Supports Item No. 5
PT&E Committee Agenda
April 24, 2013

CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date:	April 17, 2013
Contact:	Grace Cheng
Contact No.:	604.871.6654
RTS No.:	09950
VanRIMS No.:	08-2000-20
Meeting Date:	April 24, 2013

TO: Standing Committee on Planning, Transportation and Environment

FROM: Director of Finance

SUBJECT: 2013 Property Taxation - Distribution of Property Tax Levy

RECOMMENDATION

A. THAT Council instruct the Director of Finance to calculate the 2013 general purpose tax rates for all property classes to achieve a tax distribution of approximately 53.7% residential and 46.3% non-residential.

B. THAT Council approve the Terms of Reference and a budget of up to $70,000 for the Property Tax Policy Review Commission; source of funding to be 2013 Operating Budget.

REPORT SUMMARY

The purpose of this report is two-fold:

- to seek Council approval of the distribution of the general purpose tax levy across property classes for the purpose of calculating the 2013 tax rates, and

- to seek Council approval of the Terms of Reference and the budget for the Property Tax Policy Review Commission.

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 across property classes 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 Council decisions to adjust the tax share for each class. This approach ensures that tax share is set by Council policy, not by market value changes. This policy was reaffirmed by Council in April 2005, and endorsed by the Property Tax Policy Review Commission (the "PTPRC") in its final recommendations to Council in September 2007.

In March 2008, Council adopted the PTPRC's recommendation of shifting $23.8 million proportionately from non-residential to residential property classes at a rate of 1% of the overall tax levy per year to achieve d a target distribution of 52% residential and 48% non-residential (based on the *2007 Assessment Roll*). The program was completed in 2012.

In December 2012, Council approved the 2013 Operating Budget of $1.15 billion of which $615 million is to be funded from general purpose tax levy, requiring an estimated tax increase of 2% (final tax increase based on the *2013 Revised Roll* is 1.36%).

In February 2013, Council approved the continuation of the three-year land assessment averaging program in 2013 for the purpose of calculating property taxes for Residential (Class 1), Light Industrial (Class 5), and Business & Other (Class 6) properties. The *2013 Land Assessment Averaging By-law* was adopted in March 2013.

To address the Council motions raised in Spring 2012[1], in February 2013, Council approved to reconvene the PTPRC to work with staff on the following:

- assess viable options to enhance property tax stability and predictability arising from significant year-over-year market value changes, and
- assess viable options for tax distribution; validate whether the current tax share of 53% residential / 47% non-residential continues to be an appropriate distribution; and recommend metrics for monitoring tax share over the long-term and its impact on residents and business climate.

The Director of Finance was instructed to bring forward a recommendation on the appointment of the PTPRC members, Terms of Reference, and project budget in April 2013.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of the foregoing.

[1] In February 2012, Council instructed staff to report back on ideas raised by the Vancouver Fair Tax Coalition with regards to tax stability and predictability, and how to achieve a fairer property tax system recognizing the current challenges. In April 2012, Council further instructed staff to monitor the differential of business taxes and business investment in Vancouver and neighboring municipalities and report back.

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 in 2012 as having the second lowest overall business taxes among 113 major international cities. To capitalize on this competitive advantage and drive future economic success, it is important to ensure that our public policies are aligned to create an affordable and sustainable environment for both businesses and residents.

While BC's property taxation framework has been recognized as one of the best, every tax system has inherent limitations and challenges. Over the years, most discussions and debates revolve around two areas: i) property tax stability and predictability and ii) residential and business tax share, both of which contribute to the affordability and business climate. The complexity of these challenges are more prevalent in "hot spots" (properties that experience extreme tax increases due to rezoning and other market forces) with triple net leases where landlords transfer the entire tax burden to small business tenants while benefiting from future capital gain upon redevelopment.

Recognizing the constraints within the existing framework and that most issues are beyond its jurisdiction, Council has been proactive in addressing the aforementioned issues and has advanced a number of key action plans that target affordability and economic development. Below are some highlights:

- worked to keep property tax increase in line with inflation while renewing and upgrading our public amenities and services in the areas of housing, community centres, libraries, and cultural facilities
- completed the 5-year, $23.8 million tax shift program in 2012 and lowered the business tax share to 47% and the tax rate ratio to 4.3, both at historical low
- gradually expanded the use of user fees, development contributions, and other strategic partnerships to fund our operating and capital programs and reduced our reliance on property tax increases
- applied 3-year land assessment averaging while preparing for a potential 5-year program and other viable options to further enhance stability and predictability
- launched the first Vancouver Economic Action Strategy in 2011
- adopted Transportation 2040 which envisions a sustainable and efficient transportation system that supports a thriving economy
- adopted land use policies that preserve commercial and industrial space and implement the Housing and Homelessness Strategy (2011) and the recommendations of the Mayor's Task Force on Housing Affordability (2012) to enhance housing capacity across the affordable continuum

Vancouver's business climate has improved noticeably in recent years and this positive development is demonstrated in the following indicators:

- robust commercial development activities: over 5 million sq. ft. of commercial and office space were completed between 2007 and 2011, and over 3 million sq. ft. are currently underway or being proposed through 2017
- commercial property vacancy is among the lowest in Metro Vancouver: office vacancy ranged from 3.3% to 5% depending on location, and retail centre vacancy below 2.5%
- business property tax rate is below regional average

- significant improvement in the tax rate ratio (business tax rate/residential tax rate): from 5.5 in 2007 to 4.3 in 2012 upon completion of the 5-year tax shift program, much lower than some major Metro Vancouver municipalities

While the City's property tax regime generally functions well, staff recognize the importance of having progressive tax policies that meet the needs of residents and businesses, and align with Council's broader public policy objectives and long-term goals with regards to economic, social, fiscal and environmental sustainability. Staff will work closely with the PTPRC and make recommendations to Council before year end on viable options to enhance property tax stability and predictability and residential and business tax distribution.

