

# 2016 Property Taxation: Targeted Land Assessment Averaging

City Finance & Services  
March 9, 2016

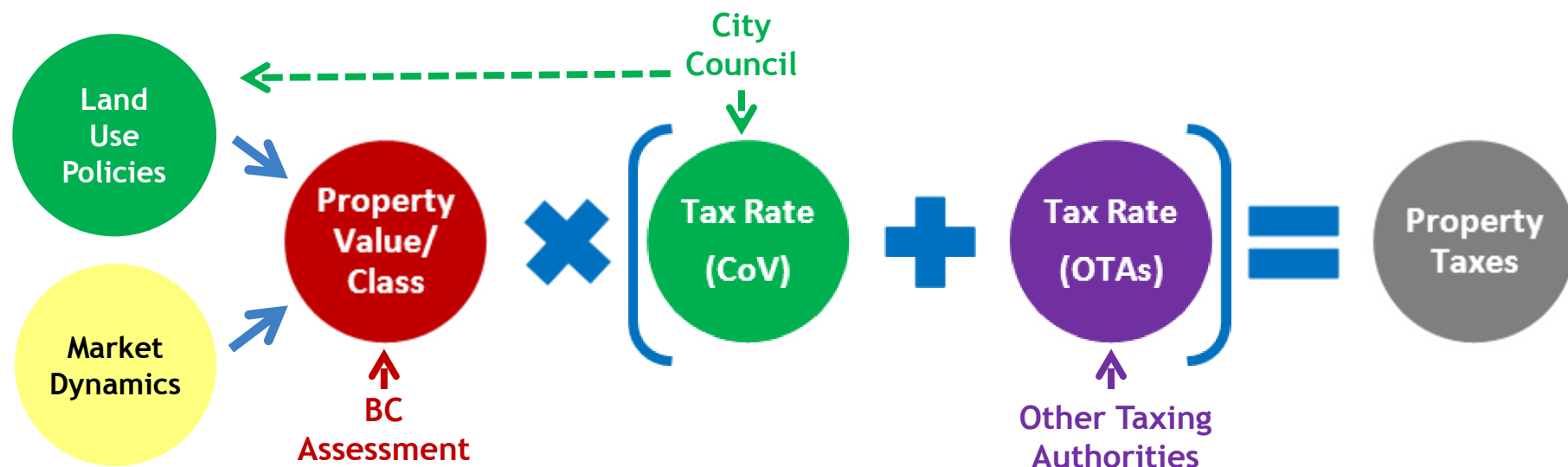
# Agenda

- Property Assessment & Taxation Framework
- Provincial & Municipal Mitigating Measures
- Targeted Land Assessment Averaging
- 2016 “Hot” Properties & Impact of Averaging
- Recommendations

# Property Assessment & Taxation Framework

- property assessment increases do NOT impact property taxes directly
  - City does not get more tax revenues; tax rates are adjusted down to collect Council-approved levy
  - only properties with increases significantly higher than average will experience an increase higher than Council-approved % tax increase
  - properties with increases significantly lower than average will experience an increase lower than Council-approved % tax increase; some may even get a tax reduction

# Property Assessment & Taxation Framework



## BC Assessment determines:

- property value based on zoning & market activities
- property class based on actual use

## City Council determines:

- land use policies (zoning, density, etc.)
- total tax levy & residential/business tax share
- tax rate for each property class
- use of land assessment averaging
- use of permissive tax exemptions



# Impact of Assessment Changes on Property Taxes



Year 1
Total Property Value \$3M Total Tax Levy \$6,000 Tax Rate \$2 per \$1,000
Property Value \$1M Tax Bill \$2,000
Property Value \$1M Tax Bill \$2,000
Property Value \$1M Tax Bill \$2,000

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

# Impact of Assessment Changes on Property Taxes



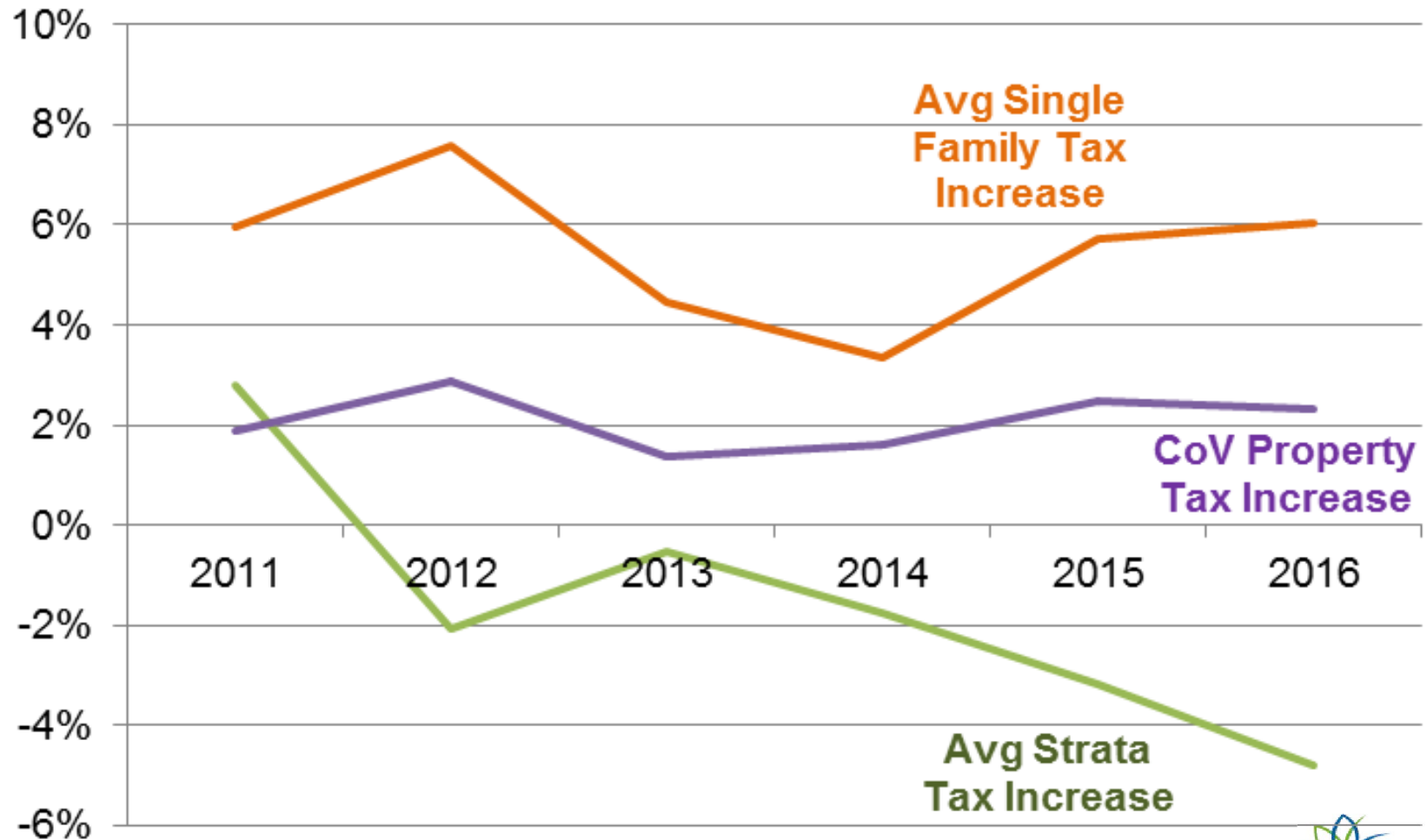
Year 1
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Year 2
Total Property Value \$3.3M (+10%) Total Tax Levy \$6,000 (flat) Tax Rate \$1.8 per \$1,000 (-10%)
Property Value \$1.1M (+10%) Tax Bill \$2,000 (flat)
Property Value \$1M (flat) Tax Bill \$1,800 (-10%)
Property Value \$1.2M (+20%) Tax Bill \$2,160 (+8%)

