

The logo consists of three overlapping, curved, leaf-like shapes in shades of orange and light orange, arranged in a circular pattern. The background is a solid orange color.

Kelowna Chamber

Growing the people who power the Okanagan

SUBMISSION TO:

June 8, 2023

Presentation to the Select Standing Committee on Finance & Government Services

Budget 2024 Consultation



The Kelowna Chamber of Commerce is a federally incorporated not-for-profit organization that is dedicated to connecting, serving, and empowering the business community in the central Okanagan. The Chamber provides numerous services to its 1,000 members and the broader business community including educational seminars, major events, member benefits, and government advocacy. In 2023, the Kelowna Chamber celebrates its 117th year in operation and it continues to be recognized as one of BC's leading business associations and among the leaders in the Canadian Chamber network.

ISSUES SUMMARY

We appreciate the annual opportunity to provide our Chamber's perspectives as the provincial government prepares Budget 2024. We raise several key areas deserving consideration in the 2024 BC budget. We also mention a few issues that are more relevant to Federal and Local Government authorities, but we believe that the Province, as a key part of the national federation and as the keeper of the legislation that empowers local government, not only can make investments and policy changes, but can also be effective in influencing decision making by other levels of government.

We have broken our submission into four specific areas which are in many ways, linked:

- 1. Investing in one of the fastest growing regions in the country**
- 2. Addressing the growing cost of doing business in BC**
- 3. Working with local government helps small business owners impacted significantly by rising crime/vandalism in high impact commercial centres**
- 4. Addressing market-based housing needs by acting on recommendations already tabled**



Recommendation 1

That the Provincial Government accelerate investment in transportation infrastructure in the Okanagan to better serve one of the fastest growing regions in the country.

Explanation

This is a big province. Investing in building economic infrastructure which increases labour mobility and increases the efficiency of the movement of goods is as vital in Interior BC as it is on the coast.

Capital investments in transportation infrastructure in the Interior will help accomplish numerous provincial goals: they will facilitate growth & recovery while providing supply line redundancy as part of a broader risk management strategy, the value of which was proven necessary by the floods of 2021 and the annual slides on the highways. Failing to address emerging transportation needs will limit growth, minimize prosperity, create inter-community transportation challenges, and limit the region's contribution to BC's economy.

The point was raised in the Legislature in the spring of 2023 that the spending by the provincial government on major transportation projects in the Okanagan was zero for the past five years as no capital projects have been funded in this, the fastest growing census metropolitan area in the country.

The Ministry of Transportation has ignored both the Central Okanagan transportation studies delivered to the public in 2015, the rising voices in the region calling for major roadway infrastructure planning and action, and the overwhelming need for solutions in this fast-growing CMA; all in favour of spending in vote-heavy districts in the lower mainland/Island.

The Kelowna Chamber joins the voices of municipalities up and down the Okanagan Valley in calling for critical capital transportation infrastructure funding as the need increases with increased interprovincial trade; increased Asia-Pacific and US trade, local business and tourism growth – all requiring roadway improvements.

Locally in the Okanagan, improvements to Highway 97 – the connective ribbon connecting north to south and carrying traffic accessing the coast from Alberta – must be undertaken. Local commerce is increasingly constrained as the highway chokes with tourist and commuter traffic. Additionally, ICBC statistics from 2021 and RCMP data from 2022 show an alarming rate of roadway crashes on Hwy. 97/Harvey Avenue in Kelowna (top eight crash intersections in the Southern Interior) and related fatalities (17 in 2022 according to RCMP).

Spending in the Central Okanagan on accessible and active transportation is a positive, but minor step where millions of dollars – to match some of the infrastructure spending in the lower mainland – is required.

Increased attention to and spending across BC under a true pan-provincial approach will build each region of the province ensuring rural and remote regions don't lag and instead become net contributors to BC's economy while raising the quality of life for all British Columbians no matter where they live, especially in the Central Okanagan.

A broad vision for the Okanagan's transportation network must include planning for a second crossing of Okanagan Lake, highway improvements which accelerate the efficient movement of goods around and through the region, and engagement with local government, industry & business to evaluate a regional transportation governance model such as TransLink which would serve the region's long-term interests. Students at Kelowna's two major post-secondary institutions – Okanagan College and the University of British Columbia – are in dire need of public transit to ensure their educational efforts here are effective.