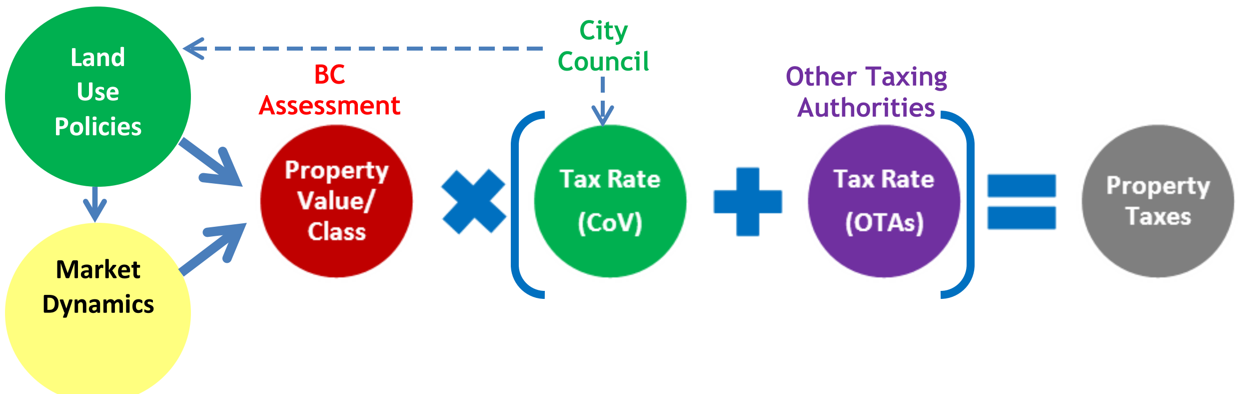
REPORT

Background/Context

BC's property taxation framework has been recognized as one of the best in class due mainly to the segregation of assessment and taxation functions that ensures objectivity and credibility; and the annual market valuation approach that ensures currency, equity and transparency.

Figure 1 below shows the key drivers and stakeholders within the property taxation framework.

Figure 1: Property Taxation Framework



Property taxes are levied by taxing authorities based on real property values, which are driven by zoning as defined in **land use policies** and by **market dynamics**.

BC Assessment determines the value of all real properties in BC based on their "highest and best use" as defined by zoning and market evidence, and assigns them to appropriate property class(s) based on their "actual use" in accordance with the *Assessment Act*. An *Assessment Roll* is produced annually for municipalities and other taxing authorities (OTAs) such as Provincial School, Translink, Metro Vancouver, Municipal Finance Authority and BC Assessment to levy property taxes.

City Council sets land use policies that define zoning; determines the amount of general purpose tax levy required to support City operations; sets residential and business tax share and tax rates; and levies property taxes using the *Assessment Roll*. Council may also decide whether to apply mitigation tools such as land assessment averaging in any given year. The City's general purpose tax portion accounts for ~50% of the overall tax rate.

OTAs set tax share and tax rate for each property class, and levy property taxes using the *Assessment Roll*. If land assessment averaging is applied, the tax rates for the impacted property classes will be adjusted to ensure revenue neutrality. OTAs accounts for ~50% of the overall tax rate.

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

Strategic Analysis

In December 2012, Council approved the 2013 Operating Budget of $1.15 billion of which $615 million is to be funded from general purpose tax levy and $533 million from other revenue sources. Based on the *2013 Revised Roll*, the required tax levy can be generated with a tax increase of 1.36% compared to the earlier estimate of 2%.

I. 2013 Revised Roll

Key facts relating to the *2013 Revised Roll* are as follows. Reconciliation of the assessment base and overall tax levy between 2012 and 2013 is presented in Appendix E.

(i) The taxable assessment base has increased by $5.8 billion (2.8%).

(ii) The overall increase in property tax levy for the City is $14.6 million (2.4%), which is comprised of the following:

2012 -	
Supplementary adjustments arising from assessment appeals	-$0.6 million
2013 -	
New construction	+$3.4 million
Class transfers & other non-market changes	+$3.5 million
Final tax increase (1.36%) to generate $615 million tax levy	+$8.3 million
Total Increase in Tax Levy	+$14.6 million

(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) There has been no conversion of taxable commercial property to parks, gardens or playing fields for tax savings purposes.

(v) 13 properties (20 folios) totaling $107.5 million in assessed value are eligible for heritage tax exemptions, resulting in approximately $0.7 million of forgone general purpose tax levy which is shared by taxable properties in the course of balancing the annual operating budget.

(vi) To-date, 81 property folios have been designated as Class 3 Supportive Housing[2] (6 folios added in 2013), resulting in approximately $1.2 million of forgone general purpose tax levy and payment-in-lieu of taxes. This represents additional subsidies from Vancouver beyond the City's land and capital funding contribution towards the development of supportive housing, as the forgone tax has to be picked up by all taxpayers.

(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 $1 million of net forgone general purpose tax levy.

II. Distribution of General Purpose Tax Levy

Consistent with Council policy of distributing the general purpose tax levy through a "tax share" approach, staff have calculated the following tax distribution and resulting tax rates using the *2013 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, including those levied by other taxing authorities (Provincial School, Translink, BC Assessment, Metro Vancouver, and Municipal Finance Authority), will be reported to Council in May 2013 for adoption.

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

Table 1: 2013 Tax Levy Distribution

	Residential	Utilities	Supportive Housing	Major Industry	Light Industry	Business & Other	Recreational & Non-profit	Farm	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 8	Class 9	
Taxable Value	$181,825,980,128	$187,009,750	$80	$192,393,100	$732,675,600	$33,537,119,477	$312,012,300	$112,981	$216,787,303,416
Base Tax Levy	$325,747,864	$6,708,705	$0	$6,260,162	$5,884,661	$262,591,300	$557,310	$203	$607,750,206
Tax Increase	$4,430,171	$91,238	$0	$85,138	$80,031	$3,571,242	$7,579	$3	$8,265,403
Tax Levy	$330,178,035	$6,799,943	$0	$6,345,300	$5,964,693	$266,162,542	$564,889	$206	$616,015,608
Share of Tax Levy	*53.60%*	*1.10%*	*0.00%*	*1.03%*	*0.97%*	*43.21%*	*0.09%*	*0.00%*	*100.00%*
UNAVERAGED TAX RATES	**1.81589**	**36.36144**	**0.00000**	**32.98091**	**7.94073**	**7.94073**	**1.81589**	**1.81589**	

	Residential (Class 1, 3, 8 & 9)	Non-Residential (Class 2, 4, 5 & 6)
Taxable Value	84.02%	15.98%
Tax Levy Distribution	53.69%	46.31%

Note: Total tax levy $616 million – Forgone taxes on eligible Port properties $1 million = Council-approved tax levy $615 million

The 5-year, $23.8 million tax shift program recommended by the PTPRC was completed in 2012. Should Council approve the Terms of Reference (Appendix F), the PTPRC will work with staff to assess whether the current tax share between residential and non-residential

[2] 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.

property classes continue to be appropriate. The history of Council-directed tax redistribution between residential and non-residential property classes and tax distribution is presented in Appendix B and C.

