

Report Date: March 18, 2015
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Meeting Date: March 25, 2015

TO: Standing Committee on Planning, Transportation and Environment
FROM: Director of Finance
SUBJECT: 2015 Property Taxation: Targeted 3-year Land Assessment Averaging

RECOMMENDATION

- A. THAT Council approve the application of targeted 3-year land assessment averaging in 2015 for the purpose of calculating property taxes for Residential (Class 1), Light Industrial (Class 5), and Business & Other (Class 6) properties.
- B. THAT, in addition to the standard exclusions as outlined in the annual Land Assessment Averaging By-laws, Council adopt a “threshold” of 10% above the property class average change for Class 1 and for Classes 5 & 6 to define eligibility for targeted averaging;

FURTHER THAT the 2015 property class average change for Class 1 and for Classes 5 & 6 be finalized upon receipt of the 2015 Revised Assessment Roll in April.
- C. THAT properties impacted by the Zoning and/or Official Development Plan changes initiated by the Director of Planning as part of the West End, Downtown Eastside and Marpole Community Plans be considered for targeted 3-year land assessment averaging subject to the “threshold” as per Recommendation B.
- D. THAT Council instruct the Director of Legal Services, in consultation with the Director of Finance, to prepare a by-law authorizing the use of targeted 3-year land assessment averaging that reflects Council’s decision on Recommendations A, B and C.
- E. THAT, subject to adoption of the by-law, Council instruct the Director of Finance to make appropriate arrangements with BC Assessment for the production of the 2015 Average Assessment Roll at an estimated cost of \$25,000 plus applicable taxes; source of funding to be the 2015 Operating Budget.
- F. THAT Council direct staff to reaffirm the City’s request to the Province for an amendment to the Vancouver Charter to enable the use of the “threshold” value as a taxable value (in addition to the assessed value provided by BC Assessment and the averaged value derived from the land assessment averaging formula) for the calculation of property taxes.

REPORT SUMMARY

The purpose of this report is to seek Council approval to implement *targeted 3-year land assessment averaging* (recommended by the Property Tax Policy Review Commission “PTPRC”) in 2015, a transition from *across-the-board 3-year land assessment averaging* which has been in place since 1993, for the purpose of calculating property taxes for residential (Class 1), light industrial (Class 5), and business (Class 6) properties, including those eligible properties that are impacted by the Zoning and/or Official Development Plan changes initiated by the Director of Planning in relation to the West End, Downtown Eastside and Marpole Community Plans as outlined in the report.

Unlike *across-the-board averaging*, which is applied to the vast majority of residential, light industrial and business properties, whether or not the properties have experienced significant year-over-year increases in property values, *targeted averaging* applies only to “hot” properties (defined as those that have experienced significant year-over-year increases in property values above the “threshold” set by Council). The intent of the policy is to reduce the level of tax increases on the targeted properties until such time as the property is no longer “hot”. *Targeted averaging* focuses only on “hot” properties above the “threshold”, and properties below the “threshold” will be left untouched by averaging and pay taxes based on their BC Assessment values.

Land assessment averaging is an optional tool available to Council under the *Vancouver Charter*, which complements other provincial measures such as Section 19(8) of the *Assessment Act*, Property Tax Deferment and the Home Owner Grant, in alleviating tax impact on eligible properties. To-date, Vancouver is the only municipality in British Columbia that uses land assessment averaging to phase in property tax impacts arising from assessment volatility at a city-wide level.

As outlined in the body of the report, in May 2011, the Province enacted *2011 Municipalities Enabling & Validating Act (No. 4)* in response to the City of Richmond’s request for specific authority to provide targeted, transitional tax relief to eligible light industrial and business properties in the Brighouse neighborhood. It does not apply to other areas in Richmond or other municipalities in British Columbia. Staff is not aware of any other mechanisms being deployed elsewhere in the province.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Since 1993, it has been Council policy to apply 3-year land assessment averaging for the purpose of calculating property taxes for residential (Class 1) and business (Class 6) properties; in 2007, Council extended the program to light industrial (Class 5) properties.

Section 374.4 of the *Vancouver Charter* allows Council to consider the application of land assessment averaging each year. If Council decides to proceed, a by-law must be adopted before March 31 authorizing the use of such a mechanism. Each year, Council can also specify certain eligibility requirements for properties to be considered for averaging in the by-law.

In 2013, the Province amended sections 374.4 (12) and (13) of the *Vancouver Charter* to allow Council to establish, by by-law, the number of preceding years to be applied in determining the average land value, up to a maximum of five years, for the purpose of land assessment averaging. Once the choice is made, the number of years used in the averaging formula must be held for five years. 2014 was the first year that the averaging program was governed by the amendment. In March 2014, Council approved the continuation of *across-the-board 3-*

year land assessment averaging pending staff analysis and a report back on the PTPRC recommendations. Under this amendment, a shift to 5-year land assessment averaging could not be considered until 2019.

In 2007, the PTPRC provided a thorough review of the City's property tax policy and made recommendations on tax redistribution from commercial to residential property classes and *across-the-board* 5-year land assessment averaging. After completing the 5-year, \$23.8 million tax shift program in 2012, Council reconvened the PTPRC in 2013 to provide an updated assessment of the tax share and assessment volatility issues, and recommend further actions for Council's consideration. The intent was to ensure that the City's tax policies continue to be progressive and current in meeting the needs of businesses and residents, and align with the broader public policies and long-term goals.

In July 2014, Council adopted the majority of the PTPRC recommendations presented in February 2014. In particular, Council instructed staff to implement the following with regards to *targeted land assessment averaging* in time for the 2015 tax year:

- i) Seek confirmation from the Province on the authority under section 374.4 of the *Vancouver Charter* to use a "threshold" value (e.g. 10% above class average change) to define eligibility for targeted averaging and, if necessary, request a change in regulation to effect such authority; and
ii) seek an amendment to the *Vancouver Charter* to allow the City to use the "threshold" value, in addition to the assessed value provided by BC Assessment and the averaged value derived from the averaging formula, as the taxable value for the calculation of property taxes.
- If the amendments are approved and enacted by the Province in time for the 2015 tax year, implement targeted land assessment averaging for Classes 1, 5 and 6 in two phases:
 - Phase I (2015) - targeted 3-year land assessment averaging
 - Phase II (2019) - targeted 5-year land assessment averaging
- If the amendments are *not* approved and enacted by the Province, in whole or in part, in time for the 2015 tax year, report back with an analysis on the implications of implementing targeted land assessment averaging, and make recommendations for Council's consideration no later than March 2015.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of the foregoing.

Leading global authorities have consistently ranked Vancouver as one of the most livable cities in the world, and in 2014 KPMG ranked the City as having one of the best business tax environments. To continue to capitalize on this competitive advantage, the City needs to maintain an affordable environment for businesses and residents.

While the City's property tax regime generally functions well, every tax system has inherent limitations and challenges. Over the years, tax share and assessment volatility have been top of mind issues within the business community. The challenge of assessment volatility is more prevalent on "hot" properties with triple net leases, where landlords transfer the entire tax burden to small business tenants while benefiting from the increase in property value upon sale or redevelopment.

In its report to Council in February 2014, the PTPRC found no evidence of an increasing business tax differential between Vancouver and other parts of the region, or of business investment moving to neighboring municipalities. This suggests that the tax shift program was effective in bringing the City's business tax share in line with our peers, and so no additional tax shift is currently contemplated. Staff is working on the metrics as recommended by the PTPRC and will start incorporating these as part of the annual Tax Distribution Report that will be brought forward to Council in April. The metrics will be incorporated into the City's economic performance evaluation framework currently being developed to help guide future tax distribution decisions.

With regards to property tax predictability and stability, at Council's direction, staff has been working diligently with the Province and BC Assessment since the summer of 2014 to prepare for transitioning from *across-the-board* averaging to *targeted averaging* in 2015. On February 20, 2015, the Province confirmed that, under section 374.4 of the *Vancouver Charter*, the City has the authority to use a "threshold" to define eligibility for *targeted averaging*. However, the City's request for additional authority to use the "threshold" value as a potential taxable value has not been granted. With Council support, staff will continue to pursue this request with the Province in time for the 2016 tax year. Even without this authority, staff considers *targeted averaging* superior to the *across-the-board averaging* for the reasons outlined in this report and recommend that Council approve the *targeted averaging* approach for 2015.

Apart from the significant progress made on the City's property tax policy and lowering the business tax share and tax rate ratio to 46% and 4.3 respectively (both at historical lows), Council has taken a number of proactive steps to enhance affordability and support economic development in Vancouver:

- keeping property tax increases and tax rates competitive among Metro Vancouver municipalities;
- bringing transformative changes to streamline City operations for greater efficiencies, reduced duplication, and improved oversight and accountability;
- implementing the Vancouver Economic Action Strategy launched in 2011;
- implementing Transportation 2040 to enable a sustainable, efficient transportation system; and
- adopting land use policies that preserve commercial and industrial space job space and promote affordable housing and childcare, and accessible recreational facilities to attract and retain workforce talent.

The result of these actions is significant, as there has been significant job growth in the city and commercial and office development activities have been robust in recent years. Vancouver continues to enjoy one of the lowest vacancy rates in Metro Vancouver.

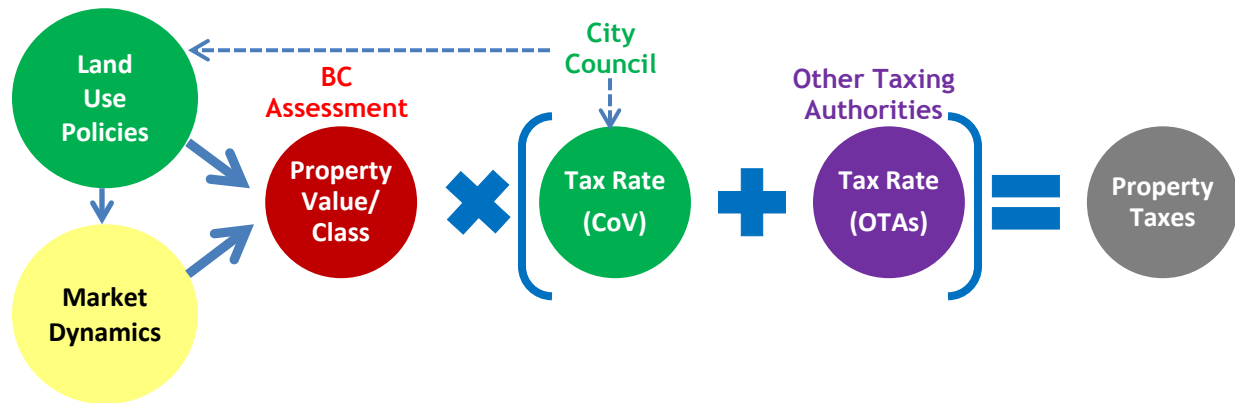
REPORT

Background/Context

British Columbia'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(es) 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 schools, 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.

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 the overall *Assessment Roll* value will not change the total general purpose tax levy generated from each property class, differential changes among properties within the same class will result in differential shifts in taxes paid by individual property owners from year to year. This situation is particularly prevalent in neighborhoods with significant growth opportunities and/or development potential where property values could experience a much higher increase relative to other areas in the City and, as a result, pay higher taxes.

Figure 2 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, rezonings) and tax shifts among property classes.

Figure 2: Impact of Property Value Changes 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 <i>at the same rate</i> as the property class average increase.
...more than the property class average change,	...will increase <i>more</i> than the property class average increase.
...less than the property class average change,	...will increase <i>less</i> than the property class average increase.

The following **Provincial tax relief measures** are available to residential property owners which can be applied independently or in combination to alleviate some taxation impact.

