



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

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Report Date: November 24, 2005
Author: Ken Bayne
Phone No.: 604.873.7223
RTS No.: 05597
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Meeting Date: December 13, 2005

TO: Vancouver City Council

FROM: General Manager of Corporate Services / Director of Finance

SUBJECT: 2006 Assessment Averaging Program: Notification to Assessment Commissioner

RECOMMENDATION

- A. *THAT, pursuant to legislative requirements in the Assessment Act, the City Clerk be instructed to notify the Assessment Commissioner before January 1, 2006 that the City is considering land assessment phasing and/or three-year land averaging as property tax calculation options for 2006.*

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

- B. *THAT the Director of Finance be instructed to report back in 2006 on the projected taxation impacts of three-year land averaging, based on the assessment values provided by the BC Assessment Authority in the 2006 Completed Roll.*
- C. *THAT the Area Assessor for Vancouver be invited to address Council on the assessment trends reflected in the 2006 Completed Roll.*

COUNCIL POLICY

Council policy is to keep property taxes affordable by following a practice of holding tax increases at inflationary levels.

Council has used three-year land averaged land values in the calculation of property taxes for Residential (Class 1) and Commercial (Class 6) in each year since 1993.

PURPOSE

This report recommends that the Assessment Commissioner be notified that Council is considering the use of land averaging/phasing as potential taxation options for 2006. This notification does not commit Council to the implementation of either option.

BACKGROUND

Since 1989, Vancouver City Council has taken pro-active measures to address the tax shifts within property classes that have resulted from uneven year-over-year assessment increases. These measures have in various years taken the form of: (i) a cap on each property's year-over-year increase in taxable land value (1989 only), (ii) a cap on each property's year-over-year tax increase (referred to as "tax-capping), and (iii) the use of a three-year average of taxable land value in property tax calculations ("averaging").

All interventions to the market-based taxation system are revenue-neutral within each property class. This means that while the taxes paid by one individual property may differ depending upon whether a mitigation measure is utilized, the overall levy paid by a class of property remains the same, whether or not that mitigation measure is used. When an individual property's tax is lowered in a given year due to an intervention to the market-based system, there are other properties in the same class for which taxes will increase as a result.

Mitigation measures have been applied to the residential and/or business class in every taxation year since 1989. Three-year land averaging was approved by the Provincial Government as a taxation option in 1992 for use in subsequent taxation years. Council has approved the use of three-year land value averaging as a taxation option for residential and business properties in each year since 1993.

DISCUSSION

Although there are strong arguments for applying land value averaging on an ongoing basis, provincial legislation requires Council to approve averaging on a year-by-year basis, and to notify the Assessment Commissioner annually of their intent to consider the use of the averaging option.

This notice of intent does not commit Council to the use of land assessment averaging in 2006. Once the 2006 Completed Assessment Roll is available, staff will complete an analysis of the impacts of valuation changes on properties in the City and will report these results to Council in early March. At that time, Council will consider the use of land assessment averaging for 2006. If approved, Council will be required to approve a bylaw authorizing the use of this mechanism by March 31, 2006.

FINANCIAL IMPLICATIONS

There are no financial implications.

CONCLUSION

This report directs staff to notify the Assessment Commissioner that Council will consider the use of land assessment averaging for calculation property taxes in 2006. By doing so, Council retains its option to apply land averaging in 2006, but is not committed to doing so in any way.

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