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: 2013 Tax Impact - Residential vs. Business

	Property valued @ $1 million[3]	
	Residential	**Business**
General Purpose Tax Levy[4]		
Base	$1,792	$7,834
Tax Increase	$24	$107
Total[5]	**$1,816**	**$7,941**

While the Council-directed tax increase applies to the overall tax levy, the extent of change in a property's tax is also influenced by how that property's assessed value has changed relative to the average change in value within its property 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. This applies to both residential and non-residential property classes.

Regardless of the tax distribution approach, intra-class tax shifts arising from differential market value changes will naturally occur. Since 1993, it has been Council policy to use land assessment averaging to phase in property tax impact arising from volatility in land values. In February 2013, Council approved the continuation of the 3-year land assessment averaging program for the purpose of calculating property taxes for Residential (Class 1), Light Industrial (Class 5), and Business and Other (Class 6) properties.

In 2007, the PTPRC recommended using up to five years of assessed land values (instead of the current three years) in the averaging formula to enhance property tax stability and predictability. In March 2013, the Province enacted the necessary amendments to the *Vancouver Charter* to enable this approach, but the timing of this amendment precluded Council from consideration of implementing this approach for the 2013 tax year. The PTPRC will work with staff to assess all viable options, including land assessment averaging and other options suggested by various organizations (e.g. split assessment, value-in-use as going concern, tax incentives), to enhance tax stability and predictability.

III. Vancouver Tax Distribution 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:

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[3] Average value of residential property in Vancouver.
[4] 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.
[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 3-year land assessment averaging program has on the value of a property for tax calculation purposes.

- Different Council priorities and public policy objectives
- Different programs and services levels
- Different revenue strategies: property tax, utility charges, and user fees
- Different mix of residential and non-residential properties on the *Assessment Roll*
- Different funding mechanisms for public transit, tourism and other programs:
  - public transit - the federal gas tax is allocated directly to Translink for all Metro Vancouver municipalities, while such funding flows through other municipalities (e.g. Abbotsford)
  - tourism – some municipalities retain the hotel room tax (up to 2% of sales of accommodation); in Vancouver, such funding has been directed by the Province to Tourism Vancouver

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 2012.

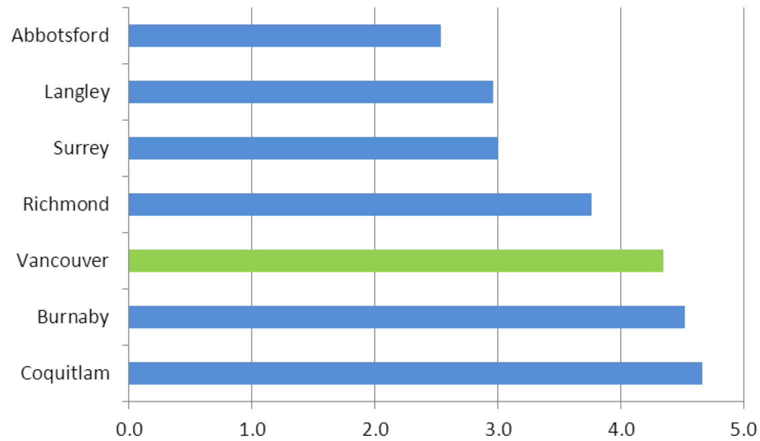
Table 3: 2012 Tax Distribution -
Selected Metro Vancouver Municipalities (population≥100,000)

	% of Assessment Base		% of Tax Levy	
	Residential	**Non-residential**	**Residential**	**Non-residential**
Abbotsford	83%	17%	65%	35%
Burnaby	82%	18%	48%	52%
Coquitlam	88%	12%	61%	39%
Delta	81%	19%	56%	44%
Langley, District	83%	17%	62%	38%
Richmond	82%	18%	54%	46%
Surrey	87%	13%	69%	31%
Vancouver	***84%***	***16%***	***53%***	***47%***

Source data: http://www.cd.gov.bc.ca/lgd/infra/tax_rates/tax_rates2012.htm

Upon conclusion of the 5-year, $23.8 million tax shift program in 2012, Vancouver's business tax rate is now below the regional average, the tax rate ratio (business tax rate/residential tax rate) improved substantially from 5.5 in 2007 to 4.3 in 2012 (see Figure 2 below), and the business tax share reduced from 60% in the mid-90's to 47% in 2012, both at historical lows.

Figure 2: 2012 Tax Rate Ratio (Business Tax Rate/Residential Tax Rate) - Selected Metro Vancouver Municipalities (population≥100,000)



Source data: http://www.cd.gov.bc.ca/lgd/infra/tax_rates/tax_rates2012.htm

Table 5 below summarizes the distribution of tax levy between residential and non-residential property classes for other taxing authorities in 2012.

Table 5: 2012 Tax Distribution - Other Taxing Authorities

	% of Assessment Base		% of Tax Levy	
	Residential	Non-residential	Residential	Non-residential
BC Assessment	84%	16%	63%	37%
Metro Vancouver	84%	16%	67%	33%
Municipal Finance Authority	84%	16%	68%	32%
Provincial School	84%	16%	53%	47%
Translink	84%	16%	53%	47%

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

Table 6 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 2013 tax rates, the comparison is based on 2012 data.

Table 6: 2012 Municipal Tax Levy & Utility Charges
Average Single Family Detached Property in Selected Metro Vancouver Municipalities

