



ADMINISTRATIVE REPORT

Report Date: April 4, 2012
Contact: Grace Cheng
Contact No.: 604.871.6654
RTS No.: 09466
VanRIMS No.: 08-2000-20
Meeting Date: April 17, 2012

TO: Standing Committee on City Finance and Services
FROM: Director of Finance
SUBJECT: 2012 Property Taxation - Distribution of Property Tax Levy

RECOMMENDATION

THAT Council instruct the Director of Finance to calculate the 2012 general purpose tax rates for all property classes incorporating a 0.3% shift of tax levy from non-residential properties (Classes 2, 4, 5 and 6) to residential properties (Classes 1, 8 and 9), resulting in a tax distribution of approximately 53.3% residential and 46.7% non-residential.

REPORT SUMMARY

The purpose of this report is to seek Council approval for the distribution of the general purpose tax levy across property classes in accordance with Section 219 of the *Vancouver Charter* before establishing the annual tax rates for 2012.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Section 219 of the *Vancouver Charter* requires that, by April 30, the Director of Finance submits to Council a report that sets out the distribution of the general purpose tax levy across property classes for that year.

It has been Council policy that the tax rates for Class 1, 8 and 9 and for Class 5 and 6 be calculated on a blended basis, which means the classes within these two groups are taxed at the same rate before application of land assessment averaging.

Since 1983, it has been Council policy to distribute the general purpose tax levy through a "tax share" approach under which the share of the levy collected from each property class remains constant over time, subject to adjustments arising from non-market changes on the *Assessment Roll* (e.g. transfer of properties among classes, new construction within each class) and/or Council decisions to adjust the share for each class. This approach ensures that

Council maintains control over the distribution of the levy rather than having differential market value changes influence how the levy is distributed across property classes.

In April 2005, Council reaffirmed the policy of distributing the general purpose tax levy through the "tax share" approach.

In March 2008, Council adopted the recommendations of the Property Tax Policy Review Commission (the "PTPRC") that the "tax share" approach be continued and that a target distribution of 52% residential and 48% non-residential be achieved (based on the *2007 Assessment Roll*) by shifting \$23.8 million proportionately from Classes 2, 4, 5 and 6 to Classes 1, 8 and 9. In order to mitigate the significant impact of the shift in one year, the PTPRC recommended that the shift be implemented at a rate of 1% of the overall tax levy per year until the \$23.8 million target is achieved.

In February 2012, Council approved 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. The *2012 Land Assessment Averaging By-law* was adopted in March 2012.

In March 2012, Council approved the 2012 Operating Budget of \$1.1 billion of which \$600.5 million is to be funded from general purpose tax levy and \$526.8 million from other revenue sources.

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 linked to our ability to create an affordable environment for both businesses and residents.

In recent years, Council has demonstrated leadership in fiscal prudence by managing the growth rate of the operating budget and reducing the gap between property tax increase and CPI. The transformative changes brought about by the Vancouver Service Review continue to streamline City operations for greater efficiencies, reduced duplication, and improved oversight and accountability, and hence achieve better value for money for taxpayers.

Over the years, Council has been proactive in addressing the impact of property tax on the business climate. Prior to 2008, Council's decision on tax redistribution was made annually. In 2008, Council adopted the multi-year tax redistribution program recommended by the PTPRC. The 2012 tax year is the fifth and the final year of the program. The cumulative impact of tax redistribution from non-residential to residential property classes between 1994 and 2011 results in the business tax share being lowered from 60% to 48% while the residential tax share being increased from 40% to 52%. Using the 2012 tax levy as a proxy, the 12% change in tax share is equivalent to \$72 million.

To address cyclical volatility in the real estate market and its impact on property taxes and affordability, Council has continuously supported the use of land assessment averaging to phase in year-over-year property tax impact arising from land value changes and reduce the

number of properties that experience extreme volatility in property taxes. This program complements other provincial mitigation mechanisms such as Section 19(8) of the *Assessment Act*, Home Owner Grant, and Property Tax Deferral in alleviating tax impact on eligible properties.

As property taxation will continue to be one of the most debated topics for local governments, within the context of the Vancouver economic development action plan, staff will embark on a strategic analysis of the City's property tax policy as part of the long-term financial planning strategy. The analysis will take into consideration the critical importance of property taxes as a municipal revenue source, senior government fiscal capacity, tax distribution across property classes, tax volatility and implications for economic development. Staff are currently in the process of developing a project plan and will engage Council and key stakeholders as appropriate over the course of the project.

REPORT

Background/Context

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.

Council determines the amount of general purpose tax levy required to support the City's operating budget needs, and how the tax levy is to be distributed across property classes using a "tax share" approach. The City then levies property taxes using BC Assessment's property valuation and classification information available on the *Assessment Roll*.

A discussion on various tax distribution approaches, tax rate calculation, and mitigation measures is presented in Appendix A.

Strategic Analysis *

In March 2012, Council approved the 2012 Operating Budget of \$1.1 billion of which \$600.5 million is to be funded from general purpose tax levy and \$526.8 million from other revenue sources.

I. 2012 Revised Roll

Key facts relating to the *2012 Revised Roll* are as follows. Reconciliation of the assessment base and overall tax levy between 2011 and 2012 is presented in Appendix E.

