



Staff Report to Council

Planning Department

FILE: 01-0400-20/24

REPORT DATE: February 14, 2024 **MEETING DATE:** February 27, 2024

TO: Mayor and Council

FROM: Michelle Baski, Project Manager – Agriculture and Environment

SUBJECT: Proposed UBCM Farm Property Tax Reform Resolutions

CHIEF ADMINISTRATIVE OFFICER REVIEW/APPROVAL:

RECOMMENDATION:

THAT Council:

- A. Endorse the proposed resolutions and background documents for an Unfarmed Land Tax [Attachment D], School Tax Exemption [Attachment E] and Minimum Income Requirements for Farm Classification [Attachment F] as presented at the February 27, 2024 Council Meeting; AND
- B. Direct staff to forward the proposed resolutions and background documents to the Lower Mainland Local Government Association for consideration at its 2024 Conference; OR
- C. Other.

PURPOSE

To present to Council proposed resolutions and background documents for farm property tax reform to forward on to the Lower Mainland Local Government Association (LMLGA) for endorsement for the 2024 Union of BC Municipalities (UBCM) Conference and Annual General Meeting (AGM).

Information Report

Decision Report

Direction Report

DISCUSSION

Background:

Council recently endorsed the City's Agricultural Viability Strategy (the Strategy) on December 5, 2023. The intent of the Strategy is to identify opportunities to strengthen the local agriculture sector and contribute to its long-term sustainability. One of the key issues identified within the Strategy was agricultural economic viability. Costs associated with farm operations continue to rise with increasing costs of inputs and labour, and increasing costs of agricultural land, impeding producers' abilities to expand operations or for new farmers to enter the sector. High land values make it less likely that farmland will be purchased by farmers in the future, leading to a deterioration in support for farming operations and escalating unaffordability. To support the Strategy's goal of protecting farmland for farming, the Strategy includes advocacy actions related to farm property tax reform to encourage farming in the agricultural area and prevent land speculation.

Over the years, Metro Vancouver has conducted research and analysis to consider whether or not existing farm property tax policies still provide the financial incentives to maintain the region's Agricultural Land Reserve (ALR) for farming (see Attachment A). Agricultural land in Metro Vancouver is threatened from non-farm land uses, with many of the landowners in the ALR using agricultural land for non-farm land uses, such as residential uses. This can lead to:

- higher prices for agricultural land that erodes the financial viability of farming and can prevent new farmers from establishing a farm business;
- lease agreements that may keep agricultural land in production, but may cause farmers to be hesitant to invest in equipment, buildings, and other infrastructure to improve the profitability of farming;
- limited investments in agricultural production that can result in lost economic development opportunities at a time when demand for local food is growing and concerns about food security over the long term are being raised.

The research undertaken by Metro Vancouver from 2013 to 2016 was more recently referenced by the BC Chamber of Commerce in 2021 (see Attachment B), citing similar policy recommendations as the 2016 Metro Vancouver White Paper. An unfarmed land tax was also recently discussed at the BC Young Farmers' Farm Fest event in November 2023, with BC Young Farmers (a committee of the BC Agriculture Council) citing support for anti-speculation efforts, and the BC Ministry of Finance stating that a targeted unfarmed land tax is worthy of consideration (see Attachment C).

To advocate for farm property tax reforms, which is the jurisdiction of the Province, it is recommended that Council support the following proposed resolutions to be forwarded to the Lower Mainland Local Government Association, for endorsement to then be submitted to the 2024 UBCM Conference:

Proposed Resolution 1 – Unfarmed Land Tax

WHEREAS the purpose of the Agricultural Land Reserve (ALR) is to preserve much-needed land for farming to ensure local food security, and not real estate speculation;

AND WHEREAS speculation in the ALR can lead to increased land values and the underutilization of ALR land for farming;

THEREFORE BE IT RESOLVED that UBCM call upon the Province of BC to establish a targeted unfarmed land tax, to discourage speculation and encourage farming in the ALR.

