

Small business feels crunch after increase in land values

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A mom-and-pop produce store in Burnaby might have to shutter its doors due to a large spike in the assessed value of its leased retail space.

Pacific Sun Produce on Kingsway, near Metrotown in Burnaby, has been a neighbourhood fixture for 22 years, a go-to place for Latin American products sourced by owners Susan Sung and Richard Cheung after years of living in Venezuela.

But a 37 per cent hike in their lease obligations — largely due to rising property values, the cost of which is often passed down by commercial landlords to tenants — might mean an end to the store and the family's livelihood.

"For me it's like a nightmare when I got the letter saying I have to pay this amount," said Sung.

"I just don't know what to do. We don't want to close the store."

The increase, which brings their lease payments to \$6,650 a month, is "impossible" for them to pay, she said.

"It's not fair for little businesses like us to pay huge amount of taxes.

"Besides, the land is not mine. Why do I have to pay for it?"

It's a situation other Metro Vancouver businesses with expiring leases are likely to find themselves in, following a jump of up to 45 per cent in the value of commercial properties in urban areas of Greater Vancouver.

In Burnaby, businesses saw a 23 per cent increase, according to B.C. Assessment, which released its latest valuation figures calculated as of July 1, 2018, on Tuesday.

The produce store is part of the Old Orchard Shopping Centre, which was assessed at almost \$123 million, up 42 per cent from the previous year.

Paul Sullivan, senior partner at Burgess, Cawley, Sullivan and Associates, said despite the overall increase, this has been one of the more modest years of increases facing retail businesses.

"Values have moderated for the first time in several years," he said, noting Vancouver used to see hikes of 30 to 50 per cent a year.

This time, business property values increased by 19.5 per cent, the same as the previous year.

Burnaby and Coquitlam, where valuations appreciated by 25 per cent, have recorded rapid land value increases because they are seen as affordable, attractive alternatives to pricey Vancouver, said Sullivan.

Both cities have also developed land use policies that would increase density, which would have a direct impact on underlying land values.

"Unfortunately, merchants in the market who are signed on to triple-net leases and have no control over land use policies can get caught paying high taxes in paying their lease obligations," said Sullivan.

To help ease the burden on small businesses, municipalities need to stop asking commercial properties to shoulder such a disproportionate share of the tax burden, he said.

In Vancouver, only seven per cent of properties are commercial, but they pay 45 per cent of the city's property taxes.

In Burnaby, businesses, which make up less than 10 per cent of properties, pay approximately half the property taxes.