- (i) The taxable assessment base has increased by \$27.4 million (14.9%).
- (ii) The overall tax levy has increased by \$19.1 million (3.3%), which is comprised of the following:

2011 -	
Supplementary adjustments arising from assessment appeals	-\$1.4 million
2012 -	
New construction	+\$2.6 million
Class transfers and other non-market changes	+\$1.1 million
Council-directed increase to generate \$600.5 million tax levy	<u>+\$16.8 million</u>
Total Increase in Tax Levy	<u>+\$19.1 million</u>

- (iii) New construction, class transfers and other non-market changes have shifted 0.4% of the overall tax levy from non-residential to residential property classes.
- (iv) Two Class 6 - Business & Other properties have been converted to Class 8 - Recreational properties (e.g. parks & playing fields) totaling \$7.4 million in assessed value, resulting in tax savings of approximately \$47,300 for the impacted properties.
- (v) 17 properties (870 folios) totaling \$524.5 million in assessed value are eligible for heritage tax exemptions, resulting in approximately \$1.5 million of forgone general purpose tax levy which is shared by non-exempt properties in the course of balancing the annual operating budget.
- (vi) To-date, 75 property folios have been designated as Class 3 Supportive Housing¹ (2012 - 7 folios added), resulting in approximately \$0.9 million of forgone general purpose tax levy and payment-in-lieu of taxes. This represents additional subsidy from the City beyond the capital funding and land already committed to the development of supportive housing, as other taxpayers must pay more to make up for the shortfall arising from the exemptions.
- (vii) As part of the Ports Competitiveness Initiative that took effect in 2004 and extended through 2018, the Province has legislated municipal tax rate caps to eligible tenant-occupied port properties: \$27.50 (per \$1,000 taxable value) on existing properties and \$22.50 (per \$1,000 taxable value) on new investments. Seven folios are eligible under this provision, resulting in approximately \$0.9 million of net forgone general purpose tax levy.

II. Distribution of General Purpose Tax Levy

Following Council's policy of distributing the general purpose tax levy through a "tax share" approach and completing the PTPRC-recommended multi-year tax redistribution program in 2012, staff have calculated the following tax distribution and resulting tax rates using the *2012 Revised Roll* available at the time of the report. Applying the *Average Assessment Roll* will change the taxable values and the applicable tax rates for Classes 1, 5 and 6, but the overall tax levy and the tax distribution across property classes will be the same. The final tax rates will be reported to Council in May 2012 for adoption.

¹ Designated properties, in whole or in part, are subject to special valuation rules that reduce the assessed value of the Class 3 portion of the property to a nominal amount and therefore effectively exempt the property from property taxes.

Table 1 below summarizes the distribution of tax levy across property classes and the tax rate for each class after the 0.3% shift.

Table 1: 2012 Tax Levy Distribution Before & After Tax Shift

	Residential Class 1	Utilities Class 2	Supportive Housing Class 3	Major Industry Class 4	Light Industry Class 5	Business & Other Class 6	Recreational & Non-profit Class 8	Farm Class 9	Total
Taxable Value	\$178,159,067,247	\$184,810,594	\$72	\$196,363,400	\$694,640,800	\$31,440,820,617	\$296,590,300	\$105,145	\$210,972,398,175
Base Tax Levy	\$309,986,032	\$6,923,725	\$0	\$6,140,245	**in Class 6**	\$261,577,220	**in Class 1**	**in Class 1**	\$584,627,223
Tax Increase	\$8,893,499	\$198,642	\$0	\$176,164	**in Class 6**	\$7,504,650	**in Class 1**	**in Class 1**	\$16,772,955
Tax Levy Before Shift	\$318,879,532	\$7,122,367	\$0	\$6,316,409	**in Class 6**	\$269,081,870	**in Class 1**	**in Class 1**	\$601,400,178
Share of Tax Levy	53.02%	1.18%		1.05%		44.74%			100.00%
Tax Shift	\$1,610,550	(\$40,602)	\$0	(\$36,008)	**in Class 6**	(\$1,533,940)	**in Class 1**	**in Class 1**	\$0
Tax Levy After Shift	\$319,957,243	\$7,081,765	\$0	\$6,280,401	\$5,783,322	\$261,764,608	\$532,649	\$189	\$601,400,178
Share of Tax Levy	53.20%	1.18%		1.04%	0.96%	43.53%	0.09%	0.00%	100.00%
UNAVERAGED TAX RATES	1.79591	38.31904	0.00000	31.98356	8.32563	8.32563	1.79591	1.79591	

	Residential (Class 1, 3, 8 & 9)	Non-Residential (Class 2, 4, 5 & 6)
Taxable Value	84.59%	15.41%
Tax Levy Distribution	53.29%	46.71%

Note: Total tax levy \$601.4 million - Forgone taxes on eligible Port properties \$0.9 million = Council-approved tax levy \$600.5 million

Incorporating the Council-directed property tax increase to generate a tax levy of \$600.5 million and the 0.3% tax shift (\$1.6 million) from non-residential properties (Classes 2, 4, 5 and 6) to residential properties (Classes 1, 8 and 9), residential property classes will face an increase of 3.4% in tax levy while non-residential property classes will face an increase of 2.3% in tax levy. The resulting distribution of tax levy would be 53.3% residential and 46.7% non-residential, and the PTPRC-recommended multi-year tax redistribution program would be completed.

Table 2 below summarizes the overall tax impact on a property valued at \$1 million in Class 1 Residential and Class 6 Business & Other.

Table 2: 2012 Tax Impact - Residential vs. Non-residential

	Property valued @ \$1 million ²	
	Residential	Non-residential
General Purpose Tax Levy ³		
Base	\$1,737	\$8,140
Tax Increase	\$50	\$233
Tax Shift ⁴	\$9	(\$47)
Total⁵	\$1,796	\$8,326

² Average value of residential property in Vancouver.