Proposed Resolution 2 – School Tax Exemption

WHEREAS the *School Act* exempts 50% of the assessed value of a parcel of land in the Agricultural Land Reserve (ALR) from school taxation if the land is vacant and unused, or used only for a residential purpose;

AND WHEREAS to encourage farming in the ALR to ensure local food security, school tax exemptions should only apply to ALR land that is being used for a farm purpose;

THEREFORE BE IT RESOLVED that UBCM call upon the Province of BC to amend the *School Act* to remove the 50% school tax exemption for vacant and unused land, and residential purpose land in the ALR.

Proposed Resolution 3 – Minimum Income Requirements for Farm Classification

WHEREAS the *Classification of Land as a Farm Regulation* establishes minimum gross income requirements for farm operations to be classified as Farm under the *Assessment Act* that were last increased in 1993;

AND WHEREAS farm property tax reform, including the introduction of a tiered tax benefit system that confers greater levels of tax benefits to farm operations with greater farm income, would help to encourage farming and support local food security;

THEREFORE BE IT RESOLVED that UBCM call upon the Province of BC to review the income thresholds to achieve Farm classification, and give consideration to a tiered tax benefit system for farm land;

AND BE IT FURTHER RESOLVED that UBCM call upon the Province of BC to review the income thresholds at least every five years.

Relevant Policy, Bylaw or Legislation:

Strategy 1.1 within the Agricultural Viability Strategy is to “*Advocate to other levels of government for policies and regulations that support and stimulate productive stewardship of the agricultural land base*”, with the following associated action item:

“Advocate to BC Assessment for opportunities to better match tax rates with farmland production activities (e.g., higher BC Farm Tax Status minimum thresholds; changes to the application of the school tax on inactive farmland; a vacant crop tax), to help prevent lands speculation.”

The proposed resolutions are related to provincial regulations, including the *School Act* and *Classification of Land as a Farm Regulation*. Advocacy through the UBCM is appropriate for resolutions that are provincial in nature and relevant to other local governments.

Analysis:

Proposed Resolution 1 is to establish an unfarmed land tax to encourage farming in the ALR, by taxing viable farm land that is not being farmed, and trying to address the increasing land costs due to speculation (see Attachment D). This could be achieved either through amending the *Assessment Act*, or potentially the *Speculation and Vacancy Tax Act*, or another form of legislation. This amendment is similar in intent as the Provincial Speculation and Vacancy Tax to turn vacant homes into housing for people in BC.

Proposed Resolution 2 is to amend the *School Act* Agricultural Land Reserve exemption for residential uses, by striking out the vacant, unused, and residential purposes from the exemption, as follows:

Agricultural land reserve exemption

130 (1) *Subject to this section, 50% of the assessed value of a parcel of land is exempt from taxation under this Act if*

(a) the parcel of land is class 9 property, or

(b) the parcel of land is in the agricultural land reserve, is subject to sections 18 to 20.3 and 28 of the Agricultural Land Commission Act and is used in one or more of the ways set out in subsection (2) of this section.

(2) The parcel of land referred to in subsection (1) (b) must be

~~*(a) vacant and unused,*~~

(b) used for a farm ~~or residential~~ purpose, or

(c) used for a purpose prescribed by the Lieutenant Governor in Council.

The intent of this resolution is to provide a financial incentive to farm or lease agricultural land, as Farm class would be required to receive the school tax exemption (see Attachment E).

Proposed Resolution 3 is to review the *Classification of Land as a Farm Regulation* (the *Farm Class Regulation*) requirements that must be met for land to be classified as farm for assessment and tax purposes. The *Farm Class Regulation* currently requires a producing farm to meet minimum gross income requirements, which vary with the size of the farm operation:

- \$2,500 if the total area of the farm operation is between 0.8 ha (1.98 acres) and 4 ha (10 acres);
- \$2,500 plus 5% of the actual value of the area in excess of 4 ha (10 acres) if the total area of the farm operation is greater than 4 ha (10 acres); or,
- \$10,000, if the total area of the farm operation is less than 0.8 ha (1.98 acres).