	General Purpose Tax Rate (per $1,000 Assessed Value)	Avg Property $ (Single Family Detached)	General Purpose Tax Levy	Utility Fees	Total Charges (Tax + Utility Fees)	Total Charges (Tax + Utility Fees) (per $1,000 Assessed Value)
Surrey	2.3547	614,800	1,448	$1,075	$2,523	$4.10
Langley, City	3.7250	458,900	1,709	$888	$2,597	$5.66
Langley, Township	3.1998	506,500	1,621	$1,052	$2,673	$5.28
Pitt Meadows	3.7258	455,500	1,697	$1,014	$2,712	$5.95
Maple Ridge	4.0888	462,100	1,889	$855	$2,745	$5.94
Port Coquitlam	3.7129	524,700	1,948	$865	$2,813	$5.36
Delta	3.3303	586,300	1,953	$915	$2,868	$4.89
North Vancouver, City	2.3802	861,800	2,051	$871	$2,922	$3.39
Abbotsford	4.9075	398,200	1,954	$990	$2,944	$7.39
Burnaby	2.2326	920,300	2,055	$946	$3,000	$3.26
Richmond	2.0013	993,100	1,987	$1,048	$3,035	$3.06
Coquitlam	3.1148	676,100	2,106	$1,107	$3,213	$4.75
Vancouver	***2.0200***	***1,165,300***	***2,354***	***$1,006***	***$3,360***	***$2.88***
White Rock	3.5562	826,000	2,937	$439	$3,377	$4.09
Port Moody	3.3076	735,000	2,431	$962	$3,393	$4.62
New Westminster	3.5441	660,400	2,341	$1,078	$3,418	$5.18
North Vancouver, District	2.3645	990,400	2,342	$1,294	$3,636	$3.67
West Vancouver	1.8145	1,964,000	3,564	$1,332	$4,896	$2.49
Metro Vancouver Average	**2.7819**	**766,600**	**2,133**	**$985**	**$3,118**	**$4.55**

Source data: http://www.cd.gov.bc.ca/lgd/infra/tax_rates/tax_rates2012.htm

In 2012, Vancouver's residential general purpose tax rate ranked the third lowest among the selected Metro Vancouver municipalities. Including utility fees, total charges per $1,000 assessed value are the second lowest within Metro Vancouver. Further details on the assessment base, tax rates and levy of selected municipalities are presented in Appendix D.

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RECONVENING PROPERTY TAX POLICY REVIEW COMMISSION

While BC's property taxation framework has been recognized as one of the best, every tax system has inherent limitations and challenges. Recognizing the constraints within the existing framework and that most issues are beyond Council's jurisdiction, it is important to ensure that the City's tax policies continue to be progressive in meeting the needs of residents and businesses, and align with the broader public policies and long-term goals.

In response to the Council motions raised in Spring 2012 with regards to tax stability and tax share, the PTPRC will reconvene and work with staff on the following:

- assess viable options to enhance property tax stability and predictability and minimize "hot spots"; and

- assess viable options for tax distribution; validate whether the current residential and business tax share continues to be an appropriate distribution; and recommend metrics for monitoring tax share over the long-term and its impact on residents and business climate.

The PTPRC is expected to submit their interim report in Fall 2013 and the final report before year end in time for Council consideration for the 2014 tax year. Through the work of the PTPRC, Council will be in a better position to make long-term tax policy decisions that balance the needs of residents and businesses.

Details on the deliverables, timeline, guiding principles, and key stakeholders are outlined in the Terms of References (Appendix F).

Implications/Related Issues/Risk (if applicable)

Financial

In December 2012, Council approved the 2013 Operating Budget of $1.15 billion of which $615 million is to be funded from general purpose tax levy and $533 million from other revenue sources. Based on the *2013 Revised Roll*, the tax levy can be generated with a tax increase of 1.36% compared to the earlier estimate of 2%. Should Council approve Recommendation A, the tax distribution between residential and non-residential property classes will be 53.7%/46.3%. (Note: The 2% tax increase was determined in October 2012 based on BC Assessment's preliminary data available at the time. The current year *Assessment Roll* was finalized in March 2013. Consistent with prior years, to generate the Council-approved tax levy, the final tax increase has been adjusted based on the *Revised Roll*. The discrepancy between the preliminary data used to set the target tax increase and the final *Assessment Roll* is being investigated and staff will review the process in preparation for the 2014 budget process.)

The maximum budget for the PTPRC is $70,000 which covers honoraria ($28,000), contract and/or consulting services, public engagement, project management and other administrative expenses (up to $42,000); source of funding to be the 2013 Operating Budget.

CONCLUSION

Property taxation has been, and will continue to be, the primary, stable funding source for City services and programs. In 2013, 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.

To ensure that the City's tax policies continue to be progressive in meeting the needs of residents and businesses, and align with Council's public policy objectives and long-term goals, the PTPRC will reconvene to provide advice to Council on viable options for enhancing tax stability and predictability, and appropriate tax distribution between residential & business property classes.

* * * * *

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 2012, $53.3 million of tax levy was redistributed from non-residential to residential property classes, reducing the business tax share from 60% to 47%. 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 7 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 7: Impact of Assessed Value on Property Taxes

If a property's 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.

MITIGATING 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 property owners which, when applied independently or in combination, could mitigate the taxation impact.

I. Provincial Mitigating Measures (Residential Properties Only)

(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; City revenue is not impacted.

(ii) 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.

(iii) 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.

II. City of Vancouver Mitigating Measures – Land Assessment Averaging (Residential & Business Properties)

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.

