

# RR-1



CITY OF VANCOUVER

## CITY OF VANCOUVER

### ADMINISTRATIVE REPORT

Report Date: February 27, 2008  
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RTS No.: 6948  
VanRIMS No.: 05-4200-10  
Meeting Date: March 11, 2008

TO: Vancouver City Council

FROM: General Manager of Corporate Services

SUBJECT: Public Consultation on the Property Tax Policy Review Commission  
Recommendations

#### RECOMMENDATIONS

- A. *THAT Council instruct staff to seek an amendment to the Vancouver Charter, to allow the City to use up to five years of land assessments in the land assessment averaging formula available to the City for the calculation of property taxes, as compared to the current formula which allows for three-year land averaging only.*
- B. *THAT, if the Charter amendment described in Recommendation A is approved, Council instruct the General Manager of Corporate Services to report back with an analysis that compares the use of five-year land averaging to three-year land averaging in the calculation of property taxes, with respect to their respective efficacy in mitigating year-over-year volatility in property taxes for individual properties.*

#### CONSIDERATIONS

- C. *THAT Council approve a target redistribution of the tax levy, that would shift \$23.8 million proportionately from Classes 2, 4, 5 and 6, to Classes 1, 8 and 9, in order to achieve the Property Tax Policy Review Commission's recommended tax levy distribution of 48% non-residential and 52% residential.*

- D. THAT in order to achieve the target redistribution described in Consideration C, Council reduce the tax share borne by the non-residential property classes (Classes 2, 4, 5 and 6) at a rate of one percent of the overall tax levy per year, and increase the share borne by the residential classes (Classes 1, 8, and 9) by the same amount until a total of \$23.8 million has been shifted from the non-residential property classes to the residential property classes;*
- E. THAT following the achievement of the recommended target tax redistribution described in Consideration C, Council keep the tax distribution shares unchanged for a period of five years.*

#### CITY MANAGER'S COMMENTS

For the past one and a half decades, Council has deliberated on a year-by-year basis about how to achieve the appropriate balance in dividing the total taxes collected between residential and non-residential taxpayers. In their final report, the Property Tax Policy Review Commission has presented Council with a comprehensive and expert analysis of this issue.

The Commission has recommended that a long-term policy be put in place, in which the non-residential share of the property tax levy would be decreased from 53% to 48%, and the residential share of the levy would be increased from 47% to 52%. This represents a shift in the tax levy of \$23.8 million, equivalent to a 10.1% tax increase for the residential class and a 9.0% reduction for the non-residential classes. Recognising the impact that this adjustment would have if implemented all at once, the Tax Commission has recommended the shift be phased at a rate of one percent of the total levy per year, or about \$5.0 million.

If the Tax Commission's recommendations concerning a redistribution of the tax levy were approved, this would be a five to ten year policy: five years to phase in the distribution, and then an incremental five years in which the distribution would be monitored, but not adjusted unless Council believed there was a significant reason to do so. A benefit of adopting the approach recommended by the Tax Commission is that it would establish a long-term policy, and not require Council to revisit this issue annually.

Council has faced the issue of year-over-year volatility in property taxes resulting from sudden, large changes in market land values since the late 1980s. From 1989 through 1992, this was addressed by using emergency *Charter* authority to cap tax increases. In 1993, Council implemented the use of three-year averaged land values in property tax calculations. In response to Council's request to explore any other possible options for improving stability and predictability, the Tax Commission recommended a revised land phasing formula that would replace three-year land averaging.

While staff's analysis confirms the efficacy of this recommended revised land phasing formula, it is not recommended that it be implemented. Staff believe that, for the reasons set out in the December 11, 2007 Council report (RTS 6947), seeking an amendment to the

*Vancouver Charter* that would allow Council to use an expanded land assessment averaging approach, that would include up to five years of land values would provide Council with more options for improving stability.

In making a decision about the tax distribution and enhancing year-to-year stability of property taxes, Council now has the benefit of the comprehensive work undertaken by the Tax Commission, staff's analysis of the Tax Commission's recommendations, and the results of an extensive public consultation process that have been described in detail in the reports prepared by the communications consultants Kirk and Company, and the market research firm Ipsos Reid. Results of this consultation process have shown that there is relatively strong support for five-year land averaging, and that support for the Tax Commission's proposed tax redistribution was significantly higher among participants representing the business community, as compared to residential taxpayers.

The City Manager RECOMMENDS Recommendations A and B of this report, concerning the possibility of extending land averaging from the current use of three years of land values, to four or five years. Recommendations C, D and E reflect the three recommendations made by the Property Tax Policy Review Commission concerning a redistribution of the tax levy among residential and non-residential classes, and are presented for Council's consideration.

## COUNCIL POLICY

Since 1982, it has been Council's policy to collect a fixed share of the total property tax levy from each of the seven property tax classes in Vancouver. Over time, this share has been adjusted slightly by properties transferring between classes, the addition of new construction value to a property class, and Council decisions that have affected the shares of the tax levy.

The *Vancouver Charter* was amended in the early 1990s to provide Council with two mechanisms for helping property taxpayers with large year-over-year increases resulting from sudden, significant changes to property market values: three-year land averaging and land phasing. In each year, Council can opt to calculate property taxes using either of these tools, or the pure assessed market values provided by the BC Assessment Authority. In each year since 1993 Council has chosen to use three-year land averaging, which has been demonstrated to be more effective than land phasing at mitigating the largest tax increases.

On April 28, 2005, Council confirmed the policy of managing the property tax levy through a "fixed share" approach, in which the allocation of the total levy among property classes remains constant over time, subject to physical changes in the classes or to Council action to adjust the allocation.

## PURPOSE

This report presents to Council the results of a the public consultation process on the recommendations of the Property Tax Policy Review Commission, and recommends that Council seek a *Charter* amendment that would allow the use of four or five year land value averages in the annual calculation of property taxes. In addition, the report presents for Council's consideration the Property Tax Policy Review Commission's three recommendations associated with a redistribution of the tax shares, to 52% residential and 48% non-residential.

