CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date:	February 28, 2017
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Meeting Date:	March 8, 2017

TO: Standing Committee on City Finance and Services

FROM: Director of Finance

SUBJECT: 2017 Property Taxation: Targeted Land Assessment Averaging

RECOMMENDATION

A. THAT Council approve the application of targeted 3-year land assessment averaging for the purpose of calculating property taxes for Residential (Class 1), Light Industrial (Class 5), and Business & Other (Class 6) properties for 2017.

B. THAT, in addition to the standard exclusions as outlined in the annual Land Assessment Averaging By-laws, Council adopt a "threshold" of 10% above the property class average change for Class 1 and for Classes 5 & 6 to define eligibility for targeted averaging;

FURTHER, THAT the 2017 property class average change for Class 1 and for Classes 5 & 6 be finalized upon receipt of the 2017 Revised Assessment Roll in April.

C. THAT Council instruct the Director of Legal Services, in consultation with the Director of Finance, to prepare a by-law authorizing the use of targeted 3-year land assessment averaging that reflects Council's decision on Recommendations A and B.

D. THAT, subject to adoption of the by-law, Council instruct the Director of Finance to make appropriate arrangements with BC Assessment for the production of the 2017 Average Assessment Roll at an estimated cost of $25,000 plus applicable taxes; source of funding to be the 2017 Operating Budget.

REPORT SUMMARY

The purpose of this report is to seek Council approval to use *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 2017.

Since 2015, the City has used *targeted land assessment averaging* to calculate property taxes as recommended by the Property Tax Policy Review Commission's ("PTPRC") in 2014. Prior to 2015, the City used across-the-board averaging which was in effect since 1993.

Unlike *across-the-board averaging*, which is applied to the vast majority of residential, light industrial and business properties, whether or not the properties have experienced significant year-over-year increases in values, *targeted averaging* applies only to "hot" properties (defined as those that have experienced significant year-over-year increases in property values above the "threshold" set by Council). The intent of the policy is to reduce tax increases on the targeted properties until such time as the property is no longer "hot". *Targeted averaging* focuses only on "hot" properties above the "threshold", and properties below the "threshold" will be left untouched by averaging, and pay taxes based on their BC Assessment values.

The program functioned as intended: In 2016, approximately 15,800 (8.5%) residential properties and 2,800 (19%) light industrial and business properties were targeted for mitigation, resulting in varying degrees of temporary tax relief. Should Council approve the continuation of targeted averaging for 2017, it is anticipated that 19,500 (10.3%) residential properties and 3,300 (22%) industrial and business properties would benefit from the program.

Land assessment averaging is an optional tool available to Council under the *Vancouver Charter*. To date, Vancouver is the only municipality in British Columbia that uses land assessment averaging to phase in significant property tax increases arising from assessment volatility at a city-wide level.

- For eligible residential properties, this program complements other provincial measures such as Section 19(8) of the *Assessment Act*, Property Tax Deferment and the Home Owner Grant in alleviating significant year-over-year tax increases.

- For light industrial and business properties, this program is the only mitigating measure that provides businesses with short-term, multi-year relief to enable market adjustments and/or lease renegotiations.

Taken together, these mitigating measures have addressed major property tax increases for residents and businesses.

In May 2011, the Province enacted *2011 Municipalities Enabling & Validating Act (No. 4)* in response to the City of Richmond's request for specific authority to provide targeted, transitional tax relief to eligible light industrial and business properties in the Brighouse neighborhood. The program does not apply to other areas in Richmond or other municipalities in British Columbia. Staff is not aware of any other mechanisms being deployed elsewhere in the province.

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.

Section 374.4 of the *Vancouver Charter* allows Council to consider the application of land assessment averaging each year. If Council decides to proceed, a by-law must be adopted before March 31 authorizing the use of such a mechanism. Each year, Council can also specify certain eligibility requirements for properties to be considered for averaging under the by-law.

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 COMMENTS

The City Manager RECOMMENDS approval of the foregoing.

The City plays a leading role in enabling a thriving business environment and building a world-class, sustainable community for its residents. Vancouver is consistently ranked as one of the most livable cities in the world, and in 2016, the global accounting firm KPMG ranked the city as the second-most tax competitive in the world. In 2017 to 2020, Metro Vancouver is expected to lead the nation in economic growth (according to Conference Board of Canada information). The City has received AAA credit ratings from both Moody's and Standard & Poors, which is the strongest credit rating for a Canadian city. To build on this economic strength and sustain its competitiveness, the City works to maintain an affordable environment for businesses and residents.

While the City's property tax regime generally functions as intended, every tax system has inherent limitations and challenges. Over the years, tax share and assessment volatility have been key issues within the business community. The challenge of assessment volatility is more prevalent on “hot” properties with triple net leases, where landlords transfer the entire tax burden to small business tenants while benefiting from the increase in property value upon sale or redevelopment.

In its report to Council in February 2014, the PTPRC found no evidence of an increasing business tax differential between Vancouver and other parts of the region, or of business investment moving to neighboring municipalities. This suggests that the 5-year tax shift program (completed in 2012) was effective in bringing the City’s business tax share in line with its peers, and no additional tax shift is currently contemplated. Staff continues to collect and refine the metrics recommended by the PTPRC, and has started incorporating these as part of the annual Budget Report (December) and Tax Distribution Report (April). The metrics would help guide future property tax policy decisions.

With regards to property tax predictability and stability, the City transitioned from *across-the-board averaging* to *targeted averaging* in 2015, as recommended by the PTPRC. The program functioned as intended, and mitigated significant tax increases arising from assessment volatility for ~18,600 properties in 2016 [2015: ~11,400]. Subject to Council approval, the number of properties benefitting from this program could reach ~22,800.

Targeted averaging is one of the few mitigating measures available for residential properties; but is the only tool for commercial properties at this point. The program provides short-term, multi-year tax relief to businesses to enable market adjustments and/or lease renegotiation. Taken together, these mitigating measures have addressed major property tax increases for residents and businesses. Given the significant assessment increases experienced across Vancouver for 2017, which could impact homeowners and businesses to varying degrees, staff recommend that Council support the *targeted averaging* approach again this year in order to provide the much needed temporary relief to those residential, light industrial and business properties that are most impacted.

As well, further to the recent BC Supreme Court ruling (Amacon) on the application of split assessments on mixed use development, which could have significant impact on the assessment and classification of mixed use development going forward, and in response to the Council motion – Action to Protect Taxpayers from Soaring Assessments (February 2016), staff is working closely with the Province and BC Assessment, in consultation with representatives from the Urban Development Institute, Board of Trade, Business Improvement Areas and other key stakeholders, to evaluate how split assessment, value-in-use assessment and other policy tools could complement the City’s targeted land assessment averaging program in alleviating unanticipated property tax increases arising from assessment volatility.

Beside property tax policies, over the years, Council has taken proactive steps to enhance affordability and support economic development. These include the following:

- Keeping property taxes, utility fees and user fees competitive within Metro Vancouver;
- Lowering the business property tax share from 52% to 43% of the City’s general purpose tax levy, and improving the business tax rate ratio (business tax rate divided by residential tax rate) from 6 to 4 over the last decade, one of the most substantial improvements within Metro Vancouver;
- Bringing transformative changes to enhance customer service, efficiencies and accountability;
- Implementing the Vancouver Economic Strategy to attract global talent, companies and investment;

- Implementing the Housing and Homelessness Strategy to increase the availability and range of affordable housing choices for all residents;
- Implementing the Transportation 2040 Plan to enable a sustainable, efficient transportation system;
- Implementing the Greenest City 2020 Action Plan and Renewable City Strategy, which is positioning Vancouver as a global leader in urban sustainability; and
- Adopting land use policies that preserve commercial, industrial and job space, promote affordable housing and childcare, and allow for accessible recreational facilities to attract and retain top talent.

Over the past several years, Vancouver has consistently had one of the lowest average property tax rate increases among Metro Vancouver municipalities. Even combining municipal taxes with annual utility fee increases, Vancouver is in mid-range in Metro Vancouver. This year's property tax rate increase, at 3.9%, reflects a need to address a growing city and to focus on affordable housing initiatives, equity, safety and livability along with resources to support mental health and addiction issues.

Through these actions, Vancouver has experienced strong population growth, job creation and robust commercial development.

REPORT

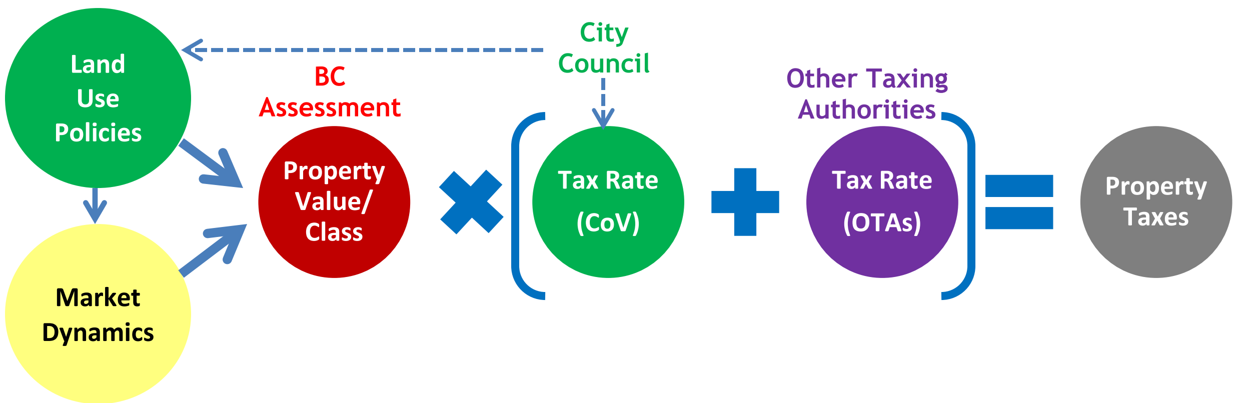
Background/Context

Property Taxation Framework

British Columbia's property taxation framework has been recognized as one of the best in class due mainly to the segregation of assessment and taxation functions that ensure objectivity and credibility; and the annual market valuation approach that ensures currency, equity and transparency.

Figure 1 below shows the key drivers and stakeholders within the property taxation framework.

