Supports Item No. 2
CF&S Committee Agenda
February 28, 2012

CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date:	February 17, 2012
Contact:	Grace Cheng
Contact No.:	604.871.6654
RTS No.:	9473
VanRIMS No.:	08-2000-20
Meeting Date:	February 28, 2012

TO: Standing Committee on City Finance and Services

FROM: Director of Finance

SUBJECT: 2012 Property Taxation: Land Assessment Averaging

RECOMMENDATION *

A. THAT Council approve the continuous application of the three-year land assessment averaging program in 2012 for the purpose of calculating property taxes for Residential (Class 1), Light Industrial (Class 5), and Business & Other (Class 6) properties.

B. THAT Council instruct the Director of Legal Services, in consultation with the Director of Finance, to prepare a by-law authorizing the use of three-year land assessment averaging that reflects Council's decision on Recommendations A, and bring it forward to Council for consideration on March 27, 2012.

C. THAT, subject to adoption of the by-law on March 27, 2012, Council instruct the Director of Finance to make appropriate arrangements with BC Assessment for the production of the 2012 Average Assessment Roll at an estimated cost of $24,000; source of funding to be 2012 Operating Budget.

REPORT SUMMARY *

The purpose of this report is to seek Council approval on the continuous application of the three-year land assessment averaging program in 2012 for the purpose of calculating property taxes for Residential (Class 1), Light Industrial (Class 5), and Business & Other (Class 6) properties.

Land assessment averaging is an optional mitigation mechanism available to Council under the *Vancouver Charter*, which complements other provincial mechanisms such as Section 19(8) of the *Assessment Act*, Home Owner Grant, and Property Tax Deferment in alleviating tax impact on eligible properties. Staff analysis contained in this report demonstrates that the program continues to function as intended - to phase in year-over-year property tax impact arising from land value changes and to reduce the number of properties that experience extreme volatility in property taxes driven by significant increase and decrease in land values.

Land assessment averaging is a long-term policy and consistent application is crucial to ensure predictability and fairness over the long-term. When Council considers whether or not to continue with the program in any given year, the decision should be made based on the long-term impact of the program rather than short-term market conditions.

*COUNCIL AUTHORITY/PREVIOUS DECISIONS **

Section 374.4 of the *Vancouver Charter* requires that Council considers the application of the three-year land assessment averaging program each year and, if Council decides to proceed, a by-law be adopted, before March 31, authorizing the use of such a mechanism.

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.

*CITY MANAGER'S/GENERAL MANAGER'S COMMENTS **

The City Manager RECOMMENDS approval of the foregoing.

Vancouver has consistently been ranked by leading global authorities as one of the top cities in the world to live in, and was ranked by KPMG as having the best business tax environment in 2010. To capitalize on this competitive advantage, the city's future economic success is hinged on our ability to create an affordable environment for businesses and residents alike.

Cyclical volatility in the real estate market and differential assessment changes among properties could have a significant impact on taxes and affordability. Continuous application of the land assessment averaging program, coupled with other provincial mitigation mechanisms, can alleviate some of the impact.

Aside from tax phasing through averaging, affordability is further enhanced through Council's adoption of an annual tax increase at roughly CPI over the past two years and the transformative changes brought about by the Vancouver Service Review that streamline City operations for greater efficiencies, reduced duplication, and improved oversight and accountability.

To enhance business climate, Council adopted the Property Tax Policy Review Commission's recommendation - a 5-year tax redistribution program - to shift $23.8 million from non-residential to residential properties at a rate of 1% of the overall general purpose tax levy per year to achieve a target distribution of 52% residential and 48% non-residential. Since 1994, Council has shifted $52 million from non-residential to residential properties, resulting in a significant reduction in the business tax share from 60% in the 80's to 48% in 2011, and the tax rate ratio from 5.9 to 4.3. As noted in the Commission's report, it is important to keep property taxes on businesses comparable with those in other municipalities within the region; to do otherwise could increase the potential for businesses to move out of the city in search of lower taxation. Similarly, residential property taxes are a significant component of housing affordability, and high taxes add to the challenge of talent attraction and retention. The City will continue to engage business in the implementation of the 2011-2021 Housing Strategy and to improve affordability, family living spaces, and amenities.

REPORT

Background/Context *

PROPERTY ASSESSMENT & PROPERTY TAXES

BC Assessment determines the assessed value of every property in British Columbia based on its "highest and best use" as defined by zoning, and assigns the property to a property class based on its actual use. This authority is provided for in the *Assessment Act*; Council has no jurisdiction over these functions. The City then levies property taxes using BC Assessment's property valuation and classification information available on the *Assessment Roll* to generate a fixed amount of general purpose tax levy to meet the City's operating budget needs as approved by Council.

As a general rule, the extent of change in a property's taxes year-over-year is determined primarily by how that property's assessed value has changed relative to the average change within its property class. While changes in assessed values 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 1 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) and redistribution of taxes among property classes.

Figure 1: Impact of Assessed Value on Property Taxes

If a property's assessed 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.

MITIGATION MEASURES

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

I. Provincial Mechanisms

(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, i.e. City revenue is not impacted.

(ii) 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.

(iii) 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.

II. City of Vancouver Mechanisms

In the late 1980's, a very active real estate market resulted in uneven property value increases among properties in both residential and business property classes and, consequently, significant shifts in property tax burden among individual properties within these classes. The trend continued into the early 1990's when some residential properties faced up to 100% tax increases and some business properties up to 300% tax increases.

Since 1989, Council has taken various means of intervention in the market value-based taxation system each year to mitigate the impacts of large shifts in property tax burden within the residential and business property classes. In 1992, the Province enacted legislation which provided Council with two mechanisms to mitigate the impact of uneven year-over-year assessment changes on property taxes and to improve the year-over-year stability and predictability of property taxes. The two mechanisms are:

(i) Land Assessment Averaging

This mechanism entails averaging three years of land value (current year and two prior years) to phase in year-over-year property tax impact arising from land value changes and to reduce the number of properties that experience extreme volatility in property taxes driven by significant increase and decrease 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.

(ii) Land Assessment Phasing

This is a "peak shaving" mechanism that applies to current year's assessed land value based on a formula established by the Province. Council has discretion in deciding the amount of land value to be sheltered from property taxes, which ranges from 50% to 66% of a property's land value increase in excess of the average change in land value for the entire class. The current assessed improvement value is then added to the adjusted land value for calculating property taxes.

Both mechanisms are 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 any of these mechanisms.

In 1993, Council implemented three-year land assessment averaging for calculating annual property taxes for Residential (Class 1) and Business & Other (Class 6) properties. Over the years, staff's analyses consistently demonstrated that land assessment averaging is more effective than land assessment phasing in mitigating the property tax impact arising from uneven year-over-year land value changes. In 1998, Council stopped considering land assessment phasing as an intervention mechanism. In 2007, Council extended the use of three-year land assessment averaging to Light Industrial (Class 5) properties.

Over the years, various studies were conducted to address property tax distribution, volatility, and other taxation issues:

- 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."*

- 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*). A request for the amendment was submitted to the Province but approval has not been granted.

LAND ASSESSMENT AVERAGING

I. Policy Intent & Methodology

Land assessment averaging is intended to provide relief to property owners by phasing-in the year-over-year tax impact arising from significant increase or decrease in land value. It is not intended to reduce property taxes for individual properties over the long-term.

For those property classes to which land assessment averaging is applied, it is a “zero-sum” mechanism: Properties experiencing a higher than average increase in land value will benefit from the program while those experiencing a lower than average increase in land value will not benefit from the program. Any tax savings benefited by some properties in a given year are redistributed among other properties such that some taxpayers will pay more tax than they otherwise would without the application of averaging while some will pay less. For the City, the total general purpose tax levy collected always remains the same with or without averaging.