³ Taxes levied by other taxing authorities - Provincial School, Translink, BC Assessment, Metro Vancouver, and Municipal Finance Authority - are not included. Council has no control over the amounts collected by these taxing authorities.

⁴ 0.3% tax levy redistribution is equivalent to a 0.5% increase for residential property classes and a 0.6% reduction for non-residential property classes.

⁵ Impact on individual properties may vary depending on the relative change in value of a property compared to other properties in the same class, and the impact that the City's rolling three-year land assessment averaging program has on the value of a property for tax calculation purposes.

The history of Council-directed tax shifts and tax distribution between residential and non-residential property classes is presented in Appendix B and C.

Differential change in property values within each class will result in intra-class tax shifts among properties. While the Council-directed increase applies to the overall tax levy, the extent of change in a property's taxes is determined primarily by how that property's assessed value has changed relative to the average change in value within its class. Properties with higher increases in values relative to the class average will see increases in their taxes beyond the Council-directed increase, while properties with lower increases in values will see no change or a reduction in their taxes. The same applies to both residential and non-residential property classes.

Increases in Class 6 assessed values over the last 20 years were driven primarily by market demand and land use policies. Over the years, certain neighborhood commercial centers have experienced increased demand for space which drives up rents and differentially large increases in market values. Certain land use decisions also have had significant impacts on property values, particularly if they pertain to a change from non-residential to residential zoning and/or a change in the development potential. As a result, those impacted commercial properties will likely experience an increase in the assessed value that is higher than the rest of the class and consequently a higher than average increase in taxes, which are borne by property owners and/or tenants on triple net leases. As part of the Vancouver economic development action plan, staff will conduct a strategic analysis of the City's property tax policy, taking into consideration tax volatility arising from transit-oriented development policies in support of regional growth and transportation strategies, and implications for economic development.

Regardless of the tax distribution approach, intra-class tax shifts arising from differential market value changes will naturally occur. The only mechanism available to Council is land assessment averaging which phases in the property tax impact arising from increases and decreases in assessed land values. Council has approved 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 and Other (Class 6) properties.

III. Vancouver Residential Taxes Compared to Other Metro Vancouver Municipalities

In comparing the City's tax distribution to other Metro Vancouver municipalities, it is important to note that a number of factors may contribute to such differences:

- Different Council priorities
- Different scope of services and programs provided by the municipality
- Different composition of operating revenues: general purpose tax levy, utility charges, and user fees
- Different share of residential and non-residential properties on the *Assessment Roll*

Table 3 below summarizes the distribution of tax levy between residential and non-residential property classes in selected Metro Vancouver municipalities with a population of 100,000 or more in 2011.

Table 3: 2011 Tax Distribution Selected Metro Vancouver Municipalities (population > 100,000)

	% of Assessment Base		% of Tax Levy	
	Residential	Non-residential	Residential	Non-residential
Abbotsford	84%	16%	65%	35%
Burnaby	81%	19%	48%	52%
Coquitlam	88%	12%	60%	40%
Delta	81%	19%	55%	45%
Langley (District)	83%	17%	62%	38%
Richmond	81%	19%	52%	48%
Surrey	87%	13%	69%	31%
<i>Vancouver</i>	<i>83%</i>	<i>17%</i>	<i>52%</i>	<i>48%</i>

Source data: http://www.cd.gov.bc.ca/lgd/infra/tax_rates/tax_rates2011.htm

Table 4 below summarizes the distribution of tax levy between residential and non-residential property classes for other taxing authorities in 2011.

Table 4: 2011 Tax Distribution Other Taxing Authorities

	% of Assessment Base		% of Tax Levy	
	Residential	Non-residential	Residential	Non-residential
BC Assessment	83%	17%	62%	38%
Metro Vancouver	83%	17%	66%	34%
Municipal Finance Authority	83%	17%	67%	33%
Provincial School	83%	17%	52%	48%
Translink	83%	17%	52%	48%

Note: Translink also allocates costs to residential properties through the hydro levy which is not included in the above.

Table 5 below summarizes the general purpose tax rates (per \$1,000 assessed value), tax levy and utility charges on an average single family (detached) unit in selected Metro Vancouver municipalities. As some municipalities have not established their 2012 tax rates, the comparison is based on 2011 data.

Table 5: 2011 Municipal Tax Levy & Utility Charges
Average Single Family Detached Property in Selected Metro Vancouver Municipalities

	Municipal Tax Rate (per \$1,000 Assessed Value)	Avg Property \$ (Single Family Detached)	Municipal Tax Levy	Utility Fees	Total Charges (Tax+Utility Fees)
Surrey	2.37807	576,600	1,371	\$866	\$2,237
Burnaby	2.37710	798,100	1,897	\$460	\$2,357
Maple Ridge	3.89780	460,900	1,796	\$696	\$2,493
Pitt Meadows	3.58140	450,400	1,613	\$892	\$2,505
Langley (City)	3.69700	455,700	1,685	\$843	\$2,527
Langley (Township)	3.12939	501,300	1,569	\$991	\$2,560
Coquitlam	3.04860	639,800	1,950	\$710	\$2,660
Port Coquitlam	3.66900	510,600	1,873	\$824	\$2,698
Delta	3.27850	568,700	1,864	\$860	\$2,724
North Vancouver (City)	2.38906	814,500	1,946	\$805	\$2,751
Abbotsford	4.77149	398,900	1,903	\$866	\$2,769
Richmond	2.16085	832,700	1,799	\$1,043	\$2,843
<i>Vancouver</i>	<i>2.12815</i>	<i>1,028,100</i>	<i>2,188</i>	<i>\$923</i>	<i>\$3,111</i>
White Rock	3.69217	753,700	2,783	\$414	\$3,196
Port Moody	3.21450	705,400	2,268	\$933	\$3,200
New Westminster	3.61310	621,000	2,244	\$1,014	\$3,258
North Vancouver (District)	2.47291	913,900	2,260	\$1,177	\$3,437
West Vancouver	2.07900	1,673,900	3,480	\$1,210	\$4,690
Metro Vancouver Average	2.87231	705,789	2,027	\$863	\$2,890