Assessment Act s19(8) - available to property owners who have continuously occupied their principal residence for at least 10 years; the land will be assessed based on current zoning rather than anticipated zoning and development potential. (2015: 517 properties)

Property Tax Deferral - available to property owners 55 years of age or older who occupy their principal residence and families with children under 18 years of age. (2014: 3,900 properties; 2015 applications in progress)

Home Owner Grant - available to property owners who occupy their principal residence of which the value falls within the qualifying range. (2014: 94,452 properties; 2015 applications in progress)

See Appendix E for the geographical distribution of properties that are under the above provincial tax relief programs.

Section 374.4 of the *Vancouver Charter* stipulates the legislative and administrative requirements for implementation of land assessment averaging as follows:

- a) **Land Assessment Averaging By-law** - Must be adopted before March 31.
- b) **Number of Preceding Years to be Applied in the Averaging Formula** - Sub-sections 12 & 13 (enacted in 2013) allows Council to establish, by by-law, the number of preceding years to be applied in determining the average land value, up to a maximum of five years, for the purpose of land assessment averaging. Once the choice is made, the number of years used in the averaging formula must be held for five years. 2014 was the first year that the averaging program was governed by the amendment. In March 2014, Council approved the continuation of *across-the-board* 3-year averaging pending staff analysis and a report back on the PRPRC recommendations. Under this amendment, a shift to 5-year land assessment averaging could not be considered until 2019.
- c) **Eligible Property Classes** - Residential (Class 1), light industrial and business (Classes 5 & 6) properties only.
- d) **Eligible Properties** - Eligibility and exemption criteria are stipulated in the *By-law*. For *targeted averaging*, the *By-law* must stipulate a "threshold" to define "hot" properties eligible for averaging. As Council can only establish one tax rate for each class, properties that are not eligible for averaging are also subject to the averaged tax rates.

- e) **Averaging Applies to All Taxes** - As averaging affects the taxable values for calculating taxes levied by the City as well as OTAs, a decision to apply averaging to a property class requires that adjustment be made to OTAs' tax rates to ensure revenue neutrality.
- f) **Public Notification** - Must be published in two consecutive issues of a newspaper at least two weeks in advance of the adoption of the *By-law*. For 2015, the notice was placed in Vancouver Sun on March 7 and 9, and has been on the City's website since March 7. A copy of the notice can be found in Appendix F.
- g) **Appeal Process** - The *By-law* provides for a municipal Court of Revision for appeals that cannot be resolved within the administrative processes provided for in the *Vancouver Charter*.

Please refer to Appendix A for further details on the Provincial tax relief measures and the City's land assessment averaging program.

Strategic Analysis

Similar to other Metro Vancouver municipalities, Vancouver has experienced cycles of active real estate markets from neighborhood to neighborhood which resulted in uneven property value increases and taxation impacts. Land assessment averaging is an optional mitigation tool available under the *Vancouver Charter* which complements the abovementioned provincial tax relief measures in alleviating tax impact on eligible properties. To-date, Vancouver is the only municipality in British Columbia that uses land assessment averaging to phase in property tax impacts arising from assessment volatility at a city-wide level.

In May 2011, the Province enacted *2011 Municipalities Enabling & Validating Act (MEVA) (No. 4)* in response to the City of Richmond's request for specific authority to provide targeted, transitional tax relief to eligible light industrial and business properties in the Brighthouse neighborhood. It does not apply to other areas in Richmond or other municipalities in British Columbia. The intent of that policy was to address the high vacancies and job loss arising from volatility in assessments and property taxes in the area, which were triggered by changes in Richmond's Official Community Plan (adopted in mid-2009) allowing higher density residential development in and around that neighborhood. In addition to exempting municipal taxes under the *Revitalization Tax Exemption* provision, the *2011 MEVA (No. 4)* enables partial exemption of the provincial school tax. The program runs from 2012 to 2016, starting with only 39 eligible properties in 2012 and reduced to 31 properties in 2015.

Staff is not aware of any other mechanisms being used elsewhere in the province.

In 2013, Council reconvened the PTPRC to provide an updated assessment of the tax share and assessment volatility issues, and recommend further actions as appropriate for Council's consideration. In its report to Council in February 2014, the PTPRC indicated that "hot" spots have been less prevalent in Vancouver since 2007. The PTPRC defines "hot" spots as properties that experience an unanticipated, year-over-year increase in total assessed value before land averaging is applied, which exceeds the average increase for the property class by more than 10%. "Hot" spots may result from a number of different factors, including rezoning, speculation, market trends, infrastructure development (e.g. rapid transit), and assessment changes initiated by BC Assessment.

Though not as prevalent, the PTPRC remained concerned about "hot" spots in the commercial sector, assessment volatility and resulting tax impact on businesses, particularly those that rent space under triple-net leases which could be hard hit by assessment spikes with no

ability of sharing any upside in property values upon redevelopment. In determining which mitigation tool is the most appropriate, the PTPRC sets out the following guiding principles:

- i) targeted
 - “hot” properties only, not all properties
 - unanticipated increases only, not owner-induced increases (rezoning, improvement upgrades)
- ii) tailored mitigation to intensity of volatility
- iii) time-limited to allow tenants time to react (re-negotiate, relocate)
- iv) easy to understand
- v) straightforward to administer
- vi) minimize unintended consequences
- vii) maintain market assessment as much as possible
- viii) not to unduly defer redevelopment to highest and best use

Of the following options considered:

- 3-year land assessment averaging (in place since 1993)
- 5-year land assessment averaging
- targeted 5-year land assessment averaging
- capping
- phase-in
- rebate program for tenants
- tax deferral
- split class assessment

the PTPRC concludes that the *targeted 5-year land assessment averaging* best meets the above guiding principles.

Unlike *across-the-board averaging*, which is applied to the vast majority of residential, light industrial and business properties whether or not the properties have experienced significant year-over-year increases in property values, *targeted averaging* applies to only “hot” properties (defined as those that have experienced significant year-over-year increases in property values above the “threshold” set by Council). The intent of the policy is to reduce the level of tax increases until such time as the property is no longer “hot”. Properties below the “threshold” will be left untouched and pay taxes based on their BC Assessment values. For those properties that are below the “threshold” but have experienced significant shift in value between land and improvement, they could be significantly disadvantaged by *across-the-board averaging*. Under *targeted averaging*, those properties will be left untouched, thereby avoiding any unintended consequences.

Figure 3 below outlines the key differences between *across-the-board averaging* and *targeted averaging*.

Figure 3: Across-the-board Averaging vs. Targeted Averaging

Across-the-board Averaging (Classes 1/5/6)	Targeted Averaging (Classes 1/5/6)
<ul style="list-style-type: none"> • apply to all properties whether or not intervention is require 	<ul style="list-style-type: none"> • apply only to “hot” properties above target threshold
<ul style="list-style-type: none"> • ongoing intervention 	<ul style="list-style-type: none"> • intervene only when a property is “hot”
<ul style="list-style-type: none"> • ~half of all properties pay higher tax to subsidize the other half 	<ul style="list-style-type: none"> • ~90% of properties pay slightly higher tax to subsidize ~10% properties
<ul style="list-style-type: none"> • property value could be adjusted higher 	<ul style="list-style-type: none"> • property value will only be adjusted lower or unchanged, never higher
<ul style="list-style-type: none"> • intervention blind to severity of volatility 	<ul style="list-style-type: none"> • tailored intervention to address severity of volatility • lower value towards, but not below, threshold

On February 20, 2015, the Province confirmed that, under section 374.4 of the *Vancouver Charter*, the City has the authority to use a “threshold” to define eligibility for *targeted averaging*. With this authority, the value of the target properties would be reduced through averaging, thereby reducing the level of tax increases. Depending on how the land values of individual target properties have changed over the recent three years, the impact of averaging will likely differ for each target property.

To ensure *targeted averaging* would not over mitigate a “hot” property, the City requires additional authority to limit the impact of averaging up to the “threshold” (10% above class average change). Without such authority, averaging could reduce the value of a target property below the “threshold”. As a result, some target properties could have an undue advantage over those properties that are not eligible for *targeted averaging*. As well, a “hot” property is defined as having a year-over-year increase in property value (difference between the current year’s BC Assessment value and the preceding year’s averaged value) above the “threshold”. If *targeted averaging* keeps reducing the value of a “hot” property below the “threshold”, the year-over-year increase would be arbitrarily higher. As a result, a “hot” property could stay in the *targeted averaging* program for longer than required, and a higher subsidy is necessary from other properties. With Council support, staff will continue to pursue this request with the Province in time for the 2016 tax year.

With regards to the potential use of *Revitalization Tax Exemption* to address “hot” properties in Vancouver, the PTPRC made the following comments:

- Current legislation does not envision the *Revitalization Tax Exemption* provision be used to combat hot spots.
- Exemptions only apply to municipal taxes; taxes levied by other taxing authorities are not exempt.
- Implementation would require the City to develop an onerous set of processes and procedures given the city-wide coverage and number of eligible properties.
- Relative to the program in Richmond, it would be more complicated for Vancouver as i) Richmond’s program is focused only on one geographic area and ii) it only applies to light industrial and business properties that experienced more than 100% increase in land value from 2005-2011; whereas Vancouver’s program would need to target “hot” properties that emerge as a result of assessment volatility in any given year across the city, including residential, light industrial and business properties.

IMPACT OF LAND ASSESSMENT AVERAGING

Staff has completed an analysis of the impact of *across-the-board averaging* and *targeted averaging* on properties within the residential (Class 1), light industrial and business (Classes 5 & 6) property classes based on the following:

- a) **Data Source** - The 2015 *Completed Roll* available at the time of this report; the 2015 *Revised Roll* which incorporates updates from the Property Assessment Review Panel decisions will not be available until April.
- b) **Eligibility Criteria** - The set of eligibility criteria and proxies used in the model is similar to those contained in the *By-law*, which excludes vacant land, new construction, class transfers, and other ineligible properties. For *targeted averaging*, a “threshold” of 10% above the class average increase is used to define “hot” properties as recommended by the PTPRC. Based on the *Completed Roll*, the average increase in property values (difference between the 2015 *Completed Roll* value and the 2014 *Average Roll* value) is 8.35% for the residential class and 15.96% for the light industrial and business classes, resulting in a “threshold” of 18.35% for Class 1 and 25.96% for Classes 5 & 6. The class average increase in property values will be finalized upon receipt of the *Revised Roll* in April.
- c) **Impact on General Purpose Tax Levy Only** - While averaging is applicable to all taxes levied by the City as well as OTAs, only the City’s general purpose tax levy is considered in the model as OTAs’ tax rates are not available at the time of this report. However, a similar pattern would apply.
- d) **Tax Shift** - None contemplated for 2015, which is consistent with the PTPRC’s recommendations presented in February 2014 and adopted by Council in July 2014.

Subject to the 2015 *Revised Roll* as well as Council’s decision on tax distribution in April 2015, the impact of land assessment averaging presented in this report could change.

I. Residential (Class 1) Properties

Compared to the 2014 *Revised Roll*, the 2015 *Completed Roll* indicates a year-over-year increase of \$17.8 billion (9.6%) in the total assessed value for the residential property class, of which \$14.6 billion (7.9%) is from an increase in market value and \$3.2 billion (1.7%) is from non-market changes (e.g. new constructions, inter-class transfers, rezonings) that may not be eligible for land assessment averaging.

On March 3, 2015, Council approved an overall tax levy of \$656.5 million. Assuming no tax shift in 2015, the tax levy to be collected from the residential property class would be \$354.6 million. Tax rates are calculated based on the total taxable value on the *Assessment Roll*. As averaging reduces the total taxable value of a property class, the tax rate will be adjusted higher to collect the same amount of tax levy.

As illustrated in Figure 4 below, applying *across-the-board averaging* reduces the total taxable value from \$202.9 billion to \$192.5 billion and increases the tax rate from \$1.75 to \$1.84 per \$1,000 taxable value (5.4%). Applying *targeted averaging* reduces the total taxable value slightly from \$202.9 billion to \$200.8 billion and increases the tax rate slightly from \$1.75 to \$1.77 per \$1,000 taxable value (1%).

