



ADMINISTRATIVE REPORT

Report Date: October 29, 2018
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VanRIMS No.: 08-2000-20
Meeting Date: December 4, 2018

TO: Vancouver City Council
FROM: Director of Finance
SUBJECT: 2019 Land Assessment Averaging: Notice to BC Assessment Authority

RECOMMENDATION

- A. THAT, pursuant to Section 374.4 (4b) of the *Vancouver Charter*, the City Clerk be instructed to notify the BC Assessment Authority ("BC Assessment"), before January 1, 2019, of Vancouver City Council's intent to consider the adoption of targeted land assessment averaging for the purpose of property tax calculations for 2019.

It should be noted that this notice of intent is revocable should Council, at a later date, decide not to proceed with this mechanism.

- B. THAT the Director of Finance be instructed to provide the required two weeks' notice to the public in advance of Council's consideration of the use of targeted land assessment averaging and, before March 31, 2019, report on the projected taxation impacts of the program based on the assessed values provided by BC Assessment in the 2019 Completed Roll.
- C. THAT the Area Assessor for Vancouver be invited to address Council on the 2019 assessment trends.

REPORT SUMMARY

The purpose of this report is to recommend that BC Assessment be notified of Council's intent to consider the adoption of targeted land assessment averaging for the purpose of property tax calculations for 2019. This notification is a statutory requirement for Council to consider the use of land assessment averaging but does not commit Council to the implementation of this mechanism.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

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 under the bylaw.

In 1993, Council implemented across-the-board 3-year land assessment averaging for the purpose of calculating property taxes for residential (Class 1) and business (Class 6) properties; and in 2007, Council extended the program to light industrial (Class 5) properties.

In 2007, the Property Tax Policy Review Commission (the “Commission”) provided a thorough review of the City’s property tax policy. To address taxation impact arising from assessment volatility, the Commission recommended that Council submit a request to the Province to amend the *Vancouver Charter* to allow 5-year land assessment averaging.

In April 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 this amendment.

In May 2013, Council reconvened the Commission to provide an updated assessment of the City’s property tax policy. To further address taxation impact arising from assessment volatility, in February 2014, the Commission recommended targeted land assessment averaging.

In March 2014, Council approved the continuation of across-the-board 3-year land assessment averaging, pending staff analysis on the Commission’s recommendations presented in February 2014. As a result, 2019 is the first year a shift in the averaging formula from 3 years to 5 years can be considered.

In July 2014, Council adopted the Commission’s recommendation and instructed staff to transition from across-the-board to targeted 3-year land assessment averaging for the 2015 tax year, subject to confirmation of authority from the Province. In February 2015, staff received such confirmation from the Province.

Since 2015, Council has adopted by-laws to enable targeted 3-year land assessment averaging for the purpose of calculating property taxes for residential (Class 1), light industrial (Class 5), and business (Class 6) properties.

In June 2017, Council adopted a motion to request the Province to make necessary legislative amendments to allow the City to transition to 5-year averaging in 2018 (one year ahead of the original target transition in 2019 pursuant to the *Vancouver Charter*). The request was denied by the Province in January 2018.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager and the Director of Finance RECOMMEND approval of the foregoing.

This notice of intent is a statutory requirement to preserve Council’s authority to consider the use of targeted land assessment averaging in 2019. It does not commit Council to implement this mechanism.

REPORT

Background/Context

While the Council-directed property tax increase applies to the overall tax levy, the extent of change in a property's taxes is determined primarily by how that property's assessed value has changed relative to the average change within its property class.

Properties with a higher increase in value relative to the average change of the class could experience a much higher increase in property tax beyond the Council-directed increase, while properties with a lower increase in value could experience no change or a reduction in property tax. 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.

Pursuant to the *Vancouver Charter*, Council is required to consider whether or not to adopt land assessment averaging each year. Land assessment averaging is an optional tool available to Council under the *Vancouver Charter*. 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. To date, Vancouver is the only municipality in BC that uses averaging to phase in significant property tax increases arising from assessment volatility at a city-wide level.

Strategic Analysis

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

- Notify BC Assessment, before January 1, 2019, of its intent to consider the adoption of land assessment averaging for the 2019 tax year. This notice of intent does not commit Council to the implementation of this mechanism.
- Should Council decide to proceed, adopt a by-law, before March 31, 2019, authorizing the use of targeted land assessment averaging for the purpose of property tax calculations for 2019. Should Council decide to shift the averaging formula from 3 years to 5 years, it will need to concurrently adopt a bylaw to that effect.
- Specify in the by-law the eligibility requirements for properties to be considered for targeted land assessment averaging.

In advance of Council's consideration, staff will complete an analysis of the projected taxation impacts of targeted land assessment averaging and provide the required two weeks' notice to the public of Council's intent to consider the program.

Once the 2019 Completed Roll is available in early 2019, Council may wish to invite the Area Assessor for Vancouver to make a presentation on the 2019 assessment trends.

Financial implications

There are no financial implications associated with providing notice to BC Assessment of Council's intent to consider targeted land assessment averaging in 2019.

Should Council approve the adoption of targeted land assessment averaging in 2019, the final tax rates for the City's municipal general purpose tax levy and other taxing authorities will be adjusted to give effect to land assessment averaging.

The Province's new additional school tax on high-valued residential properties (over \$3 million) will be levied based on the unaveraged assessment roll. The additional tax rate is 0.2% on property values between \$3 million and \$4 million, and 0.4% over \$4 million.

CONCLUSION

This report seeks Council authority to notify BC Assessment of its intent to consider the adoption of targeted land assessment averaging for the purpose of property tax calculations for 2019. This notification does not commit Council to implementation of this mechanism.

Staff will report to Council, prior to March 31, 2019, the projected taxation impacts of targeted land assessment averaging based on the assessed values provided by BC Assessment in the *2019 Completed Roll*, at which time Council will decide whether to adopt the mechanism for 2019.

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