Source data: http://www.cd.gov.bc.ca/lgd/infra/tax_rates/tax_rates2011.htm

Vancouver's 2011 residential general purpose tax rate ranked the second lowest among the selected Metro Vancouver municipalities. Further details on the assessment base, tax rates and levy of selected municipalities are presented in Appendix D.

Implications/Related Issues/Risk (if applicable)

Financial

In March 2012, Council approved the 2012 Operating Budget of \$1.1 billion of which \$600.5 million is to be funded from general purpose tax levy and \$526.8 million from other revenue sources.

The tax distribution outlined in this report does not impact the overall general purpose tax levy.

CONCLUSION

Property taxation has been, and will continue to be, the primary, stable funding source for City services and programs. In 2012, over 53% of the Operating Budget is funded from general purpose tax levy. Given the variety of approaches to sharing the costs of tax-supported City services and programs among property classes, tax distribution continues to be one of the most complex and difficult decisions Council has to make.

Over the years, Council has been proactive in addressing the impact of tax distribution on the business climate. Between 1994 and 2011, \$51.7 million of tax levy was redistributed from non-residential to residential property classes, reducing the business tax share from 60% to

48%. Completing the PTPRC-recommended multi-year tax redistribution program in 2012 will achieve the target of redistributing \$23.8 million from non-residential to residential property classes.

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TAX DISTRIBUTION

Distribution of the general purpose tax levy across property classes has been a subject of discussion since the mid-1970s when market value assessments were introduced in British Columbia. There are two common approaches to tax distribution:

(i) **“Tax Rate Ratio” Approach**

“Class multiples” are used to fix the ratio between the Class 1 Residential tax rate and the tax rates of all other property classes. This often leads to significant year-over-year tax shifts between residential and non-residential property classes arising from differential market value changes among those classes.

(ii) **“Tax Share” Approach**

Distribution of the tax levy across property classes is determined by Council, subject to non-market changes within the classes (e.g. property transfers between classes, new construction) and/or Council decisions to adjust the share for each class. This means differential market value changes will not impact the tax share for each class.

In the late 1970s and early 1980s, the Province established the tax rate ratios for municipal governments annually. This resulted in significant year-over-year inter-class tax shifts arising from differential market value changes. At the request of Council and the Union of British Columbia Municipalities, the Province granted municipal governments the authority to determine their own tax distribution approach beginning in 1983. Since then, it has been Council policy to use the “tax share” approach.

There are different approaches for distributing the costs of tax-supported City services and programs among property classes. The following guiding principles are typically used to evaluate taxation policies; how they fit together is primarily a subjective consideration by Council.

- Equal treatment of equals
- Fairness, based on benefits received
- Fairness, based on ability to pay
- Economic behavior
- Accountability
- Stability and predictability
- Simplicity and ease of administration
- Regional and national competitiveness

Since the early 1990s, representatives of the business community have been advocating that distribution of tax levy be based on “consumption” of tax-supported City services and programs by each property class. Council did not support the use of “consumption” studies as the basis for tax distribution in 1995 and again in 2007. One of the key reasons is that consumption models in general focus on properties that receive immediate and direct benefits, though fall short on identifying those that receive secondary and/or ultimate benefits from city services and programs. Furthermore, determining benefits received is only one of the several aforementioned guiding principles to be considered in setting tax distribution. Nevertheless, to address the impacts of tax distribution on businesses, Council

agreed to gradually shift the tax levy from non-residential property classes to residential property classes.

In November 2006, Council established the PTPRC to address two key issues concerning the impact the City's taxation policies have on Vancouver's economy:

Tax Share - Recommend a long-term policy that will define and achieve a "fair" tax distribution for commercial property taxpayers, addressing the perceived inequity in the share of the City's general purpose tax levy that is paid by the non-residential property classes.

Volatility - 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 March 2008, Council approved the following recommendations brought forward by the PTPRC:

Tax Share - Redistribute \$23.8 million of tax levy proportionately from Classes 2, 4, 5 and 6 to Classes 1, 8 and 9 over five years, at a rate of 1% of the overall tax levy per year, in order to achieve the PTPRC's recommended tax levy distribution of 52% residential and 48% non-residential (*based on 2007 Assessment Roll*) and to avoid the significant impact of the shift in one year.

Volatility - Seek an amendment to the *Vancouver Charter* to enable the City to use up to five years of assessed land values, as opposed to three years currently allowable, in the land assessment averaging formula for calculating property taxes. A request for the amendment was submitted to the Province but approval has not been granted.

It should also be noted that the use of "consumption" studies within the context of property taxation policies was also considered by the PTPRC and was not recommended due largely to the reasons cited above.