Figure 2 below compares the calculation of property taxes under the market value approach and the land assessment averaging approach. The total general purpose tax levy is the same under both approaches.

Figure 2: Property Tax Calculation

Market Value Approach		Land Assessment Averaging Approach	
	2012 Land Value		Average of 2010/11/12 Land Value
+	2012 Improvement Value	+	2012 Improvement Value
=	2012 Taxable Value $_{Market}$	=	2012 Taxable Value $_{Average}$
x	2012 Tax Rate $_{Market}$	x	2012 Tax Rate $_{Average}$
=	2012 Total General Purpose Tax Levy	=	2012 Total General Purpose Tax Levy

As shown in Figure 2, application of 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. In any given year, the average value could be higher, lower, or the same when compared to the market value of that property.

Tax Rate $_{Average}$ – 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. Therefore, if averaging *reduces* the total taxable value of a property class, the tax rate will be *higher*. If averaging *increases* the total taxable value of a property class, the tax rate will be *lower*.

Consequently, application of land assessment averaging may have a different, even opposite, impact on the year-over-year change in property taxes for an individual property when compared to the market value approach.

Below are general rules with regard to land assessment averaging:

- Properties that experience significant increase or decrease in land value in the past one, two or three years will be most affected by averaging as the program mitigates extreme volatility in property taxes arising from these changes.

- As land value increases, averaging will slow the rate of property tax increase over time; as land value decreases, averaging will slow the rate of property tax decrease over time.

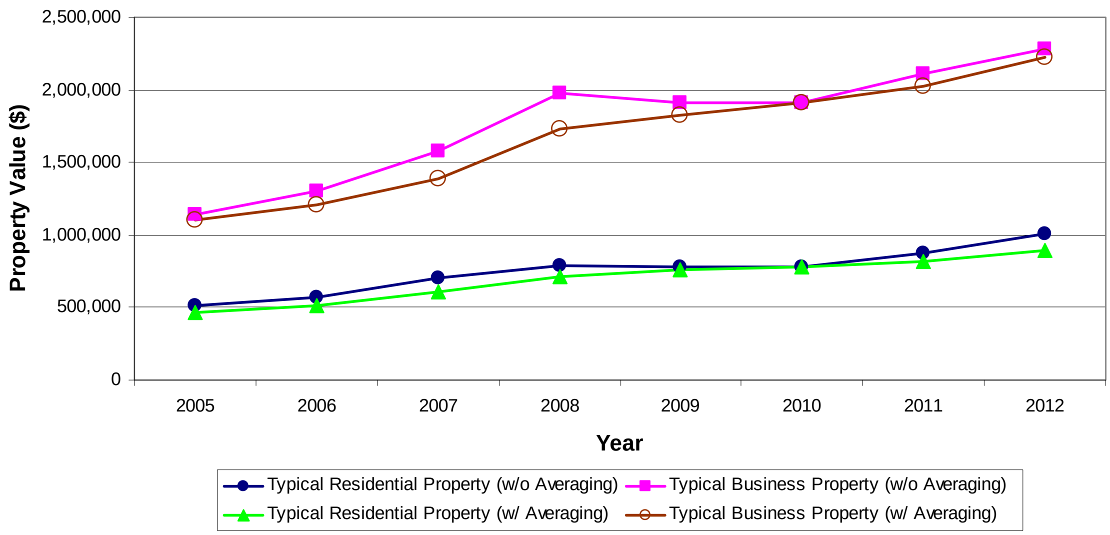
- Properties with current land value higher than their past value are "averaged down" and may pay lower taxes relative to other properties; properties with current land value lower than their past value are "averaged up" and may pay higher taxes relative to other properties as a result of averaging.

- Averaging applies to all properties that meet the eligibility requirements outlined in the *Land Assessment Averaging By-law*, not just properties that experience significant land value changes.

Land assessment averaging is a long-term policy that ensures consistency, predictability and fairness for property owners. While short-term market conditions could affect the result of averaging in any given year, in deciding whether to continue with the program, Council must weigh the relative impacts of intra-class tax shifts created by the program against the benefit of mitigating extreme property tax volatility arising from significant land value changes.

Figure 3 below shows the value trend of a typical Class 1 - Residential property and a typical Class 6 - Business & Other property in Vancouver from 2005 to 2012 with and without averaging.

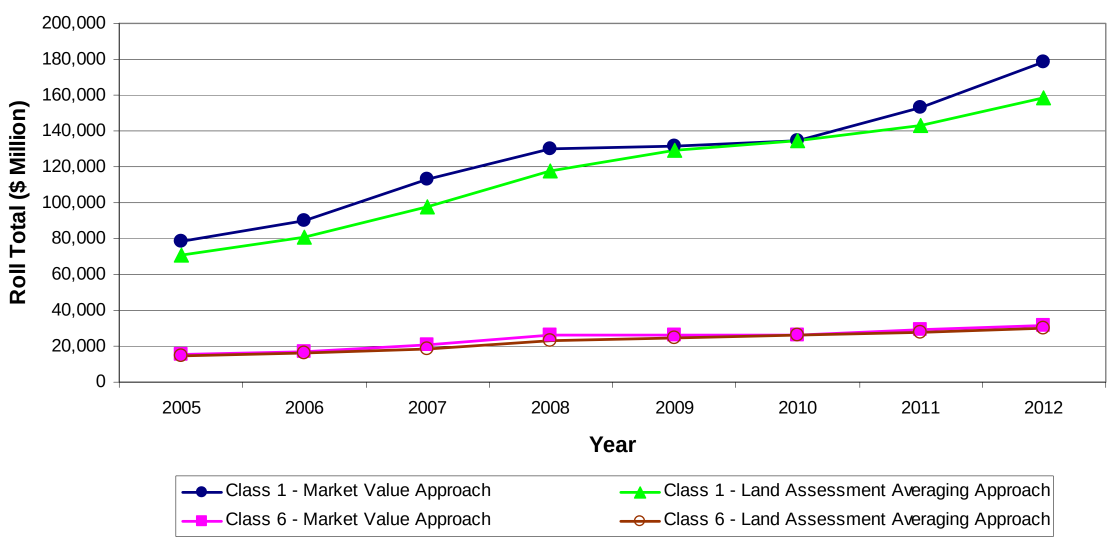
Figure 3: Value of a Typical Residential & Business Property (2005-2012) With & Without Averaging



NOTE: For the 2009 tax year, the Province passed the Economic Incentive and Stabilization Statutes Amendment Act (Bill 45) which stipulated that on the *Assessment Roll*, properties be valued at the actual value calculated using either a July 1, 2007 or July 1, 2008 valuation date, whichever is lower.

Figure 4 below compares the *Assessment Roll* total under the market value approach and the land assessment averaging approach for Class 1 Residential and Class 6 Business & Other from 2005 to 2012.

Figure 4: Assessment Roll Total With & Without Averaging (2005-2012)



II. Program Implementation

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

(i) 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).

(ii) 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.

(iii) 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.

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

(v) 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. For 2012, the notice has been placed in the Courier on Feb 17 and 24, and on the City's website since February 17. A copy of the notice can be found in Appendix F.

(vi) 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. To-date, staff have been able to resolve the majority of appeals administratively; only a handful of appeals

proceeded to the Court of Revision in the past few years. In all cases, the Court of Revision concluded that the *Land Assessment Averaging By-law* had been correctly applied.

*Strategic Analysis **

IMPACT OF LAND ASSESSMENT AVERAGING

Staff have completed an analysis of the impact of land assessment averaging on properties within the residential, light industrial, and business & other property classes based on the following:

(i) Data Source
The analysis is done based on the 2012 *Completed Roll* available at the time of this report, which should be close to the 2012 *Revised Roll* available in early April incorporating updates from the Property Assessment Review Panel decisions.

