urban centers and remote resort destinations, both of which rely heavily on international tourism. With the additional demand markets in question as to when they will be once again visiting British Columbia such as conventions and conferences, Tour business, Cruise business and corporate meetings and events, each of these markets hold a significant impact in different regions and types of accommodators in BC, and without any surety of reopening these markets in the near future, the burden of debt and solvency is increasingly dire.

² Chart is from Business Council of British Columbia

³ <https://vancouversun.com/news/hotel-association-calls-for-deferment-of-2020-property-taxes-to-help-industry-survive>

While the Federal Wage Subsidy has assisted some operators, many have still had to lay off more than 50% of their staff. Summer months have seen some increase in occupancy levels, particularly in resort communities, but **the sector across the province is still seeing an overall reduction of revenue by over 50% year over year**, as well as increased operating costs. There have also been no large events such as conventions since March, and such events are unlikely to resume any time soon. In summary, 2020 is a crippling year for the hotel business, and many hotels will be out of business if there are not relief measures to assist with the hardship of fixed costs. With a resumption of international travel unlikely in the near future and public confidence in the sector likely building slowly, property tax relief is one of the measures that government can implement to support the accommodation sector.

Recommendations

Thus far, there has been no specific relief measures for the hotel industry, and many relief measures deem the hotel sector ineligible, such as BC Hydro relief. We believe a 30% drop in revenue year over year, 2020 vs 2019 is a solid measurement for providing relief to the businesses that need it the most. Hotels are currently assuming additional debt to pay fixed costs and some have even had to write personal guarantees in order to cover financing obligations. In order to alleviate this hardship, relief measures should be at low or no interest, should allow repayment over time, and should be backed by government.

The BCHA is asking the provincial government to take immediate action to alleviate the sector's tax burden, particularly as it pertains to property taxes. These measures would go a long way in ensuring the economic recovery of one of the hardest hit sectors in British Columbia. The BCHA would propose two options that could provide relief for the sector and are in line with recommendations brought forward by hotel associations across the country:

Provide forgiveness of 2020 property taxes for the hotel industry: This would provide immediate relief for the industry and allow the economic landscape to stabilize for the 2021 tax year. This forgiveness would be available to businesses who have seen a 30% drop in their revenues. Property tax assessments need to be based on 2020/2021 revenues moving forward.

or

Allow deferral of 2020 and 2021 property taxes to be repaid in installment payments through 2022/23: This option would collect 50% of 2020 property tax, and 100% of 2021 property taxes with repayment plan of full payment in installments through 2022/2023. This will ease the fiscal burden, while preventing the creation of large one-time payments for the tourism and hospitality industry at a time when no or low revenue is coming in. It is important that these are interest free deferrals. All properties with a 30% year over year revenue loss 2020 vs 2019 should be eligible. Property tax assessments need to be based on 2020/2021 revenues moving forward.

Other jurisdictions across Canada have taken action to address the liquidity and revenue concerns of the Hotel Industry during the COVID-19 pandemic. These approaches range from tax exemptions, to deferments, to capital contributions. One of the measures we want to highlight is a 90-day deferral of the \$1.8 billion in education

property taxes with the province stepping in to adjust payments to school boards in order to keep them afloat. This measure, like the deferments of education property taxes in BC, are helpful; but education property taxes are only a small portion of total property tax burden.

The approach that will be most relevant to BC's case is Ontario, who have taken several measures to support hotels in this difficult time. In order to support additional property taxes, Ontario is supporting both the hotel industry and communities by providing funding for businesses to help them pay off their municipal property taxes. Assessments moving forward on property taxes will also be based on 2020 and 2021 revenues, providing significantly more room for these businesses to recover and begin to grow again. This approach allows the municipalities to remain whole, the hotels to stay in business and continue to recover, and for the provincial government to provide meaningful relief on fixed costs which allows the hotel sector to continue to work with industry to regrow the economy.

Thank you for taking the time to review these recommendations. We look forward to meeting in the future to discuss them in more detail and finding a path forward to economic recovery for our members.

Sincerely,



Ingrid Jarrett
President and CEO
British Columbia Hotel Association

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