



2012 Property Taxation Land Assessment Averaging

City Finance & Services

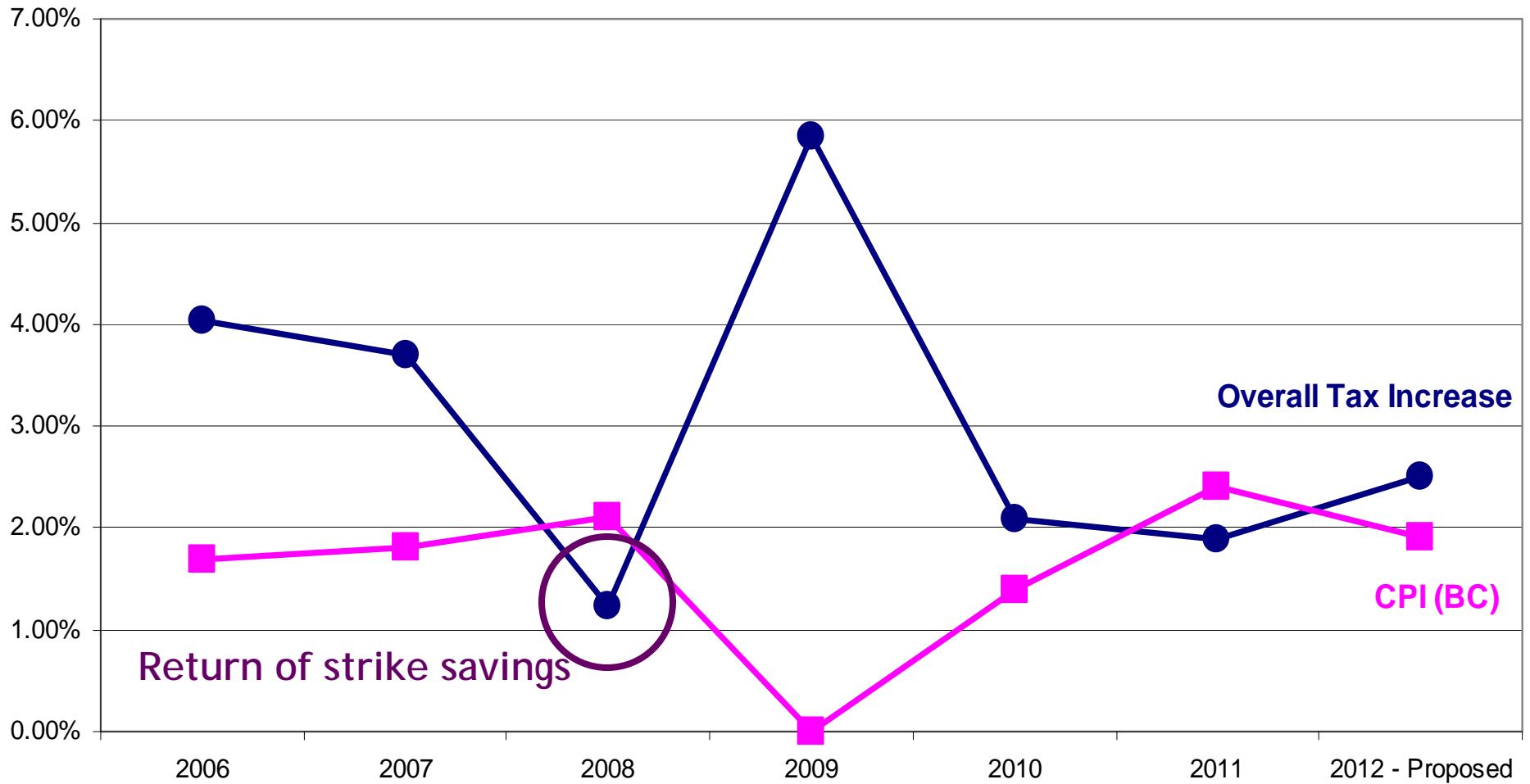
February 28, 2012

City of Vancouver

- one of the most livable cities in the world
- the most competitive jurisdiction for business taxes (KPMG 2010)
- future economic success depends on ability to create **affordable environment** for Business & Residents