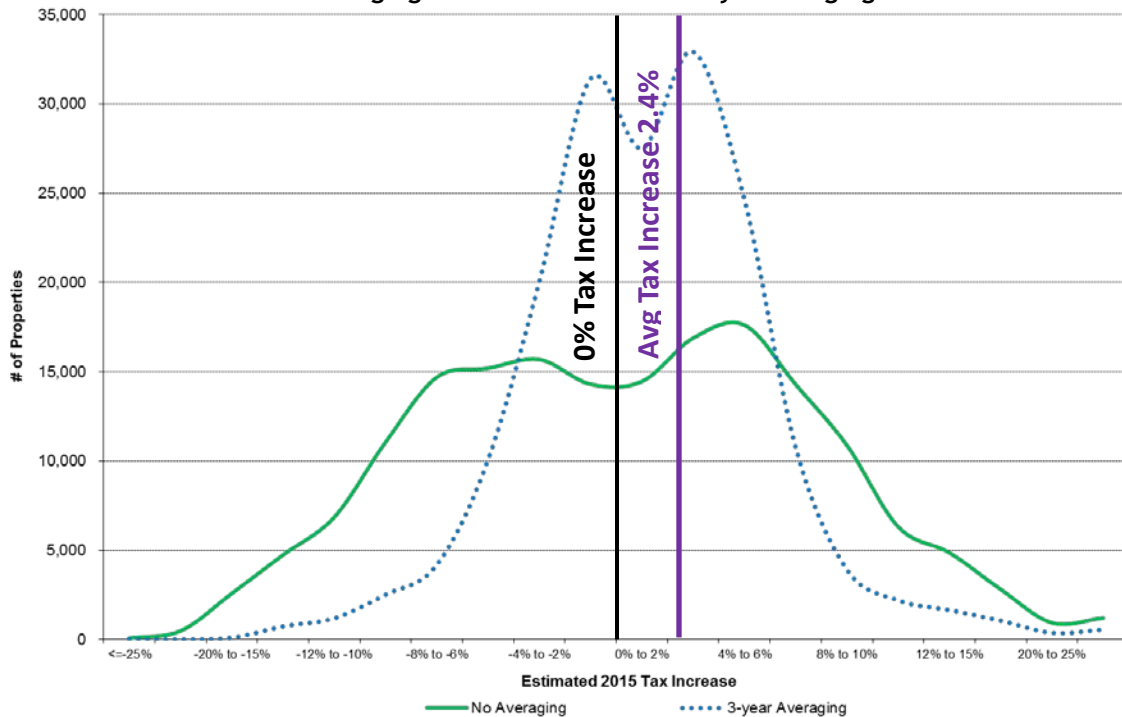
Figure 4: Residential (Class 1) Properties
Estimated Impact of Land Assessment Averaging on 2015 Taxable Value & Tax Rate

Class 1 - Residential	No Averaging (BCA Value)	3-yr Land Assessment Averaging	
		Across-the-board (since 1993)	Targeted (Recommended)
Taxable Value	\$202.9B	\$192.5B	\$200.8B
Tax Rate (per \$1,000 Taxable Value)	\$1.74789	\$1.84224	\$1.76561
(% adjustment in tax rate)	-	(+5.4%)	(+1%)
Target General Purpose Tax Levy	\$354.6M	\$354.6M	\$354.6M

As mentioned above, the City does not have authority to limit the impact of *targeted averaging* up to the “threshold” (10% above class average change). As such, *targeted averaging* could reduce the value of a “hot” property below the “threshold”, resulting in a higher subsidy from the rest of the properties to offset the tax relief. If the City were granted this authority, the adjustment to the tax rate for residential (Class 1) properties from no averaging to *targeted averaging* could reduce from ~1% to ~0.5%. With Council support, staff will continue to pursue this request with the Province in time for the 2016 tax year.

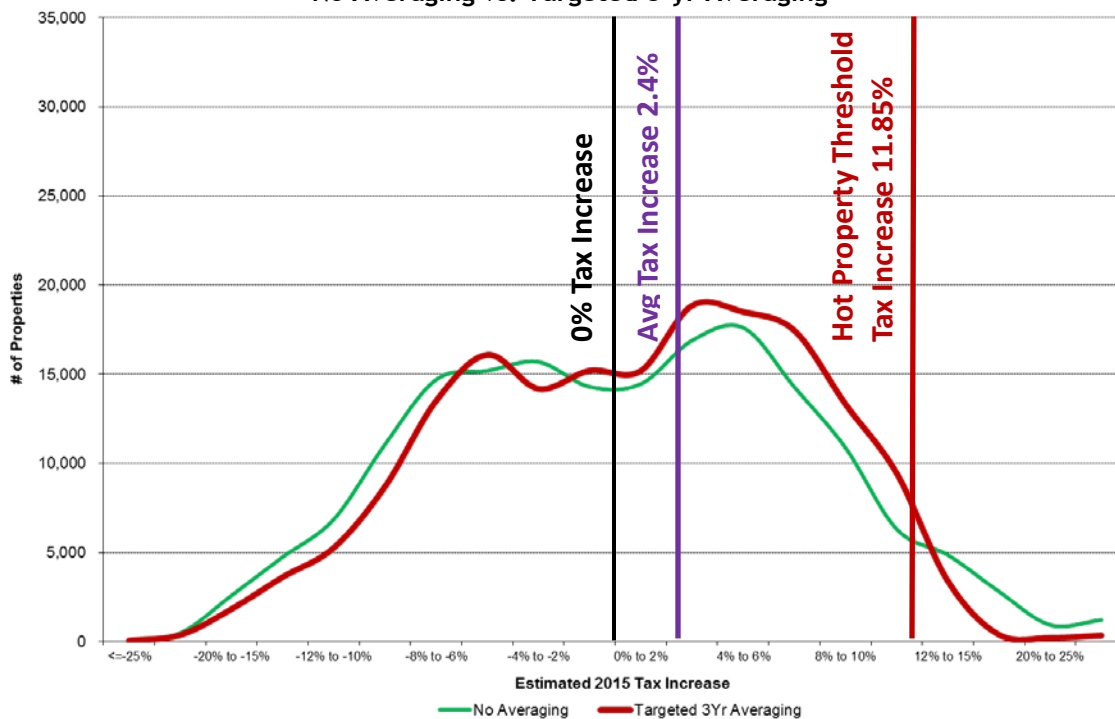
Figures 5 and 6 below demonstrate the estimated impact of land assessment averaging on property tax increases in 2015 for residential (Class 1) properties under *across-the-board averaging* and *targeted averaging*. In March 2015, Council approved the 2015 budget with an estimated tax increase of 2.4%. However, individual properties could experience a tax increase different from the Council-approved tax increase, depending on how a property’s value has changed relative to average change within its class.

Figure 5: Estimated Property Tax Increase - Residential (Class 1)
No Averaging vs. Across-the-board 3-yr Averaging



As shown in Figure 5, with *across-the-board* averaging, more properties will experience a property tax increase closer to the average tax increase of 2.4% and fewer properties will experience significant increases or decreases. Certain properties that would see a substantial tax reduction based on BC Assessment values (no averaging) would instead have a much smaller tax reduction or even a tax increase under *across-the-board averaging* to subsidize the tax relief for those paying above average tax increase.

**Figure 6: Estimated Property Tax Increase - Residential (Class 1)
No Averaging vs. Targeted 3-yr Averaging**



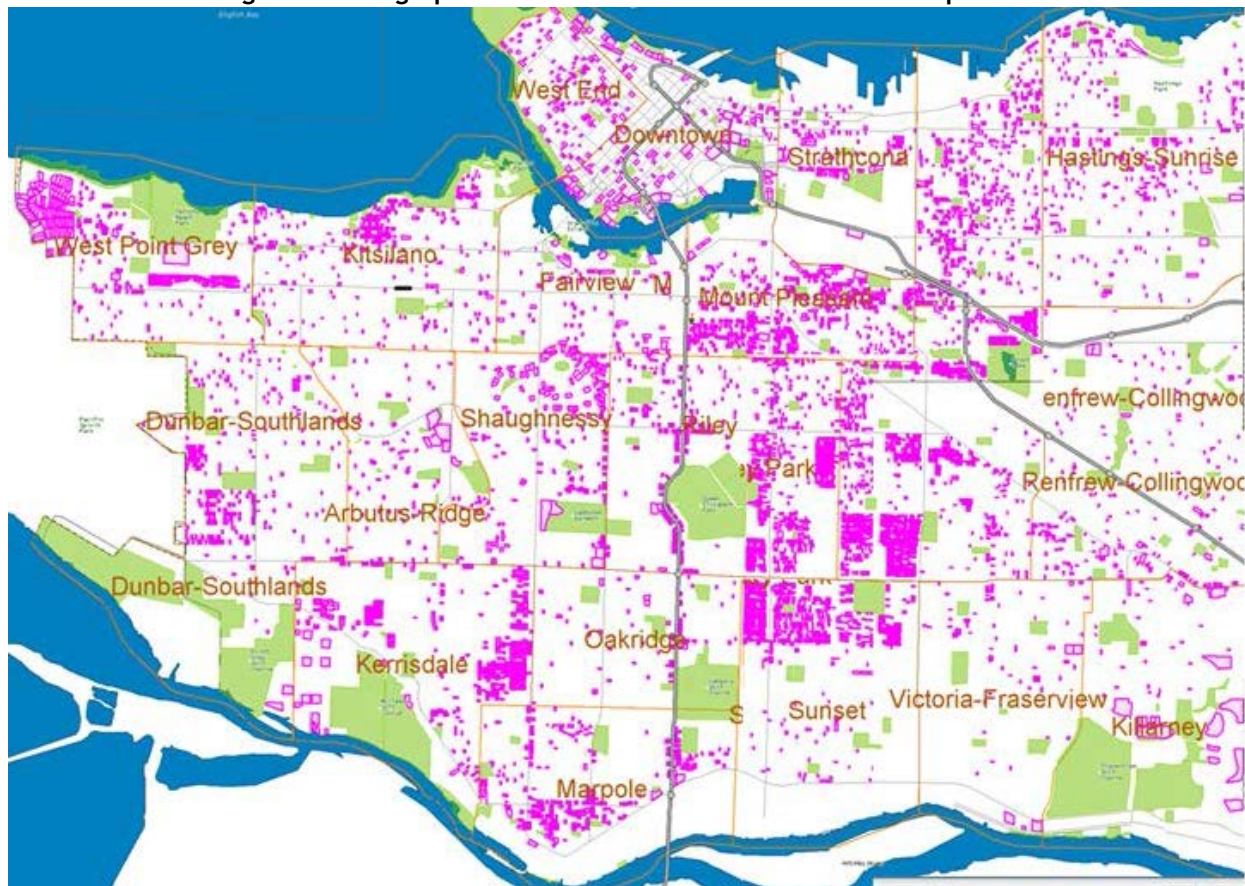
As shown in Figure 6, with *targeted 3-year averaging*, 9,900 properties (5.6%) are above the “threshold” and deemed “hot” and will be eligible for averaging. The vast majority of properties below the “threshold” will pay slightly higher taxes to subsidize the tax relief for those “hot” properties.

The PTPRC recommended a “threshold” of 10% above the class average increase be used to define “hot” properties. Based on the *Completed Roll*, the average increase in residential property values (difference between the 2015 *Completed Roll* value and the 2014 *Average Roll* value) is $\sim 8.35\%$, resulting in a “threshold” of $\sim 18.35\%$. The class average increase in property values will be finalized upon receipt of the *Revised Roll* in April. If a residential property experiences an increase of $\sim 8.35\%$ in value (class average increase), it will receive a property tax increase of $\sim 2.4\%$ (average tax increase). If a residential property experiences an increase in value above 18.35% (“threshold”), it will receive a property tax increase above 11.85% .