If a property's value increase > class average increase → higher tax increase  
 If a property's value increase < class average increase → lower tax increase

# Differential Property Assessment Increases Results in Differential Property Tax Impact



# Available Property Tax Relief Programs

Residential	Non-residential
Provincial Programs	
1. Assessment Act s19(8) (long-term owner/occupier adjustment)	N/A
2. Home Owner Grant	N/A
3. Property Tax Deferment	N/A
City of Vancouver Program	

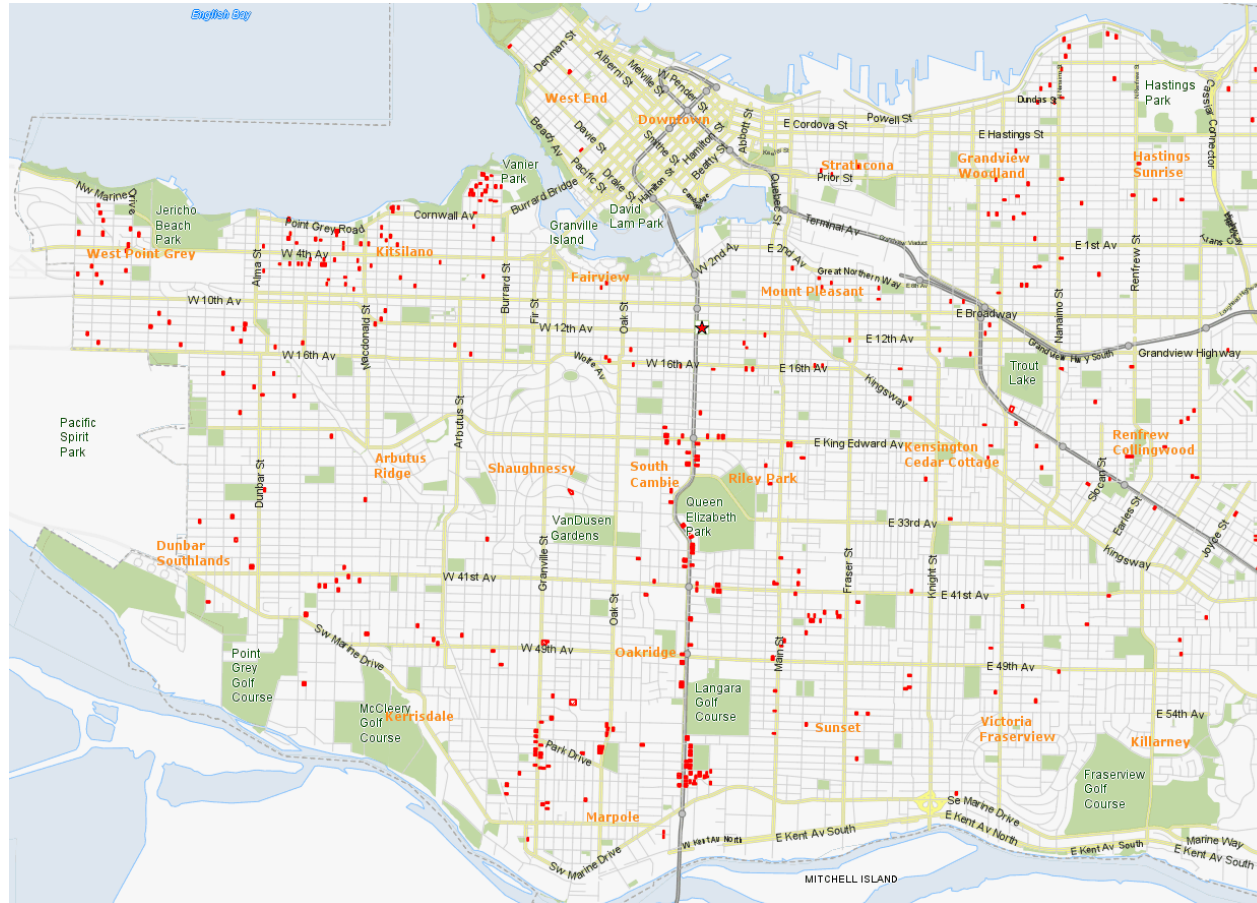
## Targeted Land Assessment Averaging

Targeted averaging provides short-term, multi-year relief to property owners and tenants to enable market adjustments and/or lease renegotiations. Taken together, these measures have addressed major property tax increases for residents and businesses.



# Provincial Property Tax Relief Programs

## Residential #1 - Assessment Act s19(8)



### Intent:

Protect long-term home owners whose assessed values would rise due to zoning changes

### How:

Land is assessed based on current zoning, not anticipated redevelopment potential

### Eligibility:

Owner/occupier @ principal residence  $\geq 10$  yrs

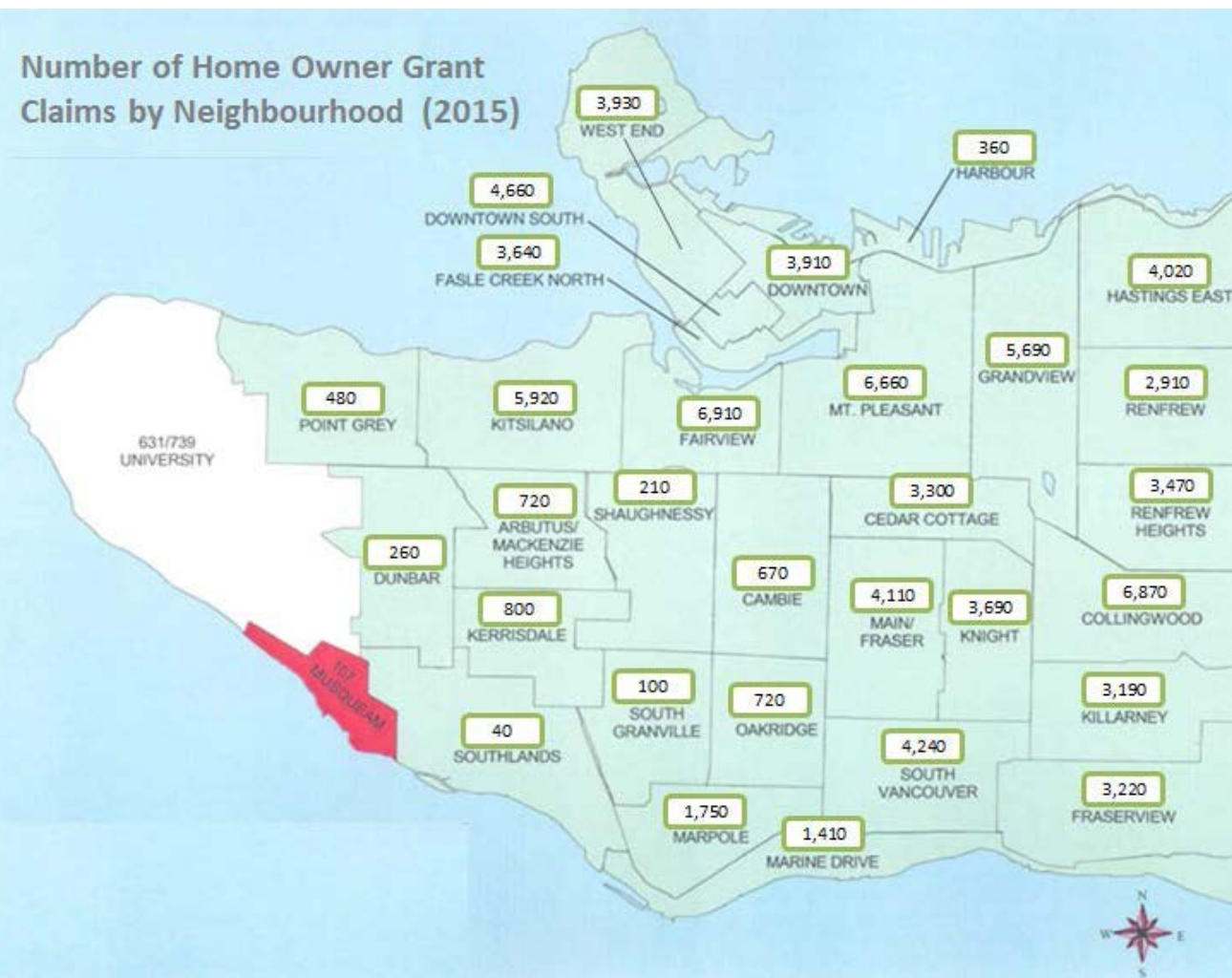
### # of Properties:

