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## Why is my assessment so high?

How did Tofino become the most expensive community in B.C. to live?

*Could it be the unintended consequences of 25 years of good intentions. And bad policy.*

Let's start with a few facts about our tax situation

### Fact ....Top 5%

According to the government of BC website: <https://www2.gov.bc.ca/gov/content/governments/local-governments/facts-framework/statistics/tax-rates-tax-burden> Tofino is one of the most highly taxed communities in BC. Based on the rate of taxation applied to the assessment for the representative home, (in 2022 valued at \$1,500,000) Tofino is in the top 5% of 163 Municipalities in BC. With over **\$6015.00 dollars of basic tax** from variable rate tax applied against assessment. What is extraordinary about this fact is how unusual it is for a community, with a population of 2500 to be in the same class as Whistler, Oak Bay, West Van, and others. These are communities with large populations, that offer many services and facilities that smaller communities like Tofino simply cannot afford. But that makes sense.....except for Tofino.

### Fact.....Top 1%

If you take the same information, **\$6015.00 of basic tax per representative home**, and you add in Income stats from Canadian Census information, we, Tofino, move into the 1% bracket.... Our median annual Household Income in Tofino comes in at a modest \$60,000 per annum. Much lower than other communities near the top of the list, who pay large amounts of property tax. I guess predominantly service sector jobs do not necessarily pay all that much. These other communities generally fall into the \$80,000 to \$100,000 for median family income. One community in our tax level, taps out at \$140,000 median household income. The Ratio of Tofino taxation per representative home, to Tofino median household income, puts us at the top of the list as most expensive.... Unfortunately, there is no prize.

### Fact..... 187% in increases to top employees

According to Tofino's own Statements of Financial Information (SOFI), that the Provincial Government requires of the municipality annually. The amount of money going to employees earning more than \$75,000.00 annually, increased by 187% over the last ten years. That includes salary increases for existing positions and the addition of money for new positions. It does not include new hirings and new positions under \$75,000.

### Fact..... recent property assessments up by 20% on average but up to 50% in certain instances

Shocking as this seems to be, it is building on the past few years assessment increases in the 20% range for many Tofino property owners. Regardless of what Tofino does with its taxation, the taxes you pay

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for School, Hospital, Regional District etc. are very likely to go up. Because of its burgeoning assessments, increasing faster than the region, Tofino will shoulder an increasing portion of these taxes.

Regardless of whether there is an increased demand for or supply of these services.

## **Fact.....Tofino has over 300 vacation rental licenses.**

Out of a town of 2500 with a housing stock in the 1000 to 1100 units (we need a clearer understanding of how many housing units we actually have) Tofino has an enormous number of VRs. Many such operations include house, extra suite, caretaker's cottage. (Multiple units of what could be housing) I have even seen a bedroom locked off to the rest of the house and an exterior door installed to create a new, albeit small, separate unit. The percentage of VR units to overall housing units is enormous. Places like Victoria got all cranked up and demanded action when faced with several hundreds of units. Of course, that population is in the hundreds of thousands and bears no similarity to Tofino. **It is safe to say Vacation Rental (to some extent staff housing on "R" zoned land as well) has eliminated many more housing units, of all types, than "affordable housing" plans can replace. And the pace of their creation is accelerating.**

## **Fact..... Vacation rental is driving the rate of such large increases in assessed values**

Recent sales of certain properties in the \$3,000,000 range have pushed the envelope to astonishing heights in terms of assessment. Interestingly, some of these properties are without an owner occupant and were purchased exclusively for VR purposes. Driving up the assessments for all resident owners and having an impact on levels of taxation. Obviously, you can make a lot more out a suite or caretaker cottage as a Vacation Rental than as a monthly rental. My recent conversations with the BC Assessment "appraiser" confirmed this. In their minds VR, and so-called staff housing (the purchase of residential housing by businesses, to accommodate staff particular to that business) were the significant factor in driving prices higher. The suggestion was that they (BC Assessment) were discussing these activities and how to distinguish between home-based business and more commercial operations that might warrant an increase in assessment and taxation. But there is no progress on this issue at this time or suggestion of solution. And business that may earn in excess of \$100,000/year will pay the same property tax as the family next door. Revenue Canada already makes distinction for rentals that are said to be on a "business" basis. And taxes incomes appropriately.....Why can't B.C. Assessment adapt to split use of property? Should residentially zoned property be allowed to be used, primarily for non residential purposes? Also take note. It doesn't take a lot of sales for B.C. Assessment to act. A few sales are all it takes to set a new standard.