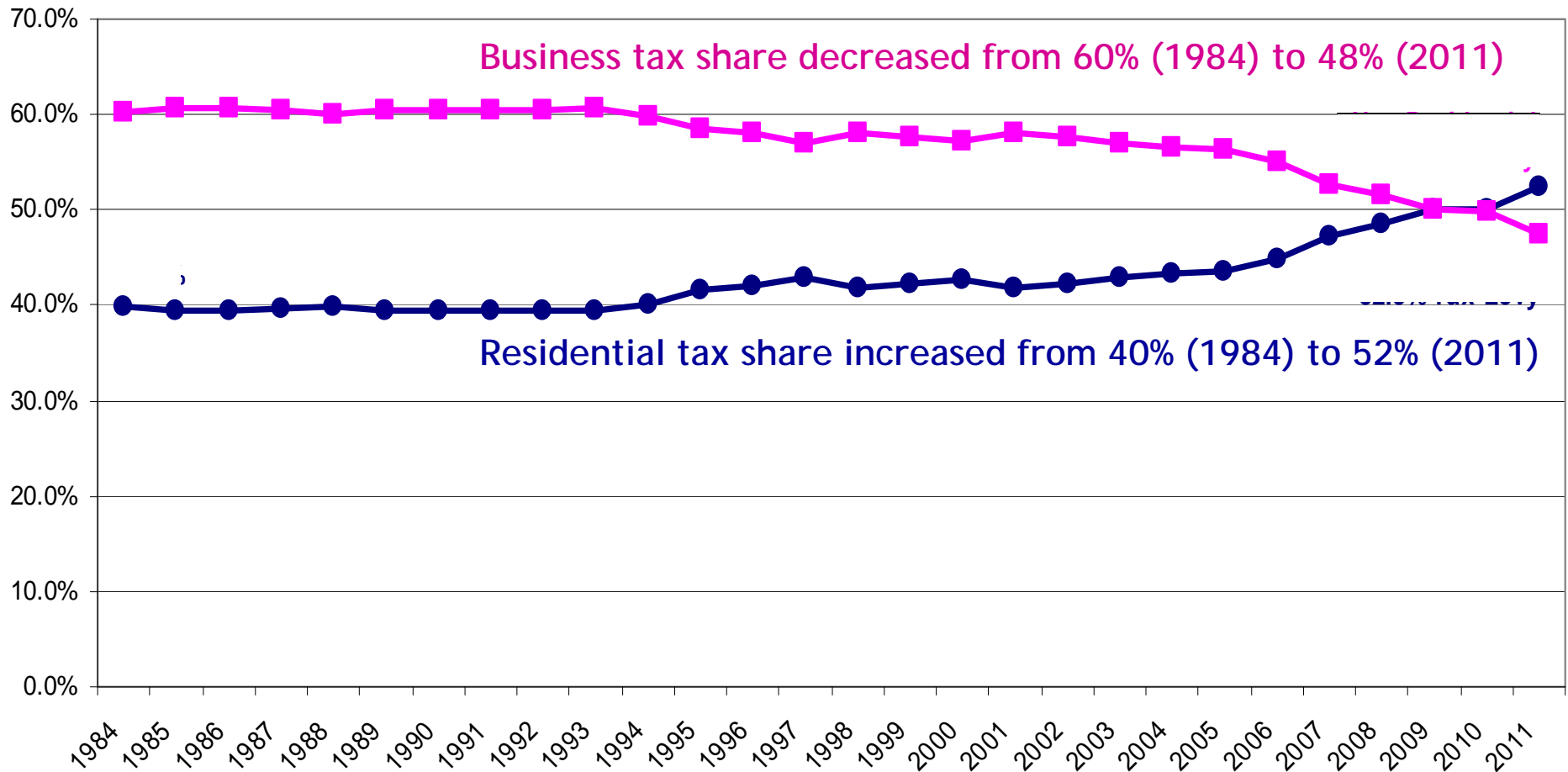
Affordability #1

Align Tax Increase with CPI



Affordability #2

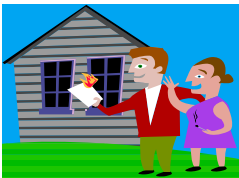
Recalibrate Tax Distribution: RES vs. NON-RES