Figure 1: Property Taxation Framework



Property taxes are levied by taxing authorities based on real property values, which are driven by zoning as defined in **land use policies** and by **market dynamics**.

BC Assessment determines the value of all real properties in BC based on their “highest and best use” as defined by zoning and market evidence, and assigns them to appropriate property class(es) based on their “actual use” in accordance with the *Assessment Act*. An *Assessment Roll* is produced annually for municipalities and other taxing authorities (OTAs) such as Provincial schools, Translink, Metro Vancouver, Municipal Finance Authority and BC Assessment to levy property taxes.

City Council sets land use policies that define zoning; determines the amount of general purpose tax levy required to support City operations; sets residential and business tax share and tax rates; and levies property taxes using the *Assessment Roll*. Council may also decide whether to apply mitigation tools such as land assessment averaging in any given year. The City’s general purpose tax portion accounts for ~50% of the overall tax rate.

OTAs set tax share and tax rate for each property class, and levy property taxes using the *Assessment Roll*. If land assessment averaging is applied, the tax rates for the impacted property classes will be adjusted to ensure revenue neutrality. OTAs accounts for ~50% of the overall tax rate.

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. While changes in the overall *Assessment Roll* value will not change the total general purpose tax levy generated from each property class, differential changes among properties within the same class will result in differential shifts in taxes paid by individual property owners from year to year. This situation is particularly prevalent in neighborhoods with significant growth opportunities and/or development potential where property values could experience a much higher increase relative to other areas in the City and, as a result, pay higher taxes.

Figure 2 below outlines how volatility in a property’s assessed value impacts its property taxes in general terms. It does not, however, reflect the impact of non-market changes (e.g. new construction, class transfers, rezonings) and tax shifts among property classes.

Figure 2: 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.

Mitigating Measures

Land assessment averaging is an optional tool available to Council under the *Vancouver Charter*. To date, Vancouver is the only municipality in British Columbia that uses land assessment averaging to phase in significant property tax increases arising from assessment volatility at a city-wide level.

- For eligible residential properties, this program complements other provincial measures such as Section 19(8) of the *Assessment Act*, Property Tax Deferment and the Home Owner Grant (described below) in alleviating significant year-over-year tax increases.

- For light industrial and business properties, this program is the only mitigating measure that provides businesses with short-term, multi-year relief to enable market adjustments and/or lease renegotiations.

Taken together, these mitigating measures have addressed major property tax increases for residents and businesses.

The following **Provincial tax relief measures** are available to residential property owners which can be applied independently or in combination to alleviate some taxation impact.

***Assessment Act s19(8)* -** available to property owners who have continuously occupied their principal residence for at least 10 years; the land will be assessed based on current zoning rather than anticipated zoning and development potential. [2017: 423 properties]

***Property Tax Deferment* -** available to property owners 55 years of age or older who occupy their principal residence and families with children under 18 years of age. [2016: 5,700 properties; 2017 applications in progress]

***Home Owner Grant* -** available to property owners who occupy their principal residence of which the value falls within the qualifying range. [2016: 81,000 properties; 2017 applications in progress]

See Appendix E for the geographical distribution of properties that are under the above provincial tax relief programs.

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

a) **Land Assessment Averaging By-law -** Must be adopted before March 31.

b) **Number of Preceding Years to be Applied in the Averaging Formula** – Subsections 12 & 13 (enacted in 2013) allows 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 the amendment. In March 2014, Council approved the continuation of *across-the-board* 3-year averaging pending staff analysis and a report back on the PRPRC recommendations. Under this amendment, a shift to 5-year land assessment averaging cannot be considered until 2019.

c) **Eligible Property Classes -** Residential (Class 1), light industrial and business (Classes 5 & 6) properties only.

d) **Eligible Properties** – Eligibility and exemption criteria are stipulated in the *By-law*. For *targeted averaging*, the *By-law* must stipulate a “threshold” to define “hot” properties eligible for averaging. As Council can only establish one tax rate for each class, properties that are not eligible for averaging are also subject to the averaged tax rates.

e) **Averaging Applies to All Taxes -** As averaging affects the taxable values for calculating taxes levied by the City as well as OTAs, a decision to apply averaging to a property class requires that adjustment be made to OTAs' tax rates to ensure revenue neutrality.

f) **Public Notification -** Must be published in two consecutive issues of a newspaper at least two weeks in advance of the adoption of the *By-law*. For 2017, the notice was placed in the Vancouver Courier on February 9 and 16, and has been on the City's website since February 24. A copy of the notice can be found in Appendix F.

g) **Appeal Process -** The *By-law* provides for a municipal Court of Revision for appeals that cannot be resolved within the administrative processes provided for in the *Vancouver Charter*.

Please refer to Appendix A for further details on the Provincial tax relief measures and the City's land assessment averaging program.

Strategic Analysis

Similar to other Metro Vancouver municipalities, Vancouver has experienced cycles of active real estate markets from neighborhood to neighborhood which resulted in uneven property value increases and therefore taxation impacts. Land assessment averaging is an optional mitigation tool available under the *Vancouver Charter* which complements the abovementioned provincial tax relief measures in alleviating tax impact on eligible properties. To date, Vancouver is the only municipality in British Columbia that uses land assessment averaging to phase in property tax impacts arising from assessment volatility at a city-wide level.

In May 2011, the Province enacted *2011 Municipalities Enabling & Validating Act (MEVA) (No. 4)* in response to the City of Richmond's request for specific authority to provide targeted, transitional tax relief to eligible light industrial and business properties in the Brighouse neighborhood. The program does not apply to other areas in Richmond or other municipalities in British Columbia. The intent of that policy was to address the high vacancies and job loss arising from volatility in assessments and property taxes in the area, which were triggered by changes in Richmond's Official Community Plan (adopted in mid-2009) allowing higher density residential development in and around that neighborhood. In addition to exempting municipal taxes under the *Revitalization Tax Exemption* provision, the *2011 MEVA (No. 4)* enables partial exemption of the provincial school tax. The program runs from 2012 to 2017, starting with only 39 eligible properties in 2012 and reduced to 29 properties in 2017.

Staff is not aware of any other mechanisms being used elsewhere in the province.

In 2013, Council reconvened the PTPRC to provide an updated assessment of the tax share and assessment volatility issues, and recommend further actions as appropriate for Council's consideration. In its report to Council in February 2014, the PTPRC remained concerned about "hot" spots in the commercial sector, assessment volatility and resulting tax impact on businesses, particularly those that rent space under triple-net leases which could be hard hit by assessment spikes with no ability of sharing any upside in property values upon redevelopment. The PTPRC defines "hot" spots as properties that experience an unanticipated, year-over-year increase in total assessed value before land averaging is applied, which exceeds the average increase for the property class by more than 10%. "Hot" spots may result from a number of different factors, including rezoning, speculation, market trends, infrastructure development (e.g. rapid transit), and assessment changes initiated by BC Assessment.

In determining which mitigation tool is the most appropriate, the PTPRC sets out the following guiding principles:

i) targeted
   - "hot" properties only, not all properties
   - unanticipated increases only, not owner-induced increases (rezoning, improvement upgrades)

ii) tailored mitigation to intensity of volatility
iii) time-limited to allow tenants time to react (re-negotiate, relocate)
iv) easy to understand
v) straightforward to administer
vi) minimize unintended consequences
vii) maintain market assessment as much as possible
viii) not to unduly defer redevelopment to highest and best use

The PTPRC concluded that the *targeted 5-year land assessment averaging* best meets the above guiding principles. *Targeted averaging* applies to only "hot" properties (defined as those that have experienced significant year-over-year increases in property values above the "threshold" set by Council). The intent of the policy is to reduce the level of tax increases until such time as the property is no longer "hot". Properties below the "threshold" will be left untouched and pay taxes based on their BC Assessment values.

On February 20, 2015, the Province confirmed that, under section 374.4 of the *Vancouver Charter*, the City has the authority to use a "threshold" to define eligibility for *targeted averaging*. With this authority, the value of the target properties would be reduced through averaging, thereby reducing the level of tax increases. Depending on how the land values of individual target properties have changed over the recent three years, the impact of averaging will likely differ for each target property. For eligible "hot" properties, targeted averaging should reduce their values for property tax calculation; under limited circumstances where averaging would increase their values (e.g. properties that experienced significant shift in value between land and improvement), property tax will be calculated based on the assessed values provided by BC Assessment.

To ensure *targeted averaging* would not over mitigate a "hot" property, the City requires additional authority to limit the impact of averaging up to the "threshold" (10% above class average change). Without such authority, averaging could reduce the value of a target property below the "threshold". As a result, some target properties could have an undue advantage over those properties that are not eligible for *targeted averaging*. As well, a "hot" property is defined as having a year-over-year increase in property value (difference between the current year's BC Assessment value and the preceding year's averaged value) above the "threshold". If *targeted averaging* keeps reducing the value of a "hot" property below the "threshold", the year-over-year increase would be arbitrarily higher. As a result, a "hot" property could stay in the *targeted averaging* program for longer than required, and a higher subsidy is necessary from other properties. With Council support, staff will continue to pursue this request with the Province.

With regards to the potential use of *Revitalization Tax Exemption* to address "hot" properties in Vancouver, the PTPRC made the following comments:

- Current legislation does not envision the *Revitalization Tax Exemption* provision be used to combat hot spots.

- Exemptions only apply to municipal taxes; taxes levied by other taxing authorities are not exempt.

- Implementation would require the City to develop an onerous set of processes and procedures given the city-wide coverage and number of eligible properties.

- Relative to the program in Richmond, it would be more complicated for Vancouver as i) Richmond's program is focused only on one geographic area and ii) it only applies to light industrial and business properties that experienced more than 100% increase in land value from 2005-2011; whereas Vancouver's program would need to target "hot" properties that emerge as a result of assessment volatility in any given year across the city, including residential, light industrial and business properties.