We would also suggest that there is value in engaging in discussions with Washington State transportation authorities to enhance the inland transportation corridor for commercial traffic while also seeking to enhance the capacity of the US border crossings in Interior BC to relieve traffic gridlock along US I-5.

Currently, the Ministry of Transportation (May 2023) is prioritizing interchange updates in West Kelowna. Major infrastructure improvements are not even on the horizon for the Ministry until 2040 at the earliest, according to the Central Okanagan Integrated Transportation Strategy. Far too late to address today's needs which have gone unaddressed for far too long.

Recommendation 2

That the Provincial Government reduce the cost of doing business, especially for small- and medium-sized businesses (SMEs).

Explanation

The cumulative impact of direct costs imposed on businesses in British Columbia is impeding growth, entrepreneurship, and investment in the province in the face of global economic headwinds. Significant government-imposed cost increases for businesses, including the corporate tax rate, the payroll tax imposed just prior to the pandemic, new paid sick leave, and the business portion of the escalating carbon tax are all forcing businesses to curtail growth, restrict hiring and in some cases, forcing closure.

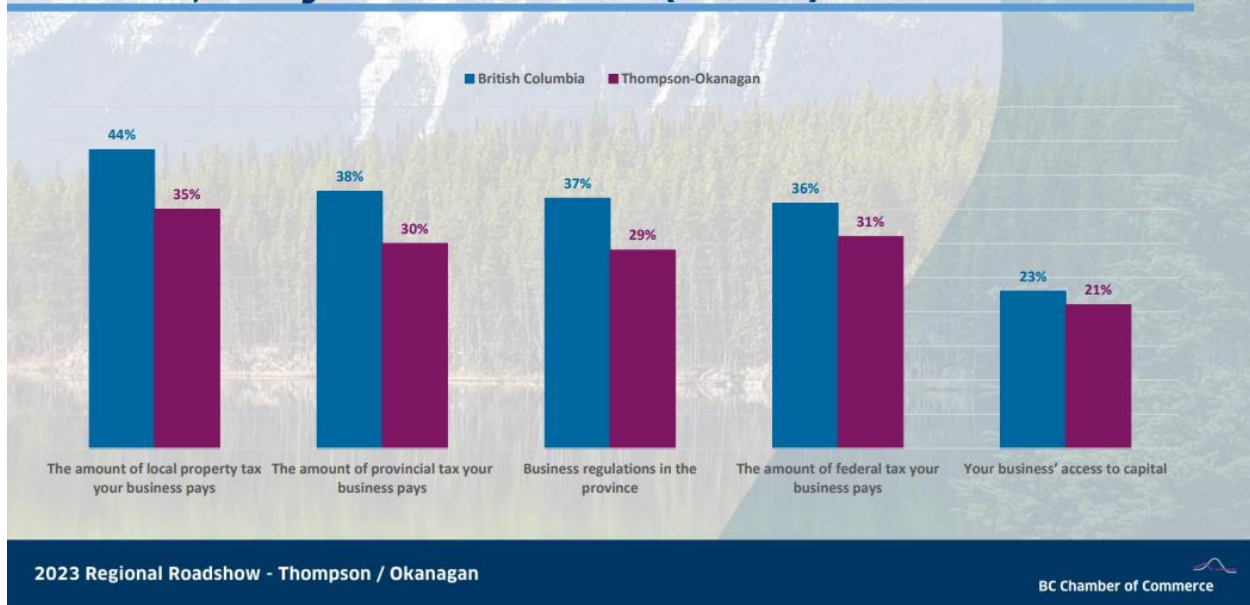
The province's increasing tax burden is loaded onto business shoulders already laden with rapid inflation, increased federal tax burdens, and growing municipal tax requirements, especially those aimed at property development and street safety and crime mitigation.

According to a recently released study by the Greater Vancouver Board of Trade, between 2022 and 2024, businesses in BC will shoulder an additional \$6.5 billion in direct costs imposed by governments as they grapple with what is an already daunting economic outlook.