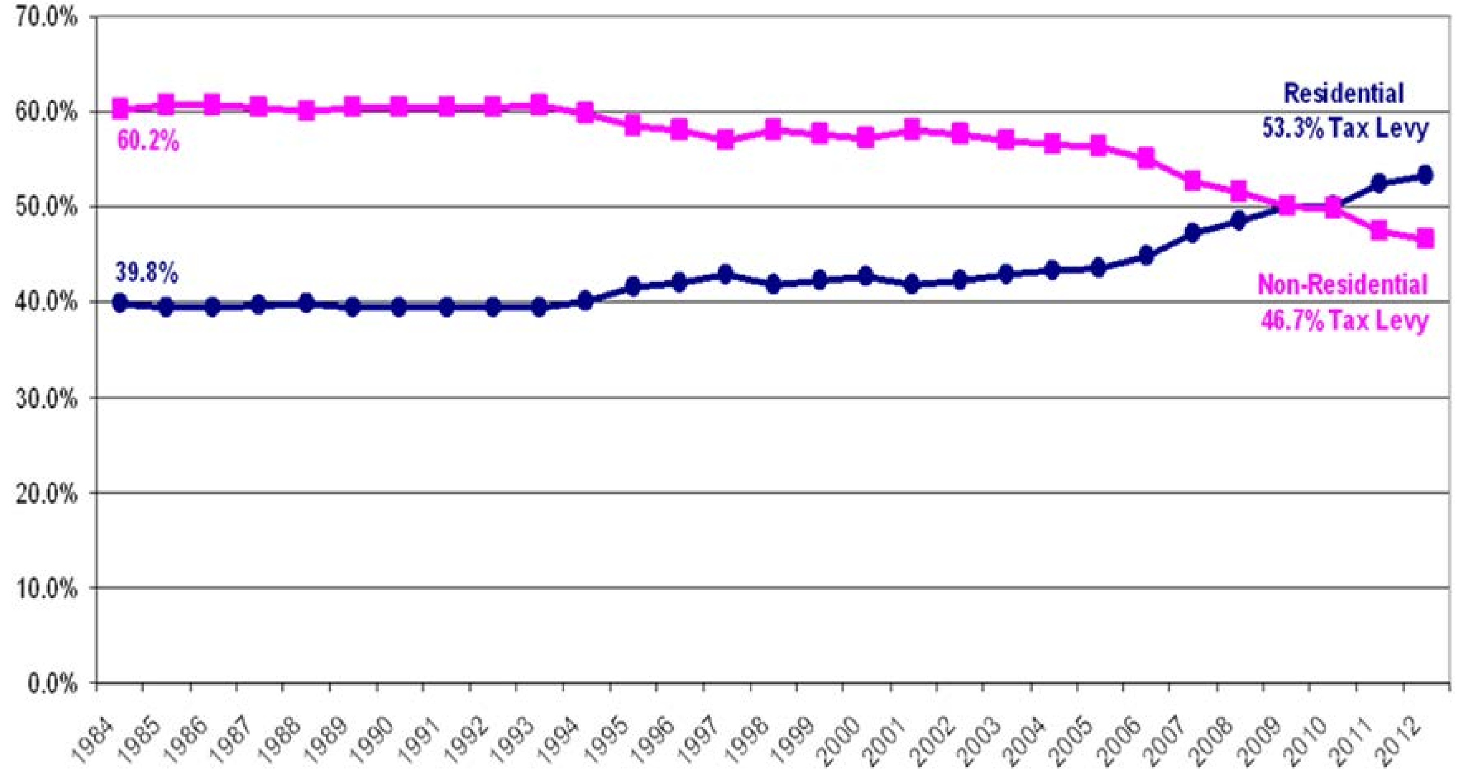
This mechanism entails averaging three years of land value (current year and two prior years) to phase in year-over-year property tax impact arising from land value changes and to reduce the number of properties that experience extreme volatility in property taxes driven by significant increase and decrease in land values. The current assessed improvement value is then added to the adjusted land value for calculating property taxes. Vancouver is the only municipality in British Columbia that applies land assessment averaging.

In 2007, the PTPRC recommended using up to five years of assessed land values (instead of the current three years) in the averaging formula to enhance property tax stability and predictability. In Spring 2013, the Province enacted the necessary amendments to the *Vancouver Charter* to enable this approach.

Land assessment averaging 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 this mechanism.

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	▪ *Shifted $1.6 million from non-residential classes to residential classes (subject to Council approval on April 17, 2012)*

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 2012, $53.3 million of tax levy was redistributed from non-residential to residential property classes, reducing the business tax share from 60% to 47%.

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	Residential	158,393,259,089	84%	2.02002	1.00	319,957,551	53%
(Averaged)	Utilities	184,810,594	0%	38.31904	18.97	7,081,765	1%
	Supportive Housing	72	0%	0.00000	0.00	0	0%
	Major Industry	196,363,400	0%	31.98356	15.83	6,280,401	1%
	Light Industry	675,906,994	0%	8.78096	4.35	5,935,112	1%
	Business/Other	29,793,186,719	16%	8.78096	4.35	261,612,781	44%
	Managed Forest	0	0%	0.00000	0.00	0	0%
	Recreation	296,590,300	0%	1.79591	0.89	532,649	0%
	Farm	105,145	0%	1.79591	0.89	189	0%
	Totals	**189,540,222,313**	**100%**			**601,400,448**	**100**
Abbotsford	Residential	14,704,317,961	82	4.90751	1.00	72,075,663	62
	Utilities	83,354,741	0	39.97265	8.15	3,325,982	3
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	0	0	0.00000	0.00	0	0
	Light Industry	385,258,027	2	12.37786	2.52	4,763,530	4
	Business/Other	2,609,725,450	15	12.43166	2.53	32,442,987	28
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	13,440,800	0	7.17999	1.46	96,505	0
	Farm	138,415,661	1	19.01085	3.87	2,630,816	2
	Totals	**17,934,512,640**	**100**			**115,335,484**	**100**
Burnaby	Residential	44,262,164,356	82	2.23260	1.00	98,819,708	48
	Utilities	145,894,535	0	36.04590	16.15	5,258,900	3
	Supportive Housing	4	0	2.23260	1.00	0	0
	Major Industry	155,649,700	0	47.30730	21.19	7,363,367	4
	Light Industry	1,102,715,300	2	10.10000	4.52	11,137,425	5
	Business/Other	8,230,042,444	15	10.10000	4.52	83,123,429	40
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	47,144,600	0	1.54810	0.69	72,985	0
	Farm	1,322,194	0	10.10000	4.52	13,354	0
	Totals	**53,944,933,133**	**100**			**205,789,167**	**100**
Coquitlam	Residential	22,628,171,940	88	3.11480	1.00	70,482,230	61
	Utilities	21,337,200	0	41.13110	13.21	877,623	1
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	0	0	30.37220	9.75	0	0
	Light Industry	362,226,100	1	13.62330	4.37	4,934,715	4
	Business/Other	2,697,300,501	10	14.52150	4.66	39,168,849	34
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	28,878,900	0	14.94670	4.80	431,644	0
	Farm	911,629	0	17.17410	5.51	15,656	0
	Totals	**25,738,826,270**	**100**			**115,910,717**	**100**
Delta	Residential	17,193,912,319	81	3.33030	1.00	57,260,886	55
	Utilities	20,224,822	0	39.99990	12.01	808,991	1
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	236,226,800	1	33.69200	10.12	7,078,949	7
	Light Industry	1,313,500,300	6	10.70920	3.22	14,066,537	13
	Business/Other	2,300,960,002	11	10.70920	3.22	24,641,441	23
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	37,488,200	0	7.06300	2.12	264,779	0
	Farm	42,809,718	0	17.36950	5.22	743,583	1
	Totals	**21,145,122,161**	**100**			**104,865,167**	**100**