IMPACT OF LAND ASSESSMENT AVERAGING

Staff has completed an analysis of the impact of *targeted averaging* on properties within the residential (Class 1), light industrial and business (Classes 5 & 6) property classes based on the following:

a) **Data Source -** The 2017 *Completed Roll* available at the time of this report; the 2017 *Revised Roll* which incorporates updates from the Property Assessment Review Panel decisions will not be available until April.

b) **Eligibility Criteria** – The set of eligibility criteria and proxies used in the model is similar to those contained in the *By-law*, which excludes vacant land, new construction, class transfers, and other ineligible properties. For *targeted averaging*, a "threshold" of 10% above the class average increase is used to define "hot" properties as recommended by the PTPRC. Based on the *Completed Roll*, the average increase in property values (difference between the 2017 *Completed Roll* value and the 2016 *Average Roll* value) is 35.85% [2016: 20.13%] for the residential class and 30.2% [2016: 21.2%] for the light industrial and business classes, resulting in a "threshold" of 45.85% [2016: 30.13%] for Class 1 and 40.2% [2016: 31.2%] for Classes 5 & 6. The class average increase in property values will be finalized upon receipt of the *Revised Roll* in April.

c) **Impact on General Purpose Tax Levy Only -** While averaging is applicable to all taxes levied by the City as well as OTAs, only the City's general purpose tax levy is considered in the model as OTAs' tax rates are not available at the time of this report. However, a similar pattern would apply.

d) **Tax Shift** – None contemplated for 2017, which is consistent with the PTPRC's recommendations presented in February 2014 and adopted by Council in July 2014.

Subject to the 2017 *Revised Roll* as well as Council's decision on tax distribution in April 2017, the impact of land assessment averaging presented in this report could change.

I. Residential (Class 1) Properties

Compared to the 2016 *Revised Roll*, the 2017 *Completed Roll* indicates a year-over-year increase of $78.2 billion (32.6%) in the total assessed value for the residential property class, of which $73.4 billion (30.6%) is from an increase in market value and $4.8 billion (2.0%) is from non-market changes (e.g. new constructions, inter-class transfers, rezonings) that may not be eligible for land assessment averaging.

In December 2016, Council approved an overall tax levy of $716.8 million. Assuming no tax shift in 2017, the tax levy to be collected from the residential property class would be ~$388 million. Tax rates are calculated based on the total taxable value on the *Assessment Roll*. As averaging reduces the total taxable value of a property class, the tax rate will be adjusted higher to collect the same amount of tax levy.

As illustrated in Figure 3 below, applying *targeted averaging* reduces the total taxable value slightly from $318 billion to $308 billion and increases the tax rate slightly from $1.22 to $1.26 per $1,000 taxable value (3%).

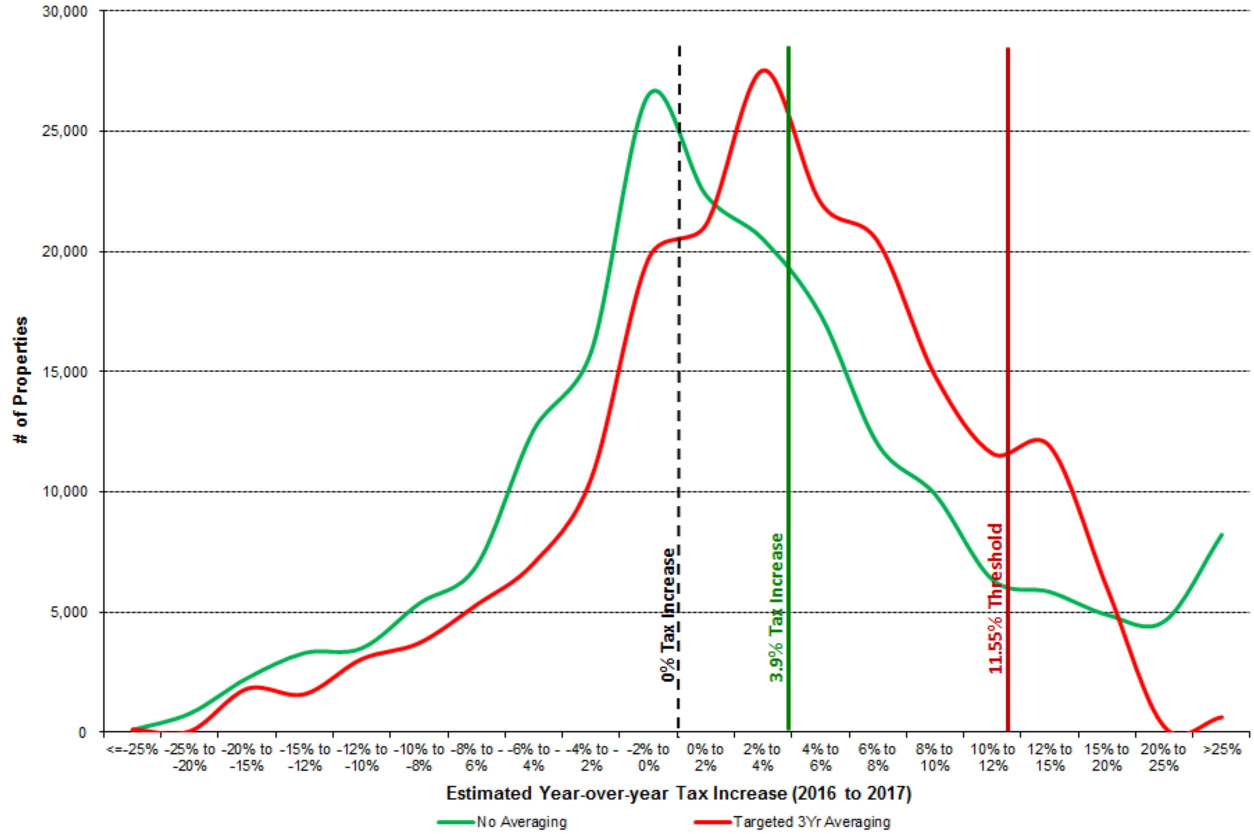
Figure 3: Residential (Class 1) Properties
Estimated Impact of Land Assessment Averaging on 2017 Taxable Value & Tax Rate

Class 1 - Residential	No Averaging (BCA Value)	Targeted 3-yr Land Assessment Averaging
Taxable Value	$318B	$308B
Tax Rate (per $1,000 Taxable Value)	$1.22	$1.26
(% adjustment in tax rate)	-	*(+3%)*
Target General Purpose Tax Levy	$388M	$388M

The City does not have authority to limit the impact of *targeted averaging* up to the “threshold” (10% above class average change). As such, *targeted averaging* could reduce the value of a “hot” property below the “threshold”, resulting in a higher subsidy from the rest of the properties to offset the tax relief.

Figures 4 below demonstrates the estimated impact of land assessment averaging on property tax increases in 2017 for residential (Class 1) properties under targeted averaging. In December 2016, Council approved the 2017 budget with an estimated tax increase of 3.9%. However, individual properties could experience a tax increase different from the Council-approved tax increase, depending on how a property’s value has changed relative to average change within its class.

Figure 4: Estimated 2017 Property Tax Increase – Residential (Class 1)
No Averaging vs. Targeted 3-yr Averaging



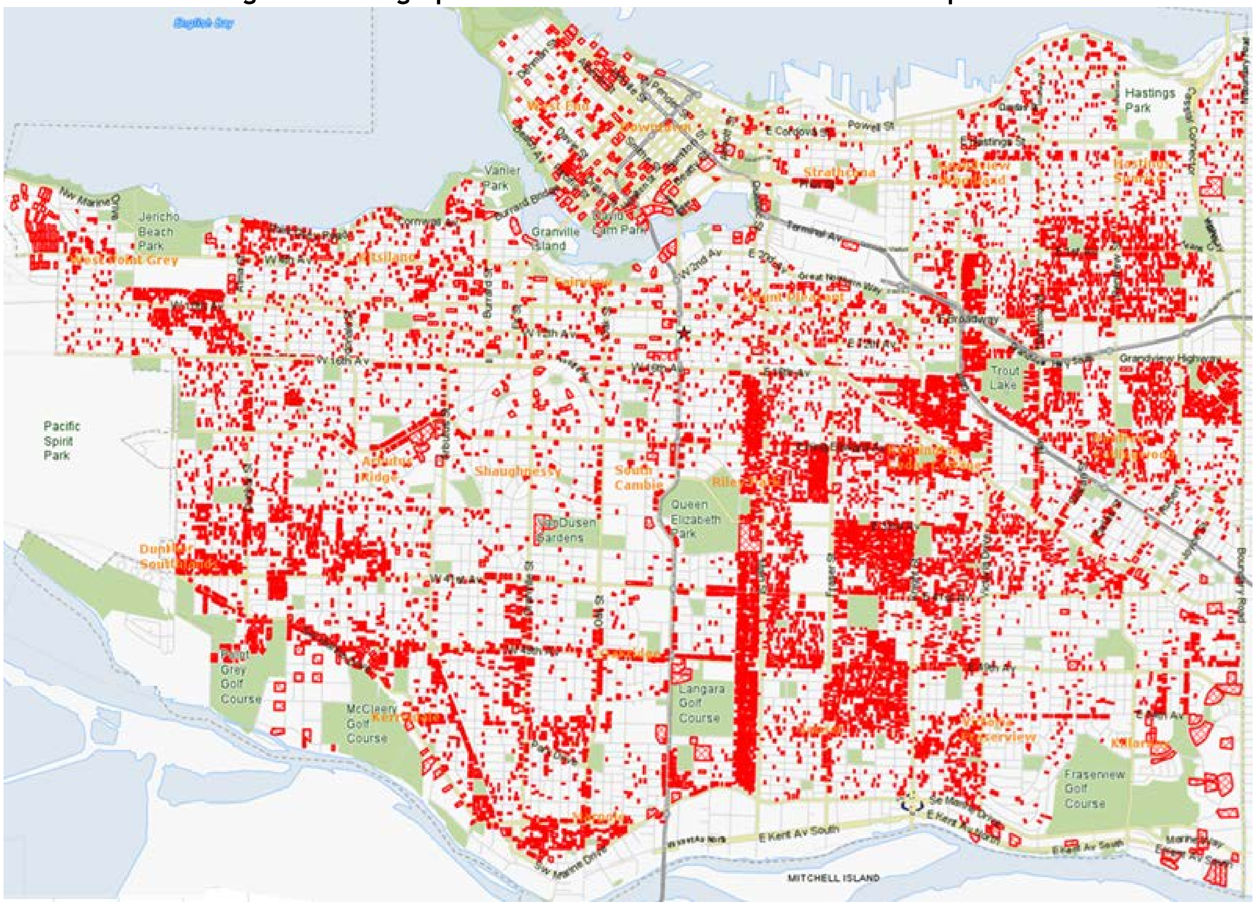
As shown in Figure 4, with *targeted 3-year averaging*, 19,500 properties (10.3%) [2016: 15,800 (8.5%)] are above the “threshold” and deemed “hot” and will be eligible for averaging. The vast majority of properties below the “threshold” will pay slightly higher taxes to subsidize the tax relief for those “hot” properties.

