



ADMINISTRATIVE REPORT

Report Date: November 21, 2017
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Meeting Date: November 28, 2017

TO: Vancouver City Council
FROM: Director of Finance
SUBJECT: 2018 Land Assessment Averaging: 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, 2018, of Vancouver City Council's intent to consider the adoption of targeted land assessment averaging for the purpose of property tax calculations for 2018.

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 land assessment averaging and, before March 31, 2018, report on the projected taxation impacts of the program based on the assessed values provided by BC Assessment in the 2018 Completed Roll.
- C. THAT the Area Assessor for Vancouver be invited to address Council on the 2018 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 land assessment averaging for the purpose of property tax calculations for 2018. 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.

Since 2015, Council has adopted by-laws to enable 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, 2016 and 2017 tax years respectively.

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 land assessment averaging in 2018. 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 Assessed 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 <i>at the same rate</i> as the property class average increase.
...more than the property class average change,	...will increase <i>more</i> than the property class average increase.
...less than the property class average change,	...will increase <i>less</i> 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 assessed value changes on property taxes. The two options are: land assessment averaging and land assessment phasing.

Pursuant to the *Vancouver Charter*, Council is required to consider whether or not to adopt 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 land assessment averaging:

- Notify BC Assessment, before January 1, 2018, of its intent to consider the adoption of targeted land assessment averaging for the 2018 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, 2018, authorizing the use of targeted land assessment averaging for the purpose of property tax calculations for 2018.
- Specify in the by-law the eligibility requirements for properties to be considered for targeted land assessment averaging.

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

Once the *2018 Completed Roll* is available in early 2018, Council may wish to invite the Area Assessor for Vancouver to make a presentation on the 2018 assessment trends.

Implications/Related Issues/Risk

Financial

There are no financial implications associated with providing notice to BC Assessment of Vancouver City Council's intent to consider targeted land assessment averaging in 2018.

CONCLUSION

This report seeks Council authority to notify BC Assessment of its intent to consider the adoption of targeted land assessment averaging for the purpose of property tax calculations for 2018. This notification does not commit Council to implementation of this mechanism.

Staff will report to Council, prior to March 31, 2018, the projected taxation impacts of targeted land assessment averaging based on the assessed values provided by BC Assessment in the *2018 Completed Roll*, at which time Council will decide whether to adopt the mechanism for 2018.

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