## BACKGROUND

On September 28, 2006 Vancouver City Council approved the establishment of a Property Tax Policy Review Commission (referred to in this report as the Tax Commission). The Terms of Reference approved by Council (Appendix A) directed the Commission to engage Vancouver's business and residential communities, as well as other key stakeholders, in order to:

- *recommend to Vancouver City Council a long-term policy that will define and achieve a "fair tax" for commercial property taxpayers, addressing the perceived inequity in the share of the City of Vancouver's property tax levy that is paid by the non-residential property classes, as compared to the share paid by the residential property class, and*
- *recommend a strategy to enhance the stability and predictability of property taxes for individual properties in the face of sudden, large, year-over-year increases in market value.*

In accordance with their Terms of Reference, the Tax Commission provided Council an interim report on March 15, 2007, and recommended that Council continue the use of three-year land averaging, and shift one to two percent of the 2007 tax levy from the non-residential to the residential class (RTS 6518). Council incorporated both of these recommendations into their 2007 property tax policy decisions, and shifted approximately two percent of the tax levy from the non-residential to the residential class.

On September 18, 2007, Council received the final report of the Tax Commission for information, and instructed staff to implement a public consultation process that would conclude in time for Council to make decisions about the Tax Commission's recommendations the 2008 tax year (RTS 6744).

On December 11, 2007, Council received a report with staff's analysis and recommendations relating to the Tax Commission's recommendations (RTS 6947). Council received this report for information, and deferred making decisions on the recommendations and considerations in the report until after the public consultation process on the issue had been completed.

## DISCUSSION

Between December 2007 and February 2008, the City conducted an extensive public consultation process on the recommendations of the Property Tax Policy Review Commission, and the related recommendations of staff. The City engaged Kirk and Company to oversee the consultation process, manage the public meetings and document the results, and Ipsos Reid to conduct a representative phone survey on the issues.

Where practical and appropriate, the consultation process was joined with that for the 2008 budget priorities, in order to achieve efficiencies and streamline the two efforts. This current report covers only the results of the consultation process that relate to the Tax Commission. Council will receive the results of the public consultation process on the 2008 budget in a separate report, in April 2008.

## ELEMENTS OF THE PUBLIC CONSULTATION PROCESS

The public consultation process related to the recommendations of the Tax Commission was made up of the following elements:

1. **EDUCATION AND ADVERTISING:** The following communication channels were used to educate the public on the issue, and inform the public of opportunities to provide input.
  - a. **WEBSITE:** There has been a website that provides up-to-date information about the work and recommendations of the Tax Commission, since the inception of the Commission ([www.vancouver.ca/taxcommission](http://www.vancouver.ca/taxcommission)). For the purposes of this consultation process, the Tax Commission website was linked to the CityChoices website, which covered the 2008 budget consultation ([www.vancouver.ca/citychoices](http://www.vancouver.ca/citychoices)).
  - b. **CITYNEWS:** In January 2008, a short article about the Tax Commission's recommendations and the upcoming public consultation process was included in CityNews, which was inserted in the advance property tax bill that was sent to all Vancouver taxpayers.
  - c. **CITY CHOICES:** In February 2008, an article about the Tax Commission's recommendations and the upcoming public consultation process was included in the City Choices publication, which was distributed as an insert in the *Vancouver Courier*, *Georgia Straight*, *Ming Pao*, *Sing Tao* and *Indo-Canadian Voice*. "Teaser ads" were placed in the same papers a few weeks prior to the publication of CityChoices, advising people to watch for it in upcoming editions. City Choices was also widely available at libraries, community centres, selected Business Improvement Area offices, and at City Hall.
  - d. **BACKGROUNDERS:** A two-page backgrounder outlining the property tax policy issues addressed by the Tax Commission was available at the public meetings and on the City website.
  - e. **PRINT ADVERTISING:** A series of ads were published in the following local papers, informing readers of public meetings and the opportunity to submit written submissions: *Indo-Canadian Voice*, *Link*, *Business in Vancouver*, *Vancouver Courier*, *Ming Pao*, *Sing Tao*, *World Journal*, *Georgia Straight*, *Westender*, *Xtra West* and *Indo Canadian Times*.
  - f. **POSTERS:** Posters informing readers of public meetings and the opportunity to submit written submissions were displayed at community centres, libraries, selected Business Improvements Area offices, and at City Hall.
  - g. **EMAIL NOTIFICATIONS:** Email notifications about the consultation process and public meetings were sent to approximately 1,200 residential and business stakeholders.
  - h. **MEDIA ADVISORY:** Prior to the public meetings, the City issued a media advisory with information about the times and locations of the three meetings.

2. **PUBLIC MEETINGS:** The City hosted three, three-hour public meetings, on February 16, 2008 at Van Dusen Gardens, February 20, 2008 at City Hall and February 23, 2008 at Killarney Secondary School. The first half of each of these meetings was dedicated to the Tax Commission's recommendations, and the second half to the 2008 budget priorities. Professional facilitation and recording services at each of these meetings was provided by the consulting firm Kirk and Co.
3. **WRITTEN SUBMISSIONS:** Through the various advertising channels listed above, the public was invited to send written submissions to Council, through email, fax or surface mail. Citizens were also given the alternative of phoning in with their comments.
4. **ATTITUDE SURVEY:** Ipsos Reid, a professional market research firm, was engaged to conduct a representative attitude survey on the recommendations of the Tax Commission.

## RESULTS OF THE PUBLIC CONSULTATION PROCESS

The results of this consultation process are summarised in the Kirk and Company report, *Consultation Summary Report: City of Vancouver Consultation on Recommendations of the Property Tax Policy Review Commission*. This report details the public process, and provides Council with an overview of the major themes that were heard through the process, including the public meetings, written submissions and the Ipsos Reid attitude survey. The full Kirk and Company report is attached in Appendix B, and includes the following key findings:

### IPSOS REID ATTITUDE SURVEY

- **MAJORITY OF RESPONDENTS SUPPORT FOR FIVE-YEAR AVERAGING:** There is relatively strong support for the implementation of five-year land averaging, among both business and residential survey respondents, with accompanying comments that five-year averaging is perceived as fair and effective in moderating market the impacts of market value fluctuations.
- **ABOUT HALF OF RESPONDENTS BELIEVE CURRENT DISTRIBUTION IS FAIR:** 52% of residential respondents and 42% of business respondents believe the current tax distribution between residents and business is fair.
- **MORE BUSINESSES SUPPORT RECOMMENDED LEVY REDISTRIBUTION:** 57% of business respondents supported the Tax Commission recommendation to redistribute \$23.8 million of the tax levy to residential taxpayers, as compared to 16% of residential respondents. Accompanying comments from business respondents indicated support for the recommended redistribution because it would lead to lower taxes and would save businesses from closing. Comments from residential respondents indicated opposition because taxes were already too high, and related to the belief that businesses could carry the larger tax burden.