(ii) Eligibility Criteria
The analysis adopts a set of eligibility criteria and proxies similar to those contained in the *Land Assessment Averaging By-law*, which excludes new construction, class transfers, and other properties that are not eligible for land assessment averaging.

(iii) General Purpose Tax Levy
While averaging is applicable to calculating taxes levied by the City and other taxing authorities, the analysis considers only the City's general purpose tax levy as levies from other taxing authorities are not available at the time of this report. However, the analysis should present a reasonable indication of the impact of averaging on other tax levies as similar pattern would apply.

(iv) Key Assumptions
The analysis incorporates the continuation of the tax redistribution program from non-residential to residential property classes. Subject to the 2012 Revised Roll and Council's decision on the operating budget and tax increase in March 2012 as well as the tax distribution in April 2012, the property tax impact of land assessment averaging presented in this report could change.

I. Residential (Class 1) Properties

The 2012 *Completed Roll* indicates a year-over-year increase of $25.3 billion (16.5%) in the total assessed value for the residential property class, of which $22.9 billion (14.9%) represents an increase in market value and $2.4 billion (1.6%) represents non-market changes which include new construction and inter-class transfers that are not eligible for land assessment averaging.

Assuming no increase in total general purpose tax levy and Council completes the tax redistribution program in 2012 by shifting 0.27% of the tax levy from non-residential to residential properties, the target tax levy to be collected from the residential property class would be $311 million.

Tax rates are calculated based on the total taxable value on the *Assessment Roll*. To generate the target general purpose tax levy, if averaging *reduces* the total taxable value of a property class, the tax rate will be *higher*. If averaging *increases* the total taxable value of a property class, the tax rate will be *lower*.

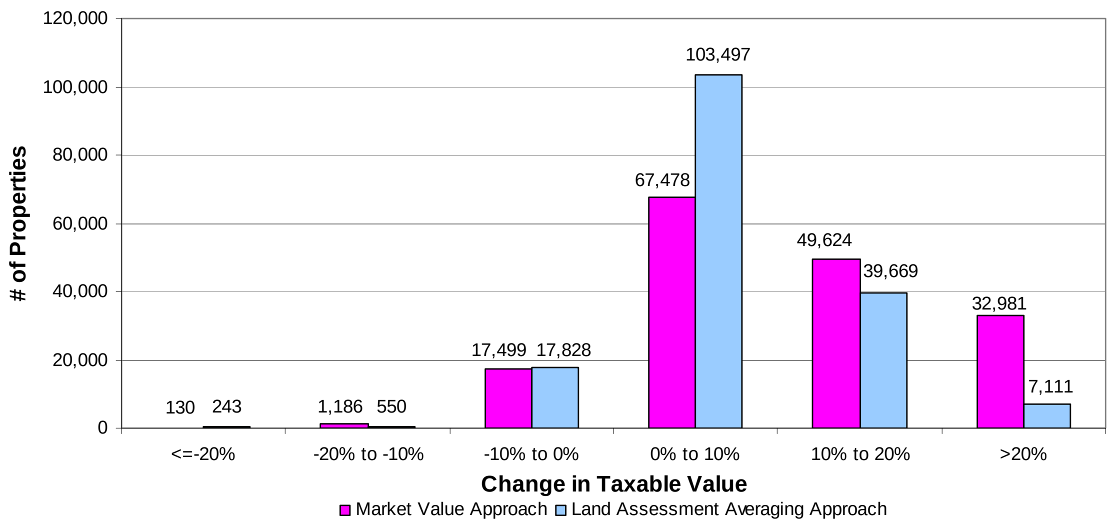
As illustrated in Figure 5 below, applying land assessment averaging to the residential property class *reduces* the total taxable value from $178.4 billion to $158.7 billion and *increases* the tax rate from $1.74 to $1.96 per $1,000 taxable value.

Figure 5: Impact of Land Assessment Averaging on Taxable Value & Tax Rate
Class 1 - Residential

	2012 Estimates $_{\text{Market}}$	2012 Estimates $_{\text{Average}}$
Taxable Value	$178,357,099,000	$158,715,698,000
Tax Rate (per $1,000 Taxable Value)	$1.74345	$1.95921
Target General Purpose Tax Levy	$310,957,000	$310,957,000

Figure 6 below shows the distribution of residential property value changes under the market value approach (2012 assessed value vs. 2011 assessed value) and the land assessment averaging approach (2012 averaged value vs. 2011 averaged value). With land assessment averaging, more properties will experience an increase in value closer to the class average (15%) and the number of properties that experience significant increase in value (>20%) will substantially decrease.

Figure 6: Property Value Changes (2011 to 2012)
Market Value Approach vs. Land Assessment Averaging Approach
Class 1 - Residential (Sample Size = 168,898)



Impact of land assessment averaging on Residential (Class 1) properties (sample size = 168,898):

- *More Class 1 properties experience a property tax increase closer to the average increase* – Compared to the average increase of 0.54% (tax shift included), averaging increases the number of properties that fall within the -10% and +10 tax increase bracket from 90,355 (53%) to 154,669 (92%).

- *Fewer Class 1 properties experience significant tax increases* – Averaging reduces the number of properties that would experience a tax increase in excess of 10% from 23,086 (14%) to 7,873 (5%).

- *50% of Class 1 properties pay the same or lower taxes* – 44,896 (27%) properties would pay lower taxes with averaging; 39,591 (23%) would pay approximately the same amount of taxes (within +/- $24 differential) with or without averaging; and 84,411 (50%) would pay higher taxes with averaging.

Results of the analysis on Residential (Class 1) properties can be found in Appendices A and B.

II. Light Industrial (Class 5) & Business & Other (Class 6) Properties

Since 2000, the Light Industrial (Class 5) and Business & Other (Class 6) property classes have been "blended" for the purpose of calculating property taxes, i.e. the tax rates for these classes are the same.

The 2012 *Completed Roll* indicates a year-over-year increase of $2.5 billion (8.2%) in the combined assessed value for the Light Industrial and Business & Other property classes. Almost the entire increase represents market value changes.

Assuming no increase in total general purpose tax levy and Council completes the tax redistribution program in 2012 by shifting 0.27% of the tax levy from non-residential to residential properties, the target tax levy to be collected from the light industrial and business & other property classes would be $261.6 million.

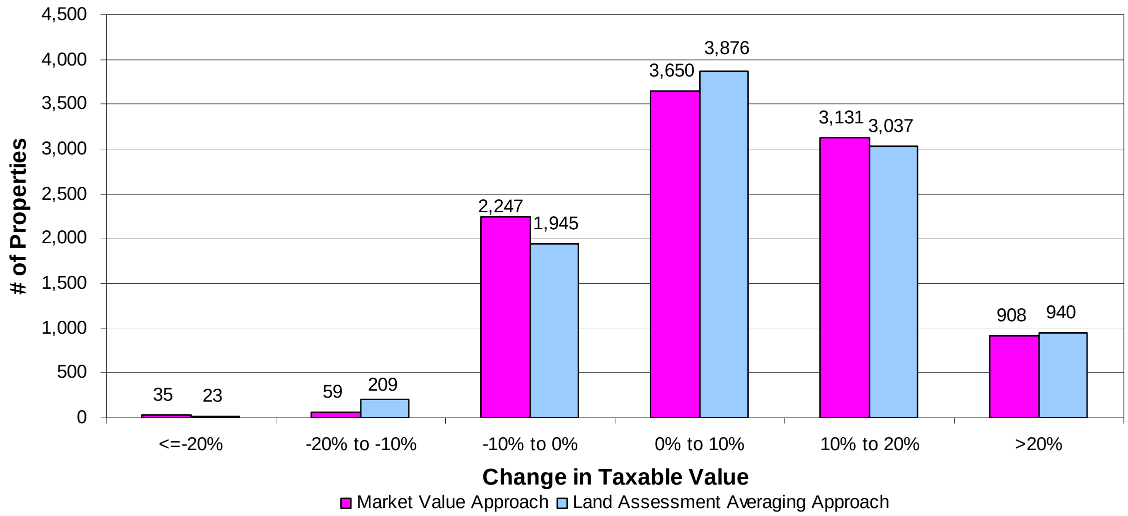
As illustrated in Figure 7 below, applying land assessment averaging to the light industrial and business & other property classes *reduces* the combined taxable value from $32.3 billion to $30.9 billion and *increases* the blended tax rate from $8.10 to $8.48 per $1,000 taxable value.