The PTPRC recommended a “threshold” of 10% above the class average increase be used to define “hot” properties. Based on the *Completed Roll*, the average increase in residential property values (difference between the 2017 *Completed Roll* value and the 2016 *Average Roll* value) is ~35.85% [2016: 20.13%], resulting in a “threshold” of ~45.85% [2016: 30.13%]. The class average increase in property values will be finalized upon receipt of the *Revised Roll* in April. If a residential property experiences an increase of ~35.85% in value (class average increase), it will receive a property tax increase of ~3.9% (average tax increase). If a residential property experiences an increase in value above 45.85% (“threshold”), it will receive a property tax increase above 11.55% before targeted averaging is applied.

The impact of *targeted* land assessment averaging on sample residential (Class 1) properties is presented in Appendix B.

Figure 5 below shows the geographical distribution of “hot” residential properties that have experienced a year-over-year increase in property values above the “threshold” and would be eligible for *targeted averaging*.

Figure 5: Geographical Distribution of Hot Residential Properties



II. Light Industrial & Business (Classes 5 & 6) Properties

Since 2000, the light industrial and business (Classes 5 & 6) properties have been "blended" for the purpose of calculating property taxes, i.e. the tax rates for these classes are the same.

Compared to the 2016 *Revised Roll*, the 2017 *Completed Roll* indicates a year-over-year increase of $12.3 billion (25.5%) in the combined assessed value for the light industrial and business property classes, of which $11.8 billion (24.5%) is from an increase in market value and $0.5 billion (1.1%) is from non-market changes (e.g. new construction, inter-class transfers, rezonings) that may not be eligible for land assessment averaging.

In December 2016, Council approved an overall tax levy of $716.8 million. Assuming no tax shift in 2017, the tax levy to be collected from the light industrial and business property classes would be ~$317 million. Tax rates are calculated based on the total taxable value on the *Assessment Roll*. As averaging reduces the total taxable value of a property class, the tax rate will be adjusted higher to collect the same amount of tax levy.

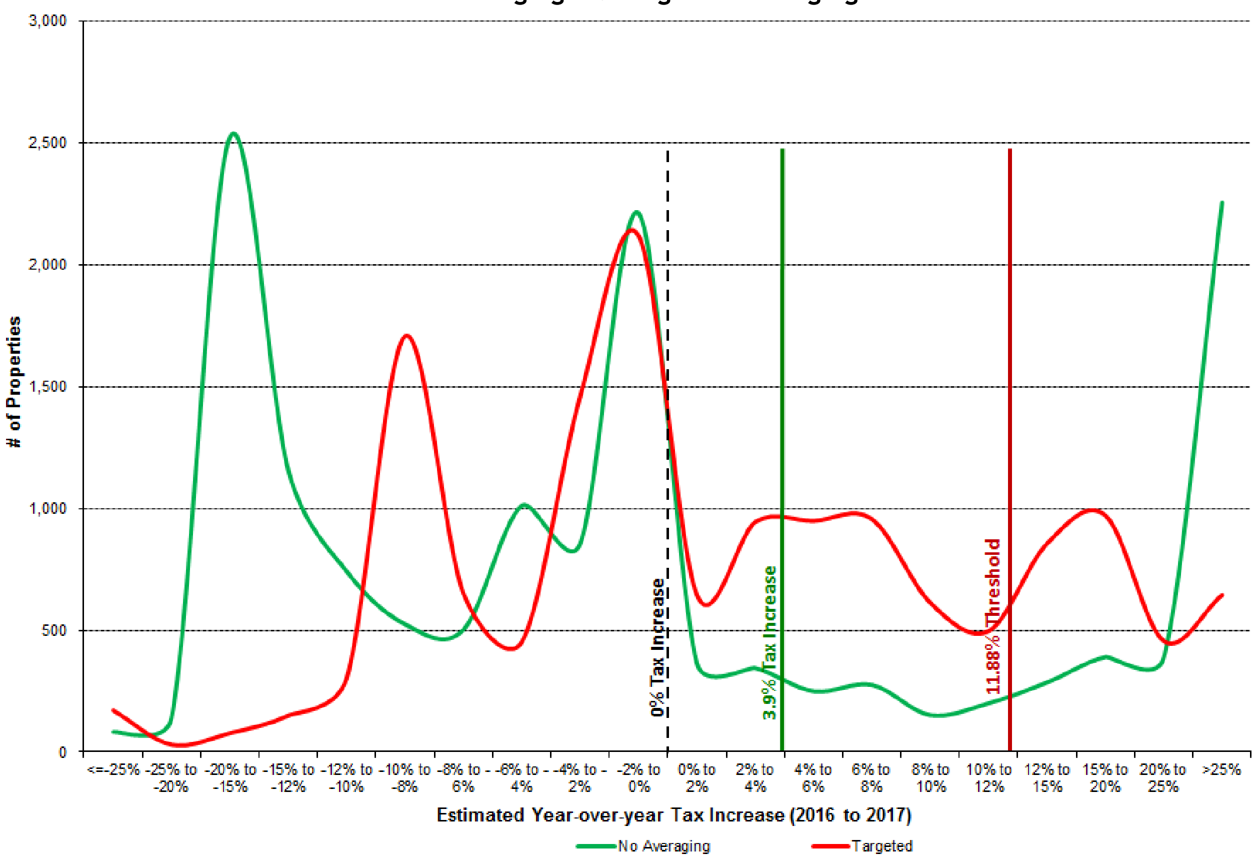
As illustrated in Figure 6 below, applying targeted averaging reduces the total taxable value from $60.3 billion to $54.9 billion and increases the tax rate from $5.3 to $5.8 per $1,000 taxable value (9.8%).

Figure 6: Light Industry & Business (Classes 5 & 6)
Estimated Impact of Averaging on 2017 Taxable Value & Tax Rate

Class 5 & 6 – Light Industrial & Business	No Averaging (BCA Value)	Targeted 3-yr Land Assessment Averaging
Taxable Value	$60.3B	$54.9B
Tax Rate (per $1,000 Taxable Value)	$5.27	$5.79
(% adjustment in tax rate)	-	*(+9.8%)*
Target General Purpose Tax Levy	$317M	$317M

Figures 7 below demonstrates the estimated impact of land assessment averaging on property tax increases in 2017 for light industrial and business (Classes 5 & 6) properties under *targeted averaging*. In December 2016, Council approved the 2017 budget with an estimated tax increase of 3.9%. However, individual properties could experience a tax increase different from the Council-approved tax increase, depending on how a property's value has changed relative to average change within its class.

Figure 7: Estimated 2017 Property Tax Increase - Light Industry & Business (Classes 5 & 6)
No Averaging vs. Targeted Averaging



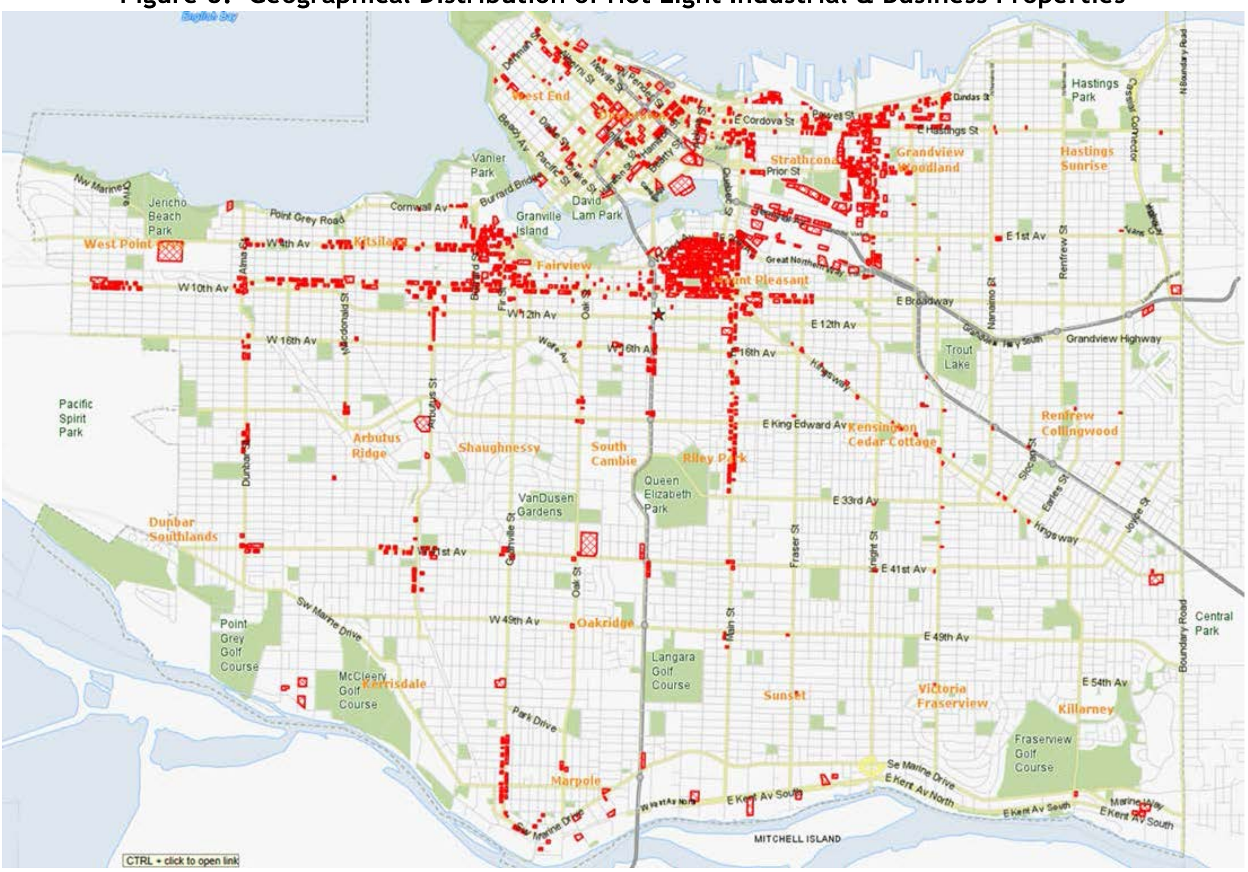
As shown in Figure 7, with *targeted 3-year averaging*, 3,300 properties (23%) [2016: 2,800 (19%)] are above the "threshold" and deemed "hot" and will be eligible for averaging. The vast majority of properties below the "threshold" will pay slightly higher taxes to subsidize the tax relief for those "hot" properties.