2016 - 437

# Provincial Property Tax Relief Programs

## Residential #2 - Home Owner Grant

Number of Home Owner Grant  
Claims by Neighbourhood (2015)



### Intent:

Provincial grant to offset taxes to protect lower value homes & seniors

### How:

Up to \$570 grant for lower value homes; additional \$275 grant to seniors

### Eligibility:

Owner/occupier @ principal residence valued up to \$1.2M (reduced to zero @ \$1.314M)

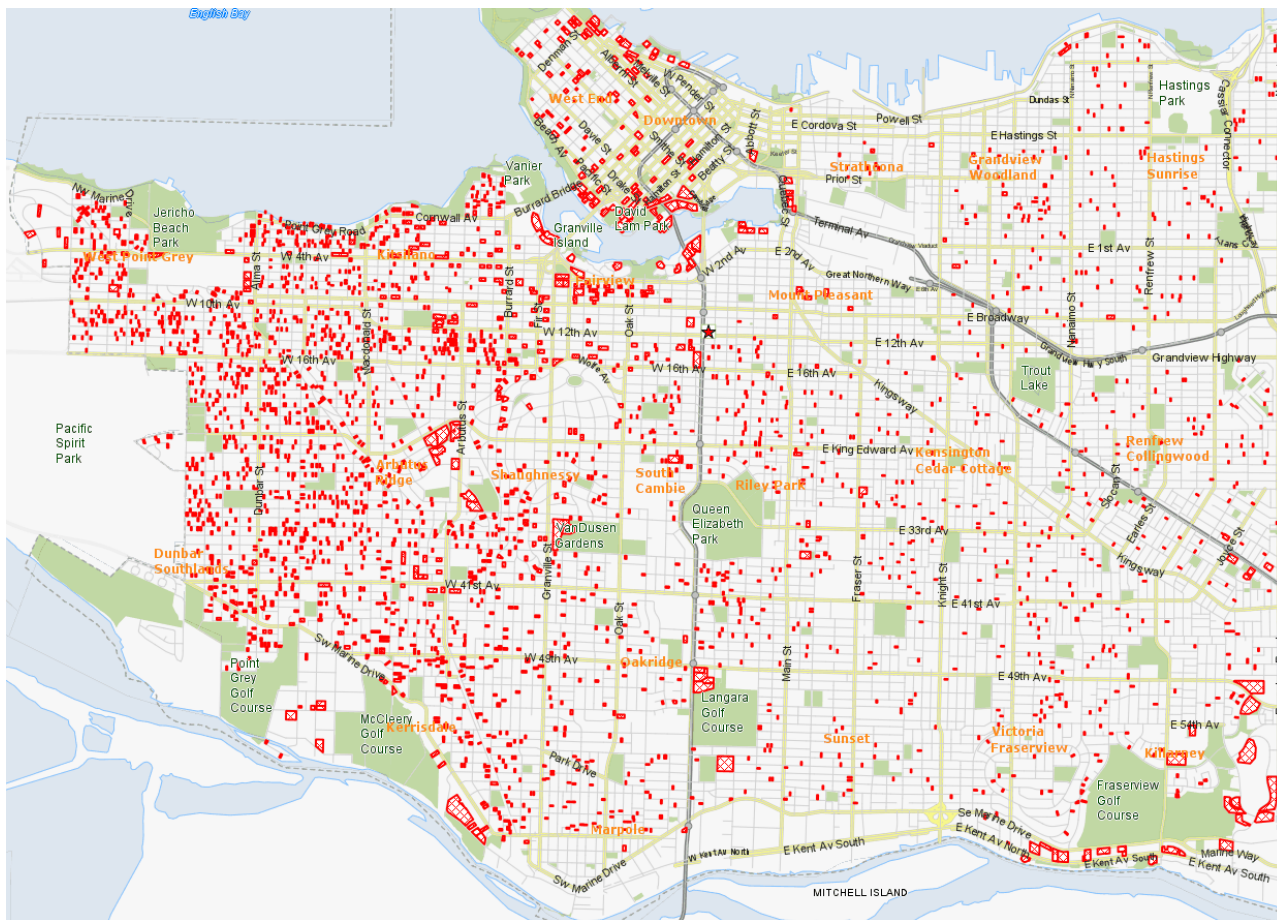
### # of Properties:

2015 - 88,000

2016 applications pending

# Provincial Property Tax Relief Programs

## Residential #3 - Property Tax Deferment



### Intent:

Tax deferral for seniors & families with children; taxes & low rate interest paid upon sale of property

### How:

Charge against the property on equity released resulting from sale

### Eligibility:

Owner/occupier

- $\geq 55$  yrs old, or
- with children  $\leq 18$  yrs old

### # of Properties:

2015 - 3,200

2016 application in progress

# Targeted Land Assessment Averaging

- Property Tax Commission's recommendation (2014)
  - focus on “hot” properties with property value increase 10% above *class average change*
- Transitioned from *across-the-board* to *targeted* averaging in 2015
  - 9,900 (5.6%) residential properties benefited
  - 1,300 (13%) light industrial & business properties benefited
- Generally positive feedback from taxpayers (only 2 appeals - both resolved within administrative framework)
- Council to consider targeted averaging & by-law on Mar 9, 2016
- Plan to move from 3-yr to 5-yr averaging in 2019 (legislative restriction)



# Why Targeted Averaging

- Targeted
  - i) “hot” properties only, not *all* properties;
  - ii) unanticipated increases only, not owner-induced increases (rezoning, improvement upgrades)
- Tailored mitigation to intensity of volatility
- Time-limited to allow tenants time to react (re-negotiate, relocate)
- Easy to understand
- Straightforward to administer
- Minimize unintended consequences
- Maintain market assessment as much as possible
- Not to unduly defer redevelopment to highest & best use