Between 1994 and 2011, \$51.7 million of tax levy was redistributed from non-residential to residential property classes, reducing the business tax share from 60% to 48%. Although the relative tax burden on non-residential property classes has been declining, the rate at which they are levied (per \$1,000 taxable value) has been increasing relative to the rate at which residential properties are levied. This is primarily the result of the differential escalation in property values: non-residential property values have not appreciated as fast as residential values. As such, it is important to note that a higher tax rate ratio between the non-residential property classes and Class 1 - Residential is not always an indicator of increasing tax burden on non-residential properties and that the tax rate ratio by itself is a misleading index of tax equity.

CALCULATION OF TAX RATES

Under the "tax share" approach, Council determines the share of tax levy for each property class, but not for each individual property within the class. Section 374.2 (1) of *Vancouver*

Charter further stipulates that Council determines and imposes a single tax rate for each property class, but not for each individual property within the class. To generate the Council-approved tax levy, when the total assessed value of a property class increases, the tax rate for the class is adjusted down; when the total assessed value decreases, the tax rate is adjusted up.

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.

Table 6 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.

Table 6: 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.

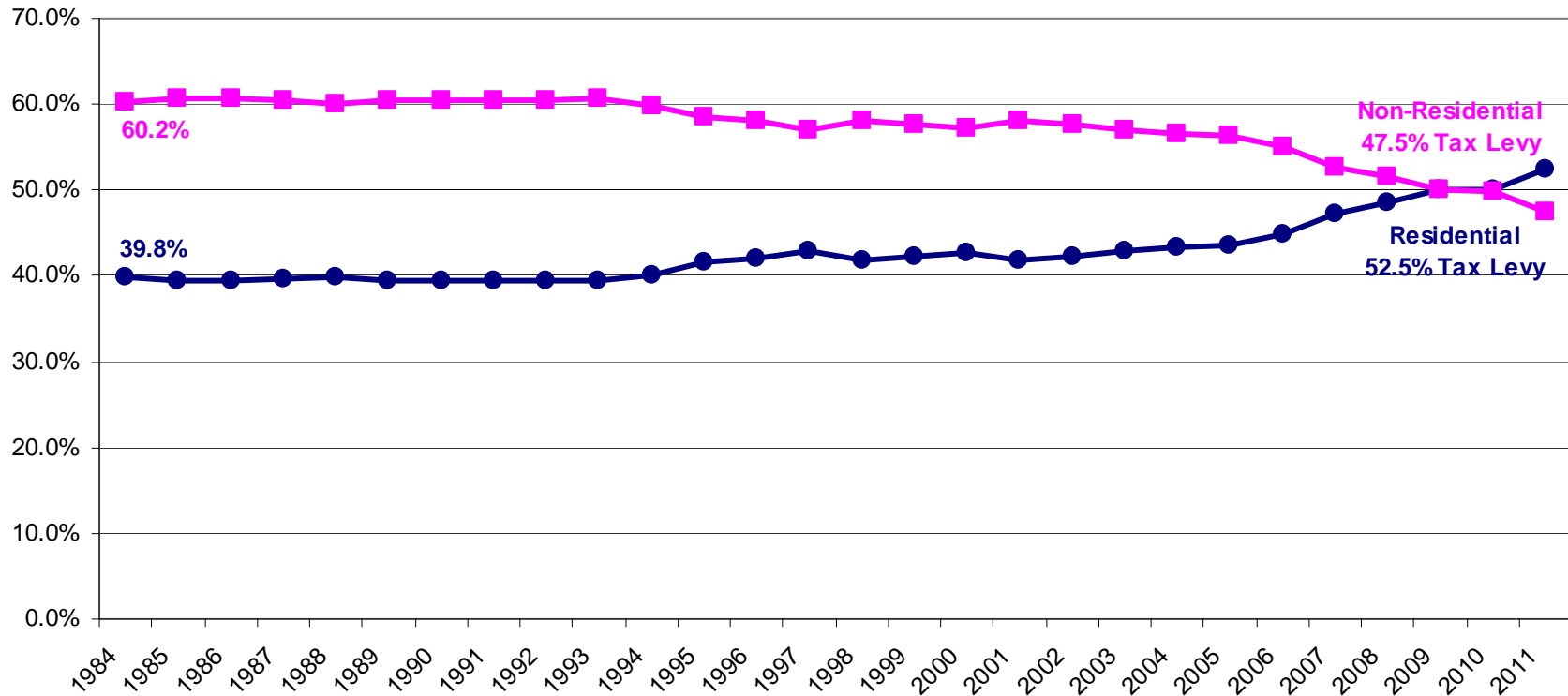
II. City of Vancouver Mechanism - Land Assessment Averaging

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.

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. It is 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 averaging. Vancouver is the only municipality in British Columbia that applies land assessment averaging.

YEAR	
1994	▪ Shifted \$3.0 million from Class 6 to Class 1
1995	▪ Shifted \$3.0 million from non-residential classes to Class 1
1996	▪ No shift
1997	▪ Shifted \$2.9 million from non-residential classes to Class 1
1998	▪ No shift
1999	▪ No shift
2000	▪ Shifted \$3.7 million from non-residential classes to residential classes
2001	▪ No shift
2002	▪ No shift
2003	▪ Shifted \$2.1 million from non-residential classes to residential classes
2004	▪ No shift
2005	▪ No shift
2006	▪ Shifted \$4.8 million from non-residential classes to residential classes
2007	▪ Allocated the entire 3.98% tax increase to residential classes, which is equivalent to a shift of \$10 million
2008	▪ Shifted \$5.2 million from non-residential classes to residential classes
2009	▪ Shifted \$5.5 million from non-residential classes to residential classes
2010	▪ Shifted \$5.7 million from non-residential classes to residential classes
2011	▪ Shifted \$5.8 million from non-residential classes to residential classes
2012	▪ <i>Shifted \$1.6 million from non-residential classes to residential classes (subject to Council approval on April 17, 2012)</i>

Note: Tax shifts between 2008 and 2012 were effected as part of the multi-year tax redistribution program recommended by the Property Tax Policy Review Commission. The target was to shift \$23.8 million proportionately from non-residential property classes (2, 4, 5 & 6) to residential property classes (1, 8 & 9) at a rate of 1% of the overall tax levy per year.