Figure 7: Impact of Land Assessment Averaging on Taxable Value & Tax Rate
Class 5 - Light Industry & Class 6 - Business & Other

	2012 Estimates Market	2012 Estimates Average
Taxable Value	$32,297,939,000	$30,860,620,000
Tax Rate (per $1,000 Taxable Value)	$8.09809	$8.47525
Target General Purpose Tax Levy	$261,552,000	$261,552,000

Figure 8 below shows the distribution of property value changes under the market value approach (2012 assessed value vs. 2011 assessed value) and the land assessment averaging approach (2012 averaged value vs. 2011 averaged value) for light industrial and business & other properties. With land assessment averaging, more properties will experience an increase in value closer to the class average (8%).

Figure 8: Property Value Changes (2011 to 2012)
Market Value Approach vs. Land Assessment Averaging Approach
Class 5 - Light Industry & Class 6 - Business & Other (Sample Size = 10,030)



Impact of land assessment averaging on Light Industrial (Class 5) and Business & Other (Class 6) properties (sample size = 10,030):

- *More Class 5 and 6 properties experience a property tax increase closer to the average decrease* – Compared to the average decrease of 0.5% (tax shift included), averaging increases the number of properties that fall within the -10% to +10% tax increase bracket from 5,088 (51%) to 7,406 (74%).

- *Fewer Class 5 and 6 properties experience significant tax increases* – Averaging reduces the number of properties that would experience a tax increase in excess of 10% from 2,714 (27%) to 1,007 (10%).

- *75% of Class 5 and 6 properties pay the same or lower taxes* – 5,420 (54%) would pay lower taxes with averaging; 2,146 (21%) would pay approximately the same amount of taxes (within +/- $60 differential) with or without averaging; and 2,464 (25%) would pay higher taxes with averaging.

Results of the analysis on Light Industrial (Class 5) and Business & Other (Class 6) properties can be found in Appendices C and D.

LAND USE POLICY & PROPERTY ASSESSMENT – CAMBIE CORRIDOR

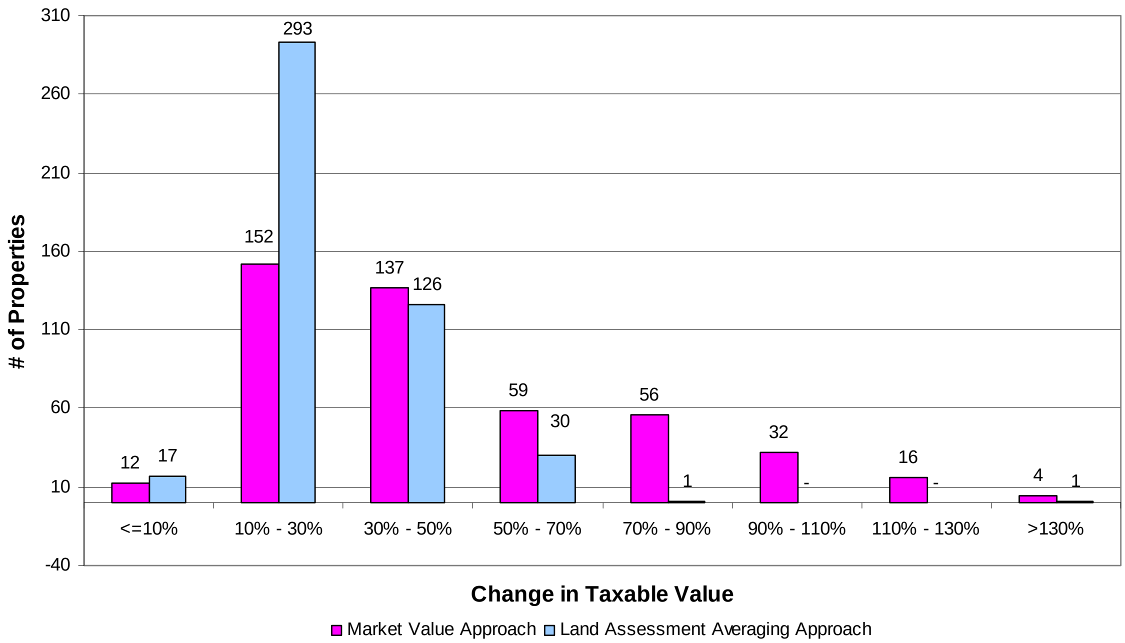
To support Vancouver's role and commitment in Metro Vancouver's new *Regional Growth Strategy* and TransLink's *Transport 2040* long range plan, and the City goals for environmental sustainability, liveability and affordability, transit corridor redevelopment schemes involving higher densities along rapid transit stations will be encouraged for future development. As an example, the Cambie Corridor Plan adopted by Council in May 2011 contemplates a long-term redevelopment horizon for Cambie Street between 16th Avenue and the Fraser River. Over the next 20-25 years, the Plan anticipates a substantial increase in development and new residential density along this transit corridor.

Whenever there are significant growth opportunities in a particular neighborhood, properties in that area can experience a higher assessment increase relative to other properties elsewhere in the city. Assessed values for residential properties are generally based on market sales transactions of comparable properties. The residential property sales that have occurred over the last 12 to 18 months along the Cambie Corridor appear to reflect some speculative value in anticipation of the future growth and redevelopment opportunities envisaged in the Plan. Most of the properties identified as potential redevelopment sites in the Plan have experienced substantial increase in their assessed values in 2012 compared to other parts of the city.

(i) Residential (Class 1) Properties (sample size = 468)
BC Assessment indicated that about 100 residential properties along the Cambie Corridor are eligible for a lower assessment under Section 19(8) of the *Assessment Act* where the land value is assessed based on current zoning rather than on anticipated future zoning and development potential. As a result, the assessment increase for these properties will be in line with the average increase for similar residential properties on the City's west side (25%-30%). For the remaining properties, without land assessment averaging, 137 residential properties will experience an increase of 30% to 50% and 167 properties will experience an increase of over 50%.

Figure 9 below shows the distribution of residential property value changes along the Cambie Corridor under the market value approach (2012 assessed value vs. 2011 assessed value) and the land assessment averaging approach (2012 averaged value vs. 2011 averaged value). With land assessment averaging, more properties will experience an increase in value closer to the average increase for similar residential properties across the City's west side (25%-30%) and the number of properties that experience extreme increase in value (>50%) will substantially decrease from 167 to 32.