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	3,002,248,603	73	3.72500	1.00	11,183,376	53
	Utilities	2,145,470	0	40.00000	10.74	85,819	0
	Supportive Housing	2	0	3.72500	1.00	0	0
	Major Industry	0	0	0.00000	0.00	0	0
	Light Industry	135,763,100	3	9.46200	2.54	1,284,590	6
	Business/Other	986,398,545	24	8.60500	2.31	8,487,959	40
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	7,055,000	0	8.60500	2.31	60,708	0
	Farm	11,936	0	3.72500	1.00	44	0
	Totals	**4,133,622,656**	**100**			**21,102,498**	**100**
Langley (District)	Residential	18,184,066,316	83	3.19978	1.00	58,185,012	61
	Utilities	38,688,237	0	27.99990	8.75	1,083,267	1
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	26,875,300	0	8.88430	2.78	238,768	0
	Light Industry	998,717,300	5	10.20080	3.19	10,187,715	11
	Business/Other	2,606,720,838	12	9.48130	2.96	24,715,102	26
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	45,461,600	0	5.23930	1.64	238,187	0
	Farm	64,767,773	0	9.88540	3.09	640,255	1
	Totals	**21,965,297,364**	**100**			**95,288,307**	**100**
Maple Ridge	Residential	11,386,235,608	91	4.08880	1.00	46,556,040	77
	Utilities	12,371,501	0	40.00000	9.78	494,860	1
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	17,628,000	0	36.34180	8.89	640,633	1
	Light Industry	217,559,900	2	11.75100	2.87	2,556,546	4
	Business/Other	830,254,046	7	11.75100	2.87	9,756,315	16
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	2,966,300	0	11.56900	2.83	34,317	0
	Farm	5,284,781	0	26.90210	6.58	142,172	0
	Totals	**12,472,300,136**	**100**			**60,180,884**	**100**
New Westminster	Residential	9,990,556,250	87	3.54410	1.00	35,407,530	61
	Utilities	6,972,935	0	34.33680	9.69	239,428	0
	Supportive Housing	10	0	3.54410	1.00	0	0
	Major Industry	47,114,900	0	30.33470	8.56	1,429,216	2
	Light Industry	84,318,000	1	25.73210	7.26	2,169,679	4
	Business/Other	1,397,713,614	12	13.55380	3.82	18,944,331	33
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	11,023,578	0	3.54410	1.00	39,069	0
	Farm	38,888	0	3.54410	1.00	138	0
	Totals	**11,537,738,175**	**100**			**58,229,392**	**100**
North Vancouver (City)	Residential	10,475,699,827	83	2.38015	1.00	24,933,737	53
	Utilities	8,840,180	0	40.00000	16.81	353,607	1
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	114,108,100	1	33.22527	13.96	3,196,560	7
	Light Industry	38,833,900	0	9.14484	3.84	355,130	1
	Business/Other	1,950,553,500	15	9.14484	3.84	17,837,500	38
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	5,669,600	0	3.48374	1.46	19,751	0
	Farm	0	0	0.00000	0.00	0	0
	Totals	**12,593,705,107**	**100**			**46,696,285**	**100**

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	Residential	23,477,770,817	93	2.36446	1.00	55,512,250	72
(District)	Utilities	2,425,964	0	40.00000	16.92	97,039	0
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	222,460,600	1	41.17101	17.41	7,322,577	9
	Light Industry	38,821,100	0	19.52785	8.26	758,093	1
	Business/Other	1,548,298,930	6	8.53774	3.61	13,218,974	17
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	30,125,400	0	6.07360	2.57	182,970	0
	Farm	0	0	0.00000	0.00	0	0
	Totals	**25,319,902,811**	**100**			**77,091,901**	**100**
Pitt Meadows	Residential	2,565,229,502	85	3.72580	1.00	9,557,532	61
	Utilities	5,939,730	0	38.99830	10.47	231,639	1
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	3,494,400	0	35.39380	9.50	123,680	1
	Light Industry	43,331,600	1	16.23280	4.36	703,393	4
	Business/Other	376,109,200	12	11.85360	3.18	4,458,248	28
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	23,011,500	1	9.81360	2.63	225,826	1
	Farm	15,485,582	1	29.06700	7.80	450,119	3
	Totals	**3,032,601,514**	**100**			**15,750,438**	**100**
Port Coquitlam	Residential	8,155,923,104	83	3.71290	1.00	30,282,127	56
	Utilities	8,225,335	0	40.00000	10.77	329,013	1
	Supportive Housing	4	0	3.71290	1.00	0	0
	Major Industry	0	0	13.70770	3.69	0	0
	Light Industry	423,350,600	4	14.98440	4.04	6,343,655	12
	Business/Other	1,285,455,851	13	13.07080	3.52	16,801,936	31
	Managed Forest	0	0	40.00000	10.77	0	0
	Recreation	6,981,200	0	13.56860	3.65	94,725	0
	Farm	866,853	0	22.72620	6.12	19,700	0
	Totals	**9,880,802,947**	**100**			**53,871,157**	**100**
Port Moody	Residential	6,158,560,122	92	3.30760	1.00	20,370,053	67
	Utilities	2,476,695	0	38.71190	11.70	95,878	0
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	94,710,300	1	61.87760	18.71	5,011,251	17
	Light Industry	29,710,700	0	18.68370	5.65	555,106	2
	Business/Other	423,968,791	6	9.84060	2.98	4,172,107	14
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	11,087,100	0	2.43670	0.74	27,016	0
	Farm	0	0	0.00000	0.00	0	0
	Totals	**6,720,513,708**	**100**			**30,231,411**	**100**
Richmond	Residential	45,026,857,841	82	2.00128	1.00	90,111,350	54
	Utilities	19,684,767	0	39.90000	19.94	785,422	0
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	111,751,800	0	14.43540	7.21	1,613,182	1
	Light Industry	1,614,401,900	3	8.99880	4.50	14,527,680	9
	Business/Other	8,046,567,614	15	7.53569	3.77	60,636,439	36
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	111,935,100	0	1.91058	0.95	213,861	0
	Farm	26,572,011	0	11.94322	5.97	317,355	0
	Totals	**54,957,771,033**	**100**			**168,205,289**	**100**