Proposed Resolution 3 is recommending the Province to review the income thresholds to achieve Farm classification, which have not been changed since 1993, and give consideration to a tiered tax benefit system for farm land that confers greater levels of tax benefits to farm operations with greater farm income. This is intended to encourage farming, while still allowing for smaller farm operations and hobby farms to benefit from tax exemptions (see Attachment F).

Additional information regarding all three proposed resolutions is included in the backgrounder documents (Attachments D – F).

UBCM encourages members to submit resolutions to Area Associations for consideration. Resolutions endorsed at Area Association annual meetings are submitted automatically to UBCM for consideration and do not need to be re-submitted to UBCM by the sponsor. It is worth noting that the deadline submission for the 2024 LMLGA Conference is February 28, 2024. However, should Council wish to further review the proposed resolutions, an alternative process of submitting directly to UBCM is available if necessary, and can occur prior to June 30, 2024.

Agricultural Advisory Committee Feedback:

Three proposed UBCM resolutions were presented to the Agricultural Advisory Committee (AAC) on February 15, 2024 (see Attachment G). Through a motion that was carried unanimously, the AAC supported the first two resolutions as presented in this report; but did not support a third resolution, which, as presented to the AAC, proposed a \$7,000 minimum income threshold for achieving Farm Class (an increase from the current \$2,500 in provincial regulation). Comments from the AAC indicated that a single \$7,000 minimum income requirement for achieving Farm Class would be detrimental to smaller farm operations and could potentially cause them to stop farming. Although this proposed resolution was not endorsed by the AAC, the committee's deliberations acknowledged an opportunity to review the minimum income thresholds (which have not changed since 1993), and there was interest in exploring a tiered benefit system, noting that the amounts would still need to be carefully considered. As a result, the third resolution was revised to incorporate the AAC's deliberations (see Attachment F), and is being presented in this report for Council's consideration. It is also noted that additional context was added to the backgrounder of Resolution 2 (Attachment E) to respond to questions from the AAC about the overall value of the school tax exemption.

COUNCIL STRATEGIC PLAN ALIGNMENT

- Principled Governance Balanced Economic Prosperity Infrastructure
 Community Spirit & Wellbeing Corporate Pride Public Safety
 Not Applicable

Agriculture – Advocate for the viability of the agricultural industry and food security through innovation and reducing regulatory barriers.

WORKPLAN IMPLICATIONS

- Already accounted for in department workplan / no adjustments required
 Emergent issue / will require deferral of other priority(ies)
 Other
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FINANCIAL IMPLICATIONS

- None Budget Previously Approved Referral to Business Planning
 Other

There are no financial implications associated with this report.

PUBLIC PARTICIPATION

- Inform Consult Involve Collaborate Empower

The proposed resolutions were brought to the Agricultural Advisory Committee on February 15, 2024, as noted in this report.

KATZIE FIRST NATION CONSIDERATIONS

- Referral Yes No Other
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SIGN-OFFS

Written by:

Michelle Baski,
Project Manager – Agriculture & Environment

Reviewed by:

Patrick Ward,
Director of Planning and Development

ATTACHMENTS:

- A. Metro Vancouver White Paper entitled *“Encouraging Agricultural Production through Farm Property Tax Reform in Metro Vancouver”*
- B. BC Chamber of Commerce Policy Paper on *“Using Property Tax Reform to Support Agriculture Production”*
- C. Country Life in BC Article, entitled *“Province considers farmland tax”*
- D. Backgrounder for Proposed UBCM Resolution: Unfarmed Land Tax
- E. Backgrounder for Proposed UBCM Resolution: School Tax Exemption
- F. Backgrounder for Proposed UBCM Resolution: Minimum Income Requirements for Farm Classification
- G. UBCM Resolutions presented to the AAC on February 15, 2024