New Costs (2022-2024)	Total (\$M)
Net Health Taxes	4,001
Corporate Income Tax	1,607
Paid Sick Leave	1,200
Business Share of Carbon Tax	515
<i>Savings (SME tax rate & PST on non-residential electricity)</i>	<i>-873</i>
Total Additional Cost	6,450

In addition to those costs, there has been a 21% rise in the minimum wage from 2019 to 2023, nearly a 10% increase in the top personal tax rate, the introduction of a new statutory holiday costing \$200 million, and the reversion back to the PST, which is estimated to have cost businesses approximately \$3.7 billion in 2022 alone.

In the past year, have the following become worse, for your business? (2 of 2)



Information courtesy BC Chamber, Mario Canseco, Research Co.

In the most recent BC Chamber “Collective Perspectives” annual (fall of 2022) survey of small- and medium-sized businesses in the province, it is clear that the cumulative effect of tax and regulation pressures consume much of SMEs’ time and concern around business sustainability and growth (see chart). Property tax, provincial tax, business regulations, federal tax and access to capital were all surveyed both regionally and provincially.

British Columbia has the highest marginal tax rates on new business investment in Canada and North America’s fourth highest personal tax rate, fully 16.5% higher than Washington State. The cumulative nature of these changes, on top of an increasingly complex and challenging regulatory environment, has resulted in a uniquely challenging business environment.

Our recommendations:

- Increase the Employer Health Tax (EHT) threshold for SMEs to \$1.5 million
- Introduce PST exemptions on business inputs, such as computer, software & telecommunications services, or machinery & equipment.
- Reduce the provincial portion of commercial property taxes.
- Implement a made-in-BC carbon pricing system for industry that incentivizes emissions reductions and accelerates private sector investment and innovation in our economy.

Implementing these recommendations will create a more attractive business climate and lead to improved economic prosperity. Businesses across Canada are focused on the rising costs of doing business, and Kelowna, as one of the fastest growing CMAs in the country, is no exception. BC may in fact trail many provinces in 2023 in real GDP growth, despite our historic leading position in GDP and population growth.

We encourage the provincial government to join governments at all levels to work closely with the business community and all impacted stakeholders to facilitate a globally competitive business environment that will support communities for future generations.

These recommendations can serve as a roadmap to foster a thriving private sector that provides high-quality jobs and funding for the critical infrastructure and social programs required to ensure that Kelowna, the Okanagan, and BC are the best places in the world to live and work.

Original research and recommendations courtesy of the Greater Vancouver Board of Trade, "Counting the Costs: Assessing Economic Challenges for Businesses in British Columbia" 2023.

Recommendation 3

That the Provincial Government spend dollars with immediate effect on urgent care beds to relieve the street drug and homelessness crisis and provide treatment, in light of the dramatic spike in open drug use in Central Okanagan centres, including Kelowna, following decriminalization in January. Steps must be accelerated to remove and prosecute repeat offenders. The province must work with local government to assist businesses in the high impact-high crime areas feeding off the illicit drug trade.

Explanation

“Patience for public drug use has worn out,” said Gary Mason in the Globe & Mail on May 18, 2023. The province’s six-month experiment to decriminalize certain illicit drugs has exacerbated the already dire situation in nearly every municipality across the province. Plus, in the Interior, there aren’t the resources to properly treat and rehabilitate most drug users in our communities.

Mayors want their downtowns back – for businesses, for tourists, for residents. Nowhere is this truer than in Kelowna. And Penticton, and Kamloops. The public health authorities want the experiment to run its course. While it’s clear that no one really has an answer for the drug epidemic, nonetheless, immediate solutions must be employed that resolve some issues, not create more problems, i.e., experimenting with expanded drug use which has made parks, beaches, playgrounds, and streets off limits to non-drug users through the dramatic jump in open drug use.

The accompanying erratic behaviour, petty crime and increased focus on homelessness is not easily solvable. However, the Province is adding to, not dealing with, the problem with its misguided efforts at harm reduction which increase the growing instability of our city centres – our once-thriving downtown centres are rapidly emptying of long-time business owners who are locking up for good and moving out or moving on.

Boarding up our downtowns is not a solution.

Darren Caul, Community Safety Director, City of Kelowna, in his May 2022 paper “Community Confidence in Justice” notes communities across BC are suffering from the post-pandemic ‘catch and release’ justice system. Caul reiterates the need for adequate care while focusing on adequate consequences in relation to prolific property offenders.

