

OPENING STATEMENT

YTG is the largest commercial tenant in the Yukon Property Market. As appropriate, it seeks to maximize the value of its leases by tendering leases on a Gross cost. Commercial landlords are asked to provide tenders that include assumptions about energy costs, R&M, and property taxes.

In other jurisdictions, governments do not include property taxes in the definition of Gross lease costs as it is understood that property taxes increase in direct relation to improvements to properties. This means that a Yukon property owner is encouraged by the current approach to leases not to improve their property over the term of the government lease.

The City of Whitehorse will only provide projections of future tax rates to 3 years; YTG is seeking leases for terms from 3-10 years. Developers and Landlords have asked for longer terms to be the norm for Government leases in order to make them bankable (5 years or longer), but as tax rates cannot be estimated with any precision, the requirement for Landlords to commit to a fixed rate for a 5 to 10 year term in order to win government leases creates a situation where they have to provide a fixed rate to the government and the government has no need to make a reciprocal commitment to fix tax rates for the same period.

Conclusion

The removal of property taxes from gross lease cost estimates with the expectation that they be charged as additional rents in leases at actual assessed cost will allow an appropriate process for the government’s procurement process that does not force the burden of future tax increases 100% onto the landlord. It will remove a major source of uncertainty in the estimation of expenses and will eliminate the inequity that exists in the existing approach

THE CHAMBER RECOMMENDS

That the Yukon Government:

1. Remove property taxes from the standard definition of “Gross Lease Costs” and request the bids indicate that property taxes will be charged as additional rents and charged based on the actual amounts assessed.