Figure 9: Residential Property Value Changes Along Cambie Corridor (2011 to 2012)
Market Value Approach vs. Land Assessment Averaging Approach
(Sample Size = 468)

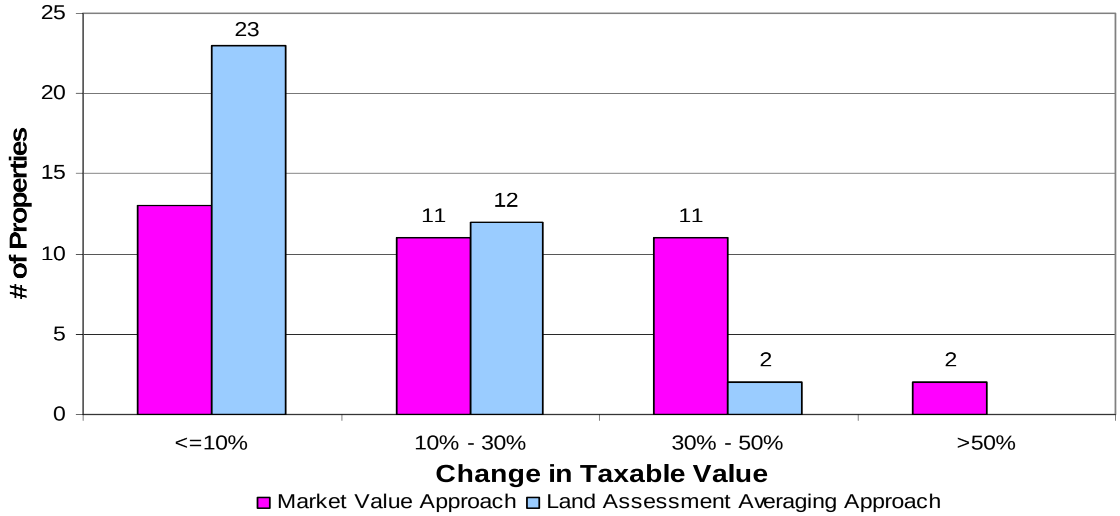


(ii) Business & Other (Class 6) Properties (sample size = 37)

With the exception of several financial institutions and the anchor tenants in Oakridge, most of the businesses along the Cambie Corridor are considered to be small business tenants. In the Plan, most of these properties are zoned C-2 (mixed-use sites with commercial at-grade and residential above). The assessment increase for these sites is in line with the average increase for similar business properties on the City's west side (20%).

Figure 10 below shows the distribution of business property value changes along the Cambie Corridor under the market value approach (2012 assessed value vs. 2011 assessed value) and the land assessment averaging approach (2012 averaged value vs. 2011 averaged value). With land assessment averaging, the number of properties that experience significant increase in value (>30%) will substantially decrease from 13 to 2.

Figure 10: Business Property Value Changes Along Cambie Corridor (2011 to 2012)
Market Value Approach vs. Land Assessment Averaging Approach
(Sample Size = 37)



Property speculation is not uncommon in situations where there is an expectation of a change in zoning. It is anticipated that market activities along the Cambie Corridor will normalize and property values will balance out over time as speculative purchases have less impact on assessed