The PTPRC recommended a “threshold” of 10% above the class average increase be used to define “hot” properties. Based on the *Completed Roll*, the average increase in light industrial and business property values (difference between the 2017 *Completed Roll* value and the 2016 *Average Roll* value) is ~30.2% [2016: 21.23%], resulting in a “threshold” of ~40.2% [2016: ~31.23%]. The class average increase in property values will be finalized upon receipt of the *Revised Roll* in April. If a light industrial/business property experiences an increase of ~30.2% in value (class average increase), it will receive a property tax increase of ~3.9% (average tax increase). If a light industrial/business property experiences an increase in value above 40.2% (“threshold”), it will receive a property tax increase above 11.88% before targeted averaging is applied.

The impact of *targeted* land assessment averaging on sample light industrial and business properties is presented in Appendix C.

Figure 8 below shows the geographical distribution of “hot” light industrial and business properties that have experienced a year-over-year increase in property values above the “threshold” and would be eligible for *targeted averaging*.

Figure 8: Geographical Distribution of Hot Light Industrial & Business Properties



Implications/Related Issues/Risk (if applicable)

Financial

Should Council approve the adoption of the targeted 3-year land assessment averaging program in 2017, the City will require an *Average Assessment Roll* for calculating property taxes.

Since 1993, BC Assessment has offered to produce an average or phased assessment roll to any municipal jurisdiction on a user-fee basis. The cost of producing an *Average Assessment Roll* in 2017 is estimated at $25,000 plus applicable taxes; source of funding to be the 2017 Operating Budget.

CONCLUSION

Based on the analysis, staff recommends that Council approve the use of *targeted averaging* in 2017 for the purpose of calculating property taxes for residential (Class 1), light industrial and business (Class 5 & 6) properties.

* * * * *

Over the last few decades, Vancouver has experienced cycles of a very active real estate market, particularly residential, from neighborhood to neighborhood which has resulted in uneven property value increases and taxation impacts across the City. There are a number of provincial and municipal mechanisms available for property owners which, when applied independently or in combination, could mitigate the taxation impact.

(i) ***Assessment Act*** **s19(8)** (property value reduction)
This option applies to properties within an area where there is a change in the land use policy involving "upzoning" and additional development potential which significantly increases the underlying land value. Under s19(8), residential property owners who have continuously owned and occupied the property as their principal residence for at least 10 years are eligible for a reduced property assessment. For eligible properties, the land portion of the assessed value will be based on current zoning rather than on anticipated future zoning and development potential. BC Assessment has been proactive in notifying potentially eligible property owners of this option. Any reduction in assessed values could shift tax burden among property owners, but the total general purpose tax levy remains the same; City revenue is not impacted.

(ii) Property Tax Deferment (tax deferral)
Eligible residential property owners who occupy their principal residence may defer all or a portion of the taxes owing net of home owner grant, if applicable. The Province finances the property tax payments at prescribed low interest rates and puts a charge against the property. Repayment is not required until ownership is transferred. Property tax deferment is available to individuals who are 55 years of age or older and, effective 2010, to families with children under 18 years of age. Financing is provided by the Province; City revenue is not impacted.

(iii) Home Owner Grant (tax reduction)
Residential property owners who occupy their principal residence are eligible for the Home Owner Grant if the value of their home falls within the qualifying range. The grant is applied first to offset school taxes, and any residual grant is then applied to reduce the general purpose tax levy. Effective 2006, individuals who are 65 years of age or older who fall within the lower income levels are able to claim the full senior home owner grant irrespective of the value of their property. Grants are funded by the Province; City revenue is not impacted.

CITY OF VANCOUVER MITIGATING MEASURE – LAND ASSESSMENT AVERAGING
(RESIDENTIAL & BUSINESS PROPERTIES)

Since 1993, it has been Council policy to apply the three-year land assessment averaging program for the purpose of calculating property taxes for Residential (Class 1) and Business & Other (Class 6) properties; in 2007, Council extended the program to Light Industrial (Class 5) properties.

This mechanism entails averaging three years of land value (current year and two prior years) to phase in year-over-year property tax impacts arising from land value changes and to reduce the number of properties that experience extreme volatility in property taxes driven by significant increases and decreases in land values. The current assessed improvement value is then added to the adjusted land value for calculating property taxes. Vancouver is the only municipality in British Columbia that applies land assessment averaging.

In 2007, the PTPRC recommended using up to five years of assessed land values (instead of the current three years) in the averaging formula to enhance property tax stability and predictability. In spring 2013, the Province enacted the necessary amendments to the *Vancouver Charter* to enable this approach.

Land assessment averaging is revenue neutral to the City as the total general purpose tax levy collected from each property class is the same with or without application of this mechanism.

Over the years, various independent studies by industry experts re-affirmed the effectiveness of land assessment averaging in enhancing property tax stability and predictability.

(i) In 1993, Council established the **Vancouver Task Force on Property Taxation** which, in their April 1994 report (*Property Tax Task Force Report*), recommended that *"Council support the ongoing use of three-year land value averaging as a tool to buffer the impacts of large assessed value changes."*

(ii) In 2006, Council established the **Property Tax Policy Review Commission** which provided their final recommendations to Council in September 2007 (*PTPRC Final Report*). Council instructed staff to seek an amendment to the *Vancouver Charter* to allow the City to use up to five years of assessed land values in the averaging formula (*RTS#6947*).

Calculating Property Taxes Using Land Assessment Averaging

Figure 9 below compares the calculation of property taxes under the market value approach and the land assessment averaging approach (same for *across-the-board averaging* and *targeted averaging*). The total general purpose tax levy for the City is the same under both approaches.

Figure 9: Property Tax Calculation

Market Value Approach		3-yr Land Assessment Averaging Approach (Across-the-board & Targeted)	
	2017 Land Value		Average of 2015/16/17 Land Value
+	2017 Improvement Value	+	2017 Improvement Value
=	2017 Taxable Value $_{Market}$	=	2017 Taxable Value $_{Average}$
x	2017 Tax Rate $_{Market}$	x	2017 Tax Rate $_{Average}$
=	2017 Total General Purpose Tax Levy	=	2017 Total General Purpose Tax Levy

As shown in Figure 9, application of 3-year land assessment averaging affects two components in the property tax calculation:

Taxable Value $_{Average}$ – The taxable value of a property is calculated using the average land value of the current year and the two prior years plus the current improvement value.

Tax Rate $_{\textit{Average}}$ – For those property classes eligible for averaging, tax rates are recalculated based on the total average value of each class in order to generate the same amount of total general purpose tax levy. As targeted averaging *reduces* the total taxable value of a property class, the tax rate will be *higher when compared to the market value approach*.

Implementation – Legislative & Administrative Requirements

Section 374.4 of the *Vancouver Charter* stipulates the legislative and administrative requirements for the implementation of land assessment averaging:

(i) Land Assessment Averaging By-law
The by-law must be adopted by Council before March 31 each year.

(ii) Number of Preceding Years to be Applied in the Averaging Formula
Council must establish by by-law the number of preceding years to be applied, up to a maximum of five years, in determining the average land value for the purposes of land assessment averaging. Once the choice is made, the averaging formula needs to hold for five years.

(iii) Eligible Property Classes
Averaging is applicable to Residential (Class 1), Light Industrial (Class 5), and Business & Other (Class 6) properties only. It is not applicable to Seasonal & Non-Profit properties (Class 8) and other properties valued at special rates – Utilities (Class 2), Supportive Housing (Class 3), Major Industry (Class 4), and Farm (Class 9).

(iv) Eligible Properties
Council can determine in the Land Assessment Averaging By-law the eligibility of individual properties within the eligible property classes. Generally speaking, in cases where there is a substantial change in the characteristics and/or use of a property from one year to the next and where such changes tend to enhance the value of the property to the benefit of the owner, the property will not be eligible for the tax-phasing benefits that the program offers. Once a property is excluded from the program, it must regain its eligibility over time.

Below are sample properties that are not eligible for averaging:

- a property that carries no improvement value (i.e. vacant land)
- a property that has undergone a change in assessment class and/or zoning district
- a property of which the physical characteristics have been changed as a result of consolidation or subdivision

As Council can only establish one tax rate for each class, properties that are not eligible for averaging are also subject to the averaged tax rate.

(v) Calculation of All Tax Levies
Averaging is applicable to the calculation of taxes levied by the City and other taxing authorities on a revenue neutral basis. As averaging affects the taxable values used for calculating all taxes, a decision to apply averaging to a property class requires that

Council approves a resolution adjusting the tax rates determined by other taxing authorities to ensure revenue neutrality.

(vi) Notification to the Public
In accordance with the notification requirements set out in the *Vancouver Charter*, a notice to inform property owners on Council's intent to consider application of land assessment averaging and the resulting tax impacts on sample properties is required. The notice must be published in two consecutive issues of a newspaper at least two weeks in advance of the adoption of the Land Assessment Averaging By-law.