### PUBLIC MEETINGS

- There was general agreement that taxes on small, 1 to 3 person businesses need to be addressed.

- Generally, those who identified themselves as being part of the business community supported the Tax Commission recommendations, and those who identified themselves as being residential taxpayers did not support them.

#### WRITTEN SUBMISSIONS

- Most of the written submissions received were from the business community, and but for a couple of exceptions, supported the Tax Commission recommendations on the redistribution of the tax levy.

The Ipsos Reid report, *Property Tax Policy Review Commission Survey*, that details the findings of the attitude survey conducted by their firm is on file in the City Clerk's office.

#### FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

#### CONCLUSION

The Kirk and Company report attached to this Council report provides the results of an extensive public consultation process around the recommendations made by the Property Tax Policy Review Commission in their final report to Council, submitted in September 2007. The recommendations and considerations related to the work of the Commission that were deferred by Council in December 2007 can now be considered in the context of the results of the extensive public consultation process that was conducted over the past three months.

This report asks Council to consider the redistribution of the property tax shares that has been recommended by the Tax Commission, which would involve shifting \$23.8 million from non-residential property classes to the residential property classes, to be phased in over five years. In addition, staff is recommending that Council pursue a *Charter* amendment that would allow the use of four- or five-year land values in the annual calculation of property taxes, and, if this amendment is granted, report back to Council with statistical modelling to assess the efficacy of this approach in mitigating year-over-year volatility in property taxes for individual taxpayers.

\* \* \* \*

APPENDIX A  
TERMS OF REFERENCE FOR THE PROPERTY TAX POLICY COMMISSION  
APPROVED BY VANCOUVER CITY COUNCIL SEPTEMBER 28, 2006

1. OBJECTIVE

The Property Tax Policy Review Commission has been established to engage Vancouver's business and residential communities, as well as other key stakeholders, in order to:

- recommend to Vancouver City Council a long-term policy that will define and achieve a "fair tax" for commercial property taxpayers, addressing the perceived inequity in the share of the City of Vancouver's property tax levy that is paid by the non-residential property classes, as compared to the share paid by the residential property class, and
- to recommend a strategy to enhance the stability and predictability of property taxes for individual properties in the face of sudden, large year-over-year increases in market value.

2. BACKGROUND

2.1 **Purpose of the review** - The Property Tax Distribution Commission has been established by Council in response to concerns expressed to Council by the business community about the impacts of the City's current property tax policy on the health and competitiveness of Vancouver's economy. In recent years, the Vancouver Fair Tax Coalition (led by the Vancouver Board of Trade, and made up of representatives from local business improvement associations, small business owners and managers, industrial and office property owners and developers and business associations) has been telling City Council that they feel annual property tax increases are exceeding local business's ability to pay and are affecting the long-term competitiveness of business in Vancouver. They also feel that Council's land policy has been resulting in disproportionate growth of the residential class, and that these policies may ultimately be counter-productive to achieving the City's long-term goals.

In response, on April 20, 2006, Council recommended:

*THAT Council instruct staff to propose a process to engage the business community, residential taxpayers and other key stakeholders to arrive at a long-term goal of defining and achieving a "fair tax" for commercial taxpayers. The goal should be achieved within the current framework of a "fixed burden" approach where the allocation of the levy among the classes of property remains constant over time subject to physical changes within classes or to Council action, and the report is to articulate processes on how shifts might occur.*



2.2 **Study of Consumption of Tax-Supported Services** - In 1995, at the recommendation of the Property Tax Task Force, Council commissioned KPMG Consulting to undertake a review of the consumption tax-supported City services by the residential and non-residential classes of property. The report was received by Council and has formed part of the rationale for the shifts of property taxation from the non-residential to the residential property classes in subsequent years. On July 18, 2006, Council commissioned MMK Consulting to undertake an update of this 1995 study. It is expected that the results of this work will be used by the Commission as an important component of their review of the City's property tax distribution.

2.3 **The Current Tax Distribution** - This table shows the share of the City of Vancouver's property tax levy paid by each of the seven property classes in 2006.

	2006 TAX LEVY (\$000s)	% SHARE
Class 1 - Residential	\$214,239	44.9%
Class 2 - Utilities	\$6,296	1.3%
Class 4 - Major Ind.	\$5,542	1.2%
Class 5 - Light Ind.	\$4,529	0.9%
Class 6 - Business	\$246,451	51.6%
Class 8 - Seasonal	\$291	0.1%
Class 9 - Farm	< \$1	< 0.0%
Total	\$477,348	100.0%

### 3. DELIVERABLES

The Property Tax Distribution Commission is asked to report to Council on the following items.

3.1 **Assessment of Current Policies** - Review the City of Vancouver's current property tax policies, and analyse the impact of these policies on Vancouver's business, industrial and residential taxpayers, highlighting key issues and identifying any inequities. Include as part of this work the following:

- a. *Evaluation Criteria* - Recommend to Council the appropriate criteria to use to assess the fairness of the City's property tax policies. The Commission can use as a starting point the evaluation criteria set out in the April 1994 *Task Force on Property Taxation Report to Council*. Evaluation criteria may include benefits received, ability to pay,

equal treatment of equals, accountability, stability and predictability of taxes for an individual property from year to year, cost of administering and collecting the tax, socioeconomic impacts of the tax and/or impact of the tax on the competitiveness of Vancouver businesses.

- b. *Appropriate Measures* - Recommend to Council the appropriate measures to use in order to assess the impact of the City's property tax policies on taxpayers within each of the City's property classes, to determine the fairness of the City's property tax policies, and to understand the impact of Vancouver's property taxes on commercial competitiveness. The Commission is asked to select measures that can be calculated using supportable, proven methodology, and to ensure that any comparisons made between Vancouver and other cities are meaningful, taking into account the considerable differences among municipalities in property tax and assessment systems, methodologies, market values and property types.

**3.2 Fair Tax Target Distribution Target** - Recommend to Council a definition of a "fair tax," expressed as a set of target percentage shares of the City's property tax levy among the various property classes.

**3.3 Implementation Strategy** - Recommend a strategy that would allow Council to arrive at the recommended fair tax distribution target, with specific timelines identified.