# Why Targeted Averaging

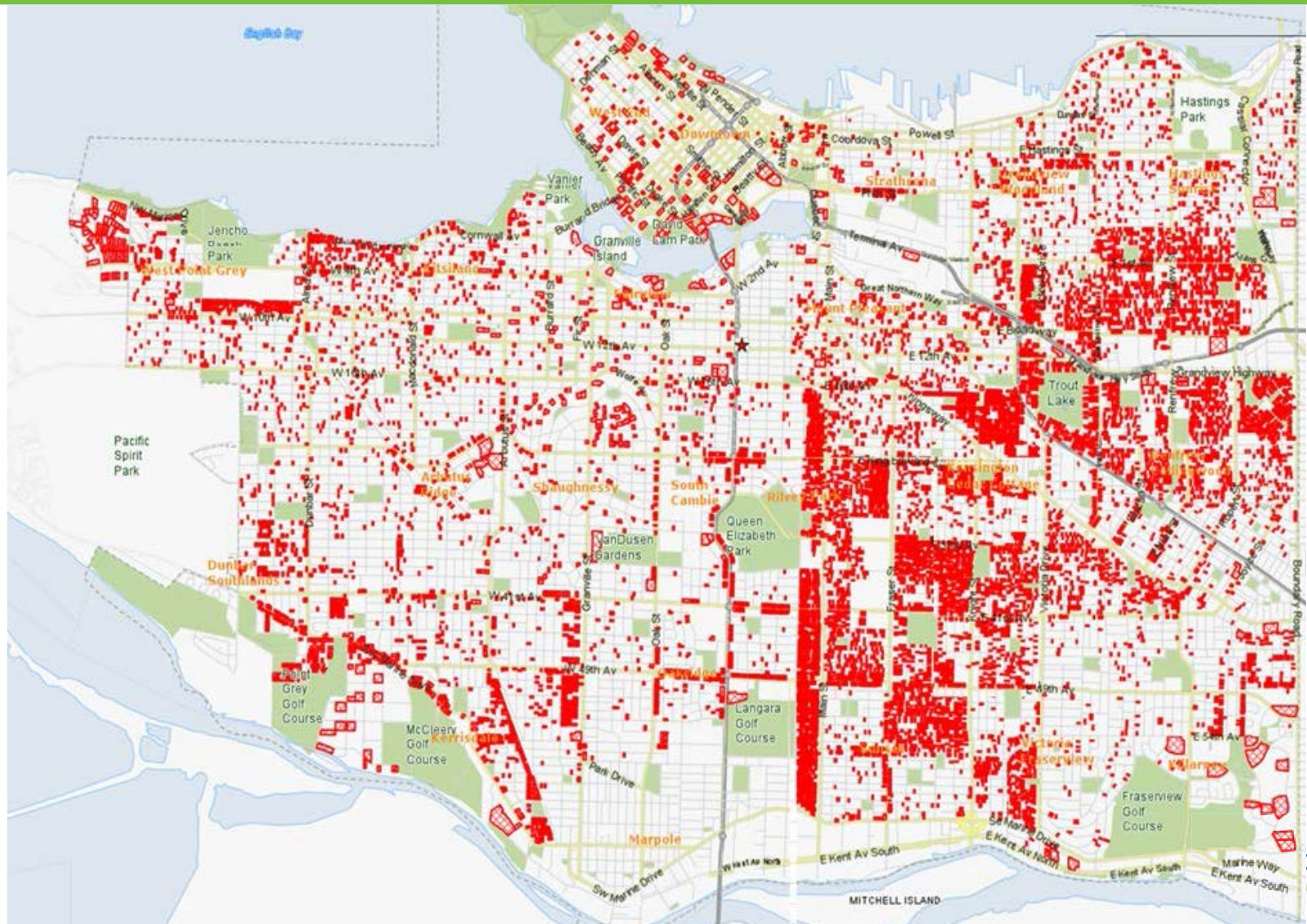
## Across-the-board Averaging (Classes 1/5/6)

- apply to all properties
- ongoing intervention
- approx. half of all properties pay higher tax to subsidize the other half
- property value could be adjusted higher, resulting in higher tax

## Targeted Averaging (Classes 1/5/6)

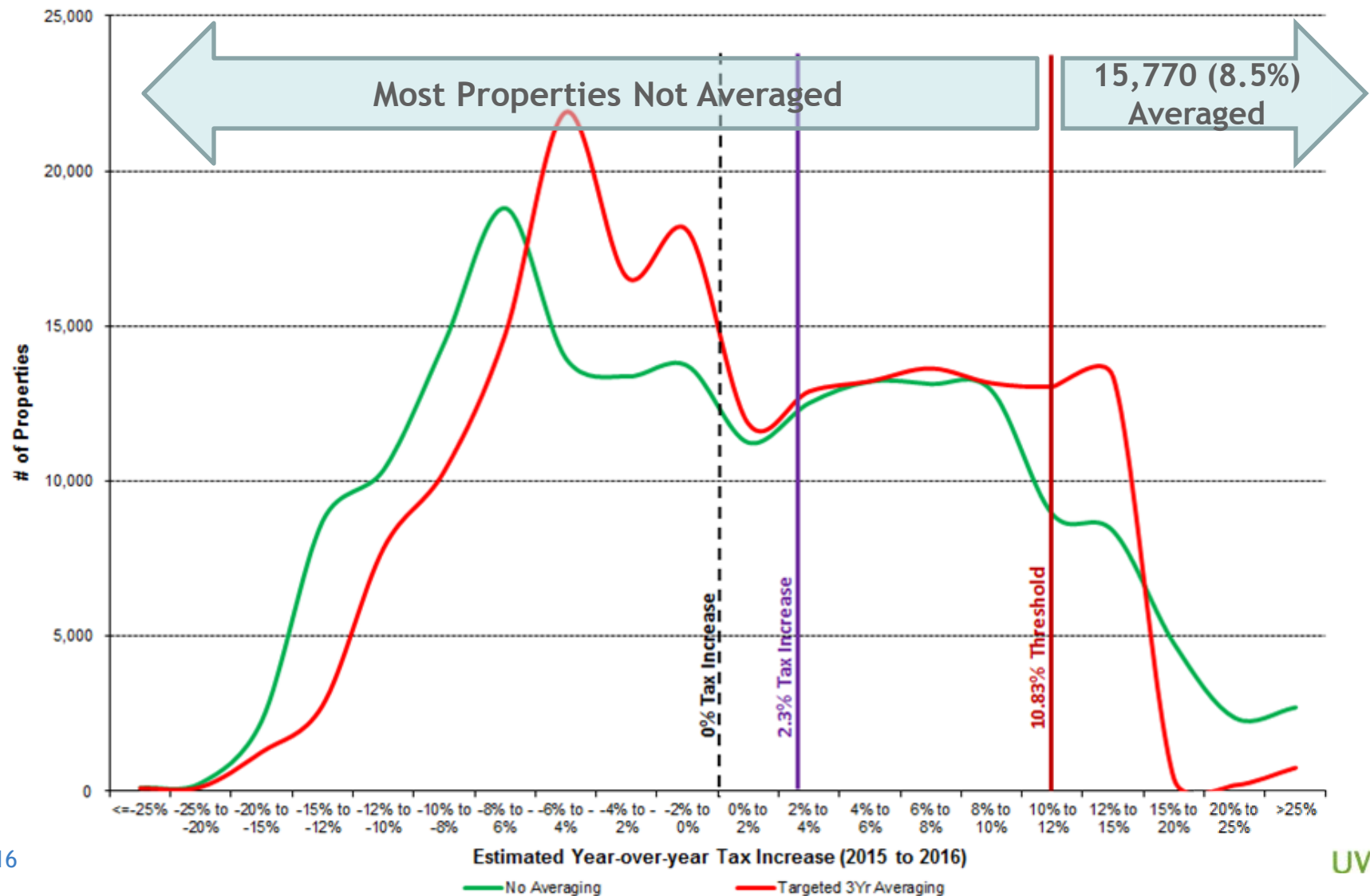
- apply only to “hot” properties above threshold
- intervene only when a property is “hot”
- approx. 90% of properties pay slightly higher tax to subsidize approx. 10% of properties
- value will only be adjusted lower or unchanged, never higher