The impact of *across-the-board* and *targeted* land assessment averaging on sample residential (Class 1) properties is presented in Appendix B.

Figure 7 below shows the geographical distribution of “hot” residential properties that have experienced a year-over-year increase in property values above the “threshold” and would be eligible for *targeted averaging*.

Figure 7: Geographical Distribution of Hot Residential Properties



II. Light Industrial & Business (Classes 5 & 6) Properties

Since 2000, the light industrial and business (Classes 5 & 6) properties have been “blended” for the purpose of calculating property taxes, i.e. the tax rates for these classes are the same.

Compared to the 2014 *Revised Roll*, the 2015 *Completed Roll* indicates a year-over-year increase of \$4.7 billion (12.8%) in the combined assessed value for the light industrial and business property classes, of which \$3.8 billion (10.4%) is from an increase in market value and \$0.9 billion (2.4%) is from non-market changes (e.g. new construction, inter-class transfers, rezonings) that may not be eligible for land assessment averaging.

On March 3, 2015, Council approved an overall tax levy of \$656.5 million. Assuming no tax shift in 2015, the tax levy to be collected from the light industrial and business property classes would be \$289.5 million.

As illustrated in Figure 8 below, applying *across-the-board averaging* reduces the combined taxable value from \$41.1 billion to \$38 billion and increases the blended tax rate from \$7.05 to \$7.61 per \$1,000 taxable value (8%). Applying *targeted averaging* reduces the total

taxable value from \$41.1 billion to \$39.6 billion and increases the tax rate from \$7.05 to \$7.31 per \$1,000 taxable value (3.8%).

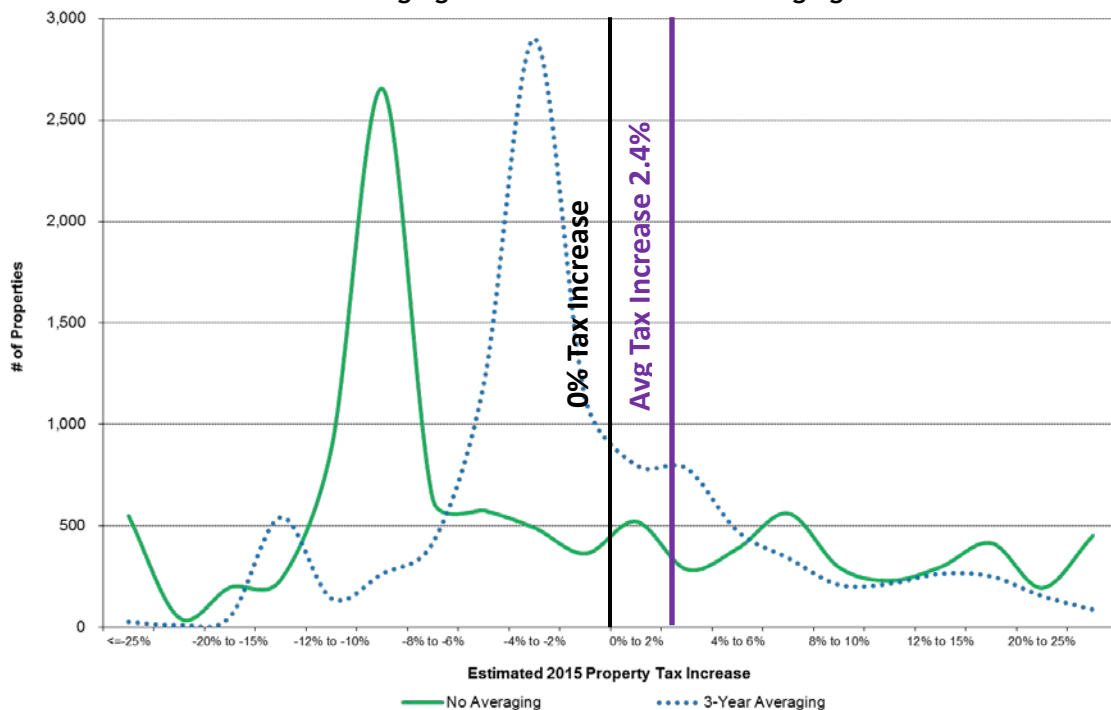
**Figure 8: Light Industry & Business (Classes 5 & 6)
Estimated Impact of Averaging on 2015 Taxable Value & Tax Rate**

Class 5 & 6 - Light Industrial & Business	No Averaging (BCA Value)	3-yr Land Assessment Averaging	
		Across-the-board (since 1993)	Targeted (Recommended)
Taxable Value	\$41.1B	\$38B	\$39.6B
Tax Rate (per \$1,000 Taxable Value)	\$7.04529	\$7.61131	\$7.31261
(% adjustment in tax rate)	-	(+8%)	(+3.8%)
Target General Purpose Tax Levy	\$289.5M	\$289.5M	\$289.5M

If the City were granted the authority to limit the impact of *targeted averaging* up to the “threshold” (10% above class average change), the adjustment to the tax rate for light industrial and business (Classes 5 & 6) properties from no averaging to *targeted averaging* could reduce from ~3.8% to ~2.6%.

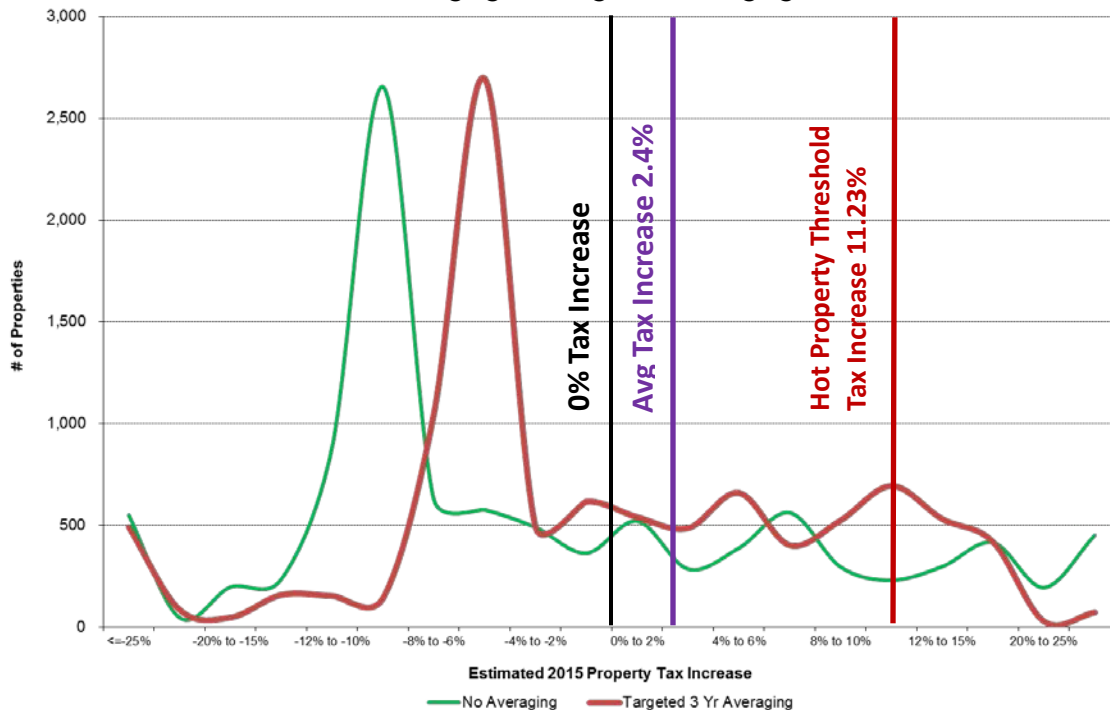
Figures 9 and 10 below demonstrate the estimated impact of land assessment averaging on property tax increases in 2015 for light industrial and business (Classes 5 & 6) properties under *across-the-board averaging* and *targeted averaging*. In March 2015, Council approved the 2015 budget with an estimated tax increase of 2.4%. However, individual properties could experience a tax increase different from the Council-approved tax increase, depending on how a property’s value has changed relative to average change within its class.

**Figure 9: Estimated Property Tax Increase - Light Industry & Business (Classes 5 & 6)
No Averaging vs. Across-the-board Averaging**



As shown in Figure 9, with *across-the-board* averaging, a large number of properties that would see a substantial tax reduction based on BC Assessment values (no averaging) would instead have a much smaller tax reduction or even a tax increase under *across-the-board averaging* to subsidize the tax relief for those paying above average tax increase.

**Figure 10: Estimated Property Tax Increase - Light Industry & Business (Classes 5 & 6)
No Averaging vs. Targeted Averaging**

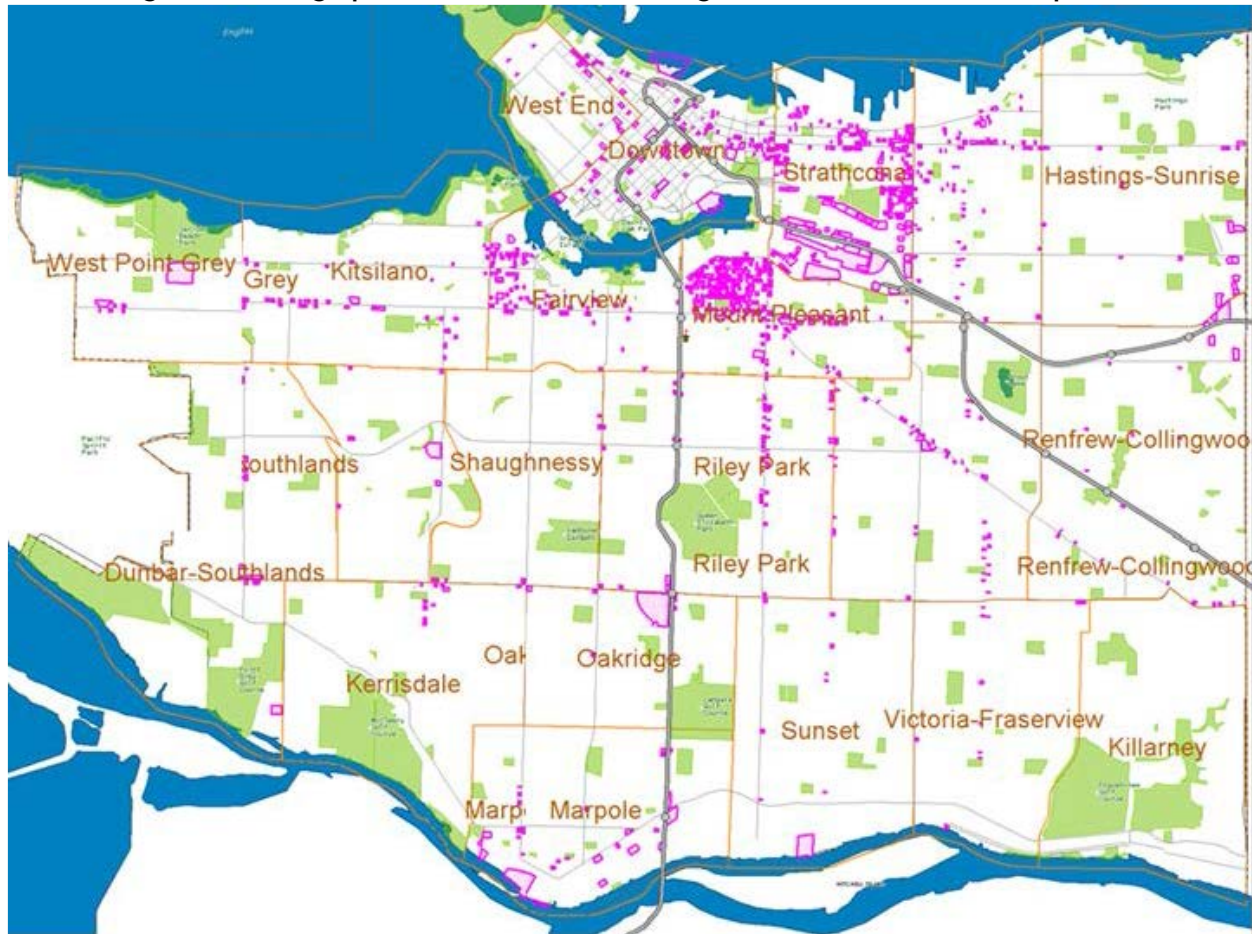


As shown in Figure 10, with *targeted 3-year averaging*, 1,300 properties (13%) are above the “threshold” and deemed “hot” and will be eligible for averaging. The vast majority of properties below the “threshold” will pay slightly higher taxes to subsidize the tax relief for those “hot” properties.