Council shifted \$52 million from NON-RES to RES from 1994 to 2011

Affordability #3

Tax Impact Arising from Assessment Volatility



Year 1	Year 2	Change
Total taxable value \$3M Overall tax levy \$6,000 Tax rate \$2 per \$1,000	Total taxable value \$3.3M Overall tax levy \$6,000 Tax rate \$1.8 per \$1,000	Avg taxable value +10%
Taxable value \$1M Tax share \$2,000 (33%)	Taxable value \$1.2M Tax share \$2,160 (36%)	If taxable value increase > average increase *higher tax increase*
Taxable value \$1M Tax share \$2,000 (33%)	Taxable value \$1.1M Tax share \$2,000 (33%)	If taxable value = average increase *no tax increase*
Taxable value \$1M Tax share \$2,000 (33%)	Taxable value \$1M Tax share \$1,800 (30%)	If taxable value increase < average increase *lower tax Increase*

The extent of change in a property's tax share depends on how that property's assessed value has changed relative to the class average change

Affordability #3 - Mitigation Measures

Provincial Property Tax Relief Programs

- **Assessment Act Section 19(8) - *reduce assessed value***
 - land value based on current zoning, NOT anticipated redevelopment potential
 - eligibility: residential property owners who have continuously owned & occupied the property as their principal residence for at least 10 years
- **Homeowner Grant - *reduce tax payment***
 - provincial grant for homeowners; CoV revenue NOT impacted
 - up to \$570; additional \$275 to seniors (65 yrs old or older)
 - eligibility: residential property owners who occupy the property as their principal residence & the property value falls within the qualifying range
- **Tax Deferment - *defer tax payment***
 - provincial low cost financing for homeowners; CoV revenue NOT impacted
 - charge against the property, released on sale
 - eligibility:
 - 55 yrs old or older (since 1974)
 - families with children under 18 yrs old (introduced in 2010)