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	68,751,824,306	87	2.35469	1.00	161,889,233	69
	Utilities	52,637,014	0	33.12669	14.07	1,743,690	1
	Supportive Housing	8	0	0.00000	0.00	0	0
	Major Industry	105,046,200	0	11.42530	4.85	1,200,184	1
	Light Industry	1,509,318,000	2	6.31681	2.68	9,534,075	4
	Business/Other	8,616,385,649	11	7.07036	3.00	60,920,948	26
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	124,826,100	0	2.28910	0.97	285,739	0
	Farm	34,296,883	0	2.48976	1.06	85,391	0
	Totals	**79,194,334,160**	**100**			**235,659,261**	**100**
West Vancouver	Residential	27,347,527,434	97	1.81450	1.00	49,622,089	92
	Utilities	9,762,170	0	9.02550	4.97	88,108	0
	Supportive Housing	0	0	0.00000	0.00	0	0
	Major Industry	2,653,000	0	13.21930	7.29	35,071	0
	Light Industry	0	0	13.21930	7.29	0	0
	Business/Other	812,432,900	3	4.75440	2.62	3,862,631	7
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	58,760,100	0	4.56520	2.52	268,252	0
	Farm	0	0	0.00000	0.00	0	0
	Totals	**28,231,135,604**	**100**			**53,876,150**	**100**
White Rock	Residential	4,767,310,206	95	3.55618	1.00	16,953,413	89
	Utilities	5,640,940	0	22.96472	6.46	129,543	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	223,932,202	4	8.70679	2.45	1,949,731	10
	Managed Forest	0	0	0.00000	0.00	0	0
	Recreation	4,361,400	0	3.42389	0.96	14,933	0
	Farm	0	0	0.00000	0.00	0	0
	Totals	**5,001,244,748**	**100**			**19,047,619**	**100**

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

	Residential	Utilities	Supportive Housing	Major Industry	Light Industry	Business & Other	Recreational & Non-profit	Farm	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6	Class 8	Class 9	
ASSESSMENT BASE									
2012 Revised Roll	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
2012 Adjustments	(2,130,300)	(2,121,000)	0	0	16,474,600	(73,268,300)	6,514,000	0	(54,531,000)
2012 Supplementary Roll	178,156,936,947	182,689,594	72	196,363,400	711,115,400	31,367,552,317	303,104,300	105,145	210,917,867,175
Share of Assessment Base	*84.47%*	*0.09%*	*0.00%*	*0.09%*	*0.34%*	*14.87%*	*0.14%*	*0.00%*	*100.00%*
2013 Market Change	434,925,532	12,453,856	2	(3,348,300)	26,020,300	1,986,081,910	1,651,200	(2)	2,457,784,498
	178,591,862,479	195,143,450	74	193,015,100	737,135,700	33,353,634,227	304,755,500	105,143	213,375,651,673
Share of Assessment Base	*83.70%*	*0.09%*	*0.00%*	*0.09%*	*0.35%*	*15.63%*	*0.14%*	*0.00%*	*100.00%*
2013 Non-market Change									
Class Transfers	203,780,995	494,300	6	0	(1,875,300)	(53,625,300)	7,256,800	7,838	156,039,339
Other	1,589,884,404	(1,000)	0	0	(2,309,800)	86,229,500	0	0	1,673,803,104
New Construction	1,440,452,250	(8,627,000)	0	(622,000)	(275,000)	150,881,050	0	0	1,581,809,300
	3,234,117,649	(8,133,700)	6	(622,000)	(4,460,100)	183,485,250	7,256,800	7,838	3,411,651,743
2013 Assessment Base for Tax Rate Calculation	**181,825,980,128**	**187,009,750**	**80**	**192,393,100**	**732,675,600**	**33,537,119,477**	**312,012,300**	**112,981**	**216,787,303,416**
Share of Assessment Base	*83.87%*	*0.09%*	*0.00%*	*0.09%*	*0.34%*	*15.47%*	*0.14%*	*0.00%*	*100.00%*
GENERAL PURPOSE TAX LEVY									
2012 Opening Tax Levy	319,957,650	7,081,765	0	6,280,401	5,783,322	261,764,639	532,649	189	601,400,616
2012 Roll Adjustments	(3,826)	(81,275)	0	0	137,161	(610,005)	11,699	0	(546,245)
2012 Adjusted Tax Levy	319,953,825	7,000,490	0	6,280,401	5,920,484	261,154,635	544,348	189	600,854,370
Share of Tax Levy	*53.25%*	*1.17%*	*0.00%*	*1.05%*	*0.99%*	*43.46%*	*0.09%*	*0.00%*	*100.00%*
2013 Non-market Change	3,213,417	17,696	0	0	(33,614)	255,287	12,962	14	3,465,762
2013 New Construction	2,580,623	(309,481)	0	(20,239)	(2,209)	1,181,379	0	0	3,430,073
	5,794,040	(291,785)	0	(20,239)	(35,822)	1,436,666	12,962	14	6,895,835
2013 Base Tax Levy (before tax increase)	**325,747,864**	**6,708,705**	**0**	**6,260,162**	**5,884,661**	**262,591,300**	**557,310**	**203**	**607,750,206**
Share of Tax Levy	*53.60%*	*1.10%*	*0.00%*	*1.03%*	*0.97%*	*43.21%*	*0.09%*	*0.00%*	*100.00%*
2013 Tax Increase	4,430,171	91,238	0	85,138	(66,682)	3,717,910	7,579	3	8,265,358
2013 Final Tax Levy (after tax increase)	**330,176,345**	**6,799,943**	**0**	**6,345,300**	**5,817,979**	**266,309,211**	**566,580**	**205**	**616,015,563**
Share of Tax Levy	*53.60%*	*1.10%*	*0.00%*	*1.03%*	*0.94%*	*43.23%*	*0.09%*	*0.00%*	*100.00%*

Note: Total tax levy $616 million – Forgone taxes on eligible Port properties $1 million = Council-approved tax levy $615 million

1. OBJECTIVES

While Vancouver's property tax regime generally functions well, it is important to ensure that the City's tax policies continue to be progressive and current in meeting the needs of residents and businesses, and align with City Council's public policy objectives and long-term goals with regards to economic, social, fiscal and environmental sustainability. City Council will reconvene the Property Tax Policy Review Commission to work with City staff on the following areas:

- enhance tax stability & predictability
- achieve an appropriate tax share among residential & business property classes

2. BACKGROUND/CONTEXT

2.1 Property Tax Policy Review by the Commission (2007)

Key recommendations brought forward by the Commission and adopted by City Council in March 2008:

2.1.1 Tax Stability & Predictability

Seek Vancouver Charter amendments to enable the City to use up to 5 years of land values, as opposed to 3 years currently allowable, in the land assessment averaging formula for calculating property taxes (Status: Vancouver Charter amendments enacted by the Province in Spring 2013)

2.1.2 Tax Distribution

- continue with the "tax share" approach
- achieve a target distribution of 52% residential and 48% non-residential (2007 Assessment Roll) by shifting $23.8 million of tax levy proportionately from Classes 2, 4, 5 and 6 to Classes 1, 8 and 9 at a rate of 1% of the overall tax levy per year until the $23.8 million target is achieved to avoid the significant impact of the shift in one year *(Status: Completed in 2012)*

2.2 Council Motions (Spring 2012)

2.2.1 Tax Stability & Predictability

On February 28, 2012, City Council instructed staff to report back on ideas raised by the Vancouver Fair Tax Coalition with regards to tax stability and predictability, and how to achieve a fairer property tax system recognizing the current challenges

2.2.2 Tax Distribution

On April 19, 2012, Council instructed staff to monitor the differential of business taxes and business investment in Vancouver and neighboring municipalities and report back.