**3.4 Long-Term Policy and Mechanism** - Recommend to Council a long-term policy and mechanism that would allow Council to permanently maintain a fair tax distribution among the City's property classes.

**3.5 Strategy for Enhanced Stability and Predictability** - Assess the causes of the negative tax impacts of year-over-year land value changes for properties located in market "hot spots," where forces such as market activity or zoning changes lead to a rapid increase in property taxes for certain properties, and recommend to Council measures that could be implemented to mitigate these impacts, for both residential and non-residential properties.

#### 4. PRINCIPLES AND GUIDELINES

The Commission is asked to undertake their work using the following principles and guidelines.

**4.1 Equity** - Members of the Commission should have an appreciation of the impacts of any changes to the tax distribution on all classes of taxpayers.

**4.2 Sustainability** - The recommendations made to Council by the Commission should be consistent with the City's long-term objectives concerning economic, fiscal and social sustainability.

- 4.3 **Independence and objectivity** - Members of the Commission should serve independently, and to the best of their abilities make recommendations to Council that will result in the best possible outcome for Vancouver as a whole, without favouring any one stakeholder group over another.
- 4.4 **Simplicity** - Any recommended changes to the City's property tax policies should be simple, transparent, and readily understandable by the City's taxpayers and other stakeholders.
- 4.5 **Consultation** - The Commission should appropriately engage the business community, residential taxpayers and other key stakeholders in the process undertaken to arrive at their recommendations.
- 4.6 **Transparency** - The work done by the Commission should be transparent, with the Commission's public process minuted, and recommendations reported to Council and available to the public.
- 4.7 **Maintain Fixed-Share Approach** - The recommendations of the Commission should be developed within Council's current tax policy framework of a "fixed share" approach to determining the property tax distribution, in which the share of the total tax levy allocated among property classes is determined by Council rather than by changes to market values.
- 4.8 **Municipal Taxes Only** - The work of the Commission should be limited to a review of the distribution of property taxes levied by the City of Vancouver (termed "general taxes"), and should not include property taxes collected by the City of Vancouver on behalf of other taxing authorities.

## 5. SCHEDULE

- 1. The Commission is expected to deliver recommendations to City Council by March 1, 2007, in time for implementation for the City of Vancouver's 2007 taxation year.
- 2. Should the work of the Commission not be completed by March 1, 2007, the recommendations made at that time can be made as interim recommendations, with the final recommendations of the Commission to be delivered to Council no later than June 1, 2007.
- 3. The number of Commission meetings and the schedule for these meetings will be determined by the Commission members.
- 4. The stakeholder consultation process will include opportunities for public input; the specific details of and the schedule for this process will be determined by the Commission members.

## 6. WORKING RELATIONSHIPS

1. **Vancouver City Council** - The Commission will make recommendations to Council that address each of the items listed in the Deliverables section of these Terms of Reference.
2. **City of Vancouver Staff** - City staff support will be made available to the Commission. The Director of Finance will provide financial data as requested by the Commission, and will manage the Commission's requests for any other staff support or services.
3. **Stakeholders** - The Commission will determine the appropriate process for incorporating into their work input from various non-residential and residential taxpayer groups, plus any other stakeholders that wish to have input into this process.
4. **Professional and Academic Experts** - In the course of their work, the Commission may wish to consult various professional and/or academic experts in the field of property taxation or public finance.

## 7. HONORARIA AND BUDGET

1. The Commission will be allocated a preliminary budget of \$100,000.
2. \$35,000 of the Commission's budget will be allocated to honoraria paid to the Commissioners: \$15,000 to the Chair and \$10,000 to each of the other two Commissioners.
3. Spending the discretionary component of the budget will be determined by the Chair in consultation with the City of Vancouver's Director of Finance.
4. The Commission Chairperson, in consultation with the Director of Finance, will report back to Council with any further financial requirements of the Commission.

### CITY OF VANCOUVER TAX POLICY REVIEW COMMISSION, PRELIMINARY BUDGET

Honorarium, Chairperson	\$15,000
Honoraria, Other Two Commissions	\$20,000
Discretionary Budget	\$65,000
<b>Total Budget</b>	<b>\$100,000</b>

## 8. BACKGROUND MATERIALS

The following is a list of important background documents and information for Commission members. City staff will provide the Commission any other available documentation and data that is requested.

DATE	DOCUMENT / REFERENCE
1979	<i>1979 Assessment Act</i> , Chapter 21 and various amendments
1982	<i>Municipal Expenditures Restraint Act Chapter 22 (assented to June 2, 1982)</i>
1983	<i>Property Tax Reform Act, No. 1 1983, Chapter 23 &amp; The Property Tax Reform Act, No 2, 1983, Chapter 24</i> , as well as related <i>Table of Statutes</i> , updated to December 31, 1996
1983	<i>British Columbia Gazette</i> , December 27, 1983
1984	<i>Variable Tax Rates: A Guide to Implementation, Province of British Columbia Ministry of Municipal Affairs</i>
1984	Local Government Act, Tax Rate Limits Regulation
1989	<i>Report of the Municipal Taxation Review Commission, March 1989</i>
1994	<i>City of Vancouver Task Force on Property Taxation Report to Council, April 1994</i>
1995	<i>Study of Consumption of Tax-Supported City Services</i> , KPMG Consulting , March 1995
1996	Local Government Act; Sechelt Indian Government District Enabling Act, Vancouver Charter - Taxation Rate Cap for Class 2 Property Regulation, November 18, 1996
2004	<i>Enhancing Toronto's Business Climate - It's Everybody's Business, Attachment 2, 2004 Public Consultation - Synopsis of Tax Policy Workshop Comments</i> ( <a href="http://www.toronto.ca/finance/tax_policies.htm">www.toronto.ca/finance/tax_policies.htm</a> )
2004	Local Government Act, Improvement District Tax Regulation
2005	Council report, <i>2005 Property Taxation: Distribution of Property Tax Levy</i> and associated meeting minutes, April 28, 2005
2006	Council report, <i>2006 Property Taxation: Distribution of the Property Tax Levy</i> and associated meeting minutes, April 20, 2006
2006	Report of the City of Vancouver Roles, Relationships and Responsibilities Review Committee and associated meeting minutes, July 20, 2006
2006	<i>Comparison of Municipal Operating Expenditures</i> , prepared for the Fair Tax Coalition by MMK Consulting, March 16, 2006
2006	City of Vancouver <i>2005 Annual Financial Report, March 2006</i>
Currently underway	City of Vancouver Metropolitan Core Jobs and Economy Land Use Plan - <a href="http://www.city.vancouver.bc.ca/commsvcs/planning/corejobs">www.city.vancouver.bc.ca/commsvcs/planning/corejobs</a>
Currently underway	Update to the Study of Consumption of Tax-Supported Services, by MMK Consulting Inc.