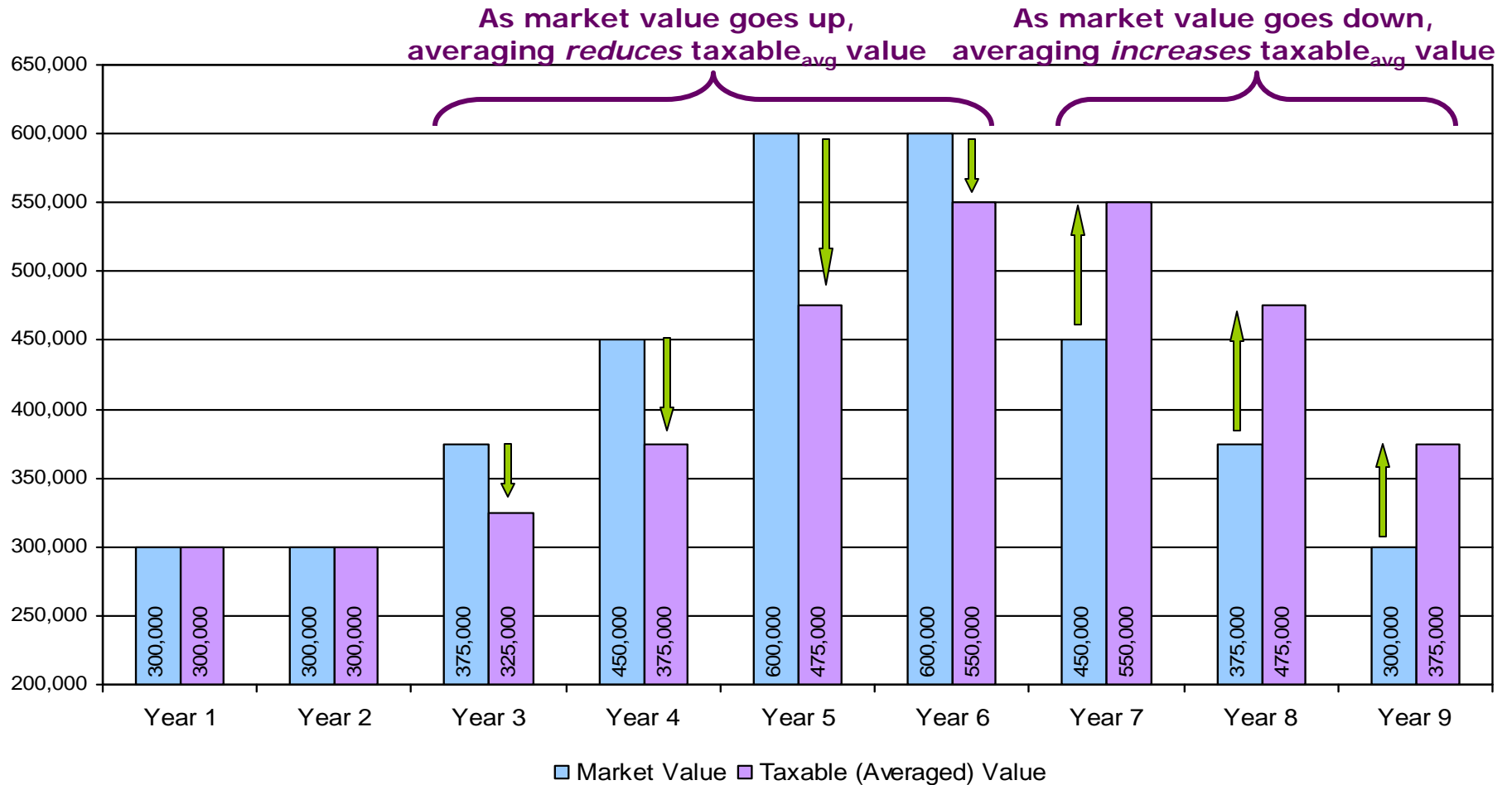
Affordability #3 - Mitigation Measures

City of Vancouver: Land Assessment Averaging

- in effect since...
 - 1993: Class 1 - Residential and Class 6 - Business
 - 2007: Class 5 - Light Industry
- revenue neutral
 - overall tax levy the same with/without averaging