# Where are the “Hot” Residential Properties in 2016?



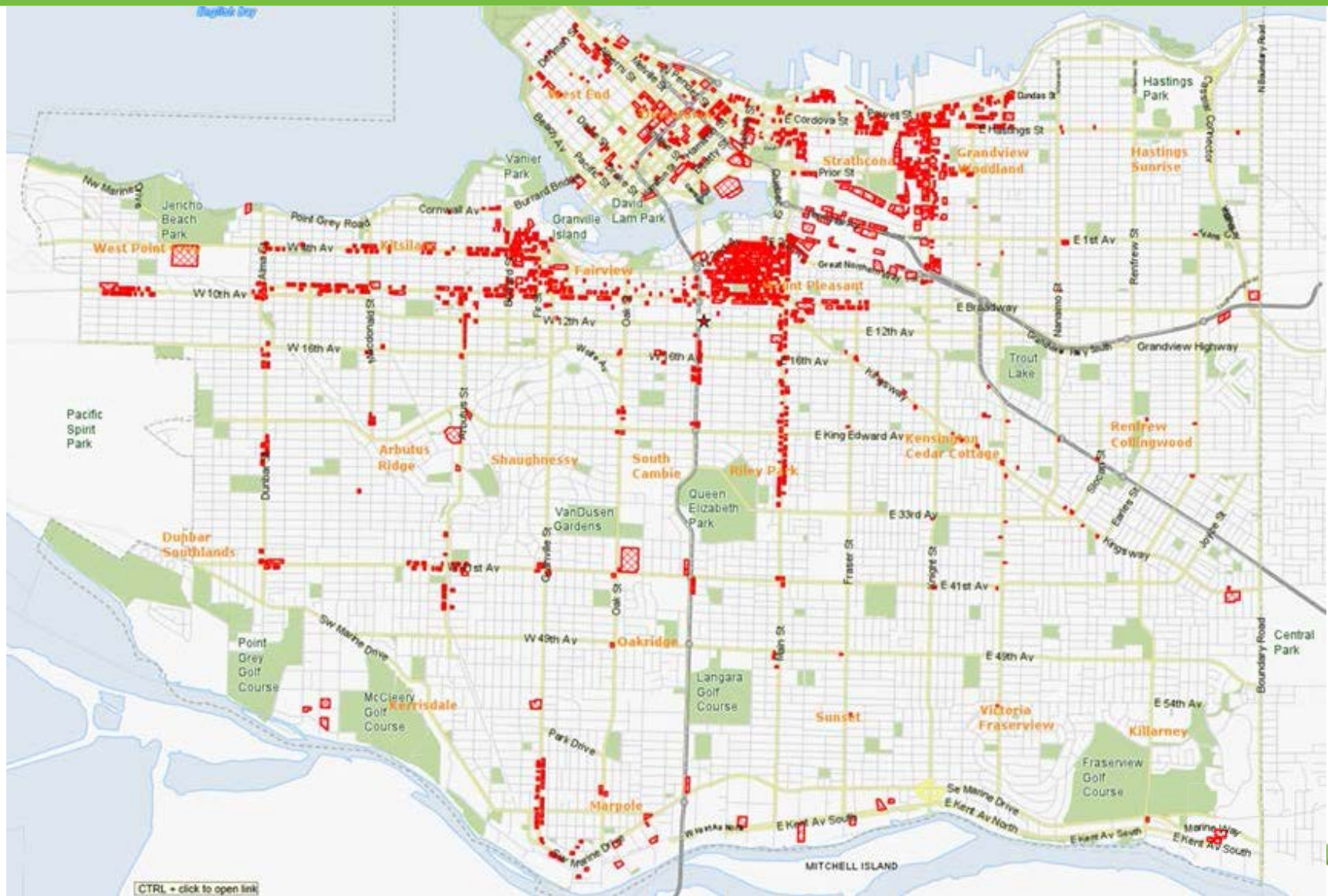
# Targeted Averaging - Residential Properties

Threshold: **Property Value Increase >~29.89%**  
**Property Tax Increase >~10.83%**