value as the market adjusts. Until then, appropriate use of available mitigation mechanisms – Assessment Act s19(8), land assessment averaging, home owner grant, and tax deferment - could alleviate some of the property tax impacts on eligible properties.

Implications/Related Issues/Risk (if applicable)

*Financial **

Should Council approve the continuation of the three-year land assessment averaging program in 2012, 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 2012 is estimated at $24,000; source of funding to be the Operating Budget.

*CONCLUSION **

The analysis contained in this report demonstrates that land assessment averaging continues to function as intended - to phase in property tax impact arising from land value changes and to reduce the number of properties that experience extreme volatility in property taxes driven by significant land value changes. It is an optional mitigation mechanism available to Council under the *Vancouver Charter*, which complements other available provincial mechanisms such as Section 19(8) of the *Assessment Act*, Home Owner Grant, and Property Tax Deferment. Continuous application is recommended for Residential (Class 1), Light Industrial (Class 5) and Business & Other (Class 6) properties to ensure predictability and fairness over the long-term.

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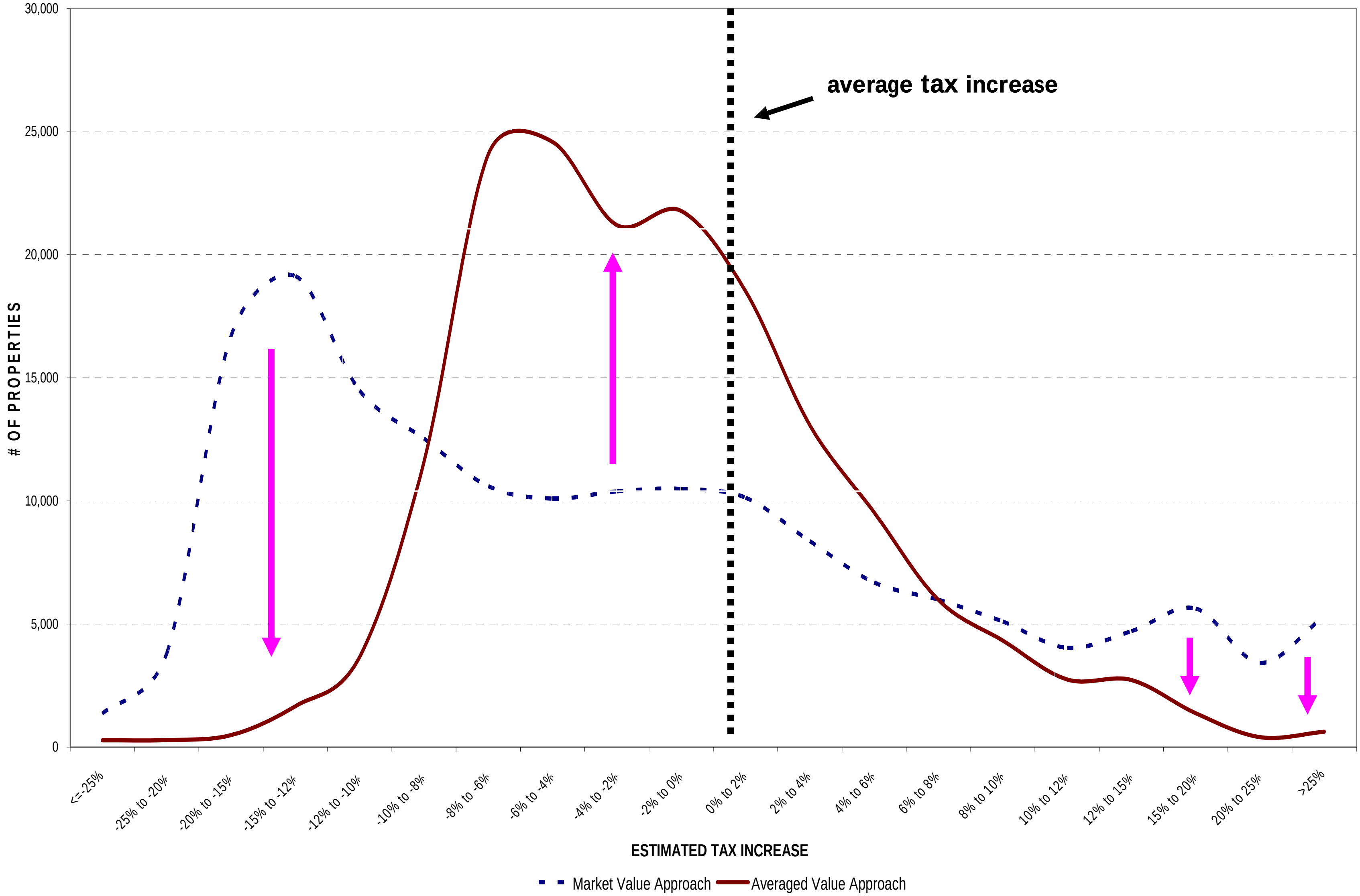
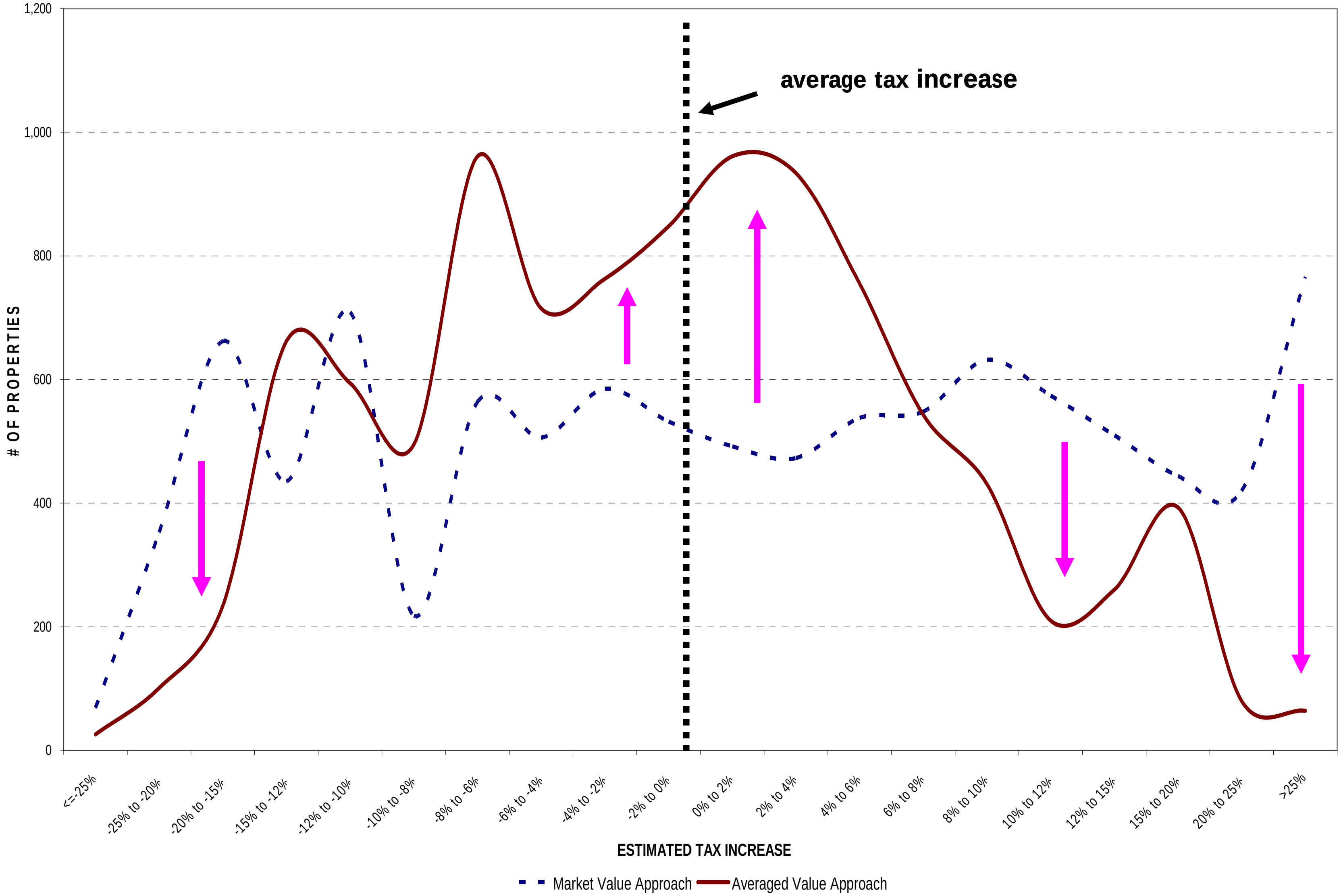
DISTRIBUTION OF ESTIMATED PROPERTY TAX INCREASE WITH AND WITHOUT AVERAGING
CLASS 1 - RESIDENTIAL (SAMPLE SIZE = 168,898)