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

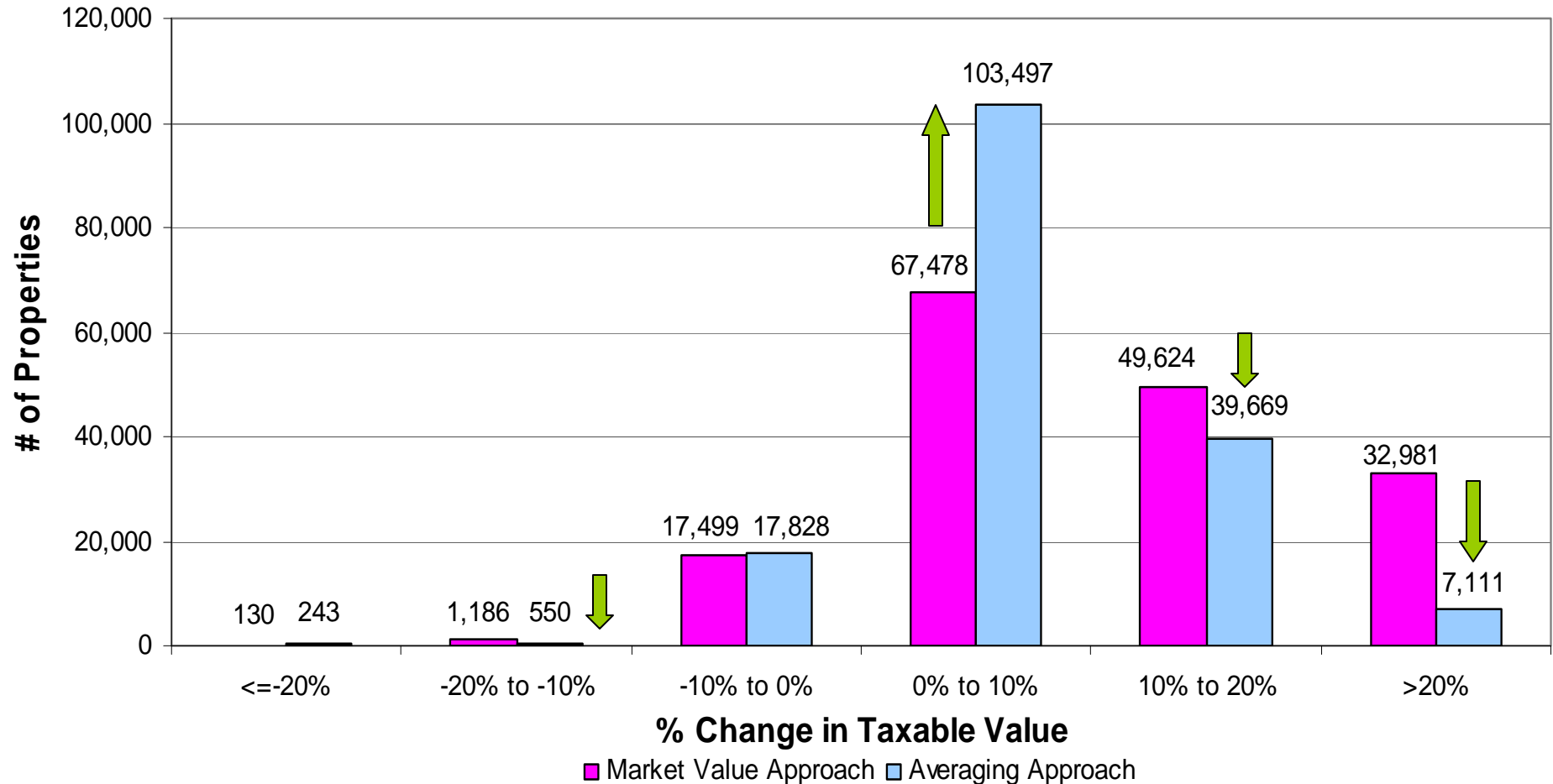
Land Assessment Averaging Impact on Property Value



Phasing of tax impact arising from land value volatility
Temporary relief only; NOT permanent tax reduction