Note: Over the years, Council has been proactive in addressing the impact of property tax on the business climate. Between 1994 and 2011, \$51.7 million of tax levy was redistributed from non-residential to residential property classes, reducing the business tax share from 60% to 48%.

**2011 ASSESSMENT BASE, TAX RATES & LEVY
SELECTED METRO VANCOUVER MUNICIPALITIES**

Municipality	Property Class	General Taxable Values \$	Assessment Base %	Municipal General Purpose Tax Rates (per \$1,000)	Class Multiples	Municipal General Purpose Tax Levy \$	Tax Distribution %
Vancouver (Averaged)	Residential	143,387,270,466	83	2.12815	1.00	305,149,620	52
	Utilities	178,688,094	0	38.07735	17.89	6,803,969	1
	Supportive Housing	72	0	0.00000	0.00	0	0
	Major Industry	195,140,100	0	31.46583	14.79	6,140,245	1
	Light Industry	590,115,498	0	9.19882	4.32	5,428,366	1
	Business	28,071,206,996	16	9.19882	4.32	258,221,980	44
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	303,372,900	0	1.99366	0.94	604,822	0
	Farm	121,782	0	1.99366	0.94	243	0
	Total	172,725,915,908	100			582,349,246	100
Abbotsford	Residential	14,680,745,362	83	4.77149	1.00	69,878,942	63
	Utilities	81,568,288	0	40.00000	8.38	3,251,035	3
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	0	0	0.00000	0.00	0	0
	Light Industry	379,843,326	2	12.21164	2.56	4,628,095	4
	Business/Other	2,366,366,550	13	13.13789	2.75	31,088,520	28
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	10,938,200	0	8.06224	1.69	88,186	0
	Farm	139,081,869	1	18.74068	3.93	2,605,541	2
	Totals	17,658,543,595	100			111,540,319	100
Burnaby	Residential	39,503,527,953	81	2.37710	1.00	93,903,836	48
	Utilities	145,326,500	0	34.56570	14.54	5,023,312	3
	Supportive Housing	4	0	2.37710	1.00	0	0
	Major Industry	161,950,500	0	43.72650	18.39	7,081,529	4
	Light Industry	933,495,800	2	10.03070	4.22	9,363,616	5
	Business/Other	8,065,615,493	17	10.03070	4.22	80,903,769	41
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	45,778,200	0	1.53420	0.65	70,233	0
	Farm	1,331,350	0	10.03070	4.22	13,354	0
	Totals	48,857,025,800	100			196,359,650	100
Coquitlam	Residential	21,199,761,717	88	3.04860	1.00	64,629,594	60
	Utilities	20,595,320	0	39.98970	13.12	823,601	1
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	14,304,600	0	49.86610	16.36	713,315	1
	Light Industry	293,808,800	1	12.31350	4.04	3,617,815	3
	Business/Other	2,594,545,731	11	14.78250	4.85	38,353,872	35
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	25,963,790	0	14.47080	4.75	375,717	0
	Farm	800,272	0	16.15820	5.30	12,931	0
	Totals	24,149,780,230	100			108,526,844	100
Delta	Residential	16,527,946,019	81	3.27850	1.00	54,186,871	54
	Utilities	19,878,955	0	39.99770	12.20	795,112	1
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	246,969,800	1	30.14580	9.19	7,066,362	7
	Light Industry	1,144,840,400	6	10.46170	3.19	11,976,977	12
	Business/Other	2,384,332,436	12	10.46170	3.19	24,944,171	25
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	59,789,300	0	6.85200	2.09	409,676	0
	Farm	43,089,716	0	16.69410	5.09	719,344	1
	Totals	20,426,846,626	100			100,098,513	100