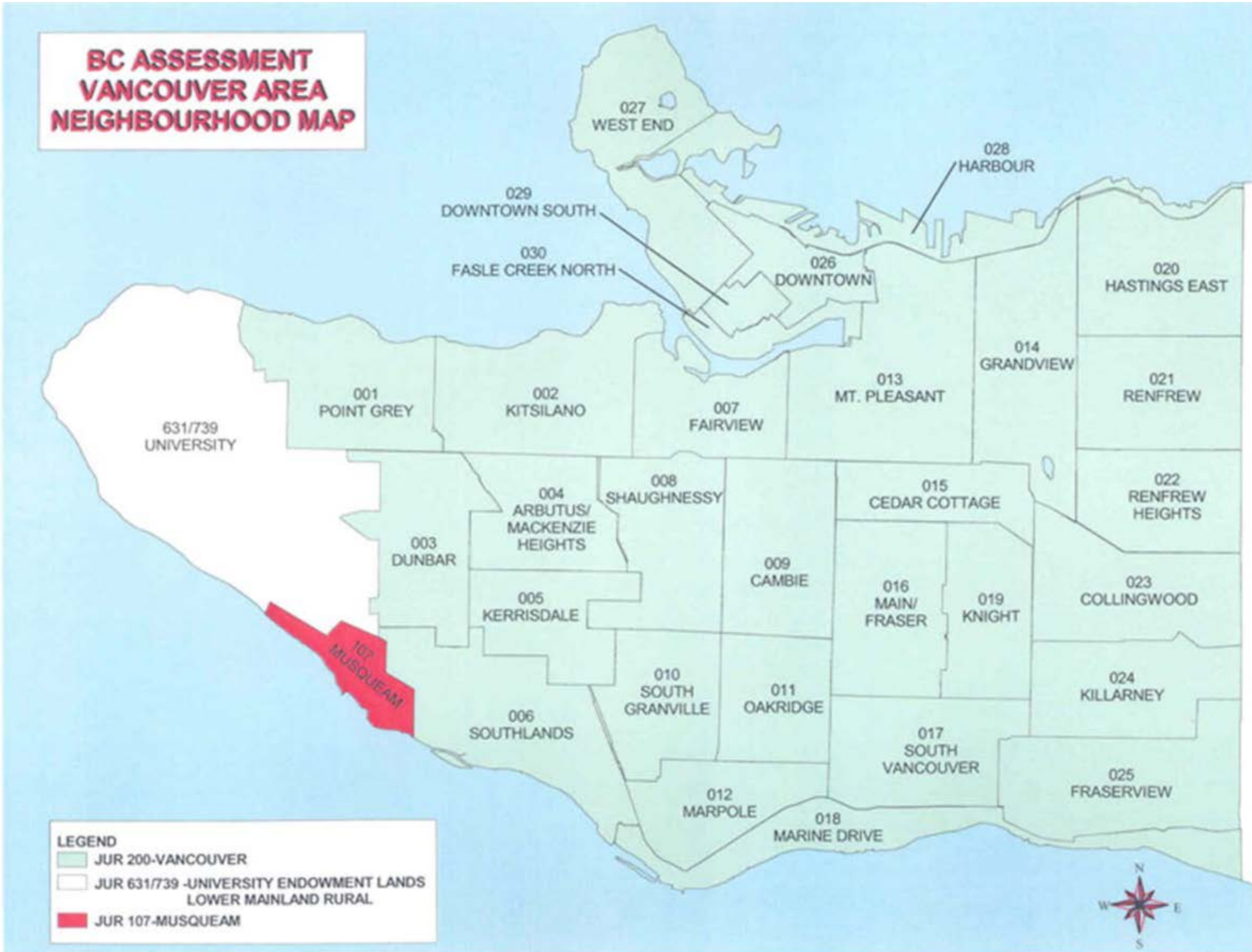
(vii) Appeal Process
Council is required to provide a process for property taxpayers to appeal the application of the Land Assessment Averaging By-law. The by-law provides for a municipal Court of Revision after the tax billing date for appeals that cannot be resolved within the administrative processes provided for in the *Vancouver Charter*. Any tax levy losses arising from the averaging appeal process are borne by the City. Since 1993, staff has been able to resolve the majority of appeals administratively; only a handful of appeals proceeded to the Court of Revision. In all cases, the Court of Revision concluded that the Land Assessment Averaging By-law had been correctly applied.

PROPERTY TAX IMPACT OF TARGETED LAND ASSESSMENT AVERAGING
SAMPLE RESIDENTIAL PROPERTIES (CLASS 1)

		TAXABLE VALUES			GENERAL PURPOSE TAX LEVY			$ CHANGE IN TAXES 2017 Estimate vs 2016 Actual		% CHANGE IN TAXES 2017 Estimate vs 2016 Actual	
Sample Property	Methodology	2016 Averaged	2017 Market	2017 Targeted Averaging	2016 Actual	2017 Market	2017 Targeted Averaging	2017 Market	2017 Targeted Averaging	2017 Market	2017 Targeted Averaging
Downtown											
Sample Property #1 (1st Quartile)	Not Targeted	$444,000	$564,000	$564,000	$693	$688	$710	-$6	$16	-0.8%	2.3%
Sample Property #2 (2nd Quartile)	Not Targeted	$555,000	$669,000	$669,000	$867	$816	$842	-$51	-$25	-5.9%	-2.9%
Sample Property #3 (3rd Quartile)	Not Targeted	$636,000	$827,000	$827,000	$993	$1,008	$1,041	$15	$47	1.5%	4.8%
West											
Sample Property #1 (1st Quartile)	Not Targeted	$766,000	$899,000	$899,000	$1,196	$1,096	$1,131	-$100	-$65	-8.4%	-5.4%
Sample Property #2 (2nd Quartile)	Not Targeted	$1,588,200	$2,255,200	$2,255,200	$2,480	$2,749	$2,838	$269	$357	10.8%	14.4%
Sample Property #3 (3rd Quartile)	Not Targeted	$2,311,200	$3,171,700	$3,171,700	$3,609	$3,866	$3,991	$257	$381	7.1%	10.6%
East											
Sample Property #1 (1st Quartile)	Not Targeted	$736,000	$956,000	$956,000	$1,149	$1,165	$1,203	$16	$53	1.4%	4.7%
Sample Property #2 (2nd Quartile)	Not Targeted	$1,004,000	$1,381,000	$1,381,000	$1,568	$1,683	$1,738	$116	$170	7.4%	10.8%
Sample Property #3 (3rd Quartile)	Not Targeted	$1,309,000	$1,572,000	$1,572,000	$2,044	$1,916	$1,978	-$128	-$66	-6.3%	-3.2%
Downtown											
Sample Property #1 (1st Quartile)	Targeted	$405,000	$599,000	$525,333	$632	$730	$661	$98	$29	15.4%	4.5%
Sample Property #2 (2nd Quartile)	Targeted	$517,000	$785,000	$618,000	$807	$957	$778	$150	-$30	18.5%	-3.7%
Sample Property #3 (3rd Quartile)	Targeted	$722,000	$1,058,000	$835,000	$1,128	$1,290	$1,051	$162	-$77	14.4%	-6.8%
West											
Sample Property #1 (1st Quartile)	Targeted	$1,835,000	$2,741,000	$2,044,333	$2,866	$3,341	$2,572	$476	-$293	16.6%	-10.2%
Sample Property #2 (2nd Quartile)	Targeted	$2,209,300	$3,290,200	$2,498,533	$3,450	$4,011	$3,144	$561	-$306	16.2%	-8.9%
Sample Property #3 (3rd Quartile)	Targeted	$2,553,500	$3,956,100	$2,898,100	$3,988	$4,823	$3,647	$835	-$341	20.9%	-8.6%
East											
Sample Property #1 (1st Quartile)	Targeted	$795,467	$1,412,100	$1,072,767	$1,242	$1,721	$1,350	$479	$108	38.6%	8.7%
Sample Property #2 (2nd Quartile)	Targeted	$1,003,000	$1,542,100	$1,232,100	$1,566	$1,880	$1,550	$313	-$16	20.0%	-1.0%
Sample Property #3 (3rd Quartile)	Targeted	$1,124,933	$1,712,600	$1,368,267	$1,757	$2,088	$1,722	$331	-$35	18.8%	-2.0%

PROPERTY TAX IMPACT OF TARGETED LAND ASSESSMENT AVERAGING
SAMPLE LIGHT INDUSTRIAL & BUSINESS PROPERTIES (CLASS 5 & 6)

		TAXABLE VALUES			GENERAL PURPOSE TAX LEVY			$ CHANGE IN TAXES 2017 Estimate vs 2016 Actual		% CHANGE IN TAXES 2017 Estimate vs 2016 Actual	
Sample Property	Methodology	2016 Averaged	2017 Market	2017 Targeted Averaging	2016 Actual	2017 Market	2017 Targeted Averaging	2017 Market	2017 Targeted Averaging	2017 Market	2017 Targeted Averaging
Downtown											
Sample Property #1 (1st Quartile)	Not Targeted	$169,800	$179,000	$179,000	$1,123	$942	$1,035	-$179	-$87	-16.0%	-7.7%
Sample Property #2 (2nd Quartile)	Not Targeted	$256,300	$269,400	$269,400	$1,695	$1,418	$1,557	-$275	-$135	-16.2%	-8.0%
Sample Property #3 (3rd Quartile)	Not Targeted	$614,000	$630,000	$630,000	$4,060	$3,316	$3,641	-$739	-$414	-18.2%	-10.2%
West											
Sample Property #1 (1st Quartile)	Not Targeted	$471,500	$497,000	$497,000	$3,118	$2,616	$2,872	-$498	-$241	-16.0%	-7.7%
Sample Property #2 (2nd Quartile)	Not Targeted	$636,000	$702,000	$702,000	$4,206	$3,695	$4,057	-$505	-$142	-12.0%	-3.4%
Sample Property #3 (3rd Quartile)	Not Targeted	$1,372,000	$1,612,000	$1,612,000	$9,072	$8,485	$9,317	-$575	$258	-6.3%	2.8%
East											
Sample Property #1 (1st Quartile)	Not Targeted	$426,500	$445,000	$445,000	$2,820	$2,342	$2,572	-$475	-$245	-16.8%	-8.7%
Sample Property #2 (2nd Quartile)	Not Targeted	$692,000	$833,200	$833,200	$4,576	$4,386	$4,816	-$184	$247	-4.0%	5.4%
Sample Property #3 (3rd Quartile)	Not Targeted	$1,160,000	$1,624,000	$1,624,000	$7,671	$8,548	$9,386	$890	$1,729	11.6%	22.5%
Downtown											
Sample Property #1 (1st Quartile)	Targeted	$163,700	$250,900	$194,567	$1,082	$1,321	$1,125	$240	$44	22.2%	4.0%
Sample Property #2 (2nd Quartile)	Targeted	$321,000	$481,300	$253,300	$2,123	$2,533	$1,464	$414	-$657	19.5%	-30.9%
Sample Property #3 (3rd Quartile)	Targeted	$754,000	$1,344,000	$961,333	$4,986	$7,074	$5,556	$2,099	$578	42.1%	11.6%
West											
Sample Property #1 (1st Quartile)	Targeted	$749,000	$1,179,000	$901,667	$4,953	$6,206	$5,211	$1,262	$266	25.5%	5.4%
Sample Property #2 (2nd Quartile)	Targeted	$2,617,000	$3,679,000	$3,165,000	$17,305	$19,364	$18,292	$2,088	$1,014	12.1%	5.9%
Sample Property #3 (3rd Quartile)	Targeted	$3,967,933	$5,704,500	$4,878,167	$26,238	$30,025	$28,194	$3,831	$1,997	14.6%	7.6%
East											
Sample Property #1 (1st Quartile)	Targeted	$1,219,667	$2,187,000	$1,636,000	$8,065	$11,511	$9,455	$3,463	$1,404	42.9%	17.4%
Sample Property #2 (2nd Quartile)	Targeted	$2,140,000	$3,452,000	$2,236,333	$14,151	$18,169	$12,925	$4,045	-$1,207	28.6%	-8.5%
Sample Property #3 (3rd Quartile)	Targeted	$2,790,333	$5,071,000	$3,761,000	$18,451	$26,691	$21,737	$8,279	$3,318	44.9%	18.0%