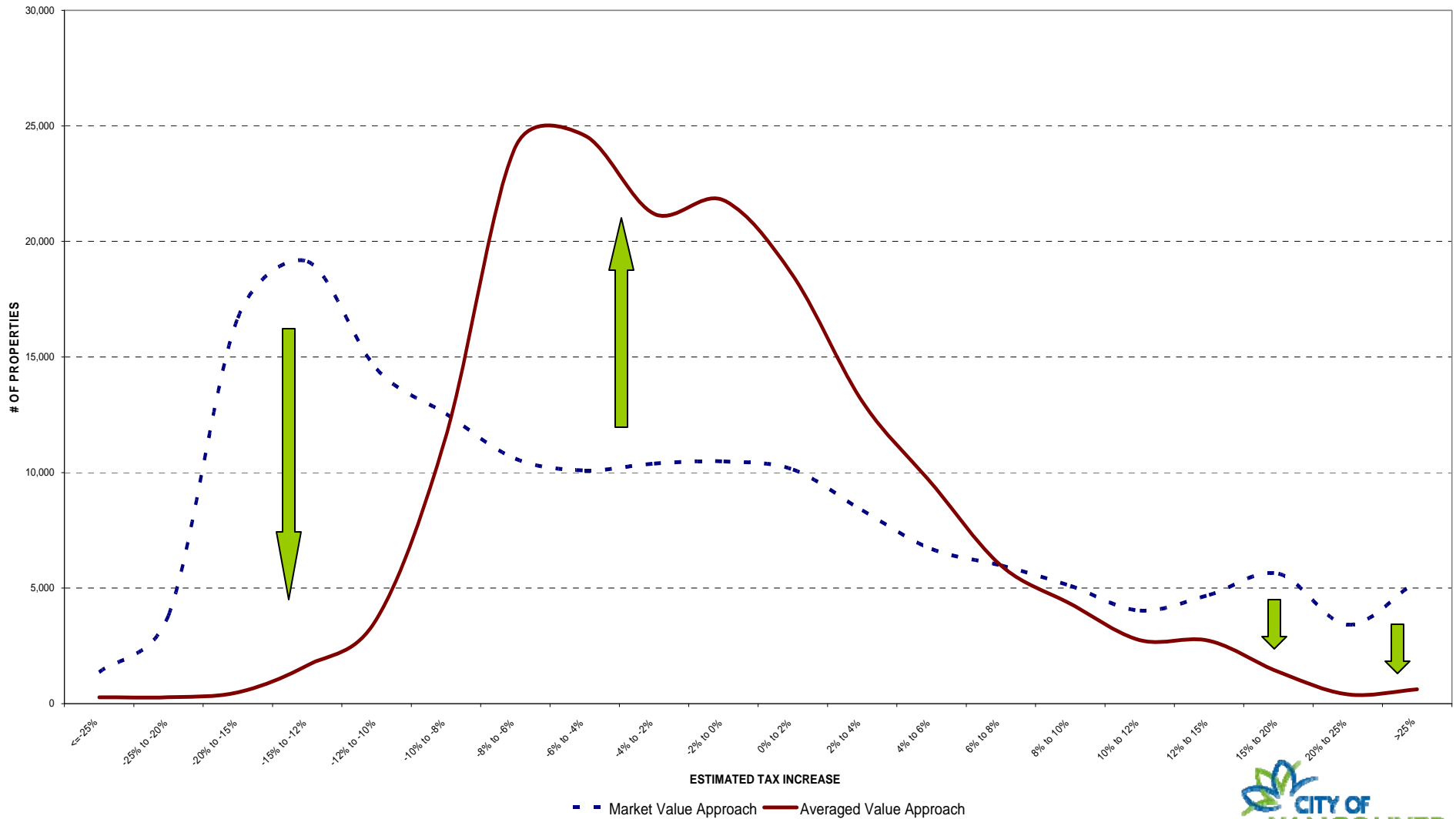
Land Assessment Averaging (2012)

