



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: July 10, 2007
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Meeting Date: July 24, 2007

TO: Vancouver City Council

FROM: General Manager of Corporate Services / Director of Finance

SUBJECT: 2007 Property Taxation: Land Assessment Averaging Program Amendments

RECOMMENDATION

THAT Council approve a retroactive amendment to the 2007 Land Assessment Averaging By-law (No. 9449) to extend the averaging program to otherwise eligible properties in the Kingsway - Knight neighbourhood centre that were excluded because of a change in zoning to RM-1/RM-1N and RT-10/RM-10N.

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of the foregoing.

COUNCIL POLICY

Since 1994, Council has approved the use of land assessment averaging as the method for calculating property taxes for the residential and business classes (and light industrial class in 2007), including the criteria for determining the eligibility of individual properties.

PURPOSE

The purpose of this report is to outline potential amendments to the 2007 Land Assessment Averaging By-law extending assessment land averaging to approximately 1,600 properties in the Kingsway - Knight Neighbourhood Centre.

BACKGROUND

The 2007 Land Assessment Averaging By-law (No. 9449) was approved by Council on March 15, 2007. The by-law detailed how the land assessment averaging program would apply to properties in Vancouver for the 2007 taxation year. The by-law extends the averaging program to most properties in assessment classes 01, Residential; 05, Light Industrial; and, 06, Business and Other. The by-law provides for the following exemptions to the averaging program:

- where the property carries no improvement value;
- where there has been an assessment class change;
- where the physical characteristics of the property have been changed as a result of consolidation or subdivision;
- where the property has undergone a change in zoning; and
- where there is a change in eligibility under section 19(8) of the Assessment Act (grandfathered seniors housing).

Exemptions from the averaging program are appropriate in cases where there is a substantial change in the characteristics or use of a property from one year to the next. These changes tend to enhance the value of the property to the benefit of the owner to the extent that they should become ineligible for the smoothing impact that the averaging program offers.

The exemption related to zoning changes is one of the circumstances in which access to the averaging program is initially lost and must be regained over time. Most often, zoning changes are initiated by the property owner to enhance property in advance of a sale or to advance a redevelopment proposal. However, in some cases, these changes are initiated by the Director of Planning. In drafting the by-law each year, staff review these Director of Planning initiated changes to ensure that property owners are not unknowingly disadvantaged by a zoning change that has little impact on the value of their property and/or of which they may actually have no knowledge. For example, the current by-law includes three exceptions to the exemption provisions:

- For residential properties that are rezoned from RS-1 to RS-1S or back; this exemption being provided because of mass rezoning initiated by the Director of Planning in 2006. In most cases, property owners had no knowledge of the change in their zoning and realized no change in property value as a result.
- For properties governed by CD-1 zonings where the change involves no change in density. These rezonings generally clarify the uses of the property under the CD-1 schedule but do not add density which would impact on value to the benefit of the property owner.
- For properties that experienced a class change from/to Class 05/06 or Class 06/05; this exemption provided to ensure that Light Industrial properties added to the averaging program in 2007 would not be disadvantaged as a result of a change between two classes that are treated the same for all other taxation purposes.

In December 2006, Council approved a change in zoning in the Kingsway - Knight Neighbourhood Centre. This change initiated by the Director of Planning involved introduction of new zoning schedules (RM-1/RM-1N and RT10/RT-10N) to approximately 1,600 mostly residential properties to further Council's objective of offering opportunities for increased density in neighbourhood centres throughout the City. As a result of this zoning change, all of these properties were exempted from the 2007 Averaging Program.

Kingsway - Knight is the first of several neighbourhood centres that are expected to go through the process that could lead to this kind of zoning change. At present, a similar exercise is underway in the Norquay Village Neighbourhood Centre immediately to the east of Kingsway - Knight.

DISCUSSION

The change in zoning from a variety of lower density residential schedules to the new RT-10/RT-10N and RM-1/RM-1N schedules increased the density available on these properties and may, in the longer run, impact the value of these properties. However, despite the extensive public process leading up the change, many property owners were unaware that the change in zoning had occurred: The first indication was a comment on the 2007 property tax bill indicating the properties had not been averaged because of a zoning change.

The following table summarizes the impact of this exemption on the tax bills of properties in the Kingsway Knight neighbourhood in 2007. These are the net impact of normal market change, market value change resulting from the rezoning and the loss of land assessment averaging.