# CONSULTATION SUMMARY REPORT

City of Vancouver Consultation  
on Recommendations of the  
Property Tax Policy Review Commission

Kirk and Co. Consulting Ltd.  
March, 2008







# EXECUTIVE SUMMARY

## BACKGROUND

Over a number of years, the business community in Vancouver has expressed concern that the proportion of taxes paid by business taxpayers relative to residential taxpayers is excessive and hurting Vancouver's economic competitiveness.

In response to these concerns, Vancouver City Council established the Property Tax Policy Review Commission in September 2006, composed of three property tax experts.

The Terms of Reference approved by Council directed the Commission to engage Vancouver's business and residential communities, as well as other key stakeholders, in order to:

- *Recommend to Vancouver City Council a long-term policy that will define and achieve a "fair tax" for commercial property taxpayers, addressing the perceived inequity in the share of the City of Vancouver's property tax levy that is paid by the nonresidential property classes, as compared to the share paid by the residential property class, and*
- *Recommend a strategy to enhance the stability and predictability of property taxes for individual properties in the face of sudden, large, year-over-year increases in market value.*

The Tax Commission conducted a consultation program in February 2007 consisting of four public meetings and submissions to the Tax Commission.

The Tax Commission presented its recommendations to Council in September 2007 and Vancouver City Council asked staff to conduct a consultation program concerning the recommendations. Staff was asked to provide a summary of the consultation on the Tax Commission's recommendations to Council in advance of their meetings to establish 2008 property tax policy.

## 2008 CONSULTATION PROGRAM

More than 2000 residents and community and business organizations were contacted by e-mail and telephone to notify them of the opportunity to participate in consultation meetings or to provide input through the City's website ([www.vancouver.ca](http://www.vancouver.ca)), by telephone or written submission (mail, fax or e-mail). Eleven advertisements were run in community newspapers to inform the public of opportunities to participate in the consultation. In addition, over 300,000 copies of the City Choices flyer were circulated through community papers, and at City Hall, community centres, libraries, city pools, golf courses and selected Business Improvement Area (BIA) offices.

The consultation program provided a variety of ways for the public to participate in the consultation including through a public attitude survey of residential taxpayers and the business community, public meetings, the City's website ([www.vancouver.ca](http://www.vancouver.ca)) and by telephone or written submission (mail, fax or e-mail). Residents and businesses participated through the attitude survey (611 residents and 306 businesses), public meetings (59), e-mail (10), and by written submissions (21).





## CONSULTATION RESULTS

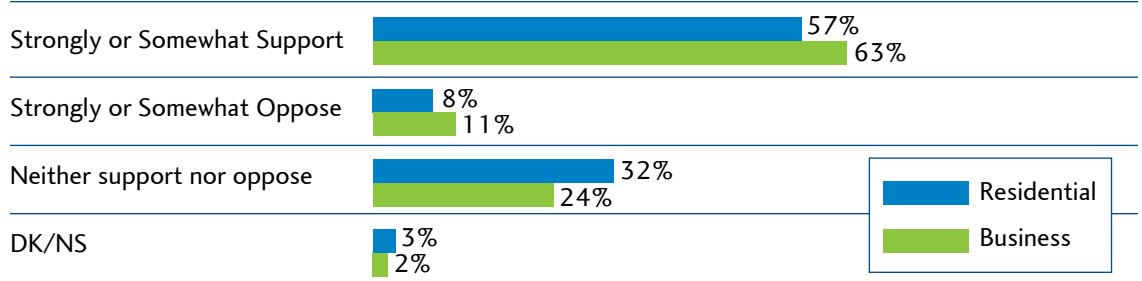
The following summarizes the consultation input. This report presents the results of the attitude survey first, followed by a key theme summary of input from the public meetings and written submissions.

### Summary of Findings from Attitude Survey

The City engaged the marketing research firm Ipsos Reid to conduct a representative attitude phone survey. This section provides some of the key findings of the survey.

#### Question on 5-Year Averaging

1. Overall, do you support or oppose the City of Vancouver implementing the use of five-year land averaging for the calculation of your property taxes, or would you say that you neither support nor oppose this proposal?

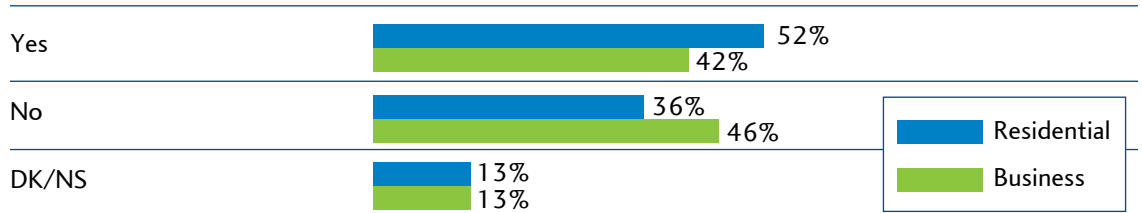


From the attitude survey:

- 57% of residential taxpayers supported the five-year averaging.
- 63% of business taxpayers supported the five-year averaging.
- Residential taxpayers who supported it did so because, they said, it was fairer, would lead to lower taxes and help deal with fluctuations due to a volatile market. Those who opposed it did so because they thought their taxes would be higher.
- Business taxpayers supported it because, they said, it is fairer, moderates market fluctuations, is more accurate and would mean lower taxes. Business taxpayers opposing it said that it would lead to higher taxes, was too long a period and they were happy with the existing system.