Note: Assumed no tax increase and completion of the tax redistribution program by shifting 0.27% of total general purpose tax levy from non-residential to residential property classes.

PROPERTY TAX IMPACT OF LAND ASSESSMENT AVERAGING ON MEDIAN PROPERTIES
CLASS 1 - RESIDENTIAL

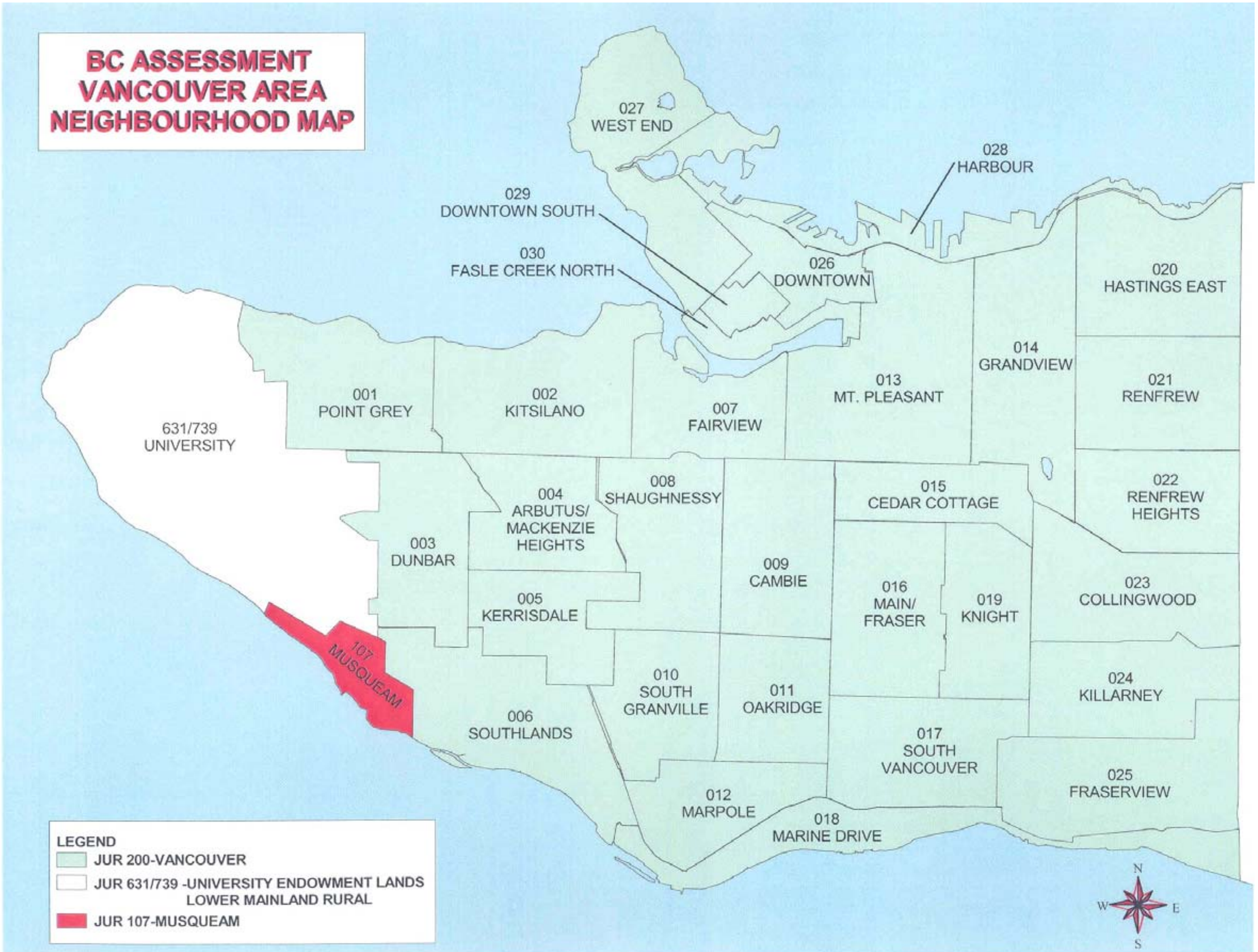
NEIGHBOURHOOD (SEE BCAA MAP)	TAXABLE VALUES 2011 Averaged	TAXABLE VALUES 2012 Market	TAXABLE VALUES 2012 Averaged	GENERAL PURPOSE TAX LEVY 2011 Actuals	GENERAL PURPOSE TAX LEVY 2012 Market	GENERAL PURPOSE TAX LEVY 2012 Estimated Averaged	$ CHANGE IN TAXES 2012 Estimated vs 2011 Actuals Using 2012 Market	$ CHANGE IN TAXES 2012 Estimated vs 2011 Actuals Using 2012 Averaged	% CHANGE IN TAXES 2012 Estimated vs 2011 Actuals Using 2012 Market	% CHANGE IN TAXES 2012 Estimated vs 2011 Actuals Using 2012 Averaged
001 - POINT GREY	$1,447,000	$1,905,000	$1,635,667	$3,079	$3,321	$3,205	$242	$125	7.9%	4.1%
002 - KITSILANO	$593,667	$665,000	$616,000	$1,263	$1,159	$1,207	-$104	-$57	-8.2%	-4.5%
003 - DUNBAR	$1,164,667	$1,836,000	$1,448,000	$2,479	$3,201	$2,837	$722	$358	29.1%	14.5%
004 - ARBUTUS	$1,425,000	$1,969,000	$1,582,333	$3,033	$3,433	$3,100	$400	$68	13.2%	2.2%
005 - KERRISDALE	$1,398,333	$1,820,000	$1,556,000	$2,976	$3,173	$3,049	$197	$73	6.6%	2.4%
006 - SOUTHLANDS	$1,497,000	$2,077,000	$1,748,000	$3,186	$3,621	$3,425	$435	$239	13.7%	7.5%
007 - FAIRVIEW	$372,000	$498,000	$438,667	$792	$868	$859	$77	$68	9.7%	8.6%
008 - SHAUGHNESSY	$2,224,000	$3,281,000	$2,650,333	$4,733	$5,720	$5,193	$987	$460	20.9%	9.7%
009 - CAMBIE	$1,025,067	$1,472,600	$1,196,267	$2,182	$2,567	$2,344	$386	$162	17.7%	7.4%
010 - SOUTH GRANVILLE	$1,917,333	$2,702,000	$2,303,333	$4,080	$4,711	$4,513	$630	$432	15.5%	10.6%
011 - OAKRIDGE	$978,033	$1,577,700	$1,210,033	$2,081	$2,751	$2,371	$669	$289	32.2%	13.9%
012 - MARPOLE	$811,267	$1,090,700	$922,700	$1,727	$1,902	$1,808	$175	$81	10.1%	4.7%
013 - MT PLEASANT	$436,667	$473,000	$426,667	$929	$825	$836	-$105	-$93	-11.3%	-10.0%
014 - GRANDVIEW	$546,567	$649,900	$590,567	$1,163	$1,133	$1,157	-$30	-$6	-2.6%	-0.5%
015 - CEDAR COTTAGE	$606,067	$762,000	$665,333	$1,290	$1,329	$1,304	$39	$14	3.0%	1.1%
016 - MAIN/FRASER	$641,467	$835,000	$717,667	$1,365	$1,456	$1,406	$91	$41	6.6%	3.0%
017 - SOUTH VANCOUVER	$685,667	$839,000	$736,333	$1,459	$1,463	$1,443	$4	-$17	0.2%	-1.1%
018 - MARINE DRIVE	$354,333	$403,000	$372,333	$754	$703	$729	-$51	-$25	-6.8%	-3.3%
019 - KNIGHT	$664,667	$795,000	$709,333	$1,415	$1,386	$1,390	-$28	-$25	-2.0%	-1.8%
020 - HASTINGS EAST	$604,833	$719,000	$654,000	$1,287	$1,254	$1,281	-$34	-$6	-2.6%	-0.5%
021 - RENFREW	$621,267	$783,600	$678,267	$1,322	$1,366	$1,329	$44	$7	3.3%	0.5%
022 - RENFREW HEIGHTS	$673,967	$807,100	$722,433	$1,434	$1,407	$1,415	-$27	-$19	-1.9%	-1.3%
023 - COLLINGWOOD	$540,367	$654,700	$583,367	$1,150	$1,141	$1,143	-$9	-$7	-0.7%	-0.6%
024 - KILLARNEY	$676,467	$924,900	$770,233	$1,440	$1,613	$1,509	$173	$69	12.0%	4.8%
025 - FRASERVIEW	$680,000	$836,000	$740,333	$1,447	$1,458	$1,450	$10	$3	0.7%	0.2%
026 - DOWNTOWN	$363,000	$439,000	$386,333	$773	$765	$757	-$7	-$16	-0.9%	-2.0%
027 - WEST END	$453,000	$435,000	$438,000	$964	$758	$858	-$206	-$106	-21.3%	-11.0%
028 - HARBOUR	$1,250,667	$1,396,000	$1,288,333	$2,662	$2,434	$2,524	-$228	-$137	-8.6%	-5.2%
029 - DOWNTOWN SOUTH	$374,000	$398,000	$379,333	$796	$694	$743	-$102	-$53	-12.8%	-6.6%
030 - FALSE CREEK NORTH	$573,000	$629,000	$580,667	$1,219	$1,097	$1,138	-$123	-$82	-10.1%	-6.7%



Note: Assumed no tax increase and completion of the tax redistribution program by shifting 0.27% of total general purpose tax levy from non-residential to residential property classes.

