



ADMINISTRATIVE REPORT

Report Date: November 16, 2016
Contact: Grace Cheng
Contact No.: 604.871.6654
RTS No.: 11714
VanRIMS No.: 08-2000-20
Meeting Date: November 29, 2016

TO: Vancouver City Council
FROM: Director of Finance
SUBJECT: 2017 Targeted Three-Year Land Assessment Averaging Program: Notice to BC Assessment Authority

RECOMMENDATION

- A. THAT, pursuant to Section 374.4 (4b) of the Vancouver Charter, the City Clerk be instructed to notify the BC Assessment Authority ("BC Assessment"), before January 1, 2017, of Vancouver City Council's intent to consider the adoption of targeted 3-year land assessment averaging for the purpose of property tax calculations for 2017.

It should be noted that this notice of intent is revocable should Council, at a later date, decide not to proceed with this mechanism.

- B. THAT the Director of Finance be instructed to provide the required two weeks' notice to the public in advance of Council's consideration of the use of targeted 3-year land assessment averaging and, before March 31, 2017, report on the projected taxation impacts of the program based on the assessed values provided by BC Assessment in the 2017 Completed Roll.
- C. THAT the Area Assessor for Vancouver be invited to address Council on the 2017 assessment trends.

REPORT SUMMARY

The purpose of this report is to recommend that BC Assessment be notified of Council's intent to consider the adoption of targeted 3-year land assessment averaging for the purpose of property tax calculations for 2017. This notification is a statutory requirement for Council to consider the use of land assessment averaging but does not commit Council to the implementation of this mechanism.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

In 1993, Council implemented *across-the-board* 3-year land assessment averaging for the purpose of calculating property taxes for residential (Class 1) and business (Class 6) properties; and in 2007, Council extended the program to light industrial (Class 5) properties.

In 2007, the Property Tax Policy Review Commission (“PTPRC”) provided a thorough review of the City’s property tax policy. To address taxation impact arising from assessment volatility, the PTPRC recommended that Council submit a request to the Province to amend the *Vancouver Charter* to allow 5-year land assessment averaging.

In April 2013, the Province amended sections 374.4 (12) and (13) of the *Vancouver Charter* to allow Council to establish, by by-law, the number of preceding years to be applied in determining the average land value, up to a maximum of five years, for the purpose of land assessment averaging. Once the choice is made, the number of years used in the averaging formula must be held for five years. 2014 was the first year that the averaging program was governed by this amendment.

In May 2013, Council reconvened the PTPRC to provide an updated assessment of the City’s property tax policy. To further address taxation impact arising from assessment volatility, in February 2014, the PTPRC recommended *targeted* land assessment averaging.

In March 2014, Council approved the continuation of *across-the-board* 3-year land assessment averaging, pending staff analysis on the PTPRC recommendations presented in February 2014. As a result, a shift in the averaging formula from 3 years to 5 years could not be considered until 2019.

In July 2014, Council adopted the PTPRC recommendation and instructed staff to transition from *across-the-board* to *targeted* 3-year land assessment averaging for the 2015 tax year, subject to confirmation of authority from the Province. In February 2015, staff received such confirmation from the Province.

In March 2015, Council adopted the *2015 Land Assessment Averaging By-law* that authorized, for the first time, the use of *targeted* 3-year land assessment averaging for the purpose of calculating property taxes for residential (Class 1), light industrial (Class 5), and business (Class 6) properties for the 2015 tax year. In March 2016, Council again adopted targeted 3-year land assessment averaging for the 2016 tax year.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of the foregoing.

This notice of intent is a statutory requirement to preserve Council’s authority to consider the use of targeted 3-year land assessment in Spring of 2017. It does not commit Council to implement this mechanism.

REPORT

Background/Context

As a general rule, the extent of change in a property's taxes is determined primarily by how that property's assessed value has changed relative to the average change within its property class. Figure 1 below outlines how volatility in a property's assessed value impacts its property taxes in general terms.

Figure 1: Impact of Property Value Changes on Property Taxes

If a property's value has increased...	...its property tax...
...at the same rate as the property class average change,	...will increase at the same rate as the property class average increase.
...more than the property class average change,	...will increase more than the property class average increase.
...less than the property class average change,	...will increase less than the property class average increase.

In 1992, the Provincial government enacted legislation which provided Council with two options to mitigate the impacts of uneven year-over-year assessment changes on property taxes and to improve the year-over-year stability and predictability of property taxes. The two options are: land assessment averaging and land assessment phasing.

Existing process requires that Council consider the adoption of land assessment averaging or land assessment phasing each year.

Strategic Analysis

Section 374.4 of the *Vancouver Charter* stipulates the legislative and administrative requirements for implementing *targeted* 3-year land assessment averaging:

- Notify the President and Chief Executive Officer of BC Assessment, before January 1, 2017, of its intent to consider the adoption of *targeted* 3-year land assessment averaging for the 2017 tax year. This notice of intent does not commit Council to the implementation of this mechanism.
- Should Council decide to proceed, adopt a by-law, before March 31, 2017, authorizing the use of *targeted* 3-year land assessment averaging for the purpose of property tax calculations for 2017.
- Specify in the by-law the eligibility requirements for properties to be considered for *targeted* 3-year land assessment averaging.

In advance of Council's consideration, staff will complete an analysis of the projected taxation impacts of *targeted* 3-year land assessment averaging and provide the required two weeks' notice to the public of Council's intent to consider the program.

Once the *2017 Completed Roll* is available in January 2017, Council may wish to invite the Area Assessor for Vancouver to make a presentation on the 2017 assessment trends.

Financial

There are no financial implications.

CONCLUSION

This report seeks Council authority to notify BC Assessment of its intent to consider the adoption of *targeted* 3-year land assessment averaging for the purpose of property tax calculations for 2017. This notification does not commit Council to the implementation of this mechanism.

Staff will report back in Spring 2017 on the projected taxation impacts of *targeted* 3-year land assessment averaging based on the assessed values provided by BC Assessment in the *2017 Completed Roll*, at which time Council will decide whether to adopt this mechanism for 2017.

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