# Where are the “Hot” Commercial Properties in 2016?

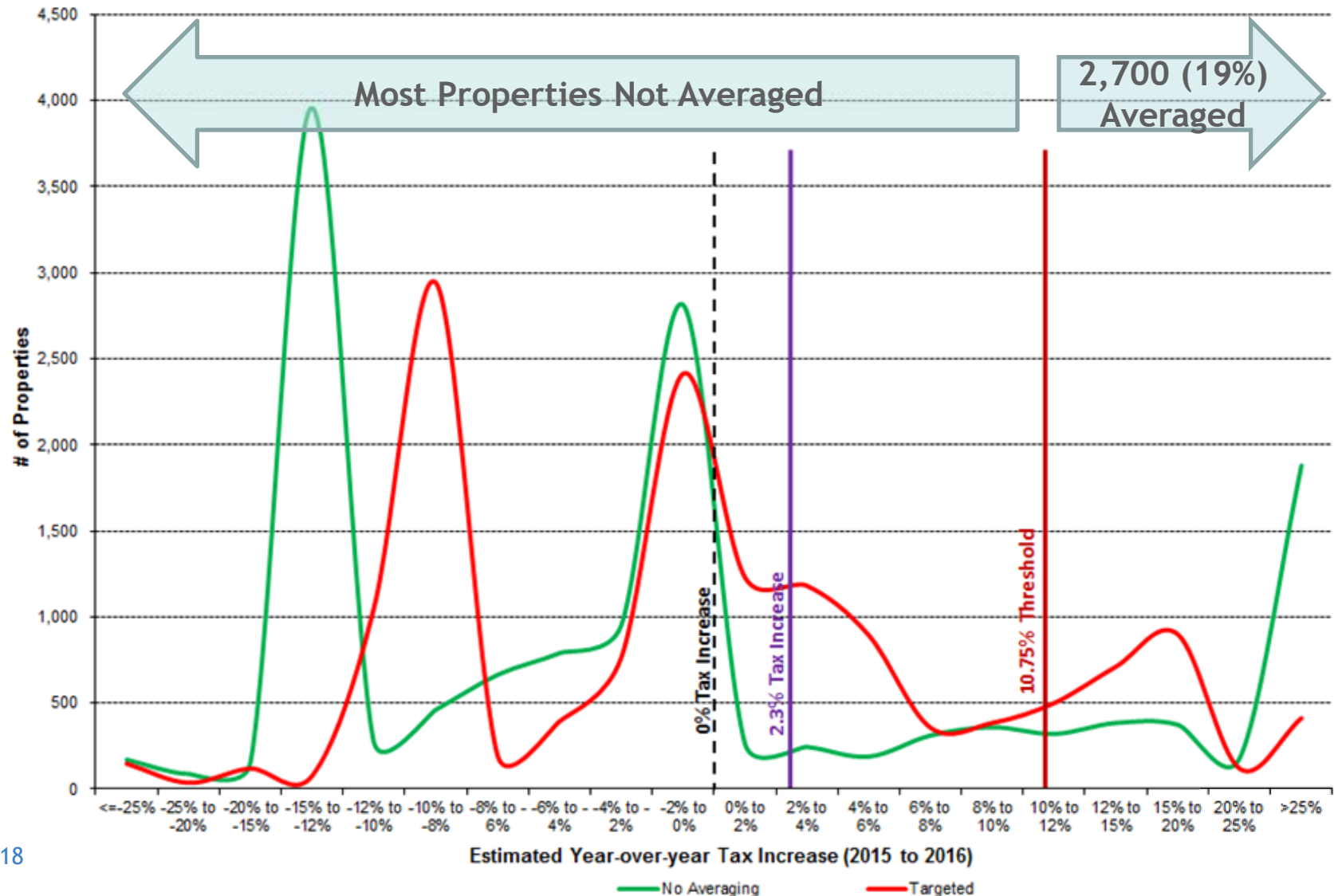




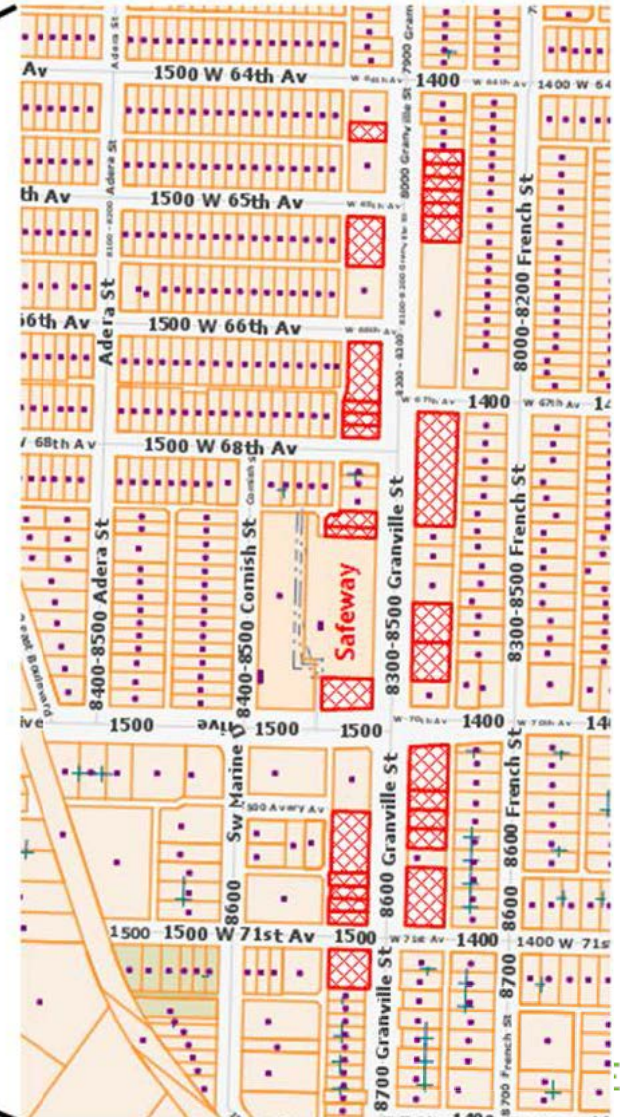
# Targeted Averaging - Light Industrial & Business Properties