The PTPRC recommended a “threshold” of 10% above the class average increase be used to define “hot” properties. Based on the *Completed Roll*, the average increase in light industrial and business property values (difference between the 2015 *Completed Roll* value and the 2014 *Average Roll* value) is $\sim 15.96\%$, resulting in a “threshold” of $\sim 25.96\%$. The class average increase in property values will be finalized upon receipt of the *Revised Roll* in April. If a light industrial/business property experiences an increase of $\sim 15.96\%$ in value (class average increase), it will receive a property tax increase of $\sim 2.4\%$ (average tax increase). If a light industrial/business property experiences an increase in value above 25.96% (“threshold”), it will receive a property tax increase above 11.23% .

The impact of *across-the-board* and *targeted* land assessment averaging on sample light industrial and business properties is presented in Appendix C.

Figure 11 below shows the geographical distribution of “hot” light industrial and business properties that have experienced a year-over-year increase in property values above the “threshold” and would be eligible for *targeted averaging*.

Figure 11: Geographical Distribution of Hot Light Industrial & Business Properties

III. Director of Planning-initiated Zoning District & Official Development Plan Changes

Council approved the West End Community Plan (RTS10174) in Q4 2013, and the Downtown Eastside (RTS10175) and Marpole (RTS10176) Community Plans in Q1 2014. To implement these Community Plans, amendments to the applicable Zoning & Development By-laws and Official Development Plans were initiated by the Director of Planning and enacted by Council prior to October 31, 2014.

It has been Council practice to mitigate the impact of Zoning and/or ODP amendments initiated by the Director of Planning in the averaging process, especially in circumstances where there has been no physical change to the property and no action by the property owner to change the zoning on the site. For example, properties transferring between RS1 and RS1-S are included in averaging. Council included ~1,500 properties in the Knight-Kingsway area (2007) and ~2,500 properties in the Norquay area (2014) in the averaging program despite a change in zoning district that would otherwise have exempted them from averaging and resulted in significant tax increases.

In 2015, there are ~42,000 properties in these areas - 93% residential (Class 1) and 7% light industrial and business (Class 5 & 6) properties. It is estimated that ~4,050 properties (10%) would be eligible for targeted averaging - ~3,400 residential (Class 1) and ~650 light industrial and business (Class 5 & 6) properties.

Figures 12 and 13 below show the distribution of estimated property tax increase with *targeted averaging* for residential (Class 1) and light industrial and business (Class 5 & 6) in the three areas. The number of “hot” properties as well as the level of tax increases above the “threshold” has noticeably reduced.

Figure 12: Estimated Property Tax Increase with Targeted Averaging Residential (Class 1) Properties in West End, DTES & Marpole

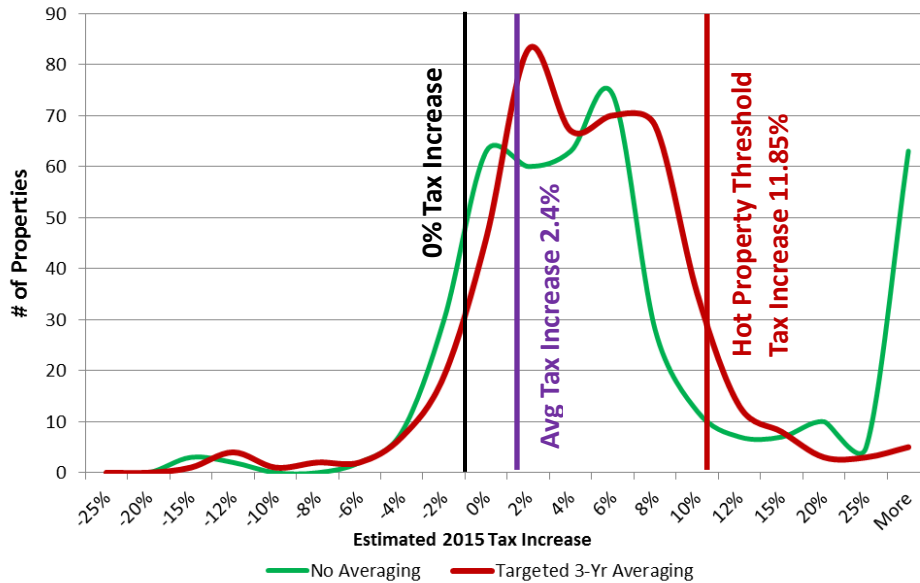
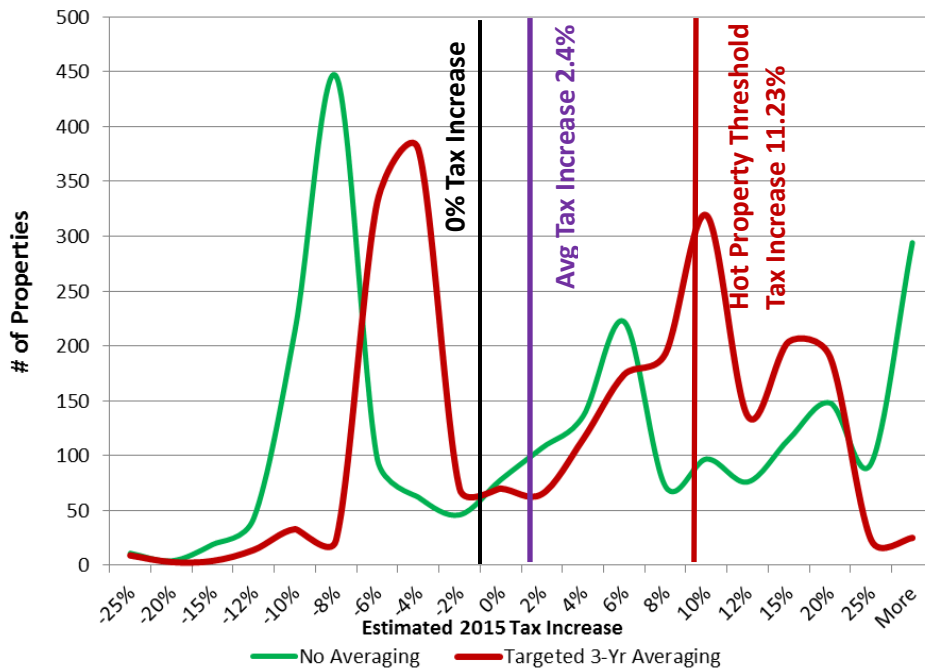


Figure 13: Estimated Property Tax Increase with Targeted Averaging Light Industrial & Business (Class 5 & 6) Properties in West End, DTES & Marpole



Staff therefore recommends that eligible properties that are impacted by the relevant Zoning and Official Development Plan changes initiated by the Director of Planning as part of the West End, Downtown Eastside and Marpole Community Plans be considered for *targeted averaging* subject to the “threshold” in 2015.

Implications/Related Issues/Risk (if applicable)***Financial***

Should Council approve the adoption of the targeted 3-year land assessment averaging program in 2015, the City will require an *Average Assessment Roll* for calculating property taxes.

Since 1993, BC Assessment has offered to produce an average or phased assessment roll to any municipal jurisdiction on a user-fee basis. The cost of producing an *Average Assessment Roll* in 2015 is estimated at \$25,000 plus applicable taxes; source of funding to be the 2015 Operating Budget.

CONCLUSION

Based on the analysis, staff recommends that Council approve the transition from *across-the-board averaging* to *targeted averaging* in 2015 for the purpose of calculating property taxes for residential (Class 1), light industrial and business (Class 5 & 6) properties, including those eligible properties that are impacted by the relevant Zoning and Official Development Plan changes initiated by the Director of Planning as part of the West End, Downtown Eastside and Marpole Community Plans.

* * * * *

Over the last few decades, Vancouver has experienced cycles of a very active real estate market, particularly residential, from neighborhood to neighborhood which has resulted in uneven property value increases and taxation impacts 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) 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 Deferral (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 deferral 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.

**CITY OF VANCOUVER MITIGATING MEASURE - 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 impacts arising from land value changes and to reduce the number of properties that experience extreme volatility in property taxes driven by significant increases and decreases 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.

Over the years, various independent studies by industry experts re-affirmed the effectiveness of land assessment averaging in enhancing property tax stability and predictability.

- (i) In 1993, Council established the **Vancouver Task Force on Property Taxation** which, in their April 1994 report ([Property Tax Task Force Report](#)), recommended that “*Council support the ongoing use of three-year land value averaging as a tool to buffer the impacts of large assessed value changes.*”
- (ii) In 2006, Council established the **Property Tax Policy Review Commission** which provided their final recommendations to Council in September 2007 ([PTPRC Final Report](#)). Council instructed staff to seek an amendment to the *Vancouver Charter* to allow the City to use up to five years of assessed land values in the averaging formula ([RTS#6947](#)).

Calculating Property Taxes Using Land Assessment Averaging

Figure 14 below compares the calculation of property taxes under the market value approach and the land assessment averaging approach (same for *across-the-board averaging* and *targeted averaging*). The total general purpose tax levy for the City is the same under both approaches.

Figure 14: Property Tax Calculation

Market Value Approach	3-yr Land Assessment Averaging Approach (Across-the-board & Targeted)
2015 Land Value	Average of 2013/14/15 Land Value
+ <u>2015 Improvement Value</u>	+ <u>2015 Improvement Value</u>
= 2015 Taxable Value _{Market}	= 2015 Taxable Value _{Average}
x <u>2015 Tax Rate _{Market}</u>	x <u>2015 Tax Rate _{Average}</u>
= 2015 Total General Purpose Tax Levy	= 2015 Total General Purpose Tax Levy

As shown in Figure 14, application of 3-year land assessment averaging affects two components in the property tax calculation:

Taxable Value Average - The taxable value of a property is calculated using the average land value of the current year and the two prior years plus the current improvement value.

Tax Rate Average - For those property classes eligible for averaging, tax rates are recalculated based on the total average value of each class in order to generate the same amount of total general purpose tax levy. As targeted averaging *reduces* the total taxable value of a property class, the tax rate will be *higher when compared to the market value approach*.

Implementation - Legislative & Administrative Requirements

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

(i) **Land Assessment Averaging By-law**

The by-law must be adopted by Council before March 31 each year.

(ii) **Number of Preceding Years to be Applied in the Averaging Formula**

Council must establish by by-law the number of preceding years to be applied, up to a maximum of five years, in determining the average land value for the purposes of land assessment averaging. Once the choice is made, the averaging formula needs to hold for five years.

(iii) **Eligible Property Classes**

Averaging is applicable to Residential (Class 1), Light Industrial (Class 5), and Business & Other (Class 6) properties only. It is not applicable to Seasonal & Non-Profit properties (Class 8) and other properties valued at special rates - Utilities (Class 2), Supportive Housing (Class 3), Major Industry (Class 4), and Farm (Class 9).