**2011 ASSESSMENT BASE, TAX RATES & LEVY
SELECTED METRO VANCOUVER MUNICIPALITIES**

Municipality	Property Class	General Taxable Values \$	Assessment Base %	Municipal General Purpose Tax Rates (per \$1,000)	Class Multiples	Municipal General Purpose Tax Levy \$	Tax Distribution %
Langley (City)	Residential	2,964,920,001	73	3.69700	1.00	10,961,309	53
	Utilities	1,965,300	0	40.00000	10.82	78,612	0
	Supportive Housing	4	0	3.69700	1.00	0	0
	Major Industry	0	0	0.00000	0.00	0	0
	Light Industry	138,484,100	3	9.24240	2.50	1,279,925	6
	Business/Other	929,490,267	23	8.87270	2.40	8,247,088	40
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	6,933,700	0	8.87270	2.40	61,521	0
	Farm	11,936	0	3.69700	1.00	44	0
Totals		4,041,805,308	100			20,628,500	100
Langley (District)	Residential	17,673,896,610	83	3.12939	1.00	55,353,906	61
	Utilities	37,559,252	0	27.69990	8.85	1,040,388	1
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	24,487,700	0	9.48120	3.03	232,173	0
	Light Industry	983,461,900	5	9.78070	3.13	9,618,946	11
	Business/Other	2,472,475,351	12	9.62380	3.08	23,794,608	26
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	45,271,600	0	5.10370	1.63	231,053	0
	Farm	66,183,801	0	9.68170	3.09	640,772	1
Totals		21,303,336,214	100			90,911,845	100
Maple Ridge	Residential	11,205,437,106	92	3.89780	1.00	43,676,553	77
	Utilities	11,671,046	0	40.00000	10.26	466,842	1
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	17,829,000	0	34.27340	8.79	611,060	1
	Light Industry	198,724,900	2	12.10450	3.11	2,405,466	4
	Business/Other	756,034,323	6	12.10450	3.11	9,151,417	16
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	4,745,400	0	11.32830	2.91	53,757	0
	Farm	5,338,358	0	25.17670	6.46	134,402	0
Totals		12,199,780,133	100			56,499,498	100
New Westminster	Residential	9,502,247,952	87	3.61310	1.00	34,332,572	62
	Utilities	6,786,075	0	34.62400	9.58	234,961	0
	Supportive Housing	8	0	3.61310	1.00	0	0
	Major Industry	47,606,500	0	29.45880	8.15	1,402,430	3
	Light Industry	77,108,800	1	25.78570	7.14	1,988,304	4
	Business/Other	1,228,046,070	11	14.12260	3.91	17,343,203	31
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	10,670,000	0	3.61310	1.00	38,552	0
	Farm	40,824	0	3.61310	1.00	148	0
Totals		10,872,506,229	100			55,340,171	100
North Vancouver (City)	Residential	9,965,839,427	83	2.38906	1.00	23,808,988	53
	Utilities	8,467,100	0	40.00000	16.74	338,684	1
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	111,961,000	1	27.50000	11.51	3,143,691	7
	Light Industry	33,548,300	0	9.56623	4.00	320,931	1
	Business/Other	1,835,248,817	15	9.56623	4.00	17,556,412	39
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	6,311,500	0	2.53770	1.06	16,017	0
	Farm	0	0	0.00000	0.00	0	0
Totals		11,961,376,144	100			45,184,723	100

**2011 ASSESSMENT BASE, TAX RATES & LEVY
SELECTED METRO VANCOUVER MUNICIPALITIES**

Municipality	Property Class	General Taxable Values \$	Assessment Base %	Municipal General Purpose Tax Rates (per \$1,000)	Class Multiples	Municipal General Purpose Tax Levy \$	Tax Distribution %
North Vancouver (District)	Residential	21,819,966,117	93	2.47291	1.00	53,958,812	72
	Utilities	2,198,260	0	40.00000	16.18	87,930	0
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	221,775,000	1	42.48617	17.18	7,430,312	10
	Light Industry	30,768,900	0	21.71568	8.78	668,168	1
	Business/Other	1,465,682,146	6	8.83668	3.57	12,951,764	17
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	29,814,900	0	5.99955	2.43	178,876	0
	Farm	0	0	0.00000	0.00	0	0
Totals		23,570,205,323	100			75,275,863	100
Pitt Meadows	Residential	2,551,371,406	87	3.58140	1.00	9,137,482	63
	Utilities	5,569,980	0	41.62210	11.62	231,834	2
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	3,388,600	0	35.10470	9.80	118,956	1
	Light Industry	13,551,460	0	15.01370	4.19	203,458	1
	Business/Other	333,733,500	11	12.67130	3.54	4,228,837	29
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	23,962,500	1	9.07160	2.53	217,378	1
	Farm	15,469,037	1	27.96460	7.81	432,585	3
Totals		2,947,046,483	100			14,570,530	100
Port Coquitlam	Residential	7,947,573,905	83	3.66900	1.00	29,159,649	56
	Utilities	7,956,975	0	40.00000	10.90	318,279	1
	Supportive Housing	2	0	3.66900	1.00	0	0
	Major Industry	0	0	13.31240	3.63	0	0
	Light Industry	379,110,400	4	14.57350	3.97	5,524,965	11
	Business/Other	1,240,911,501	13	13.43770	3.66	16,674,996	32
	Managed Forest	0	0	40.00000	10.90	0	0
	Recreation	6,840,400	0	13.44800	3.67	91,990	0
	Farm	865,367	0	22.11270	6.03	19,136	0
Totals		9,583,258,550	100			51,789,015	100
Port Moody	Residential	5,994,607,472	92	3.21450	1.00	19,269,666	67
	Utilities	2,306,145	0	38.87320	12.09	89,647	0
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	95,655,400	1	57.45210	17.87	4,732,004	17
	Light Industry	27,800,700	0	19.07430	5.93	530,279	2
	Business/Other	407,095,650	6	9.82960	3.06	4,001,587	14
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	10,400,100	0	2.46310	0.77	25,616	0
	Farm	0	0	0.00000	0.00	0	0
Totals		6,537,865,467	100			28,648,799	100
Richmond	Residential	38,773,462,536	80	2.16085	1.00	83,783,637	52
	Utilities	21,094,264	0	37.16662	17.20	784,002	0
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	107,536,400	0	12.96510	6.00	1,394,220	1
	Light Industry	1,480,245,900	3	9.05396	4.19	13,402,087	8
	Business/Other	7,753,426,413	16	8.03836	3.72	62,324,833	38
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	113,148,800	0	1.83670	0.85	207,820	0
	Farm	26,698,852	0	11.88468	5.50	317,307	0
Totals		48,275,613,165	100			162,213,907	100