Threshold: Property Value Increase >~31.10%

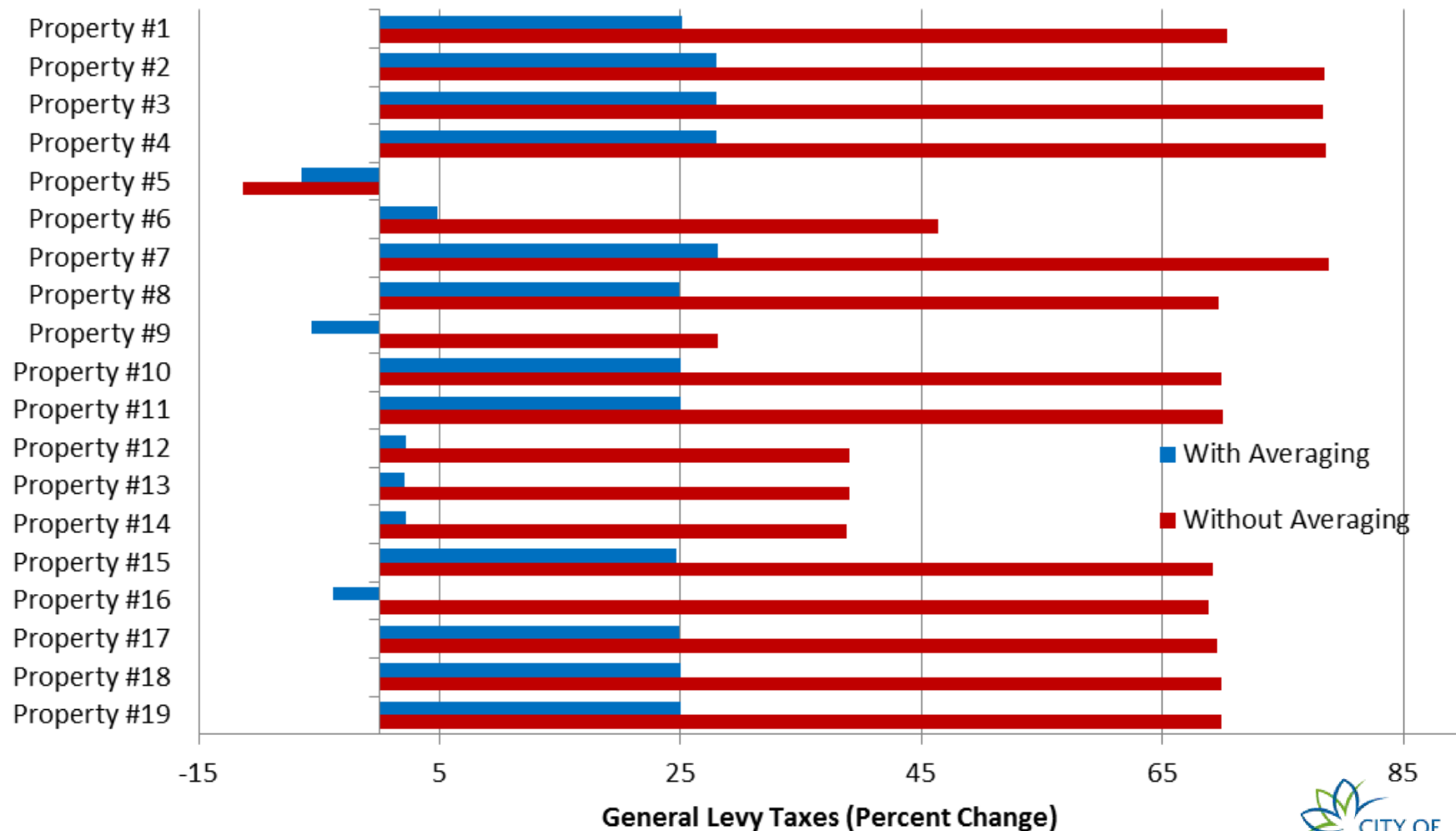
Property Tax Increase >~10.75%



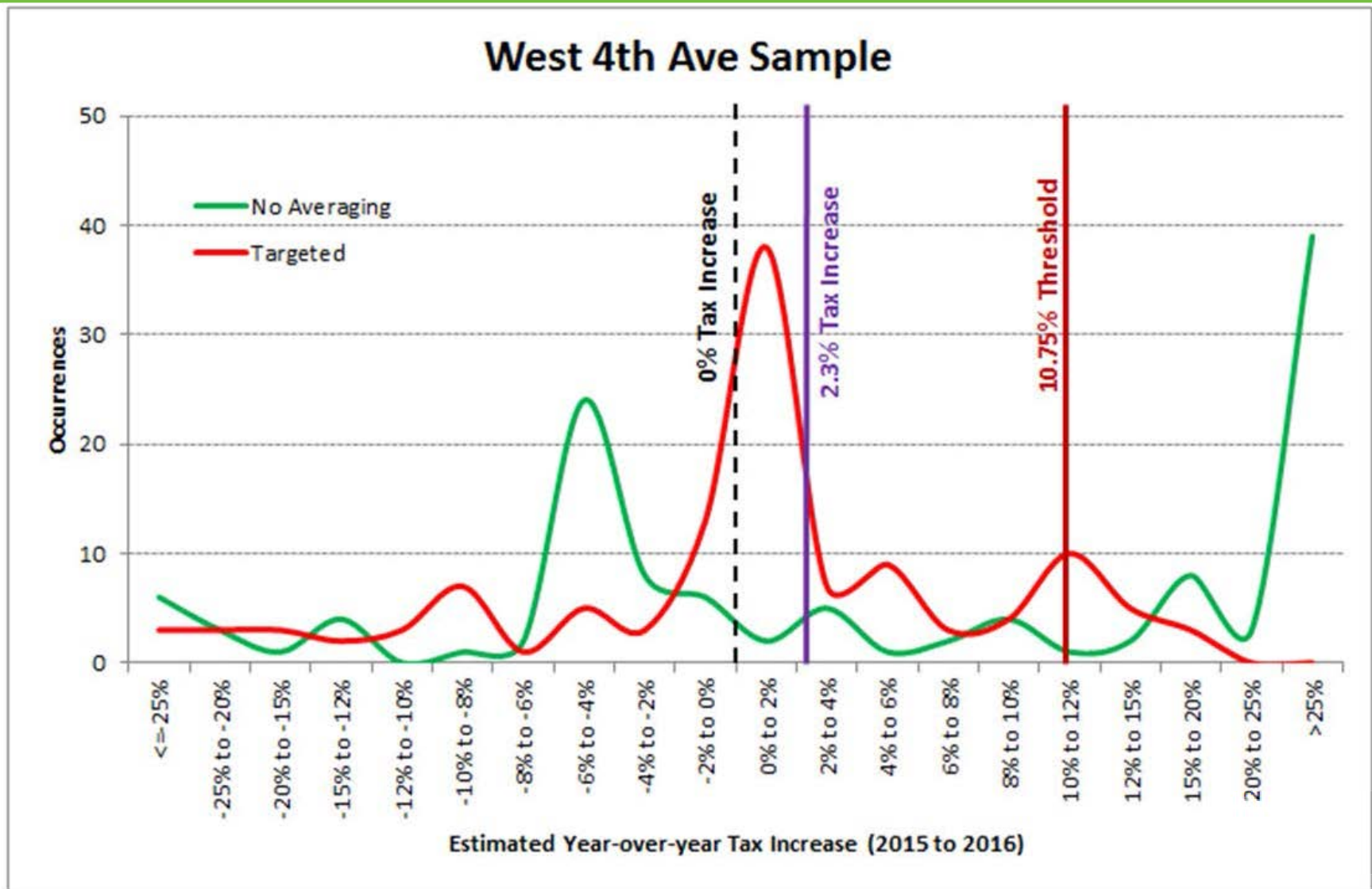




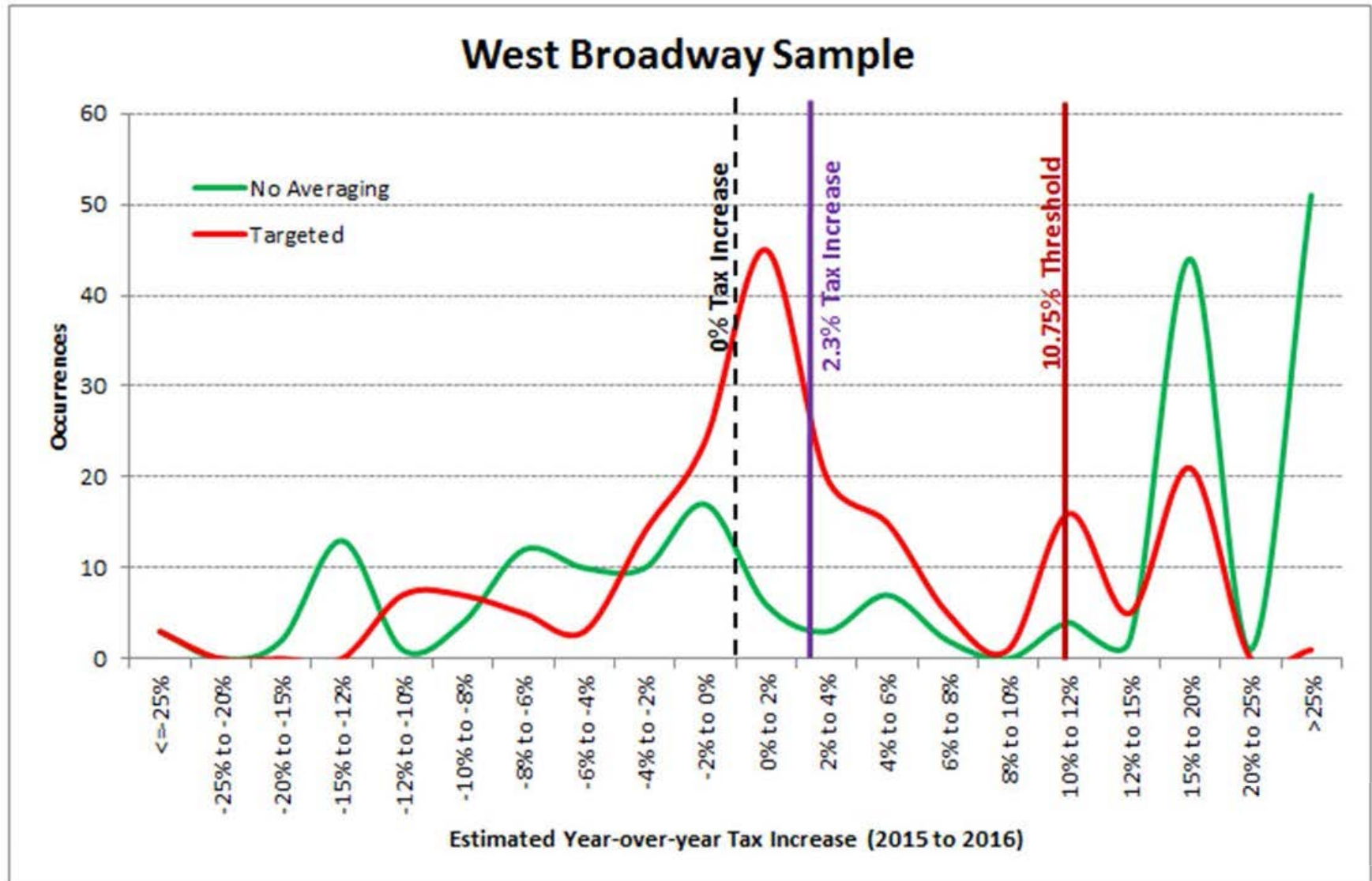
# Hot Commercial Properties: Marpole



# “Hot” Commercial Properties: W4th Ave



# “Hot” Commercial Properties: W Broadway





# Impact of Averaging on Tax Rates

Targeted averaging focuses on “hot” properties, leaving most properties untouched

“Non-hot” properties will pay slightly higher tax to compensate for the tax relief targeted for “hot” properties

# Impact of Targeted Averaging on Tax Rates Residential Properties

	Preliminary Tax Rate (per \$1,000 assessed value)	Change (from No Avg'g)
No Averaging (BC Assessment Value)	\$1.535	-
2016 Targeted Averaging (as proposed)	\$1.567	+2%
2015 Targeted Averaging	\$1.770	+1%



# Impact of Targeted Averaging on Tax Rates Light Industrial & Business Properties

	Preliminary Tax Rate (per \$1,000 assessed value)	Change (from No Avg'g)
No Averaging (BC Assessment Value)	\$6.27	-
2016 Targeted Averaging (as proposed)	\$6.61	+5.4%
2015 Targeted Averaging	\$7.35	+3.8%