(iv) **Eligible Properties**

Council can determine in the Land Assessment Averaging By-law the eligibility of individual properties within the eligible property classes. Generally speaking, in cases where there is a substantial change in the characteristics and/or use of a property from one year to the next and where such changes tend to enhance the value of the property to the benefit of the owner, the property will not be eligible for the tax-phasing benefits that the program offers. Once a property is excluded from the program, it must regain its eligibility over time.

Below are sample properties that are not eligible for averaging:

- a property that carries no improvement value (i.e. vacant land)
- a property that has undergone a change in assessment class and/or zoning district
- a property of which the physical characteristics have been changed as a result of consolidation or subdivision

As Council can only establish one tax rate for each class, properties that are not eligible for averaging are also subject to the averaged tax rate.

(v) Calculation of All Tax Levies

Averaging is applicable to the calculation of taxes levied by the City and other taxing authorities on a revenue neutral basis. As averaging affects the taxable values used for calculating all taxes, a decision to apply averaging to a property class requires that Council approves a resolution adjusting the tax rates determined by other taxing authorities to ensure revenue neutrality.

(vi) Notification to the Public

In accordance with the notification requirements set out in the *Vancouver Charter*, a notice to inform property owners on Council's intent to consider application of land assessment averaging and the resulting tax impacts on sample properties is required. The notice must be published in two consecutive issues of a newspaper at least two weeks in advance of the adoption of the Land Assessment Averaging By-law.

(vii) Appeal Process

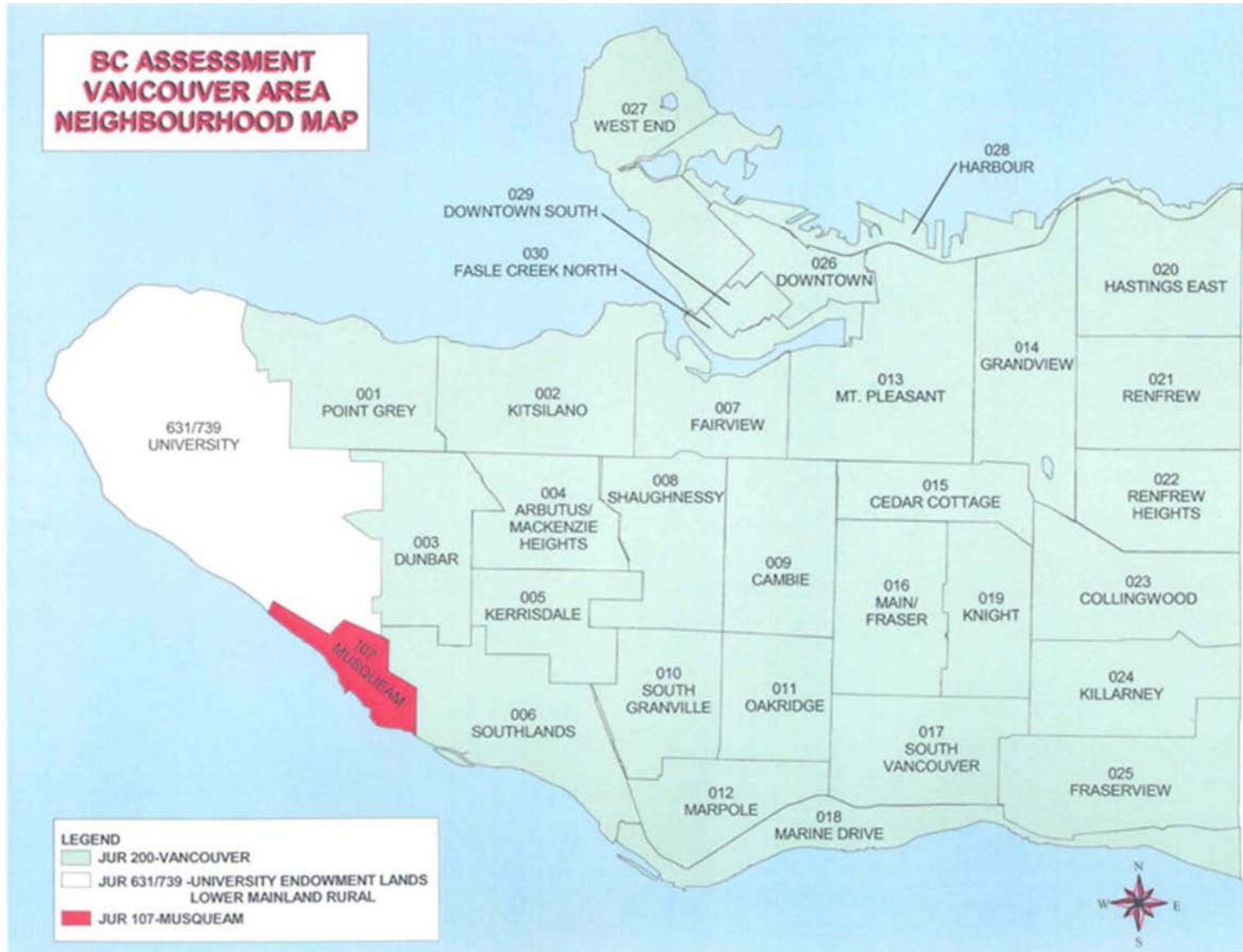
Council is required to provide a process for property taxpayers to appeal the application of the Land Assessment Averaging By-law. The by-law provides for a municipal Court of Revision after the tax billing date for appeals that cannot be resolved within the administrative processes provided for in the *Vancouver Charter*. Any tax levy losses arising from the averaging appeal process are borne by the City. Since 1993, staff has been able to resolve the majority of appeals administratively; only a handful of appeals proceeded to the Court of Revision. In all cases, the Court of Revision concluded that the Land Assessment Averaging By-law had been correctly applied.

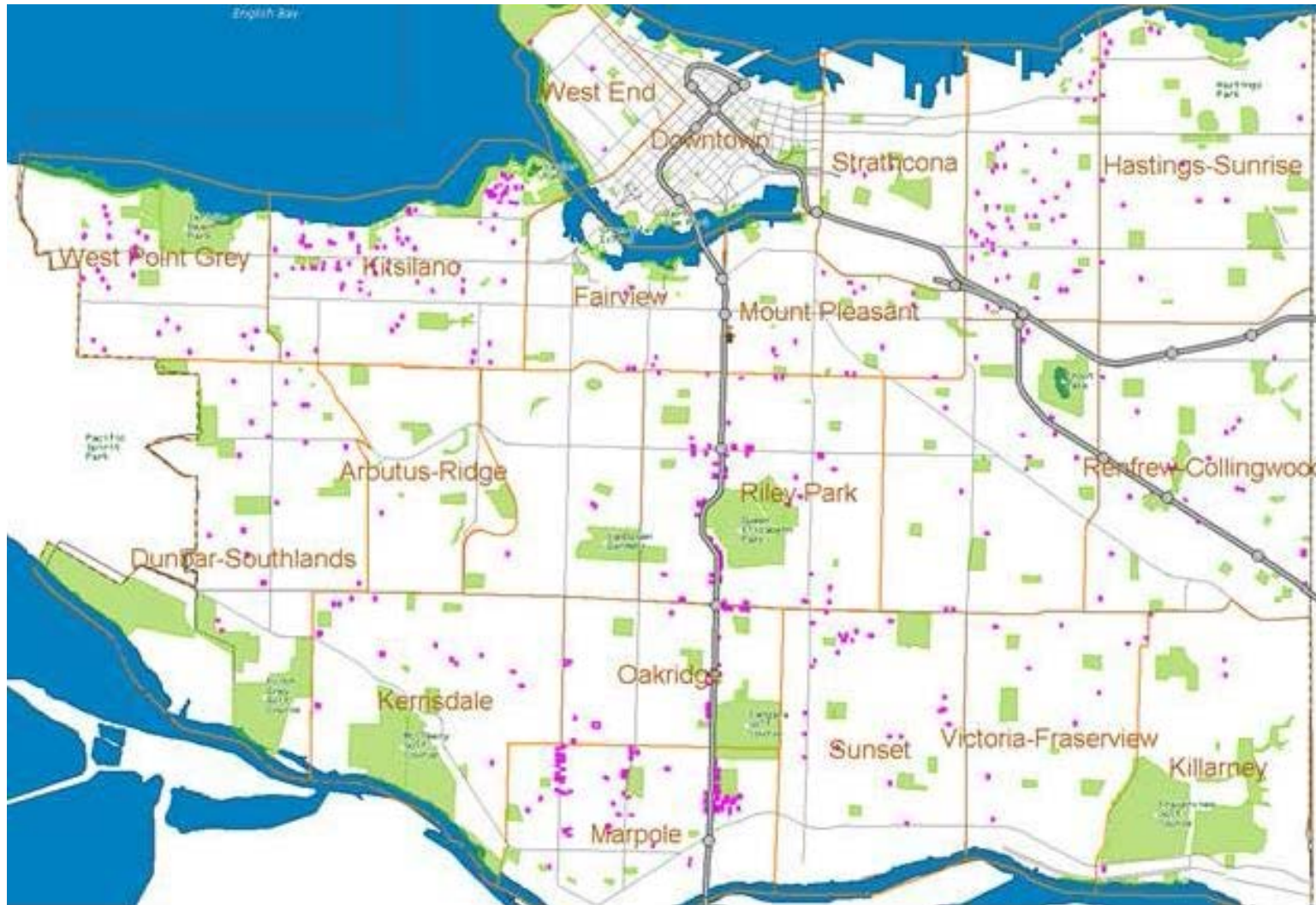
**PROPERTY TAX IMPACT OF ACROSS-THE-BOARD VS. TARGETED LAND ASSESSMENT AVERAGING
SAMPLE RESIDENTIAL PROPERTIES (CLASS 1)**

