



Western Canada Bed & Breakfast Innkeepers Association

Response to the
Discussion Paper –
Assessment Classification Options
Short-Term Overnight Commercial
Accommodation Properties (STOCAPs)

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Position

The Western Canada Bed & Breakfast Innkeepers Association position is that all bed and breakfasts should be on residentially or agriculturally zoned property and should be Class One (Residential) or Class Nine (Farm).

Rationale

- **Universally, a bed and breakfast is a private home or accessory structure in which the owner/operator resides and provides accommodation and breakfast to the travelling or vacationing public.**

The number of rooms in a bed and breakfast has always been a matter of local decision in keeping with the needs and wishes of the community and not as defined by a higher level of government.

The American Heritage Dictionary defines Bed and Breakfast as: "A private residence, several rooms of which are set aside for overnight guests whose paid accommodations include breakfast."

The Travel Industry Dictionary defines Bed and Breakfast as: "...a private home that takes in guests, with breakfast included in the price of lodging. B&Bs can range from modest homes with one spare room to elaborately restored historic houses."

Only in recent years has the term Bed and Breakfast been used to describe motels and hotels including breakfast in the tariff.

- **The current BC Assessment policy statement dated June 28, 2001 creates a significant inequity and an unfair business environment.**

Under the policy, a licensed bed and breakfast with four rooms has a higher tax imposed on it than a neighbouring licensed three-room establishment, despite the fact that they are identically treated by local government.

- **The dividing line of four rooms, taken by BC Assessment to match the Hotel Room Tax Act, is based on an alterable number.**

The Hotel Room Tax is currently charged of guests accommodated in bed and breakfasts of four rooms and more, but this number may be altered either upward or downward by legislation.

Legislation or policies related to property taxation should be stand-alone in nature and not dependent on other legislation or regulations.

- **The current BC Assessment policy which classifies a bed and breakfast relative to its length of opening period in the year creates inequity and tends to drive otherwise legitimate operations underground.**

It is inherently unfair to differently tax a bed and breakfast with four rooms open six months in the year from a second open five months or a third with three rooms open twelve months.

In order to avoid reclassification, establishments of four and more rooms are almost universally able to re-arrange their capacity.

- **Bed and breakfasts are constantly changing entities.**

The owners of bed and breakfasts wish to provide some sort of financial support for themselves from the business, but invariably also have strong emotional commitments which cause the occupation to be as much a lifestyle as it is a small business.

Bed and breakfasts are highly demanding of the owner/operator and tend to be in operation for a relatively short span of years.

Most bed and breakfasts effectively close for periods of the year to permit the owner/operators to recoup. The closing period is flexible and entirely dependent on the whim of the owner/operator and the demands of the tourist season. The result is that a bed and breakfast open for four months in one year may be open for eight in the next.

Similarly, the capacity (i.e., number of available rooms) can alter from year to year.

- **A constant review, with attendant high staff costs, will be necessary for BC Assessment to correctly include and classify bed and breakfasts.**

Due to the nature of the bed and breakfast industry and its constantly fluctuating numbers, individual capacities and open periods, the Assessment Authority will have to assign a disproportionately large staff component to annual reviews to consistently apply any form of split-classification.

Staff costs coupled with the fluctuating capacities of bed and breakfasts will always result in a low net return in the form of taxes.

- **The Tourism Accommodation (Assessment Relief) Act is merely an exchange of funds from one treasury pocket to another.**

In the case of the vast majority of bed and breakfasts, taking advantage of provisions of the Act causes a relatively minor increase in property taxes.

Residentially classified bed and breakfasts are not entitled to grants under the Act.

- **The application of split-classification causes an appearance of ongoing higher property taxes and may adversely affect the marketability of property.**

Increasingly, bed and breakfasts operate under license by local government. Such licenses are annually issued to the owners of the business and not attached to the property.

Except on rare occasions, residentially zoned bed and breakfasts change hands as residences and not as active businesses.

The very nature of the business is such that the personality of the owner/operators and their willingness to share their lives with their guests are the crucial ingredients in the success of the business. These carry no value at resale.

Generally speaking, local governments require re-application for licensing in the case of new owners of property on which a bed and breakfast was licensed. There is a risk to new owners that a license will not be granted.

- **Local governments have historically had the authority to create bylaws governing the community's acceptance of bed and breakfasts, the numbers of such establishments and their capacities. It may be foreseen that the proposed Community Charter will strengthen this authority.**

Increasingly in recent years local governments have realised the importance of tourism in the generation of community income and have created strategies for its promotion.

It has not historically been the place of other levels of government to interfere in this process through an imposition of taxation on the result of the community's deliberation and decision.

Communities have almost always provided commercial zoning, and therefore higher land value, for hotels, motels and resorts, but have never taken this approach and action and created this benefit in the case of bed and breakfasts. Hence, in most communities bed and breakfast is permitted in residential zones.

Community plans increasingly call for a healthy, village mix of light industrial, commercial, service and residential spaces. The decision on definitions for each has always been left to local government and the wishes of the population. The imposition of a "use" definition – particularly one based on size – counters this authority.

Summary

The changing Canadian economy has resulted in a new kind of entrepreneur. Over twenty percent of new small businesses are home-based and it is difficult to imagine one more home-based than bed and breakfast.

Bed and breakfast is the very essence of this lifestyle.

Most of these new small businesses are not retirement sensitive. Their operators continue beyond the traditional retirement age with many entering at retirement. The bed and breakfast businesses they run produce to the gain of society and the communities in which their owners live and work. When the owners decide to retire from their bed and breakfast business, they simply stop accepting guests.

Recognising that home occupations provide significant benefits for the community, it is important for all levels of government to encourage, or at the very least not to discourage their establishment.

The decision to license a bed and breakfast must be left to the discretion of the community in which it is situated. The presence of a bed and breakfast in any community should depend solely on local land-use zoning or related local government controls.

A decision to continue the current policy of split classifying bed and breakfasts to tax a perceived commercial aspect of the property differently than the prime residential use is not an economically viable option. There will be a province-wide negative tax return after the expense of ongoing reviews and adjustments are taken into consideration.

Recommendation

The Association recommends that the definition of Bed and Breakfast, for the sole purpose of evaluating its appropriateness to Class One or Class Nine classification, be:

- Situated on residentially or agriculturally zoned land;
- The principal residence of the owner/operator, who provides personalized hospitality;
- Licensed as a bed and breakfast by the appropriate local licensing authority;
- Serves breakfast included in the room rate;
- Residential or agricultural in character.