PROPERTY TAX IMPACT OF LAND ASSESSMENT AVERAGING ON MEDIAN PROPERTIES
CLASS 6 - BUSINESS & OTHER

	TAXABLE VALUES			GENERAL PURPOSE TAX LEVY			$ CHANGE IN TAXES 2012 Estimated vs 2011 Actuals		% CHANGE IN TAXES 2012 Estimated vs 2011 Actuals	
NEIGHBOURHOOD (SEE BCAA MAP)	2011 Averaged	2012 Market	2012 Averaged	2011 Actuals	2012 Market	2012 Estimated Averaged	Using 2012 Market	Using 2012 Averaged	Using 2012 Market	Using 2012 Averaged
001 - POINT GREY	$354,667	$493,000	$417,333	$3,263	$3,992	$3,537	$730	$274	22.4%	8.4%
002 - KITSILANO	$688,000	$821,000	$760,000	$6,329	$6,649	$6,441	$320	$112	5.1%	1.8%
003 - DUNBAR	$332,000	$409,000	$376,000	$3,054	$3,312	$3,187	$258	$133	8.5%	4.3%
004 - ARBUTUS	$1,186,000	$1,601,000	$1,349,333	$10,910	$12,965	$11,436	$2,055	$526	18.8%	4.8%
005 - KERRISDALE	$854,333	$1,002,000	$965,333	$7,859	$8,114	$8,181	$255	$323	3.3%	4.1%
006 - SOUTHLANDS	$855,467	$1,188,800	$981,800	$7,869	$9,627	$8,321	$1,758	$452	22.3%	5.7%
007 - FAIRVIEW	$595,333	$685,000	$660,000	$5,476	$5,547	$5,594	$71	$117	1.3%	2.1%
008 - SHAUGHNESSY	$338,633	$386,400	$371,733	$3,115	$3,129	$3,151	$14	$36	0.5%	1.1%
009 - CAMBIE	$1,935,000	$2,294,000	$1,865,333	$17,800	$18,577	$15,809	$777	-$1,991	4.4%	-11.2%
010 - SOUTH GRANVILLE	$4,421,000	$4,838,700	$4,605,367	$40,668	$39,184	$39,032	-$1,484	-$1,636	-3.6%	-4.0%
011 - OAKRIDGE	$5,303,000	$7,221,500	$5,647,500	$48,781	$58,480	$47,864	$9,699	-$917	19.9%	-1.9%
012 - MARPOLE	$941,000	$1,410,800	$1,186,800	$8,656	$11,425	$10,058	$2,769	$1,402	32.0%	16.2%
013 - MT PLEASANT	$847,333	$912,000	$888,333	$7,794	$7,385	$7,529	-$409	-$266	-5.2%	-3.4%
014 - GRANDVIEW	$738,333	$918,000	$871,667	$6,792	$7,434	$7,388	$642	$596	9.5%	8.8%
015 - CEDAR COTTAGE	$503,000	$642,000	$591,333	$4,627	$5,199	$5,012	$572	$385	12.4%	8.3%
016 - MAIN/FRASER	$855,500	$1,067,600	$944,933	$7,870	$8,646	$8,009	$776	$139	9.9%	1.8%
017 - SOUTH VANCOUVER	$681,667	$801,000	$727,667	$6,271	$6,487	$6,167	$216	-$103	3.4%	-1.6%
018 - MARINE DRIVE	$335,000	$397,000	$425,667	$3,082	$3,215	$3,608	$133	$526	4.3%	17.1%
019 - KNIGHT	$575,333	$726,000	$670,667	$5,292	$5,879	$5,684	$587	$392	11.1%	7.4%
020 - HASTINGS EAST	$293,000	$351,000	$318,333	$2,695	$2,842	$2,698	$147	$3	5.5%	0.1%
021 - RENFREW	$2,272,500	$2,541,300	$2,451,633	$20,904	$20,580	$20,778	-$325	-$126	-1.6%	-0.6%
022 - RENFREW HEIGHTS	$573,067	$721,600	$622,600	$5,272	$5,844	$5,277	$572	$5	10.9%	0.1%
023 - COLLINGWOOD	$414,000	$511,000	$501,000	$3,808	$4,138	$4,246	$330	$438	8.7%	11.5%
024 - KILLARNEY	$305,967	$307,000	$307,667	$2,815	$2,486	$2,608	-$328	-$207	-11.7%	-7.4%
025 - FRASERVIEW	$492,267	$609,600	$534,267	$4,528	$4,937	$4,528	$408	$0	9.0%	0.0%
026 - DOWNTOWN	$174,833	$163,200	$162,967	$1,608	$1,322	$1,381	-$287	-$227	-17.8%	-14.1%
027 - WEST END	$1,690,633	$1,703,900	$1,717,567	$15,552	$13,798	$14,557	-$1,753	-$995	-11.3%	-6.4%
028 - HARBOUR	$1,117,667	$1,079,000	$1,084,000	$10,281	$8,738	$9,187	-$1,543	-$1,094	-15.0%	-10.6%
029 - DOWNTOWN SOUTH	$307,333	$372,000	$329,333	$2,827	$3,012	$2,791	$185	-$36	6.6%	-1.3%
030 - FALSE CREEK NORTH	$588,667	$735,000	$657,000	$5,415	$5,952	$5,568	$537	$153	9.9%	2.8%


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
021
RENFREW
631/739
UNIVERSITY
001
POINT GREY
002
KITSILANO
007
FAIRVIEW
013
MT. PLEASANT
022
RENFREW
HEIGHTS
008
SHAUGHNESSY
015
CEDAR COTTAGE
004
ARBUTUS/
MACKENZIE
HEIGHTS
003
DUNBAR
009
CAMBIE
023
COLLINGWOOD
016
MAIN/
FRASER
019
KNIGHT
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
JUR 631/739 -UNIVERSITY ENDOWMENT LANDS
LOWER MAINLAND RURAL
JUR 107-MUSQUEAM
N
W
E
S

Property Owners: Important Notice on Land Assessment Averaging

On February 28, 2012, Vancouver City Council will consider whether to continue using land assessment averaging to calculate property taxes for residential (Class 1), light industrial (Class 5) and business (Class 6) properties. If Council continues with the program, a by-law will be brought forward to Council for consideration on March 27.

For properties eligible to be averaged, the program calculates property taxes for the City and other taxing authorities using an average of your assessed land value of the current and prior two years, plus your current assessed property improvement value. The City has used land assessment averaging since 1993. The program is revenue neutral to the City but could affect the amount of tax paid by individual properties. The report which details the program and how it could impact property taxes is available on our website at **vancouver.ca/averaging** on February 23.

FOR INFORMATION: Contact the Property Tax Office at 604.871.6893

COMMENTS: Write to Mayor and Council at 453 West 12th Avenue, Vancouver, BC V5Y 1V4 or e-mail: **mayorandcouncil@vancouver.ca**.

SPEAK TO COUNCIL: Prior to adoption of the by-law, you may also speak to Council in person at the City Finance and Services meeting on February 28. Call 604.873.7268 to register.

Examples of Averaging Impact on Typical Vancouver Properties*

	RESIDENTIAL CLASS ($)			BUSINESS & OTHER CLASS ($)		
NEIGHBOURHOOD	ASSESSED VALUE	TAXES AVERAGED	TAXES NOT AVERAGED	ASSESSED VALUE	TAXES AVERAGED	TAXES NOT AVERAGED
Arbutus	1,969,000	3,100	3,433	1,601,000	11,436	12,965
Cambie	1,472,600	2,344	2,567	2,294,000	15,809	18,577
Cedar Cottage	762,000	1,304	1,329	642,000	5,012	5,199
Collingwood	654,700	1,143	1,141	511,000	4,246	4,138
Downtown	439,000	757	765	163,200	1,381	1,322
Downtown South	398,000	743	694	372,000	2,791	3,012
Dunbar	1,836,000	2,837	3,201	409,000	3,187	3,312
Fairview	498,000	859	868	685,000	5,594	5,547
False Creek North	629,000	1,138	1,097	735,000	5,568	5,952
Fraserview	836,000	1,450	1,458	609,600	4,528	4,937
Grandview	649,900	1,157	1,133	918,000	7,388	7,434
Harbour	1,396,000	2,524	2,434	1,079,000	9,187	8,738
Hastings East	719,000	1,281	1,254	351,000	2,698	2,842
Kerrisdale	1,820,000	3,049	3,173	1,002,000	8,181	8,114
Killarney	924,900	1,509	1,613	307,000	2,608	2,486
Kitsilano	665,000	1,207	1,159	821,000	6,441	6,649
Knight	795,000	1,390	1,386	726,000	5,684	5,879
Main/Fraser	835,000	1,406	1,456	1,067,600	8,009	8,646
Marine Drive	403,000	729	703	397,000	3,608	3,215
Marpole	1,090,700	1,808	1,902	1,410,800	10,058	11,425
Mt Pleasant	473,000	836	825	912,000	7,529	7,385
Oakridge	1,577,700	2,371	2,751	7,221,500	47,864	58,480
Point Grey	1,905,000	3,205	3,321	493,000	3,537	3,992
Renfrew	783,600	1,329	1,366	2,541,300	20,778	20,580
Renfrew Heights	807,100	1,415	1,407	721,600	5,277	5,844
Shaughnessy	3,281,000	5,193	5,720	386,400	3,151	3,129
South Granville	2,702,000	4,513	4,711	4,838,700	39,032	39,184
South Vancouver	839,000	1,443	1,463	801,000	6,167	6,487
Southlands	2,077,000	3,425	3,621	1,188,800	8,321	9,627
West End	435,000	858	758	1,703,900	14,557	13,798

	LIGHT INDUSTRY CLASS ($)		
NEIGHBOURHOOD	ASSESSED VALUE	TAXES AVERAGED	TAXES NOT AVERAGED
Cedar Cottage	2,273,900	17,438	18,414
Fairview	152,300	1,212	1,233
Grandview	822,000	6,602	6,657
Harbour	7,035,000	58,036	56,970
Hastings East	1,052,000	8,989	8,519
Marine Drive	1,101,000	9,730	8,916
Mt Pleasant	1,498,000	12,947	12,131
Renfrew	1,223,400	10,174	9,907

* *Table reflects impact of averaging on general purpose taxes based on indicative tax rates; taxes levied by other taxing authorities are excluded.*

FOR MORE INFORMATION:
vancouver.ca/averaging

CITY OF VANCOUVER