BC ASSESSMENT VANCOUVER AREA NEIGHBOURHOOD MAP
027 WEST END
028 HARBOUR
029 DOWNTOWN SOUTH
030 FASLE CREEK NORTH
026 DOWNTOWN
020 HASTINGS EAST
014 GRANDVIEW
013 MT. PLEASANT
021 RENFREW
001 POINT GREY
002 KITSILANO
007 FAIRVIEW
631/739 UNIVERSITY
008 SHAUGHNESSY
004 ARBUTUS/ MACKENZIE HEIGHTS
015 CEDAR COTTAGE
022 RENFREW HEIGHTS
003 DUNBAR
009 CAMBIE
016 MAIN/ FRASER
019 KNIGHT
023 COLLINGWOOD
005 KERRISDALE
107 MUSQUEAM
010 SOUTH GRANVILLE
011 OAKRIDGE
024 KILLARNEY
006 SOUTHLANDS
017 SOUTH VANCOUVER
025 FRASERVIEW
012 MARPOLE
018 MARINE DRIVE
LEGEND
JUR 200-VANCOUVER
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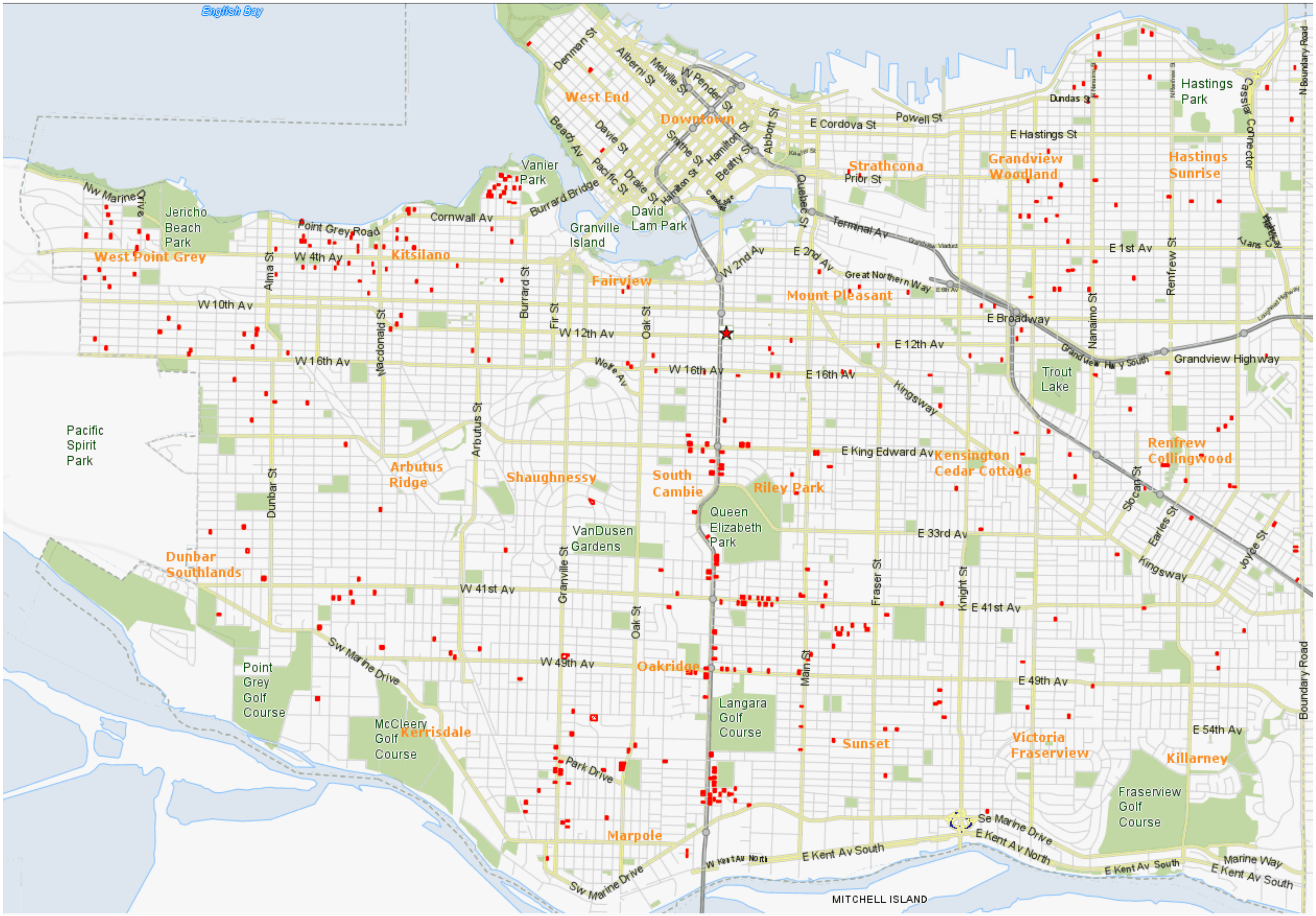
English Bay
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Downtown
Strathcona
Grandview Woodland
Hastings Sunrise
Hastings Park
West Point Grey
Jericho Beach Park
Kitsilano
Vanier Park
Granville Island
David Lam Park
Fairview
Mount Pleasant
Pacific Spirit Park
Arbutus Ridge
Shaughnessy
South Cambie
Riley Park
Kensington Cedar Cottage
Renfrew Collingwood
Trout Lake
Queen Elizabeth Park
VanDusen Gardens
Dunbar Southlands
Point Grey Golf Course
McCleery Golf Course
Kerrisdale
Oakridge
Langara Golf Course
Sunset
Victoria Fraserview
Killarney
Fraserview Golf Course
Marpole
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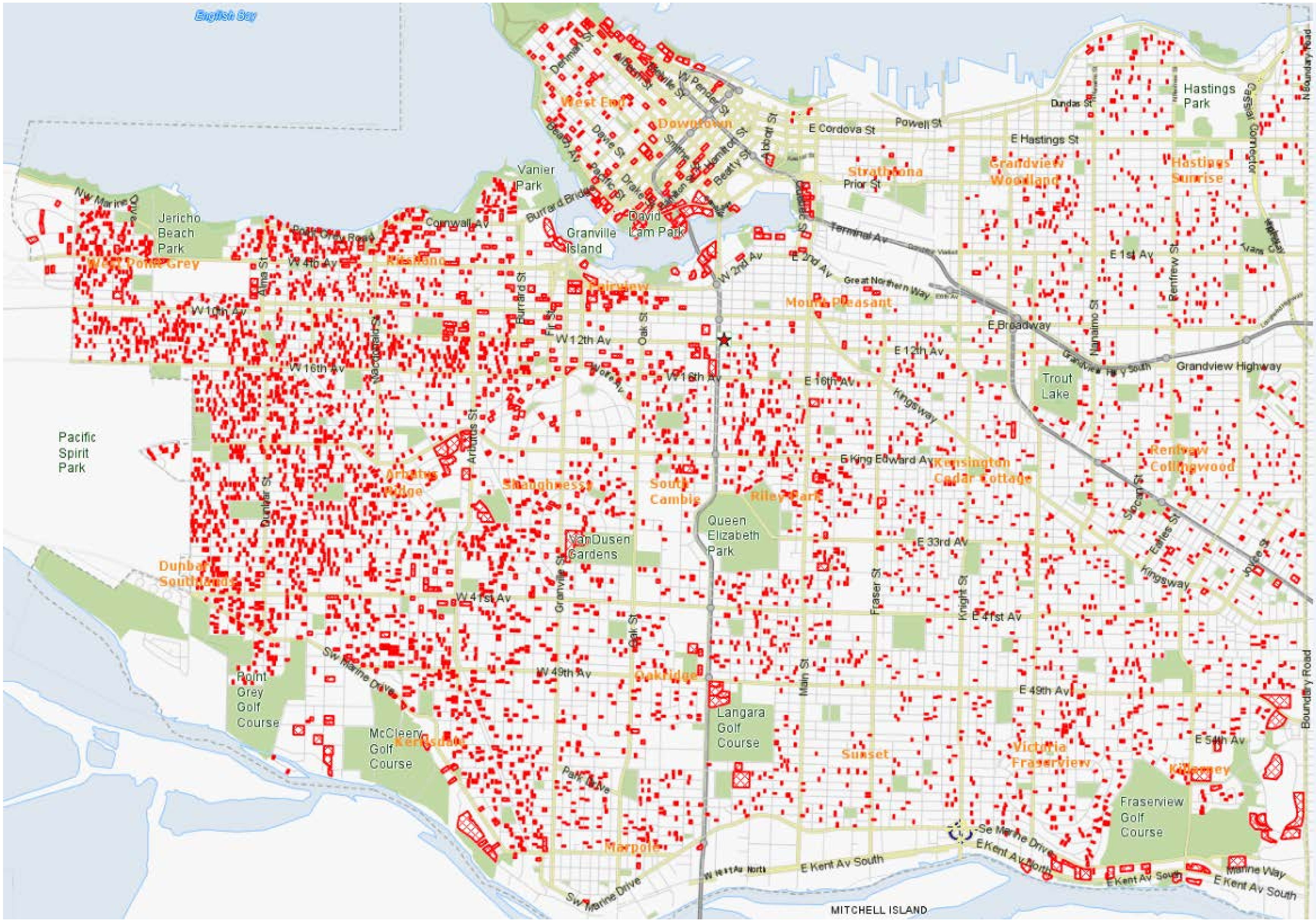
W 12th Av
W 16th Av
W 41st Av
W 49th Av
E 12th Av
E 16th Av
E King Edward Av
E 33rd Av
E 41st Av
E 49th Av
E 54th Av
E 1st Av
E Broadway
E Hastings St
E Cordova St
Powell St
Prior St
Terminal Av
Kingsway
Grandview Highway
Sw Marine Drive
Se Marine Drive
E Kent Av North
E Kent Av South
Marine Way
Boundary Road
Dunbar St
Alma St
Macdonald St
Arbutus St
Burrard St
Fir St
Granville St
Oak St
Main St
Fraser St
Knight St
Nanaimo St
Renfrew St
Cassiar Connector
Park Drive
Cornwall Av
Point Grey Road
Burrard Bridge
Nw Marine Drive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Oakridge
Langara Golf Course
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Victoria Fraserview
Killarney
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E Hastings St
Prior St
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E 49th Av
E 54th Av
Grandview Highway
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Knight St
Fraser St
Main St
Oak St
Granville St
Arbutus St
Dunbar St
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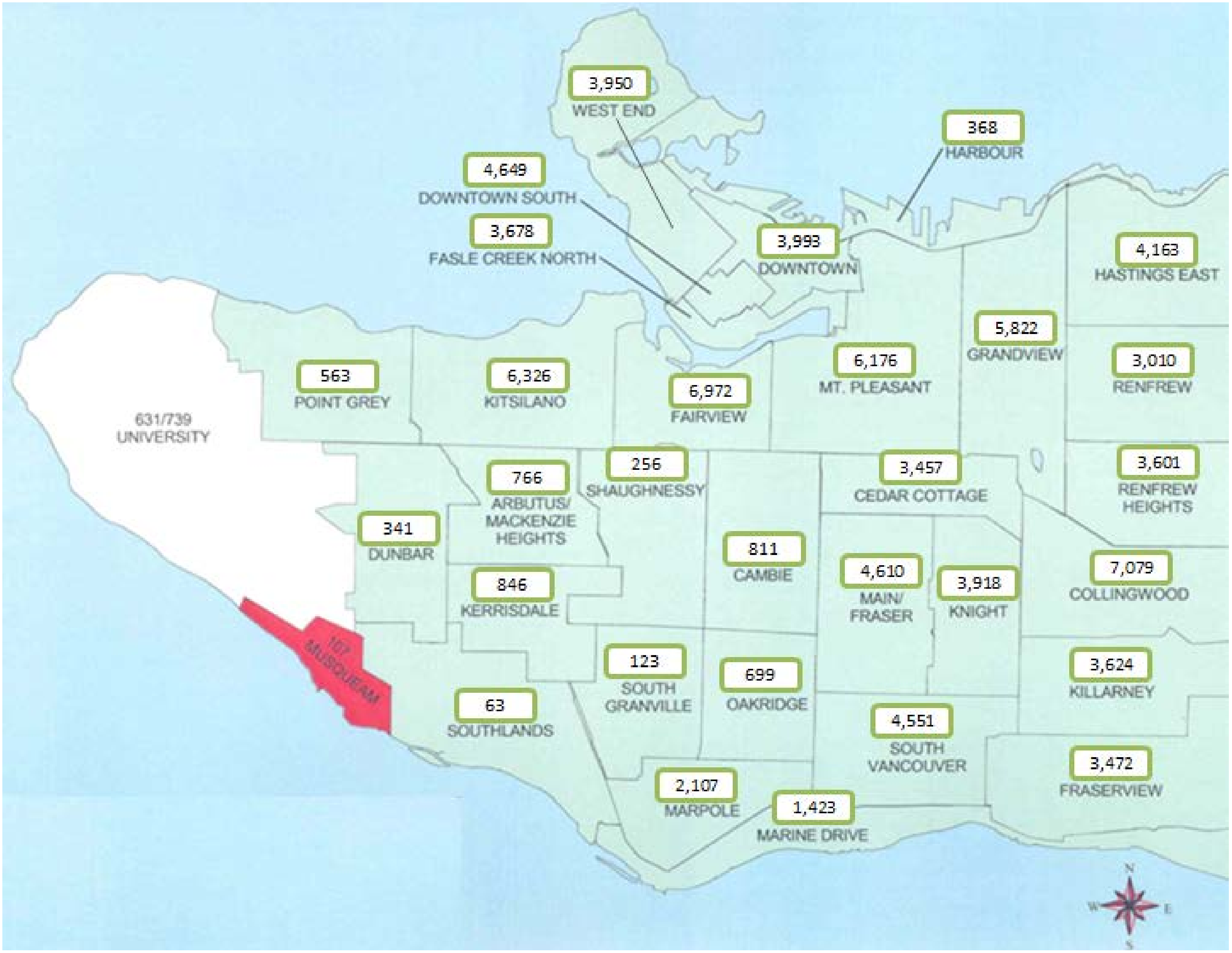
W 16th Av
W 41st Av
W 49th Av
SW Marine Drive
SE Marine Drive
E Kent Av South
E Kent Av North
Marine Way
Park Drive
Cornwall Av
Point Grey Road
NW Marine Drive
Burrard Bridge
W 2nd Av
E 2nd Av
E 1st Av
Slocan St
Joyce St
Cassiar Connector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HARBOUR
4,649
DOWNTOWN SOUTH
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FASLE CREEK NORTH
3,993
DOWNTOWN
4,163
HASTINGS EAST
5,822
GRANDVIEW
6,176
MT. PLEASANT
3,010
RENFREW
563
POINT GREY
6,326
KITSILANO
6,972
FAIRVIEW
631/739
UNIVERSITY
766
ARBUTUS/
MACKENZIE
HEIGHTS
256
SHAUGHNESSY
3,457
CEDAR COTTAGE
3,601
RENFREW
HEIGHTS
341
DUNBAR
811
CAMBIE
4,610
MAIN/
FRASER
3,918
KNIGHT
7,079
COLLINGWOOD
846
KERRISDALE
107
MUSQUEAM
123
SOUTH
GRANVILLE
699
OAKRIDGE
3,624
KILLARNEY
63
SOUTHLANDS
4,551
SOUTH
VANCOUVER
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FRASERVIEW
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MARPOLE
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MARINE DRIVE
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IMPORTANT NOTICE TO PROPERTY OWNERS: Land Assessment Averaging