#### Questions on Tax Distribution

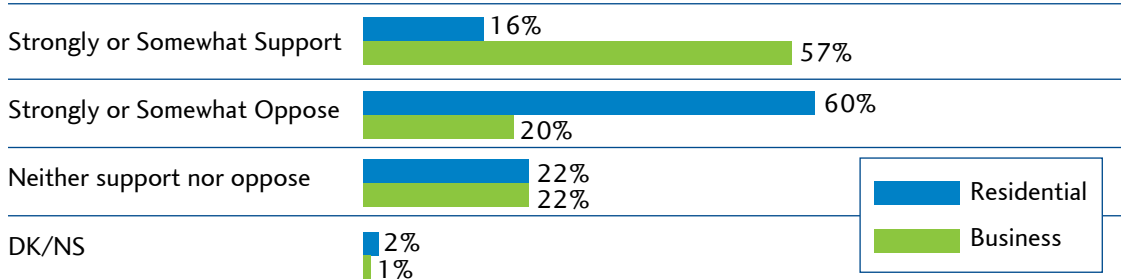
2. In your opinion, is the current property tax distribution between residents and businesses fair?



There were no qualitative comments with this question.



3. Overall, do you support or oppose the proposal to change the distribution of property taxes paid by residents and businesses, or would you say that you neither support nor oppose this proposal?



From the attitude survey:

- 57% of the business respondents support the recommendation on distribution of property taxes.
- 60% of the residential respondents oppose the recommendation on distribution of property taxes.
- Business taxpayers who supported the tax redistribution said they did so because they thought it would lead to lower taxes, seemed fair and would save business from closing. Business taxpayers that opposed the tax redistribution said they did so because residential taxes are already too high, business should pay more because they make money and it seemed fair to them
- Residential taxpayers said that their taxes were already too high, that business could carry the larger burden and that they make more money than residential taxpayers. The few residential taxpayers that supported the shift said they did so because they did not want to see business leaving, that it seemed fair to them and that business should get a break.

### Key Theme Summary of Input from Public Meetings

The following represent the key themes of input received at public meetings:

- Both residential and business participants agreed that the taxes on small, 1-3 person businesses need to be addressed. These participants suggested a different tax category for these businesses.
- Generally, those who identified themselves as being part of the business community supported the Tax Commission recommendations concerning the tax redistribution.
- Business representatives said that the current tax arrangement creates significant financial problems for business especially when other municipalities within Metro Vancouver have lower business tax rates.
- Some business representatives said that they pay high taxes but get fewer services from the City. For instance, they pay for their own garbage, graffiti cleanup and extra security.
- Generally, those who said they were residential taxpayers did not support the Tax Commission recommendations concerning the tax redistribution.
- Residential taxpayers expressed the view that business should pay the higher proportion since they could write off costs.
- Many participants sought more information and asked questions in a variety of areas.



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## Key Theme Summary of Input from Written Submissions

### Results from written submissions (mail, fax and e-mail):

- Most of the submissions were from those in the business community and, with a couple of exceptions, supported the Tax Commission recommendations concerning the tax redistribution.
- Business participants said that the current tax system harmed the competitiveness of Vancouver businesses.
- Submissions from residential taxpayers said that Vancouver residential taxes were already too high.
- Other submissions from residential taxpayers said that business could afford the taxes more than residents could.



Consultation  
Summary Report  
March 2008

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## 1. INTRODUCTION

### 1.1 Background on the Consultation on the Property Tax Policy Review Commission Recommendations

Over a number of years, the business community in Vancouver has expressed concern that the proportion of taxes paid by business taxpayers relative to residential taxpayers is excessive and hurting Vancouver's economic competitiveness.

In response to these concerns, Vancouver City Council established the Property Tax Policy Review Commission in September 2006, composed of three property tax experts.

The Tax Commission conducted a consultation program in February 2007 consisting of four public meetings and submissions to the Tax Commission.

The Tax Commission presented its recommendations to Council in September 2007 and Vancouver City Council asked staff to conduct a consultation program concerning the recommendations. Staff was asked to provide a summary of the consultation on the Tax Commission's recommendations to Council in advance of their meetings to establish 2008 property tax policy.

### 1.2 The Property Tax Policy Review Commission

The Terms of Reference approved by Council directed the Commission to engage Vancouver's business and residential communities, as well as other key stakeholders, in order to:

- *Recommend to Vancouver City Council a long-term policy that will define and achieve a "fair tax" for commercial property taxpayers, addressing the perceived inequity in the share of the City of Vancouver's property tax levy that is paid by the nonresidential property classes, as compared to the share paid by the residential property class, and*
- *Recommend a strategy to enhance the stability and predictability of property taxes for individual properties in the face of sudden, large, year-over-year increases in market value.*

### 1.3 Residential and non-residential share of property taxes in Vancouver

Concerns have been expressed about Vancouver's tax rates for business and industry. These concerns involve tax inequity, which harms business and our local economy. This inequity could lead to a loss of business investment that, over the long term, could compromise the financial health of the City.

After studying this issue and conducting a public consultation process in February 2007, the Tax Commission concluded that, although the share of the property taxes paid by business has been declining over the past decade, property taxes paid by business are high relative to residential taxes, and relative to business taxes in neighbouring jurisdictions.

### 1.4 Year-to-year Changes in Property Taxes

Vancouver's very active real estate market has meant that the value of business and residential properties has increased significantly over the past twenty years. Vancouver's property taxes are based on the budget approved by Vancouver's City Council. If the Council did not approve a tax increase and everyone's property went up in value by the same percentage, there would be no increase in the taxes paid. If one person's property value went up by 20% and someone else's went down by 20%, then the person whose property value went up would pay more and the person whose property went down would pay less.

In other words, market value increases do not mean the City collects more overall property taxes but, in many cases, they do lead to significant and sudden increases in property tax paid in respect of an individual property.



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In order to soften the tax implications of sudden large increases to the value of individual properties, City Council has used “land averaging” for the residential and business classes since 1993. In the calculation of each property’s taxes, the City uses the average property value of the current tax year and that of the previous two years, rather than just the current property value. Using this land averaging lessens the tax impacts associated with significant changes in property values. The Tax Commission explored whether there was a better way to manage this volatility.



## 2. CONSULTATION METHODOLOGY

### 2.1 Background on the Consultation on the Property Tax Policy Review Commission Recommendations

More than 2000 residents and community and business organizations were contacted by e-mail and telephone to notify them of the opportunity to participate in consultation meetings or to provide input through the City's website ([www.vancouver.ca](http://www.vancouver.ca)), by telephone or written submission (mail, fax or e-mail). Eleven advertisements were run in community newspapers to inform the public of opportunities to participate in the consultation. In addition, over 300,000 copies of the City Choices flyer were circulated through community papers, and at City Hall, community centres, libraries, city pools, golf courses and selected Business Improvement Area (BIA) offices.