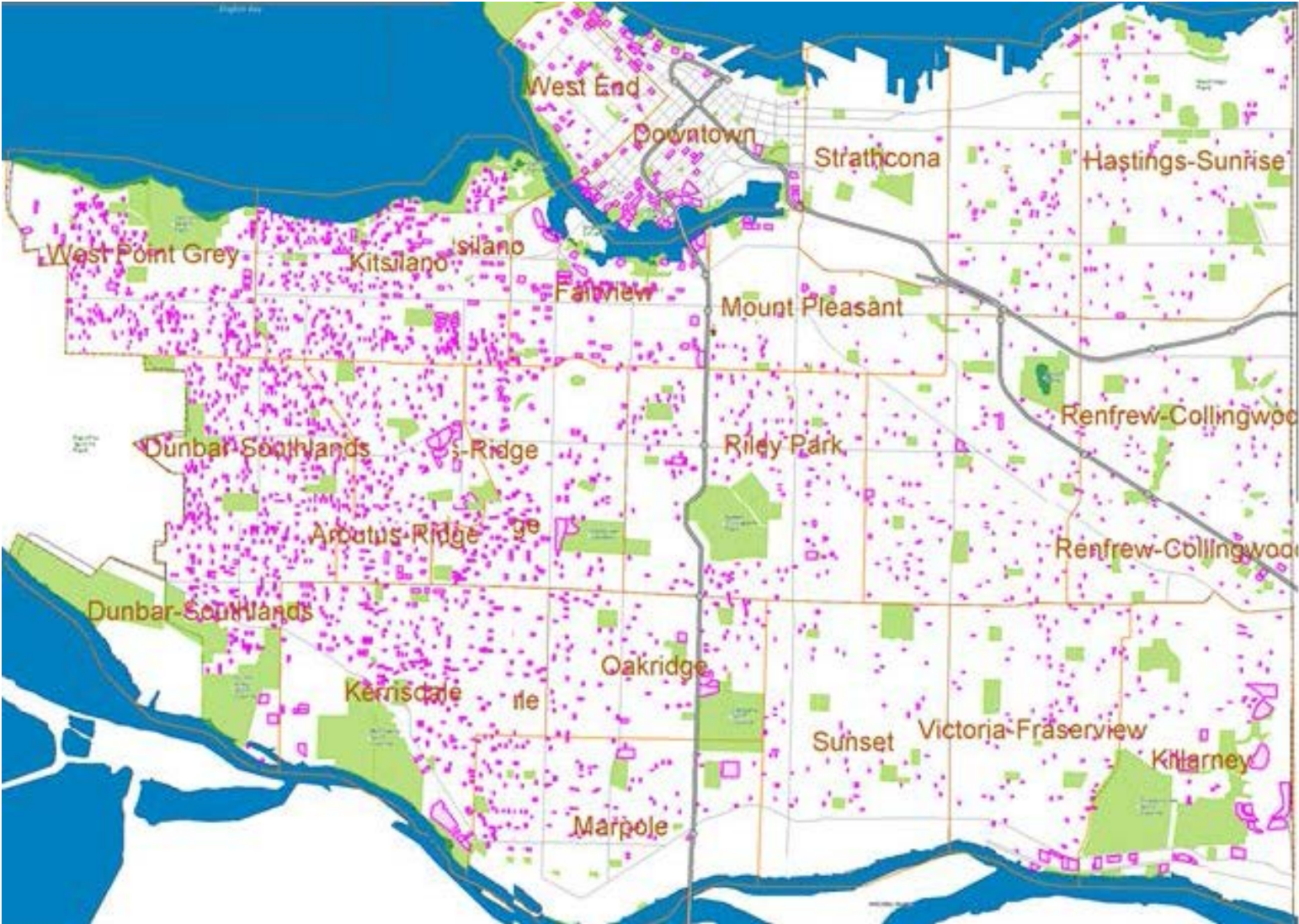
Sample Property	Methodology	TAXABLE VALUES			GENERAL PURPOSE TAX LEVY			\$ CHANGE IN TAXES 2015 Estimate vs 2014 Actual		% CHANGE IN TAXES 2015 Estimate vs 2014 Actual	
		2014 Averaged	2015 Market	2015 Targeted Averaging	2014 Actual	2015 Market	2015 Targeted Averaging	2015 Market	2015 Targeted Averaging	2015 Market	2015 Targeted Averaging
Downtown											
Sample Property #1 (1st Quartile)	Not Targeted	\$410,000	\$392,000	\$392,000	\$757	\$685	\$692	-\$72	-\$65	-9.5%	-8.6%
Sample Property #2 (2nd Quartile)	Not Targeted	\$484,333	\$463,000	\$463,000	\$895	\$809	\$817	-\$85	-\$77	-9.5%	-8.6%
Sample Property #3 (3rd Quartile)	Not Targeted	\$595,333	\$572,000	\$572,000	\$1,100	\$1,000	\$1,010	-\$100	-\$90	-9.1%	-8.2%
West											
Sample Property #1 (1st Quartile)	Not Targeted	\$573,667	\$637,000	\$637,000	\$1,060	\$1,113	\$1,125	\$54	\$65	5.1%	6.1%
Sample Property #2 (2nd Quartile)	Not Targeted	\$1,273,733	\$1,336,700	\$1,336,700	\$2,353	\$2,336	\$2,360	-\$17	\$7	-0.7%	0.3%
Sample Property #3 (3rd Quartile)	Not Targeted	\$1,800,000	\$1,876,000	\$1,876,000	\$3,325	\$3,279	\$3,312	-\$46	-\$13	-1.4%	-0.4%
East											
Sample Property #1 (1st Quartile)	Not Targeted	\$681,000	\$683,000	\$683,000	\$1,258	\$1,194	\$1,206	-\$64	-\$52	-5.1%	-4.1%
Sample Property #2 (2nd Quartile)	Not Targeted	\$736,233	\$841,100	\$841,100	\$1,360	\$1,470	\$1,485	\$110	\$125	8.1%	9.2%
Sample Property #3 (3rd Quartile)	Not Targeted	\$864,467	\$964,800	\$964,800	\$1,597	\$1,686	\$1,703	\$89	\$107	5.6%	6.7%
Downtown											
Sample Property #1 (1st Quartile)	Targeted	\$747,667	\$959,000	\$823,000	\$1,381	\$1,676	\$1,453	\$295	\$72	21.4%	5.2%
Sample Property #2 (2nd Quartile)	Targeted	\$943,333	\$1,152,000	\$946,000	\$1,743	\$2,014	\$1,670	\$271	-\$72	15.5%	-4.2%
Sample Property #3 (3rd Quartile)	Targeted	\$1,301,333	\$1,546,000	\$1,263,667	\$2,404	\$2,702	\$2,231	\$298	-\$173	12.4%	-7.2%
West											
Sample Property #1 (1st Quartile)	Targeted	\$1,569,000	\$1,972,000	\$1,890,333	\$2,898	\$3,447	\$3,338	\$548	\$439	18.9%	15.2%
Sample Property #2 (2nd Quartile)	Targeted	\$2,227,800	\$2,664,900	\$2,370,900	\$4,115	\$4,658	\$4,186	\$543	\$71	13.2%	1.7%
Sample Property #3 (3rd Quartile)	Targeted	\$2,750,467	\$3,338,000	\$2,925,667	\$5,081	\$5,834	\$5,166	\$754	\$85	14.8%	1.7%
East											
Sample Property #1 (1st Quartile)	Targeted	\$753,200	\$896,100	\$802,100	\$1,391	\$1,566	\$1,416	\$175	\$25	12.6%	1.8%
Sample Property #2 (2nd Quartile)	Targeted	\$841,833	\$1,006,300	\$919,633	\$1,555	\$1,759	\$1,624	\$204	\$69	13.1%	4.4%
Sample Property #3 (3rd Quartile)	Targeted	\$938,733	\$1,117,300	\$997,300	\$1,734	\$1,953	\$1,761	\$219	\$27	12.6%	1.5%
Sample Property	Methodology	TAXABLE VALUES			GENERAL PURPOSE TAX LEVY			\$ CHANGE IN TAXES 2015 Estimate vs. 2014 Actual		% CHANGE IN TAXES 2015 Estimate vs 2014 Actual	
		2014 Averaged	2015 Market	2015 Across-the-board Averaging	2014 Actual	2015 Market	2015 Across-the-board Averaging	2015 Market	2015 Across-the-board Averaging	2015 Market	2015 Across-the-board Averaging
Downtown											
Sample Property #1 (1st Quartile)	Across-the-board	\$388,667	\$394,000	\$409,000	\$718	\$689	\$753	-\$29	\$35	-4.1%	4.9%
Sample Property #2 (2nd Quartile)	Across-the-board	\$464,667	\$467,000	\$462,333	\$858	\$816	\$852	-\$42	-\$7	-4.9%	-0.8%
Sample Property #3 (3rd Quartile)	Across-the-board	\$578,000	\$580,000	\$591,333	\$1,068	\$1,014	\$1,089	-\$54	\$22	-5.1%	2.0%
West											
Sample Property #1 (1st Quartile)	Across-the-board	\$640,333	\$662,000	\$643,000	\$1,183	\$1,157	\$1,185	-\$26	\$2	-2.2%	0.1%
Sample Property #2 (2nd Quartile)	Across-the-board	\$1,250,300	\$1,409,000	\$1,307,333	\$2,310	\$2,463	\$2,408	\$153	\$99	6.6%	4.3%
Sample Property #3 (3rd Quartile)	Across-the-board	\$1,773,000	\$1,927,000	\$1,815,333	\$3,275	\$3,368	\$3,344	\$93	\$69	2.8%	2.1%
East											
Sample Property #1 (1st Quartile)	Across-the-board	\$621,400	\$713,900	\$649,567	\$1,148	\$1,248	\$1,197	\$100	\$49	8.7%	4.2%
Sample Property #2 (2nd Quartile)	Across-the-board	\$836,267	\$856,700	\$839,367	\$1,545	\$1,497	\$1,546	-\$47	\$1	-3.1%	0.1%
Sample Property #3 (3rd Quartile)	Across-the-board	\$881,000	\$979,000	\$950,000	\$1,627	\$1,711	\$1,750	\$84	\$123	5.1%	7.5%

**PROPERTY TAX IMPACT OF ACROSS-THE-BOARD VS. TARGETED LAND ASSESSMENT AVERAGING
SAMPLE LIGHT INDUSTRIAL & BUSINESS PROPERTIES (CLASS 5 & 6)**