3. DELIVERABLES

The Commission will report to Council on the following items.

3.1 Assess Viable Options to Enhance Property Tax Stability & Predictability

3.1.1 Define the top three to five key issues that drive volatility in property assessed values (land and improvement), which may include but are not limited to market forces, actual and/or anticipated zoning changes, and underdeveloped properties valued at full development potential.

3.1.2 Determine how various property assessment methodologies under the Assessment Act may contribute to the significant changes in property assessed values (land and improvement).

3.1.3 Benchmark significance of property assessment volatility in Vancouver versus other comparator municipalities in BC, expressed as a % of properties and/or assessment base, # of properties, etc., by key factors/categories outlined in 3.1.1.

3.1.4 Explore viable mitigation strategies through research of best practices and review of practices deployed by other municipalities (Canadian and international) that could address issues identified in 3.1.1 and 3.1.2, and determine whether changes should be considered within the existing legislative framework at the provincial and/or municipal level. A number of strategies have been suggested by organizations including the Property Tax Policy Review Commission, City of Richmond, Vancouver Fair Tax Coalition, and Vancouver Board of Trade, such as:

- land assessment averaging
- land & improvement assessment averaging
- tax incentives
- split assessment
- value-in-use as going concern

3.1.5 Recommend to City Council any viable option(s) for Vancouver that align with City Council's property taxation framework and long-term goals with regards to economic, social, fiscal and environmental sustainability, along with a workable implementation strategy.

3.2 Assess Viable Options for Tax Distribution

3.2.1 Provide advice to Council on criteria for assessing the tax share among residential and non-residential property classes. Such criteria may include but are not limited to: benefits received, ability to pay, equal treatment of equals, accountability, stability and predictability, cost of administration, socio-economic and business impacts.

3.2.2 Recommend to Council a set of metrics for monitoring tax share over the long term and its impact on residents and businesses. Where possible, the metrics should indicate how the tax share align with City Council's public policy objectives, and enable meaningful comparisons between Vancouver and other comparator municipalities in BC considering the differences in property tax policy framework, real estate market, property values and types, and land use policies.

3.2.3 Provide advice to Council whether the 52% residential and 48% business (based on 2007 Assessment Roll) achieved in 2012 continues to be an appropriate tax share that aligns with City Council's public policy objectives and long-term goals with regards to economic, social, fiscal and environmental sustainability. Should a new tax share target be considered, provide advice to Council on a workable strategy and timeline for achieving the new tax share target.

4. GUIDING PRINCIPLES

4.1 **Alignment with City Council's Public Policy Objectives** – Advice of the Commission should align with City Council's public policy objectives and long-term goals with regards to economic, social, fiscal and environmental sustainability

4.2 **Objectivity** – The Commission should serve objectively and make recommendations that aim to achieve the best possible outcome for Vancouver as a whole, without favoring any one stakeholder group over another.

4.3 **Balanced Approach** – The Commission should balance the impact of property tax policies on all classes of property taxpayers.

4.4 **Easy to Understand & Administer** – Advice of the Commission should be reasonably easy to understand by property taxpayers and the general public, and can be effectively administered by the City within the existing legislative framework and resources.

4.5 **Consultation** – The Commission should engage the business community, residential property taxpayers, and other key stakeholders throughout the process, and consider their input in formulating their recommendations.

4.6 **"Tax-Share" Approach** – Advice of the Commission should be developed within City Council's current property tax policy framework of a "tax share" approach where the share of the total general purpose tax levy for each property class is determined by City Council rather than by aggregate assessed values of each property class.

4.7 **Municipal Property Tax Only** – The work of the Commission should be limited to property tax levied by the City of Vancouver (termed "general purpose tax levy"), and should not include property taxes levied by other taxing authorities.

4.8 **Transparency** – The work of the Commission, including but not limited to public consultation, data/policy analyses, and advices/recommendations, should be documented and accessible by the public.

5. SCHEDULE

5.1 The Commission is expected to deliver interim recommendations to City Council by October 2013 and final recommendations by December 2013.

5.2 The stakeholder consultation process will include opportunities for public input; the specific details and schedule for this process will be determined by the Commission, in consultation with the Director of Finance and the Director of Communications.

6. WORKING RELATIONSHIPS

6.1 **Vancouver City Council** – The Commission will provide advice to City Council that address each of the items listed in the Deliverables section of these Terms of Reference.

6.2 **City of Vancouver Staff** – City staff support will be made available to the Commission. The Director of Finance will provide applicable financial and non-financial policies and data as requested by the Commission, and will coordinate the Commission's requests for any other staff support and/or services.

6.3 **Vancouver Economic Commission** – The Commission, in consultation with the Director of Finance, will incorporate into their work input from the Vancouver Economic Commission as it relates to the Vancouver Economic Action Strategy.

6.4 **BC Assessment Authority** – The Commission, in consultation with the Director of Finance, will incorporate into their work input from BC Assessment on property assessment policies and issues, and obtain assessment data of Vancouver and other comparator municipalities in BC required for analytical and benchmark purposes

6.5 **External Stakeholders** – The Commission, in consultation with the Director of Finance and the Director of Communications, will determine the appropriate process for incorporating into their work input from various classes of property taxpayer groups, plus any other stakeholders that wish to have input into this process.

6.6 **Professional and Academic Experts** – In the course of their work, the Commission may wish to consult various processional and/or academic experts in the field of property taxation, public finance, social policy, economics, real estates and property appraisals.

7. HONORARIA & BUDGET

7.1 The Commission will be allocated a budget of up to $70,000.

7.2 $28,000 of the budget will be allocated to honoraria for the Commissioners: $12,000 to the Chair and $8,000 to each of the other two Commissioners.

7.3 $42,000 of the budget will be allocated to discretionary spending which will be determined by the Chair in consultation with the Director of Finance.