Details of the public notice and recruitment program include:

#### A. Newspaper Advertisements

Advertisements to inform the public of their opportunity to participate in the consultation ran in the following newspapers:

##### February 9, 2008

- *Indo-Canadian Voice* (English)
- *Link* (Indo-Canadian) (English)

##### February 12, 2008

- *Business in Vancouver* (English)

##### February 13, 2008

- *Vancouver Courier* (East/West) (English)
- *Ming Pao* (Chinese)
- *Sing Tao* (Chinese)
- *World Journal* (Chinese)

##### February 14, 2008

- *Georgia Straight* (English)
- *Westender* (English)
- *Xtra West* (English)
- *Indo-Canadian Times* (Punjabi)

#### B. Distribution of Materials

The City Choices Flyer, providing information on the Tax Commission recommendations and on the consultation program, was distributed in the following ways:

##### Newspaper Circulation of Flyers

The City Choices flyer was inserted in the following newspapers:

- *Vancouver Courier* – 135,000
- *Georgia Straight* – 125,000
- *Sing Tao* – 31,000 (daily)
- *Ming Pao* – 29,000 (daily)
- *Indo-Canadian Voice* – 18,500 (weekly)





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**Date the flyer appeared in each newspaper:**

February 7, 2008: *Georgia Straight*

February 8, 2008: *Courier*

February 9, 2008: *Ming Pao*

*Sing Tao*

*Indo-Canadian Voice*

**Community Distribution of Flyers**

The City Choices flyers were also distributed to the following community locations:

**Community Centres (CC)**

1. Britannia CC
2. Carnegie CC
3. Champlain Heights CC
4. Coal Harbour CC
5. Douglas Park CC
6. Dunbar CC
7. False Creek
8. Hastings CC
9. Kensington CC
10. Kerrisdale CC
11. Killarney CC
12. Kitsilano CC
13. Marpole-Oakridge CC
14. Mount Pleasant CC
15. Ray-Cam Cooperative CC
16. Renfrew CC
17. Riley CC
18. Roundhouse CC
19. Strathcona CC
20. Sunset CC
21. Thunderbird Neighbourhood CC
22. Trout Lake CC
23. West End CC
24. West Point Grey (Aberthau) CC

**Pools**

25. Lord Byng Pool
26. Templeton Pool
27. Vancouver Aquatic Centre

**Community Golf Courses**

28. Fraserview Golf Course
29. Langara Golf Course
30. McCleery Golf Course



### Library Branches

Copies were delivered to the Main Branch of the Vancouver Public Library and, from there, to the VPL's 22 branch libraries.

### BIA's

1. Collingwood Business Improvement Association
2. Commercial Drive Business Society
3. Downtown Vancouver Business Improvement Association
4. Gastown Business Improvement Society
5. Hastings North Business Improvement Association
6. Kitsilano 4th Avenue Business Association
7. Point Grey Village Business Association
8. Robson Street Business Association
9. Strathcona Business Improvement Association
10. Vancouver-Chinatown Business Improvement Association Society
11. Yaletown Business Improvement Association

### C. E-mails and Telephone Calls

E-mails and telephone calls were made to invite residents to participate in the consultation:

February 12, 2008 – 1,000 e-mails

February 14, 2008 – 55 telephone calls to community, residential and cultural Associations

February 14, 2008 – 1,155 e-mails

February 18, 2008 – 800 reminder e-mails and telephone calls

## 2.2 Consultation Program

The consultation program provided a variety of ways for the public to participate in the consultation. Some residents chose to participate and speak at public meetings, while others chose to go to a web-site to gather information and fill out an on-line feedback form. Still others had their opinion reflected through an attitude survey.

### A. Attitude Survey

As part of the consultation process, the City engaged the marketing research firm Ipsos Reid to conduct an attitude phone survey on representative samples of residents and businesses in Vancouver. Survey results distinguished between residential and business respondents, and took into consideration residential and commercial owners and tenants.

### B. Public Meetings

The public was invited to attend a series of public meetings, including:

Saturday, February 16, 2008, 9:00am to 12 noon - VanDusen Garden

Wednesday, February 20, 2008, 7:00pm to 10:00pm - City Hall

Saturday, February 23, 2008, 9:00am to 12 noon - Killarney Secondary School

At the public meetings, City of Vancouver staff provided a short presentation on the Tax Commission recommendations and then the public was asked to provide their comments or to ask their questions. The public meetings were facilitated and had a meeting recorder.



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### **C. Website**

Information was available on the City of Vancouver website, including an on-line feedback form.

### **D. Other (Phone, Mail, Fax, E-mail)**

The public was invited to provide comments by phone or written submission (mail, fax or e-mail).

## **2.3 Participation**

Residents and businesses participated through the attitude survey (917), e-mail (10), public meetings (59) and by written submissions (21).



### 3. SUMMARY OF CONSULTATION INPUT

#### 3.1 Report on Findings of Public Attitude Survey

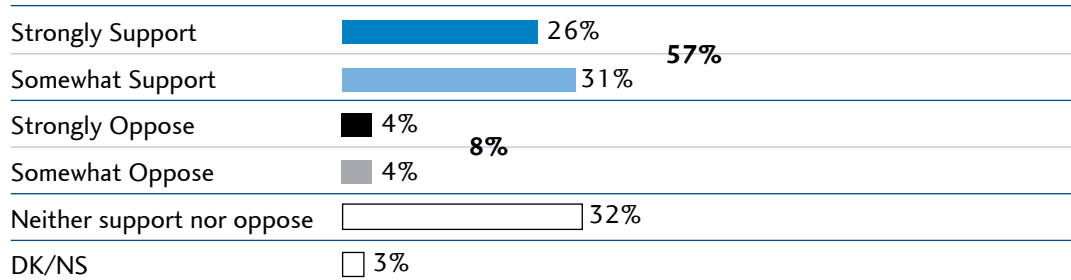
The City conducted an attitude survey of residents and businesses. The survey contacted 611 residential taxpayers and 306 businesses. The following provides the survey results for residential and business respondents. The full results of the survey are available on the City's website ([www.vancouver.ca](http://www.vancouver.ca)). This reports the key results for the questions related to five-year averaging and tax distribution by residential respondents and business respondents.

