

Tofino Ratepayers Association



TAX PLANNING IN TOFINO- 2022

January 8, 2022

To date I have not heard any good news on the MRDT issue. The use of the MRDT is proposed as a vehicle to collect some revenue directly from the tourists to help pay some of the costs of sewage treatment. If you are not familiar with the issue, see references to the MRDT from past mailouts and letters to council, on the Ratepayers website. [Tofino Ratepayers Associations \(tofinorpa.ca\)](http://tofinorpa.ca).

The costs of operating the Municipality are clearly going to increase. The Ratepayers Assoc. has proposed and supported solutions that would have less impact on the smaller businesses. Like using the MRDT, which would derive money directly from the tourists through sales tax rather than through property tax. However, this seems to have fallen on some deaf ears. So.....

Regardless of whatever happens with the MRDT there is a very good case for raising the business property tax rates in Tofino. Read the latest report by the Clayoquot Biosphere for examples of a few reasons why Tofino costs so much to govern. ([CBT Vital Snapshot Tourism 2021 Final.pdf](http://clayoquotbiosphere.org)) The argument is the same as who should pay for sewage treatment. We have laid out the argument and the public agree, tourists should pay their fair share. Well, under our current property tax system they won't pay their fair share unless changes are made.

There are not many examples in BC, of communities like Tofino, whose population is so small and yet whose economy is so strong and almost solely dependant on tourism. Tourism is largely viewed by outsiders as a raging success and Tofitians as a somewhat spoiled or privileged group. But when I look at our economy and community it is very much "The best of times and the worst of times" to reference Dickens. In many respects we are a success, but in other ways we are a victim of that apparent success, and large problems remain unsolved and worsening. So, the big question that remains unanswered. What kind of community do we want to be and what kind of community are we becoming?

When I look at the statistics on property taxes, provided by the Gov't of BC, there are many interesting revelations. BC's Communities and their taxation regimes vary quite a bit. It is not a one size fits all. Municipalities tune their tax regimes to their own circumstance, but they do fall into different types.

There are large bedroom communities, the suburbs of the bigger cities, with some commercial, but substantially funded by the residential taxes. This makes sense as the residential sector is so large. Hundreds of thousands of residents so the taxation burden is spread out. Think of Oak Bay/ Saanich or the suburbs of Vancouver spreading out over the lower mainland.

There are smaller places with smaller populations but supported by industrial activities that pay the lions share of taxation. Places where there are sawmills or pulp mills or transportation hubs or other similar types of primary industrial activity. Places that can afford skating rinks etc. when the population (residential sector) alone could not afford these kinds of amenities.

There are large urban communities that have large business sectors, residential and industrial sectors.

Tax rates for the different sectors vary significantly from community to community, dependant on the economy and strengths and weaknesses and realities of each community. There is opportunity to shape the tax system to our needs.

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The communities that most resemble Tofino in terms of the nature of their economy and their reason for being, often have a higher business property tax rate relative to their residential property tax rate than Tofino does. For example. In Tofino the current business property tax rate is 3 ½ times the residential property tax rate. While in Whistler the business property tax rate is 4 ½ times the residential property tax rate. In Revelstoke, with its new ski area, the business property tax rate is 5 ½ times the residential property tax rate. In many large urban centers the business property tax rate, in relation to the residential, is higher than Tofino in spite of the fact that they have huge residential sectors and typically have significant industrial activity as well, that supports the community. Given the nature of its economy, Tofino is looking like a bit of an anomaly.

If you lived in a place like Clinton however, the business rate is lower, presumably to try to attract more business to your community. But I don't think Tofino needs to go there.

If you think I am cherry picking, look for yourself at

<https://www2.gov.bc.ca/gov/content/governments/local-governments/facts-framework/statistics/tax-rates-tax-burden>

The residential sector in Tofino pays about 20 to 25% more in total property tax than the business sector and has done so throughout the modern era, at least since tourism became the main economy.

I find this a little strange, that this ratio has **not** changed significantly over the years. Going back over the last 15 years the business sector continues to pay at the same rate relative to the residential sector.

You might think that over this time, a burgeoning business sector as we have witnessed, might shoulder more of the costs of running the community. This should be especially true when the increasing costs of running the community (water, sewer, bylaw etc.) are disproportionately due to the numbers of tourists visiting Tofino. I also point out the numbers of visiting tourists is increasing at a rate that significantly outpaces the rate of resident population increase.