Local Kelowna businesses responded to a downtown business survey earlier in 2023 saying that the rising costs of dealing with petty crime, break-ins, open drug use and homelessness are driving businesses away from the downtown core or to closure.

Kelowna Mayor Tom Dyas reviewed the results and met with provincial government officials as well as other involved agencies, saying he was committed to making progress on the concerns of business owners and employees downtown.

The Downtown Kelowna Association said the survey amplifies what they've been hearing from business owners and the association is ready for a change. The Provincial Government needs to work with municipalities and districts across the province, especially those with fewer resources than in the lower mainland, to implement care-based solutions that will provide relief for businesses and residents.



Recommendation 4

That the provincial government elevate the existing policies of the BC Chamber to rapidly improve the accessibility of market-based affordable housing in the province to the BC labour force seeking housing in the Okanagan and throughout the province.

Explanation

The Kelowna Chamber has authored multiple policies in the past three years, all of which have been adopted by the BC Chamber and have been taken to government for consideration. Those policies join adopted policies from other chambers, aimed at achieving more affordable market housing for the labour force in Kelowna and the Okanagan, as well as around the province. We implore government to make substantive progress on these critical housing policies.

A scan of the current policies includes:

1. [PROGRESSIVE HOUSING SOLUTIONS TO ADDRESS WORKFORCE CHALLENGES \(2022\)](#)
2. [LAND TRUST INITIATIVE \(2023\)](#)
3. [PROPERTY TRANSFER TAX REFORM – ADDRESSING BC’S HOUSING AFFORDABILITY CHALLENGE \(2021\)](#)
4. [STRATA INSURANCE PREMIUM CRISIS \(2020\)](#)
5. [GUIDELINES FOR ENFORCING RESIDENTIAL RENTAL TENURE ZONING \(2023\)](#)
6. [IMPLEMENT THE DEVELOPMENT APPROVALS PROCESS REVIEW \(DAPR\) \(2022\)](#)
7. [INCREASING ACCOUNTABILITY, TRANSPARENCY AND LOCAL CONTROL OF THE SPEC TAX \(2023\)](#)

Affordable housing is a complex issue, and all these policies feed into achieving success across the broad front of issues confronting developers, employers and planners who are attacking the issue. Chris Gardner, President of the Independent Contractors and Businesses Association, spoke to the BC Chamber June 1 at the annual BC Chamber Conference. He reminded us of pertinent facts and potential solutions, many of which are contained in the policies already on the books. He clearly understands that market housing for the labour force is BC’s number one issue in keeping the economy going and growing. He’s noted in the past that the World Bank tells us Canada ranks No. 64 globally for how long it takes to approve and permit construction projects. This is unacceptable.

Housing for workers is closely tied to a healthy economy in BC. And, as the Business Council of BC notes, international exports of goods and services once accounted for more than one-third of BC’s GDP as recently as 2000. Today, it’s 23 per cent – bucking the growth trend of virtually every other advanced OECD economy.

The cascading effects on GDP are significant to our long-term prosperity. Underbuilt infrastructure, choking regulations and lack of political will are key reasons why the OECD says that over the next decade, with a projected growth rate of just one per cent annually, Canada will have the worst-performing economy among the 38 developed nations it tracks.

This does not bode well when we look at the crushing need for housing for our labour force: now looking for housing; just graduated and looking for housing; immigrated to Canada and looking for housing; or still in pre-university and already worried about where to live “when I grow up.” Just this week, an economist in Toronto recommended university graduates live with mom and dad rent-free until they are at least thirty, “so they can work and build a nest egg for a downpayment for a house.”

This is a housing economy that is clearly broken, and government intervention is only one of the tools – but a critical one – to repair the problem. Cutting back the cumulative effect of taxes and regulations – in which the cost of a new home is impacted by up to 30% in permitting costs, code changes, taxes and other regulatory burdens – is a must.

It’s time to get housing for BC’s labour force onto the market. Government needs to support a slashing of regulatory red tape, cut development, tax and permitting costs and time to market for developments, and ensure BC workers have a reason to stay in this province, in the Okanagan, and help our area thrive.

Thank you for the opportunity to present the views of the Chamber and its members to the Committee.

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