Impact on Property Value (%): Residential



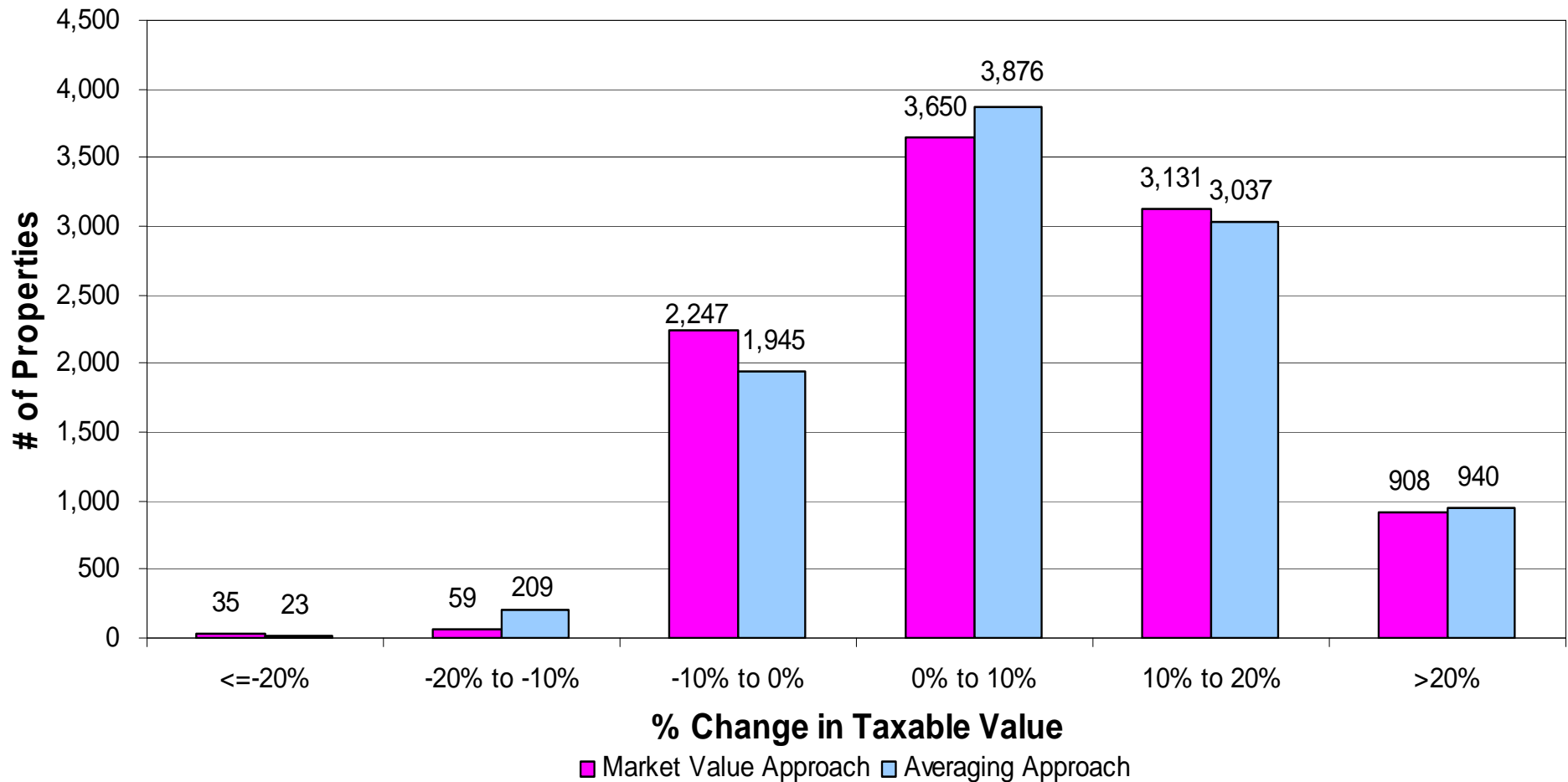
More properties will experience an increase closer to class average increase
 Fewer properties will experience significant increase in value >20%

Land Assessment Averaging (2012) Impact on Tax (%): Residential



Land Assessment Averaging (2012)