##### A. Residential

The following presents the results<sup>1</sup> from 611 residents surveyed:

##### Five-Year Averaging

**Quantitative:** Overall, do you support or oppose the City of Vancouver implementing the use of five-year land averaging for the calculation of your property taxes, or would you say that you neither support nor oppose this proposal?



**Qualitative:** Why do you support five-year land averaging?

Reason for supporting	Top mentions
More stable/fair	51%
Will pay less/lower taxes	21%
Volatile market/moderates fluctuations	21%
Better than three-year land averaging	9%

**Qualitative:** Why do you oppose five-year land averaging?




Reason for opposing	Top mentions
Taxes would be higher/increased	36%
Volatile market/too much fluctuation	18%
Prefer three-year land averaging	13%
Don't like it/disagree	12%

1. Qualitative results should be interpreted with caution due to the small number of open-ended responses to qualitative questions. In addition, each respondent could provide more than one reason, so the numbers could add up to more than 100%.









## Tax Distribution

**Quantitative:** In your opinion, is the current property tax distribution between residents and businesses fair?

Yes		52%
No		36%
DK/NS		13%

**Quantitative:** Overall, do you support or oppose the proposal to change the distribution of property taxes paid by residents and businesses, or would you say that you neither support nor oppose this proposal?

Strongly Support		6%	<b>16%</b>
Somewhat Support		10%	
Strongly Oppose		17%	<b>60%</b>
Somewhat Oppose		43%	
Neither support nor oppose		22%	
DK/NS		2%	

**Qualitative:** Why do you support the proposed tax redistribution?

Reason for supporting	Top mentions <sup>2</sup>
Save business from closing/relocating	21%
It seems more fair	15%
Business should get a break/pay lower taxes	14%
Help/ benefit to business	11%
Help bring business to city	9%

**Qualitative:** Why do you oppose the proposed tax redistribution?

Reason for opposing	Top mentions
Residence taxes are too high/should be lower	35%
Business should pay higher taxes/carry a larger burden	26%
Taxes are high/going up/don't want to pay more	20%
Business makes money/ brings in more revenue	19%
Fair (including fair the way it is, changes are not fair)	9%

2. Note that each respondent could provide more than one reason, so the numbers could add up to more than 100%.


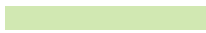






**B. Business**

The following presents the results from the 300 businesses surveyed:

**Five-Year Averaging**

**Quantitative:** Overall, do you support or oppose the City of Vancouver implementing the use of five-year land averaging for the calculation of your property taxes, or would you say that you neither support nor oppose this proposal?

Strongly Support		34%	<b>63%</b>
Somewhat Support		29%	
Strongly Oppose		6%	<b>11%</b>
Somewhat Oppose		5%	
Neither support nor oppose		24%	
DK/NS		2%	

**Qualitative:** Why do you support five-year land averaging?



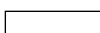
Reason for supporting	Top mentions
More stable/fair	48%
Volatile market/moderates fluctuations	28%
More accurate/realistic	11%
Will pay less/lower taxes	10%

**Qualitative:** Why do you oppose five-year land averaging?

Reason for opposing	Top mentions
Taxes would be higher/increased	28%
Too long a time frame	19%
Property values go up (too fast)	12%
Happy with current system	12%
Prefer three-year land averaging	12%

**Tax Distribution**

**Quantitative:** In your opinion, is the current property tax distribution between residents and businesses fair?

Yes		42%
No		46%
DK/NS		13%



**Quantitative:** Overall, do you support or oppose the proposal to change the distribution of property taxes paid by residents and businesses, or would you say that you neither support nor oppose this proposal?

Strongly Support		39%	<b>57%</b>
Somewhat Support		18%	
Strongly Oppose		8%	<b>20%</b>
Somewhat Oppose		12%	
Neither support nor oppose		22%	
DK/NS		1%	

**Qualitative:** Why do you support the proposed tax redistribution?

Reason for supporting	Top mentions
Business should get a break/pay lower taxes	17%
Will save/pay less	15%
It seems more fair	14%
Save business from closing/relocating	9%

**Qualitative:** Why do you oppose the proposed tax redistribution?

Reason for opposing	Top mentions
Residence taxes are too high/should be lower	34%
Business should pay higher taxes/carry a larger burden	29%
Business makes money/brings in more revenue	18%
Fair (including fair the way it is, changes are not fair)	10%

### 3.2 Key Theme Summary of Public Meetings

At the public meetings, generally, those who identified themselves as being part of the business community supported the Tax Commission recommendations. Generally, those who said they were residential taxpayers did not support the recommendations.

Both residential and business participants agreed that the taxes on small, 1-3 person businesses needed to be addressed. They said that this type of business had little ability to adapt to significant increases from year to year; they often were paying rent and so received no benefit from land appreciation yet had to cover the landowner's tax increases. These participants suggested a different tax category for these businesses.

Business representatives said that the current tax arrangement creates significant financial problems for business especially when other municipalities within Metro Vancouver have lower business tax rates.

Some business representatives said that they pay high taxes but get fewer services from the City. For instance, they pay for their own garbage, graffiti cleanup and extra security. One participant who identified herself as originating in the business community agreed that excess business taxes were a



serious problem, but disagreed with the conclusions of the Tax Commission and suggested that the tax burden could not be equitably distributed until it was consumption-based (i.e., what City services did you use).

Generally, residential taxpayers expressed the view that business should pay the higher proportion since they could write off costs. Other said that business was supposed to support those who lived in the City and therefore should pay more.

Many participants at the public meetings asked questions, including:

- Why was the ratio of business to residential taxes originally set the way it was?
- To what degree was the tax difference between Metro Vancouver municipalities affecting Vancouver's competitiveness?
- Could we have larger businesses pay more than small ones?

### 3.3 Key Theme Summary of Written Submissions (Mail, Fax and E-Mail)

Results from written submissions (Mail, Fax and E-Mail):

- Most of the submissions were from those in the business community and, with a couple of exceptions, they supported the Tax Commission recommendations.
- Business participants said that the current tax system harmed the competitiveness of Vancouver businesses.
- Submissions from residential taxpayers said that Vancouver residential taxes were already too high.
- Other submissions from residential taxpayers said that business could afford the taxes more than residents could.