## **Fact.... People are leaving Tofino**

The situation varies from one person to another but the lack of housing and the cost of housing of all types is the primary factor in folks packing up, getting out or reconsidering taking that job here to begin with. Sometimes cashing in on a flipped house to then leave, sometimes unable to find suitable housing, whether it is a rental or a detached home. A home that is normally not available but always too expensive. People are leaving. What used to be a modest entry level home frequently referred to

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as a “starter home’ or a vinyl sided box, now costs \$1,300,000 as recent sales indicate. The Post Office, School District, Hospital and DoT and Day Care and others have had difficulty attracting and hiring substitute teachers, lab techs, day care workers and the list goes on, because there is no where to live.

## **Fact..... DoT has not upzoned for housing**

It has been 17 to 18 years since the DoT has upzoned (significant increases in density) any large pieces of property to make available residential development. Gibson Heights was zoned in the mid 90’s. Gateway condos was a down zone from a previous zone that permitted a hotel on site. Yewwood and Sea Otter were zoned in 2006. This has multiple affects. Keeping Housing in short supply drives up Assessments and freezes the pool of taxpayers that might contribute to Tofino’s tax burden. And the district passes on a small fortune in fees and charges that the municipality collects when development does go ahead.

## **Fact ....“Affordable” Housing costs the taxpayer millions**

Whether you like it or agree with it, or not, “affordable housing” has cost the Taxpayers of Tofino millions of dollars in land, in forgiven fees and cash and tax-free status. This contributes to the ever-increasing tax burden on other resident owners. All the while prices go up and over all availability of housing goes down.

## **Fact.... Inflation is here.**

Interest rates are climbing rapidly. In 2022 interest rates have doubled and then doubled again affecting mortgage rates and gets priced into just about everything. The cost of groceries, fuel and services has all increased significantly. When you live at the end of the road all these services and products come at a premium. In Tofino, the 2022 dramatic municipal tax increases of 11% has significantly contributed to the overall inflationary reality for many residents.

## **Fact.....final sewage treatment costs are unknown**

I don’t know how this contract is structured but my experience in construction and particularly in the current environment, informs me that any contract to build, in the \$60,000,000 plus range, can end up costing more than expected. You can’t predict everything. We can also expect increased expenses for operation and staffing. A small cost overrun of a few percentage points could cost years’ worth of taxes. A prudent approach seems advisable. It would be unwise to spend to the max at this time and best to increase reserves till this sewer project is put to bed.

It might be convenient to comfort oneself with the prospect of deferring one’s taxes, for those who have achieved that vintage. But I wonder, what if the province, in a continuing high interest rate environment, decides it needs to up the interest on your deferred taxes, or reduce the allowable total you can accumulate before paying back. Something will definitely hit the fan. Be careful taxpayers.

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So, what does this all mean to our community and to our tax situation. We have a few people paying a lot of money. We need to radically increase the number of contributors and reduce tax levels and forget about ambitious undertakings at the taxpayers' expense until we get our house in order.

## **Discussion Part 1: Some History**

We didn't get here in a few years. It has taken awhile...For me this all starts with a just elected Mayor in the late 90's. Standing in front of a group of cameras. Provincial, National and International media all eager for the latest scoop on the fight for Clayoquot Sound. As everyone looks over the incredible splendor of the mountains, forests, and sparkling waters, he announces that "we can make more money from these trees standing than they can from cutting them down". There are some cheers in the background. A noble sentiment. And he was correct. Tons of money has been made in the tourist industry but there was never a plan in Tofino to transition away from the relatively high incomes of those working in fishing, (already in decline), and forestry (soon to be all but extinguished) to the brave new world of tourism. What kind of occupations were to be available? Who would make the money? How could the town actually sustain itself?

The next ambitious step was the granting of Tofino's Resort Municipality status. Another obvious and well supported initiative. It was the right thing to do. But again no one thought much about how a town of then 1200, was going to pay for the infrastructure and ongoing costs of running a town that swells to 10,000 on an average summer day. This generates more sewage and requires more water than weeks of what the locals might use. So how does the town sustain itself? Mostly, as it turns out, by taxing the local inhabitants. As millions began being spent on promotion, as we became recognized as a global tourist destination, the local council started acting like a global tourist destination. Staffing increased. The cost of running the town increased significantly with few tangible improvements.