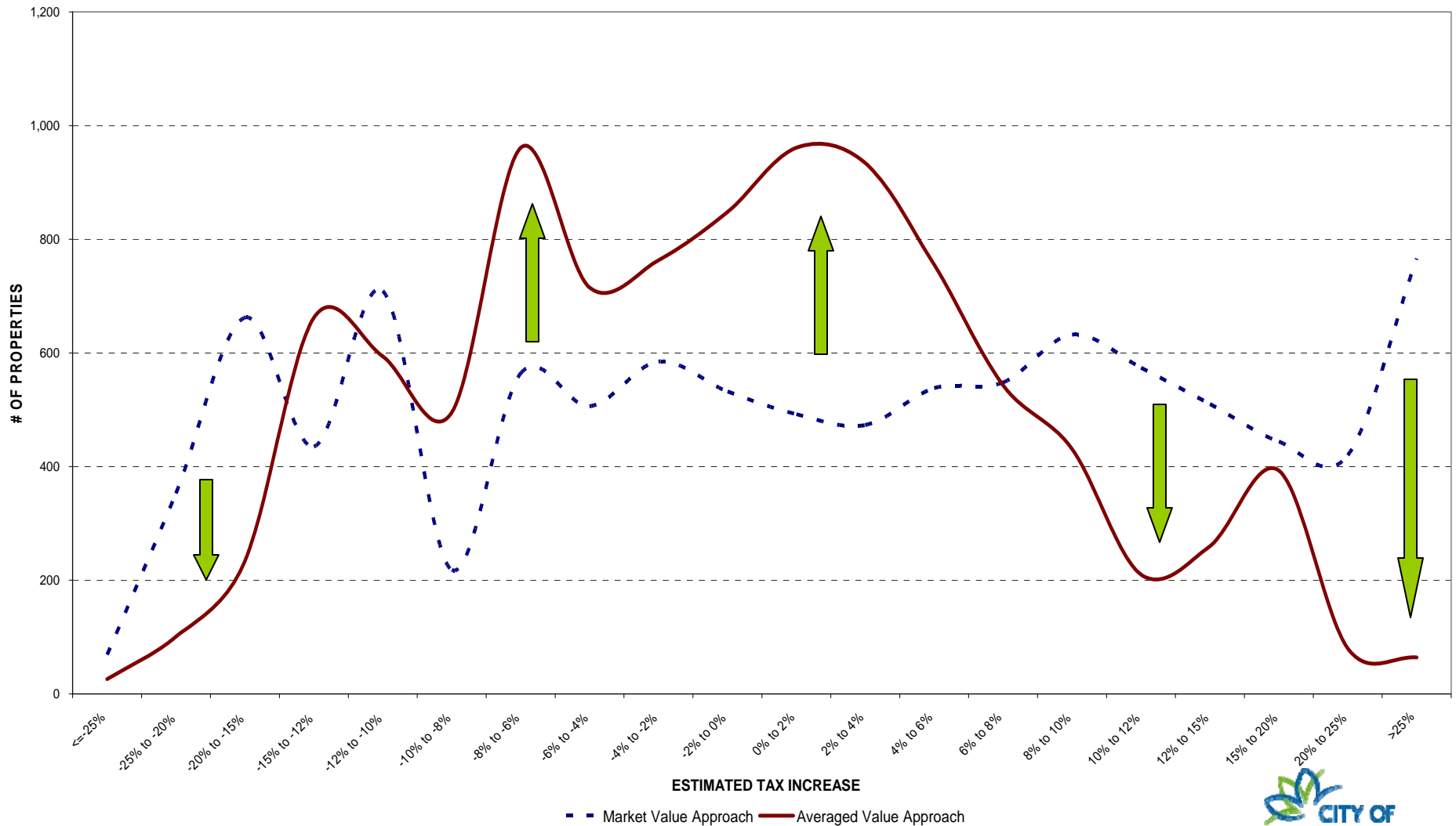
Impact on Property Value (%): Light Industrial & Business



More properties will experience an increase closer to class average increase

Land Assessment Averaging (2012)

Impact on Tax (%): Light Industrial & Business



Land Assessment Averaging Summary

- averaging is a long-term policy
 - continued application brings consistency, predictability & equity
 - short-term market conditions should not be the only consideration
- averaging “normalizes” tax impact
 - fewer properties face significant tax increases/decreases
 - more properties face a tax increase closer to average class increase
- averaging is a “zero sum” mechanism
 - some properties will benefit while others will not

Key consideration:

Does the benefit of mitigating extreme property tax volatility outweigh impact of intra-class tax shifts created by land assessment averaging?

Staff Recommendations

- 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.