Table: Sample Impacts in Kingsway - Knight

	Lowest	Mean	Median	Highest	Comment
Change in Value: 2007 vs 2006	\$40,900	\$146,215	\$148,000	\$334,100	Change in Market Value
	32.9%	32.6%	33.9%	31.8%	
2006 Actual Billed	\$592	\$2,249	\$2,175	\$5,441	Total Tax Bill No Averaging
2007 Actual Billed	\$817	\$2,940	\$2,890	\$6,859	
	\$225	\$691	\$715	\$1,418	Total Tax Bill if Averaged
2007 Averaged	\$644	\$2,408	\$2,348	\$5,537	
Increase over 2006	\$52	\$159	\$173	\$96	Total Tax Bill without zoning increment, if Averaged
	8.8%	7.1%	8.0%	1.8%	
2007 Averaged excluding zoning impact	\$607	\$2,371	\$2,311	\$5,500	Total Tax Bill without zoning increment, if Averaged
Increase over 2006	15	122	136	59	
	2.5%	5.4%	6.3%	1.1%	
Anticipated Tax Impact of Zoning Change	\$37	\$37	\$37	\$37	

Note: Based on a sample of 1577 properties identified with zoning changes. Impact of zoning change on values assumed to be \$22,500 for all properties. Calculation of eligibility for averaging and of averaged values would be based on the amended by-law as administered by BCAA.

Discussions with the BC Assessment Authority indicate that the zoning change had a small impact on the value of the subject properties in 2007; in the range of \$20,000 to \$25,000 each compared to overall market adjustments at the median of \$148,000 (33.9%). The balance of the adjustments were related to general market conditions. It is impossible to know what the impact in future years will be as the market will determine the value that the enhanced development opportunities will have. While area property owners will benefit from this change compared to other areas of the City, for most realizing this benefit will be sometime in the future. This is a very different situation from the one in which a developer seeks a rezoning for short term gain. Moreover, as this type of zoning is extended more

broadly in the City, the ability to realize a gain in value beyond the normal market forces will be diluted.

Ideally, this major rezoning would have been identified and an exception to the section 3(b) exemption included when the 2007 Land Assessment Averaging By-law was developed. Staff are of the view that the factors related to this zoning change, i.e. Director of Planning initiated zoning change; no intent to increase value by property owners; and resulting minor change in value, justify an exception to the averaging program exemption included in the by-law.

FINANCIAL IMPLICATIONS

Staff have modelled the impact of this change on the City's 2007 Property Tax Levy. On the assumption that averaging is extended to all 1,577 properties identified, the property tax levy will be reduced by an estimated \$840,000. Any additional funding requirement will be identified as part of the August Budget Review to be reported to Council in early October.

COMMUNICATIONS AND IMPLEMENTATION PLAN

The mechanics of providing this exemption are subject to the Vancouver Charter and the Assessment Act. Before Council this day is a proposed retroactive amendment to the 2007 Assessment Land Averaging By-law (By-law No. 9449) which will extend the averaging program to properties in Kingsway - Knight that would otherwise have been eligible for the program. The use of a retroactive by-law amendment is not common and in doing so, Council will be acknowledging that it cannot interfere with the vested rights of the affected property owners: No property in the group identified will face a larger tax bill as a result of the retroactive amendment. However, the amendment does not mean that every property in the group will be averaged: those that are exempted from the program for other reasons will not be averaged as a result of this retroactive change.

Should Council approve the by-law amendment, property owners will be notified individually of the decision and the process and proposed timing the City will follow to process changes to the tax bills. The BC Assessment Authority will be asked to amend the Averaged Assessment Roll, the taxes on these properties will be recalculated and the differences refunded.

CONCLUSION

Approximately 1,600 properties in the Kingsway - Knight neighbourhood centre were exempted from the 2007 Land Assessment Averaging Program as a result of a mass rezoning initiated by the Director of Planning in December 2006. As a result, these properties experienced increases in property taxes ranging from \$250 to \$1,400 compared to the average \$160 increase that would have been common had averaging been available. Given the circumstances of this rezoning, staff are recommending that the 2007 Land Assessment Averaging By-law be amended retroactively to extend the program to properties that would otherwise have been eligible.