I think there is a good case for increasing the business property tax rate in Tofino

There is another issue which some have wanted information on.

What is presented below is a summary of MRDT funds collected and directed to Tourism Tofino for the purposes of business promotion for a particular year in Tofino and the amounts of property tax paid by the business sector to the municipality for those same years.

Year	MRDT Funds Released to Tourism Tofino	Property Taxes Paid by business Sector
2017	\$1,343,800	\$1,656,195
2018	\$1,589,000	\$1,930,170
2019	\$1,719,000	\$2,128,000

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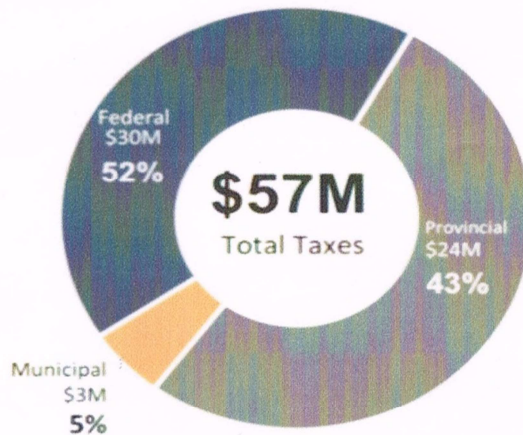


Figures for 2020/2021 do not seem representative because of Covid.

In a study commissioned a few years ago by Tourism Tofino, a pie chart was presented on all the tax revenues generated by the tourism industry. \$3,000,000 is indicated as going to “municipal government” (total of business property tax and MRDT), of a combined total of \$57,000,000 to Federal, Provincial and Municipal Gov’t.

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Figure ES-6:
Annual Estimated Tax Revenues of Tofino's Tourism Industry, by Level of Government, 2017



This suggests a number of issues.

- 1) Of the \$3,000,000 identified as going to the municipality, nearly half went back to Tourism Tofino as a tax-free grant for Tourism purposes, as demonstrated in the above figures.
- 2) The large sums of money leaving the community to be redistributed by Senior Levels of Gov't. Yes, we do as a community get some back (sometimes with sufficient begging) in various ways, and individuals get some back in various ways but little to the Municipality to run the town. The “tourism sector” is presented as generating the revenue, but none of that could happen without the underpinning of basic services offered by the municipality.
- 3) I think it important to add that some businesses in Tofino are not directly related to Tourism and receive little benefit from tourism promotion. A smaller proportion for sure, but they seem to be included in the Property Taxes paid by Business Sector category. This would tend to skew the figures of how much was actually paid by the tourist sector, but I cannot say to what degree. But it has led some to offer the opinion that the tourism operators that control the MRDT receive as much in tax free

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benefits as they contribute in taxes. We can debate this from various points of view. Whatever way you spin it, it is a close call.

4) Much of the purpose of the Provincial government in creating the MRDT is to offer a way for tourism operators to generate more business, strengthen the Provincial economy and contribute to the greater provincial pie. This it has done successfully. However, unless there are more benefits coming back to the community than can currently be demonstrated, it's benefits to Tofino are mixed at best.

There are the negatives to be considered.

Which include:

- the realities of increasingly unaffordable housing
- the transient nature of the population
- the conversion of much of the legacy housing into business activity, Vacation Rentals, without a "resident" occupant
- "resident" housing with full time tenants being converted to staff housing, with subsequent evictions
- the proliferation of "temporary use zones" for subgrade housing for seasonal workers, anywhere else these would be considered as slums
- the high cost of living, high taxes
- finding nowhere to park
- water shortages and the need for additional supply to satisfy future needs (more tourists)
- raw sewage going to the ocean, the costs of sewage treatment designed for future demands (more tourists)
- the degradation of our environment and our experience by overuse and overcrowding
- something as simple as waking up to someone stealing your firewood from beside your house, or finding your property being used as a toilet.

Every one of us could add something to the list.

It all seems part of the package of living in an overly tourist driven economy. So we are told.

There is a lot of fixing to be done here. The municipality's job grows increasingly difficult every year, and the residents of Tofino are made to pay for it.

Mayor and Councillors, do the right thing.

Increase the portion of property taxes being paid by the tourism sector. In this, **You have our full support.**

Cheers Jack Gillie