Since 2015, the City of Vancouver has used targeted land assessment averaging to calculate property taxes as recommended by the Property Tax Policy Review Commission in 2014. (Prior to 2015, the City used across-the-board averaging which was in effect since 1993.) Averaging does not generate any extra revenue for the City, but affects the amount of taxes paid by individual property owners.

Under the targeted averaging approach, only those properties facing significant year-over-year increases in property values above a certain threshold would be eligible for averaging. For eligible properties, the program calculates property taxes for the City and other taxing authorities using an average of the assessed land value for the current and prior two years, plus their current assessed improvement value. All others would pay property taxes based on the BC Assessment value instead of an averaged value.

The table on the right shows the estimated effect of targeted averaging on the City of Vancouver's general purpose taxes for sample properties based on the thresholds approved by Vancouver City Council for 2016 (i.e. an increase in property value that is 10 per cent above the average property class increase), subject to Council approval for 2017.

Amounts levied by other taxing authorities such as provincial schools, TransLink, BC Assessment, and Metro Vancouver are not included.

On March 8, 2017, Vancouver City Council will consider whether to continue with targeted land assessment averaging for residential (Class 1), light industrial (Class 5) and business (Class 6) properties, and determine the appropriate thresholds for these property classes if targeted averaging is adopted. Should Council decide to continue with targeted averaging, a by-law will be adopted on March 28, 2017.

The report, which details the program and how it could impact property taxes, will be posted on our website at: **vancouver.ca/averaging**

FOR MORE INFORMATION:
3-1-1 or vancouver.ca/averaging

COMMENTS?
Write to:
Mayor and Council
453 West 12th Avenue
Vancouver, BC V5Y 1V4
or email:
mayorandcouncil@vancouver.ca

SPEAK TO COUNCIL:
Prior to adoption of the bylaw, you may speak to Council in person at the City Finance and Services meeting on March 8, 2017.
Phone 604-873-7269 to register.

TARGETED LAND ASSESSMENT AVERAGING

	Sample properties BELOW targeting threshold (NOT eligible for averaging)			Sample properties ABOVE targeting threshold (eligible for averaging)		
	2017 Assessed Value	Est .Taxes **without** Targeted Averaging	Est .Taxes **with** Targeted Averaging	2017 Assessed Value	Est .Taxes **without** Targeted Averaging	Est .Taxes **with** Targeted Averaging
Residential ($)						
Downtown	564,000	688	710	599,000	730	661
	669,000	816	842	785,000	957	778
	827,000	1,008	1,041	1,058,000	1,290	1,051
West	899,000	1,096	1,131	2,741,000	3,341	2,572
	2,255,200	2,749	2,838	3,290,200	4,011	3,144
	3,171,700	3,866	3,991	3,956,100	4,823	3,647
East	956,000	1,165	1,203	1,412,100	1,721	1,350
	1,381,000	1,683	1,738	1,542,100	1,880	1,550
	1,572,000	1,916	1,978	1,712,600	2,088	1,722
Light Industrial and Business & Other ($)						
Downtown	179,000	942	1,035	250,900	1,321	1,125
	269,400	1,418	1,557	481,300	2,533	1,464
	630,000	3,316	3,641	1,344,000	7,074	5,556
West	497,000	2,616	2,872	1,179,000	6,206	5,211
	702,000	3,695	4,057	3,679,000	19,364	18,292
	1,612,000	8,485	9,317	5,704,500	30,025	28,194
East	445,000	2,342	2,572	2,187,000	11,511	9,455
	833,200	4,386	4,816	3,452,000	18,169	12,925
	1,624,000	8,548	9,386	5,071,000	26,691	21,737

Sample properties may be single or multi-unit