Then, in the early 2000's council decided that virtually every residential property was to be made available for tourist purposes. Many residential zones were to allow tourist accommodations in homes, in secondary suites, and cabins. Even to the point that a resident homeowner need not even occupy the property. This was to afford the locals a chance to benefit directly from burgeoning numbers of visitors. A few prescient souls spoke out against it to no avail, and with this final well intentioned move our fate was sealed. Immediately dozens of tenants got turfed. Within the first year, a hundred or so. And we never looked back to wonder what in hell were they thinking. But how was anyone to know? This had never happened before....Anywhere.

## **What Can We Do Today?**

It seems to me that Canada, Nationally and locally has historically been very successful at developing housing and keeping taxes at manageable levels. When it was doing that, government set out the policies that would encourage and allow people to act in their own interests, work within the goal posts, and produce good results. That doesn't seem to be at play now in Tofino.

In Tofino, years of increasing taxes have the local resident tapped out. And some are getting out. All the while the municipality exerts increasing control over development without positive results.

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For many, the complex equation of factors is putting Tofino into a downward spiral. The combined effect of historic bylaws about residential use and Vacation Rentals has incentivized, on one side, dramatically increased assessments, and an increased burden to resident tax payers. On the other side of the equation, it has incentivized a reduced number of properties available for residential occupancy. You cannot blame folks for trying to maximize their situations within the system. To convert a suite to Vacation Rental. But the system is conspiring to have us eat our own tail. A sort of self immolation. And the net effect is destroying the community. Fewer more expensive properties available is the result... We need to incentivize activity that supports more housing, and increases the tax pool. The rules need to be restructured so that individuals acting in their own interest and to their own betterment produce better results for the community.

This is the antithesis of a top-down approach that seems to have taken hold in Tofino. Restriction from the top will not solve our problems. We need bottom up. Incentivise and “they will come”.

Another argument has been, we can't support more housing development for fear it upsets the “ambience” of Tofino. A village ambience that involves millions of visitors. So, it seems. The village is more illusion than reality for most of the year. It seems to me we have that downside anyway. The community is being gutted.... frittered away.... Who wants “temporary use zones” which amount to little more than slums, to become a fixture, a staple of the housing market?.....Who wants to see important and essential jobs go unfilled because there are no suitable prospects for habitation?... No prospects for home ownership at whatever modest levels might be achieved. Who wants seniors to leave the community as a matter of course? Sell out and leave. Who wants to live in a community where most people eventually decide to exit. Where the percentage of homeownership is in serious decline. Is that the community we so seriously want to protect?

What does all this mean to tax policy. It has to coordinate with broader objectives, like making Tofino a place where ordinary people can live and enjoy their lives in some security, with some kind of affordability. We need to take the long view on solving this. Raising taxes has not worked. We have twenty plus years of that, to prove it.

Right now, I don't see an integrated plan where bylaws, development and taxation will achieve that result. Please tell me what is the Plan?.....We will not be saved by a dog park, or an expensive rec center or affordable housing or hiring more staff for the Municipal Office. When so many people leave, sure enough, they will be replaced by some one else who will come for a year then leave as well. That is what we have become. These transient people are of all economic levels but often represent an underclass of cheap disenfranchised workers who live in a travel trailer, tucked away behind some hedgerow. They live here for a while then leave. How does this fit into the model of community that you want. That you want to protect. How many pages of print have addressed Tofino on the basis of ‘community sustainability’.... Is this it? Is this what you want to sustain?...

I can't put it more succinctly than a local ratepayer who remarked to us on recent tax increases and the struggles of living in Tofino.

*“I have, for 17 years have been landlord, but If I want to stay here... then I will have to start doing vacation rental as I can't raise rent more than.2% (?) which is less than a few days of groceries for the year.  
But in the big picture, they will have to drag me away from Tuff by tooth and nail”.*

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This is not some “rich” person “griping”, and “shirking” responsibility as has been alleged about most people who oppose tax increases. This is a real person trying to take responsibility. Trying to survive here. But they are caught like so many others. And their options are not anything that benefits the community.... This is the real problem that Tofitians face, and I see nothing that is proposed to address it, nothing but..... more of the same.

On behalf of the Tofino Ratepayers Association,

Cheers Jack Gillie