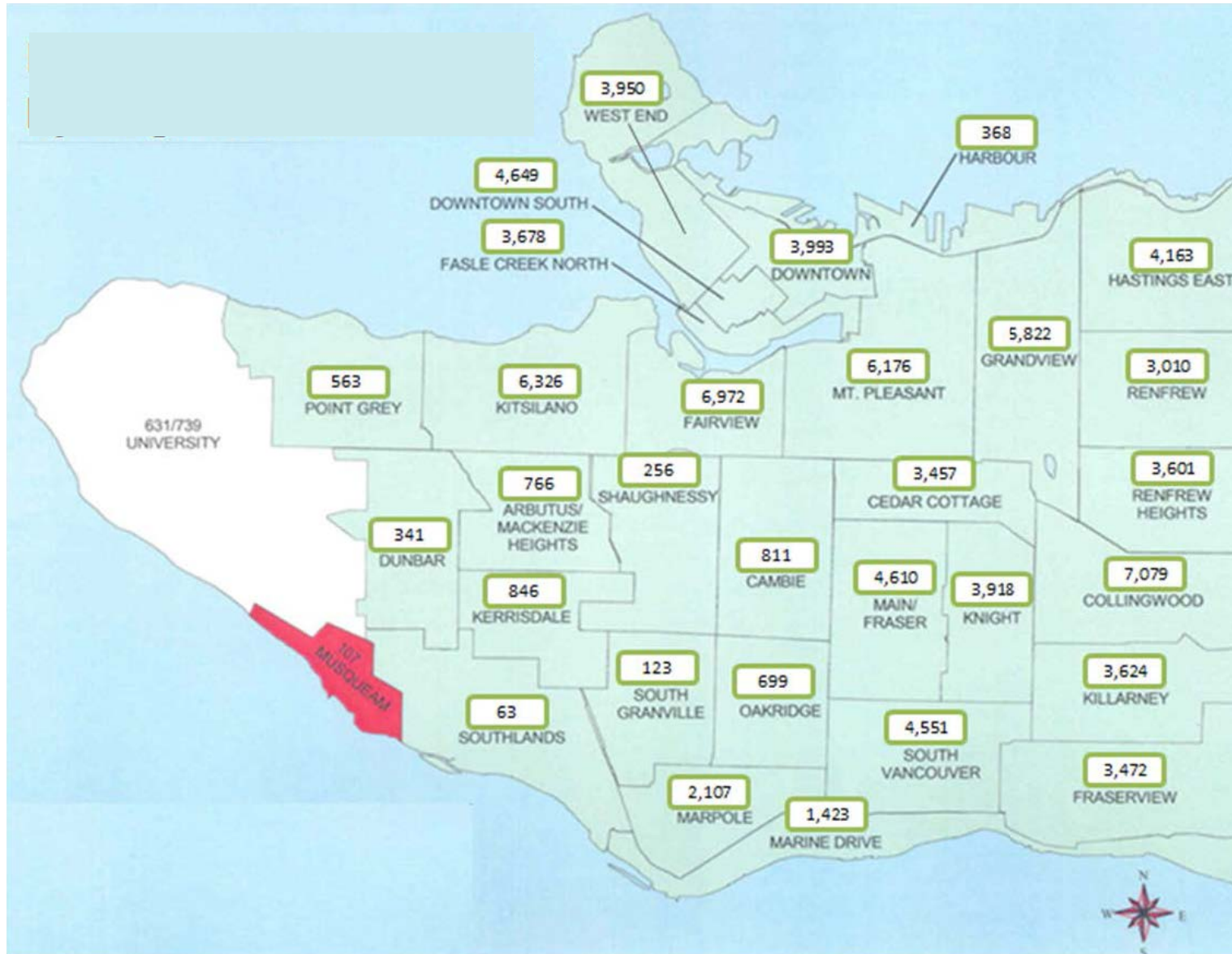
Sample Property	Methodology	TAXABLE VALUES			GENERAL PURPOSE TAX LEVY			\$ CHANGE IN TAXES 2015 Estimate vs 2014 Actual		% CHANGE IN TAXES 2015 Estimate vs 2014 Actual	
		2014 Averaged	2015 Market	2015 Targeted Averaging	2014 Actual	2015 Market	2015 Targeted Averaging	2015 Market	2015 Targeted Averaging	2015 Market	2015 Targeted Averaging
Downtown											
Sample Property #1 (1st Quartile)	Not Targeted	\$168,567	\$132,100	\$132,100	\$1,329	\$931	\$966	-\$398	-\$363	-30.0%	-27.3%
Sample Property #2 (2nd Quartile)	Not Targeted	\$247,900	\$231,800	\$231,800	\$1,955	\$1,633	\$1,695	-\$321	-\$259	-16.4%	-13.3%
Sample Property #3 (3rd Quartile)	Not Targeted	\$486,333	\$485,000	\$485,000	\$3,834	\$3,417	\$3,547	-\$417	-\$288	-10.9%	-7.5%
West											
Sample Property #1 (1st Quartile)	Not Targeted	\$423,333	\$426,000	\$426,000	\$3,338	\$3,001	\$3,115	-\$336	-\$223	-10.1%	-6.7%
Sample Property #2 (2nd Quartile)	Not Targeted	\$605,333	\$616,000	\$616,000	\$4,773	\$4,340	\$4,505	-\$433	-\$268	-9.1%	-5.6%
Sample Property #3 (3rd Quartile)	Not Targeted	\$1,406,000	\$1,522,000	\$1,522,000	\$11,085	\$10,723	\$11,130	-\$362	\$45	-3.3%	0.4%
East											
Sample Property #1 (1st Quartile)	Not Targeted	\$340,667	\$363,000	\$363,000	\$2,686	\$2,557	\$2,654	-\$128	-\$31	-4.8%	-1.2%
Sample Property #2 (2nd Quartile)	Not Targeted	\$601,667	\$605,000	\$605,000	\$4,744	\$4,262	\$4,424	-\$481	-\$320	-10.1%	-6.7%
Sample Property #3 (3rd Quartile)	Not Targeted	\$1,161,333	\$1,355,000	\$1,355,000	\$9,156	\$9,546	\$9,909	\$390	\$752	4.3%	8.2%
Downtown											
Sample Property #1 (1st Quartile)	Targeted	\$118,833	\$157,100	\$132,100	\$937	\$1,107	\$966	\$170	\$29	18.1%	3.1%
Sample Property #2 (2nd Quartile)	Targeted	\$409,800	\$532,800	\$469,467	\$3,231	\$3,754	\$3,433	\$523	\$202	16.2%	6.3%
Sample Property #3 (3rd Quartile)	Targeted	\$1,279,800	\$2,448,800	\$1,800,133	\$10,090	\$17,253	\$13,164	\$7,162	\$3,073	71.0%	30.5%
West											
Sample Property #1 (1st Quartile)	Targeted	\$2,150,667	\$2,957,000	\$2,426,000	\$16,956	\$20,833	\$17,740	\$3,876	\$784	22.9%	4.6%
Sample Property #2 (2nd Quartile)	Targeted	\$3,505,233	\$4,692,900	\$3,911,567	\$27,636	\$33,063	\$28,604	\$5,427	\$968	19.6%	3.5%
Sample Property #3 (3rd Quartile)	Targeted	\$4,699,933	\$6,687,600	\$5,488,600	\$37,056	\$47,116	\$40,136	\$10,061	\$3,080	27.1%	8.3%
East											
Sample Property #1 (1st Quartile)	Targeted	\$1,092,667	\$1,379,000	\$1,325,000	\$8,615	\$9,715	\$9,689	\$1,101	\$1,074	12.8%	12.5%
Sample Property #2 (2nd Quartile)	Targeted	\$1,341,167	\$2,117,500	\$1,679,833	\$10,574	\$14,918	\$12,284	\$4,344	\$1,710	41.1%	16.2%
Sample Property #3 (3rd Quartile)	Targeted	\$2,019,133	\$3,195,800	\$2,532,800	\$15,919	\$22,515	\$18,521	\$6,596	\$2,602	41.4%	16.3%
Sample Property	Methodology	TAXABLE VALUES			GENERAL PURPOSE TAX LEVY			\$ CHANGE IN TAXES 2015 Estimate vs. 2014 Actual		% CHANGE IN TAXES 2015 Estimate vs 2014 Actual	
		2014 Averaged	2015 Market	2015 Across-the-board Averaging	2014 Actual	2015 Market	2015 Across-the-board Averaging	2015 Market	2015 Across-the-board Averaging	2015 Market	2015 Across-the-board Averaging
Downtown											
Sample Property #1 (1st Quartile)	Across-the-Board	\$168,733	\$132,600	\$153,600	\$1,330	\$934	\$1,169	-\$396	-\$161	-29.8%	-12.1%
Sample Property #2 (2nd Quartile)	Across-the-Board	\$300,900	\$240,600	\$283,267	\$2,372	\$1,695	\$2,156	-\$677	-\$216	-28.5%	-9.1%
Sample Property #3 (3rd Quartile)	Across-the-Board	\$504,000	\$513,000	\$512,333	\$3,974	\$3,614	\$3,900	-\$359	-\$74	-9.0%	-1.9%
West											
Sample Property #1 (1st Quartile)	Across-the-Board	\$430,833	\$439,500	\$437,167	\$3,397	\$3,096	\$3,327	-\$300	-\$69	-8.8%	-2.0%
Sample Property #2 (2nd Quartile)	Across-the-Board	\$669,333	\$680,000	\$677,000	\$5,277	\$4,791	\$5,153	-\$486	-\$124	-9.2%	-2.4%
Sample Property #3 (3rd Quartile)	Across-the-Board	\$2,063,000	\$2,210,000	\$2,011,333	\$16,265	\$15,570	\$15,309	-\$695	-\$956	-4.3%	-5.9%
East											
Sample Property #1 (1st Quartile)	Across-the-Board	\$453,667	\$436,000	\$449,667	\$3,577	\$3,072	\$3,423	-\$505	-\$154	-14.1%	-4.3%
Sample Property #2 (2nd Quartile)	Across-the-Board	\$781,667	\$923,000	\$856,000	\$6,163	\$6,503	\$6,515	\$340	\$352	5.5%	5.7%
Sample Property #3 (3rd Quartile)	Across-the-Board	\$1,296,333	\$1,749,000	\$1,439,667	\$10,221	\$12,322	\$10,958	\$2,102	\$737	20.6%	7.2%







PROVINCIAL MITIGATING MEASURE - HOME OWNER GRANT
GEOGRAPHICAL DISTRIBUTION OF PROPERTIES UNDER THE HOME OWNER GRANT PROGRAM





vancouver.ca

Important Notice to Property Owners: Land Assessment Averaging

In 2014, the Property Tax Policy Review Commission recommended that the City of Vancouver use targeted land assessment averaging to calculate property taxes in place of the across-the-board land assessment averaging program which has been in effect since 1993.

Under the targeted averaging approach, only a small percentage of properties facing a significant year-over-year increase in property values above a certain threshold would be eligible for averaging. All others would pay based on their 2015 BC Assessment value instead of an averaged value.

Averaging does not generate any extra revenue for the City, but only affects the amount of taxes paid by individual property owners.

For properties that are eligible for averaging under either of these approaches, the program uses an average of the assessed land value for the current and prior two years, plus the current assessed improvement value to calculate property taxes for the City as well as for other taxing authorities such as provincial schools, Translink, BC Assessment, and Metro Vancouver.

Across-the-Board Land Assessment Averaging			
Sample properties			
	2015 Assessed Value	Est. Taxes without Across-the-board Averaging	Est. Taxes with Across-the-board Averaging
Residential (\$)			
Downtown	394,000	689	753
	467,000	816	852
	580,000	1,014	1,089
West	662,000	1,157	1,185
	1,409,000	2,463	2,408
	1,927,000	3,368	3,344
East	713,900	1,248	1,197
	856,700	1,497	1,546
	979,000	1,711	1,750
Light Industrial and Business & Other (\$)			
Downtown	132,600	934	1,169
	240,600	1,695	2,156
	513,000	3,614	3,900
West	439,500	3,096	3,327
	680,000	4,791	5,153
	2,210,000	15,570	15,309
East	436,000	3,072	3,423
	923,000	6,503	6,515
	1,749,000	12,322	10,958

Sample properties may be single or multi-unit

Impact of Targeted and Across-the Board Three-Year Land Assessment Averaging on Sample Vancouver Properties

These tables show the estimated effect of targeted and across-the-board averaging on the City of Vancouver's general purpose taxes for sample properties in Vancouver. Amounts levied by other taxing authorities are not included.

On March 25, 2015, Vancouver City Council will consider whether to transition from across-the-board averaging to targeted averaging to calculate property taxes for residential (Class 1), light industrial (Class 5) and business (Class 6) properties, and determine the appropriate thresholds for these property classes if targeted averaging is adopted.

Should Council decide to proceed with either of these averaging approaches, a by-law will also be brought forward to Council for consideration on March 25, 2015. The report, which details both averaging approaches and how they could impact property taxes, will be posted on our website at vancouver.ca/averaging.

Targeted Land Assessment Averaging						
	Sample properties below targeting threshold (not eligible for averaging)			Sample properties above targeting threshold (eligible for averaging)		
	2015 Assessed Value	Est. Taxes without Targeted Averaging	Est. Taxes with Targeted Averaging	2015 Assessed Value	Est. Taxes without Targeted Averaging	Est. Taxes with Targeted Averaging
Residential (\$)						
Downtown	392,000	685	692	959,000	1,676	1,453
	463,000	809	817	1,152,000	2,014	1,670
	572,000	1,000	1,010	1,546,000	2,702	2,231
West	637,000	1,113	1,125	1,972,000	3,447	3,338
	1,336,700	2,336	2,360	2,664,900	4,658	4,186
	1,876,000	3,279	3,312	3,338,000	5,834	5,166
East	683,000	1,194	1,206	896,100	1,566	1,416
	841,100	1,470	1,485	1,006,300	1,759	1,624
	964,800	1,686	1,703	1,117,300	1,953	1,761
Light Industrial and Business & Other (\$)						
Downtown	132,100	931	966	157,100	1,107	966
	231,800	1,633	1,695	532,800	3,754	3,433
	485,000	3,417	3,547	2,448,800	17,253	13,164
West	426,000	3,001	3,115	2,957,000	20,833	17,740
	616,000	4,340	4,505	4,692,900	33,063	28,604
	1,522,000	10,723	11,130	6,687,600	47,116	40,136
East	363,000	2,557	2,654	1,379,000	9,715	9,689
	605,000	4,262	4,424	2,117,500	14,918	12,284
	1,355,000	9,546	9,909	3,195,800	22,515	18,521

Sample properties may be single or multi-unit



FOR MORE INFORMATION:
3-1-1 or vancouver.ca/averaging

COMMENTS?
Write to:
City of Vancouver
Mayor and Council
453 West 12th Avenue
Vancouver, BC V5Y 1V4
or email:
mayorandcouncil@vancouver.ca

SPEAK TO COUNCIL:
Prior to adoption of the bylaw, you may speak to Council in person at the Planning, Transportation and Environment meeting on March 25, 2015.
Phone 604-873-7268 to register.

Visit: vancouver.ca Phone: 3-1-1 TTY: 7-1-1