**2011 ASSESSMENT BASE, TAX RATES & LEVY
SELECTED METRO VANCOUVER MUNICIPALITIES**

Municipality	Property Class	General Taxable Values \$	Assessment Base %	Municipal General Purpose Tax Rates (per \$1,000)	Class Multiples	Municipal General Purpose Tax Levy \$	Tax Distribution %
Surrey	Residential	63,954,812,954	87	2.37807	1.00	152,089,022	68
	Utilities	50,638,285	0	32.90498	13.84	1,666,252	1
	Supportive Housing	2	0	0.00000	0.00	0	0
	Major Industry	117,623,300	0	11.68848	4.92	1,374,838	1
	Light Industry	1,267,819,200	2	6.60730	2.78	8,376,862	4
	Business/Other	7,888,880,277	11	7.41846	3.12	58,523,343	26
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	123,563,800	0	2.33378	0.98	288,371	0
	Farm	35,100,590	0	2.40459	1.01	84,403	0
	Totals		73,438,438,408	100			222,403,089
West Vancouver	Residential	23,626,620,202	97	2.07900	1.00	49,119,743	92
	Utilities	9,175,665	0	8.11810	3.90	74,489	0
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	2,590,000	0	13.21930	6.36	34,238	0
	Light Industry	0	0	13.21930	6.36	0	0
	Business/Other	772,765,500	3	4.94390	2.38	3,820,475	7
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	35,005,800	0	5.29310	2.55	185,289	0
	Farm	0	0	0.00000	0.00	0	0
	Totals		24,446,157,167	100			53,234,235
White Rock	Residential	4,448,373,406	95	3.69217	1.00	16,424,151	89
	Utilities	5,179,290	0	24.41217	6.61	126,438	1
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	0	0	0.00000	0.00	0	0
	Light Industry	0	0	0.00000	0.00	0	0
	Business/Other	211,349,002	5	9.01830	2.44	1,906,009	10
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	4,077,100	0	3.58586	0.97	14,620	0
	Farm	0	0	0.00000	0.00	0	0
	Totals		4,668,978,798	100			18,471,217

**IMPACT OF ASSESSMENT CHANGES (MARKET & NON-MARKET) ON TAX DISTRIBUTION
BEFORE TAX INCREASE & TAX SHIFT**

	Residential Class 1	Utilities Class 2	Supportive Housing Class 3	Major Industry Class 4	Light Industry Class 5	Business & Other Class 6	Recreational & Non-profit Class 8	Farm Class 9	Total
ASSESSMENT BASE									
2011 Revised Roll	153,059,694,654	178,688,094	72	195,140,100	622,176,200	29,222,022,124	303,372,900	121,782	183,581,215,926
2011 Adjustments	40,423,196	0	0	0	23,963,100	(186,890,753)	1,028,000	0	(121,476,457)
2011 Supplementary Roll	153,100,117,850	178,688,094	72	195,140,100	646,139,300	29,035,131,371	304,400,900	121,782	183,459,739,469
<i>Share of Assessment Base</i>	83.45%	0.10%	0.00%	0.11%	0.35%	15.83%	0.17%	0.00%	100.00%
2012 Market Change	22,634,891,397	2,925,920	(14)	1,223,300	2,950,800	2,532,973,283	25,309,700	(22,802)	25,200,251,584
	175,735,009,247	181,614,014	58	196,363,400	649,090,100	31,568,104,654	329,710,600	98,980	208,659,991,053
<i>Share of Assessment Base</i>	84.22%	0.09%	0.00%	0.09%	0.31%	15.13%	0.16%	0.00%	100.00%
2012 Non-market Change									
Class Transfers	216,754,800	8,056,900	14	0	45,505,600	(138,760,337)	(29,138,700)	6,165	102,424,442
Other	937,956,802	37,900	0	0	894,900	(55,441,000)	(4,012,600)	0	879,436,002
New Construction	1,269,346,398	(4,898,220)	0	0	(849,800)	66,917,300	31,000	0	1,330,546,678
	2,424,058,000	3,196,580	14	0	45,550,700	(127,284,037)	(33,120,300)	6,165	2,312,407,122
2012 Assessment Base for Tax Rate Calculation	178,159,067,247	184,810,594	72	196,363,400	694,640,800	31,440,820,617	296,590,300	105,145	210,972,398,175
<i>Share of Assessment Base</i>	84.45%	0.09%	0.00%	0.09%	0.33%	14.90%	0.14%	0.00%	100.00%
GENERAL PURPOSE TAX LEVY									
2011 Opening Tax Levy	305,148,991	6,803,969	0	6,140,245	5,496,441	258,153,772	604,822	243	582,348,484
2011 Roll Adjustments	80,590	0	0	0	211,695	(1,651,034)	2,049	0	(1,356,699)
2011 Adjusted Tax Levy	305,229,581	6,803,969	0	6,140,245	5,708,137	256,502,738	606,872	243	580,991,785
<i>Share of Tax Levy</i>	52.54%	1.17%	0.00%	1.06%	0.98%	44.15%	0.10%	0.00%	100.00%
2012 Non-market Change	2,005,589	303,263	0	0	408,049	(1,577,959)	(61,019)	15	1,077,937
2012 New Construction	2,204,695	(183,506)	0	0	(7,473)	543,728	57	0	2,557,501
	4,210,283	119,756	0	0	400,576	(1,034,231)	(60,962)	15	3,635,438
2012 Base Tax Levy (before tax increase & shift)	309,439,864	6,923,725	0	6,140,245	6,108,712	255,468,508	545,910	258	584,627,223
<i>Share of Tax Levy</i>	52.93%	1.18%	0.00%	1.05%	1.04%	43.70%	0.09%	0.00%	100.00%