# 2015/2016 Summary of Targeted Averaging

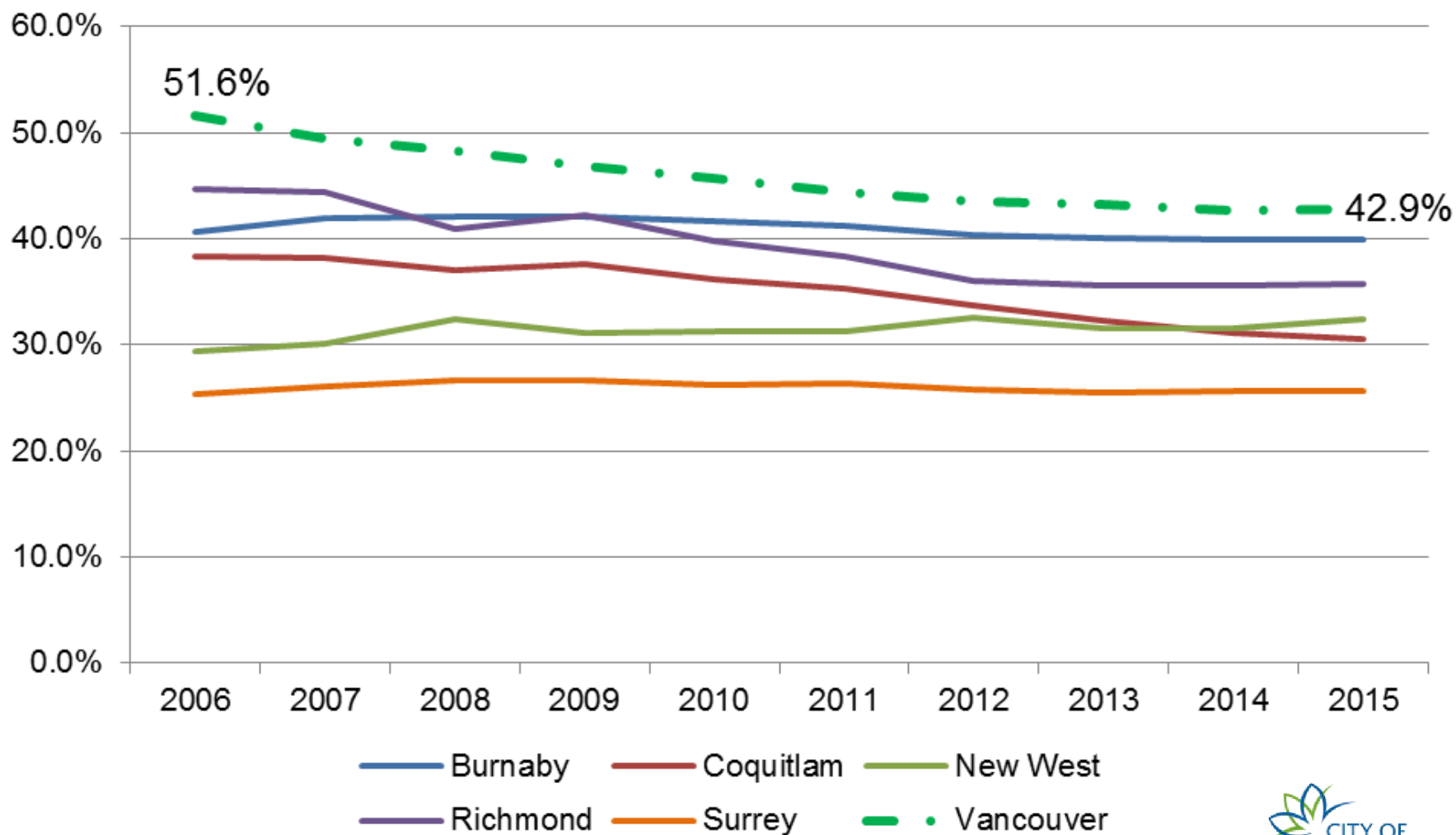
Year	Residential		Light Industrial & Business	
	Hot Property Count	Tax Rate Change (from no Averaging)	Hot Property Count	Tax Rate Change (from no Averaging)
2016	15,800	+2%	2,800	+5.4%
2015	9,900	+1%	1,500	+3.8%

# Besides Targeted Averaging...

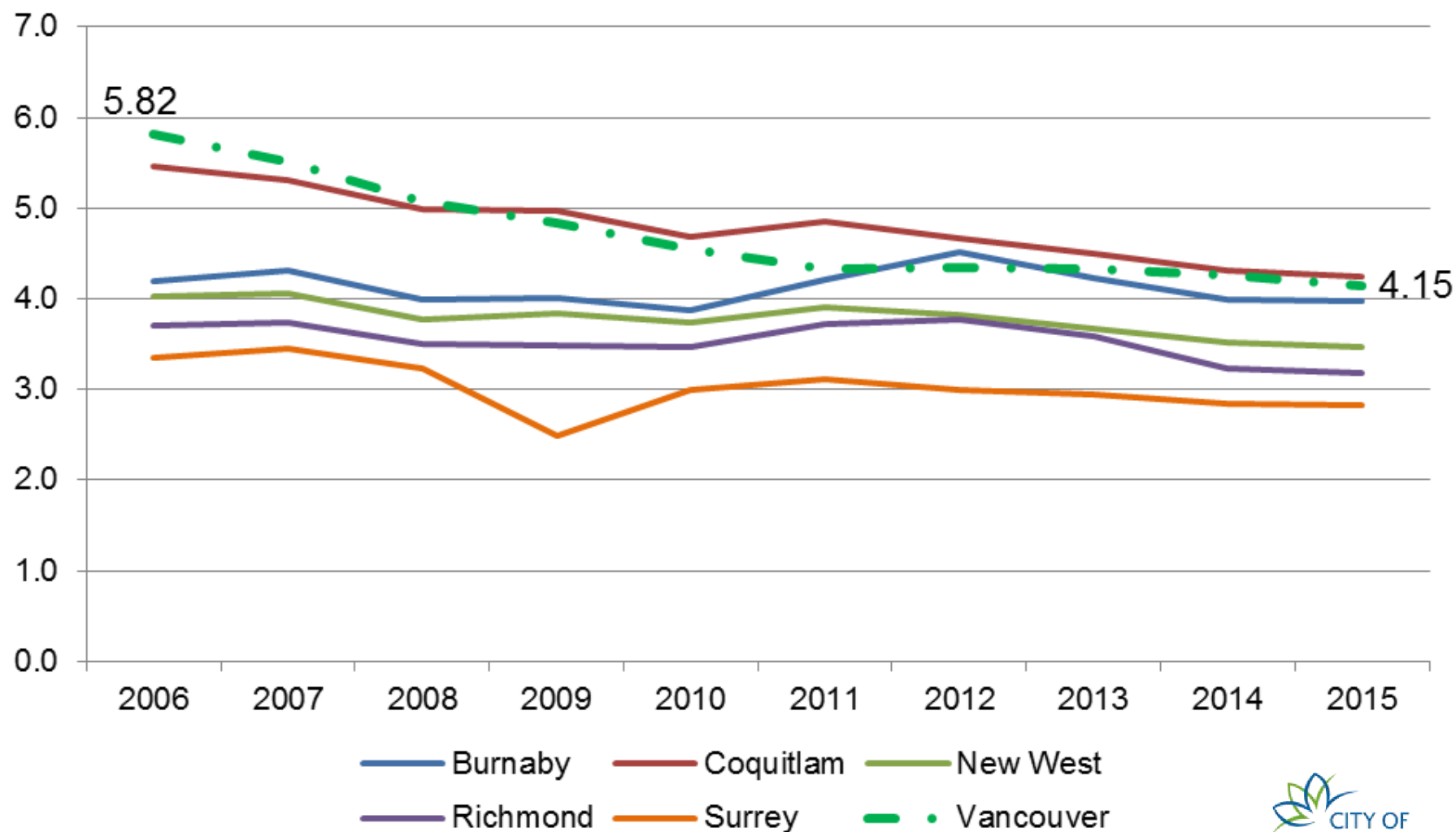
Council has taken proactive steps to enhance affordability and support economic development. This includes:

- keeping property tax, utility and user fees competitive within Metro Vancouver
- lowering the business property tax share from 52% to 43% and improving the business tax rate ratio from 6 to 4.1 over the past 10 years, one of the most substantial improvements within Metro Vancouver
- bringing transformative changes to enhance customer service, efficiencies and accountability

# Business Tax Share Declining



# Business/Residential Tax Rate Ratio Declining



# Summary of Recommendations

- A. THAT Council approve the **application of targeted 3-year land assessment averaging** for Residential (Class 1), Light Industrial (Class 5), and Business & Other (Class 6) properties for 2016.
- B. THAT Council adopt a “**threshold**” of **10% above the property class average change (2016 Revised Roll)** for Class 1 and for Classes 5 & 6 to define eligibility for targeted averaging.
- C. THAT Council adopt a **by-law** authorizing the use of targeted 3-year land assessment averaging.
- D. THAT the Director of Finance make appropriate arrangements with BC Assessment for the **production of the 2016 Average Assessment Roll**.

# 2016 Property Taxation - Next Steps

