

# 2021 Property Taxation: Targeted Land Assessment Averaging

Council – March 9, 2021

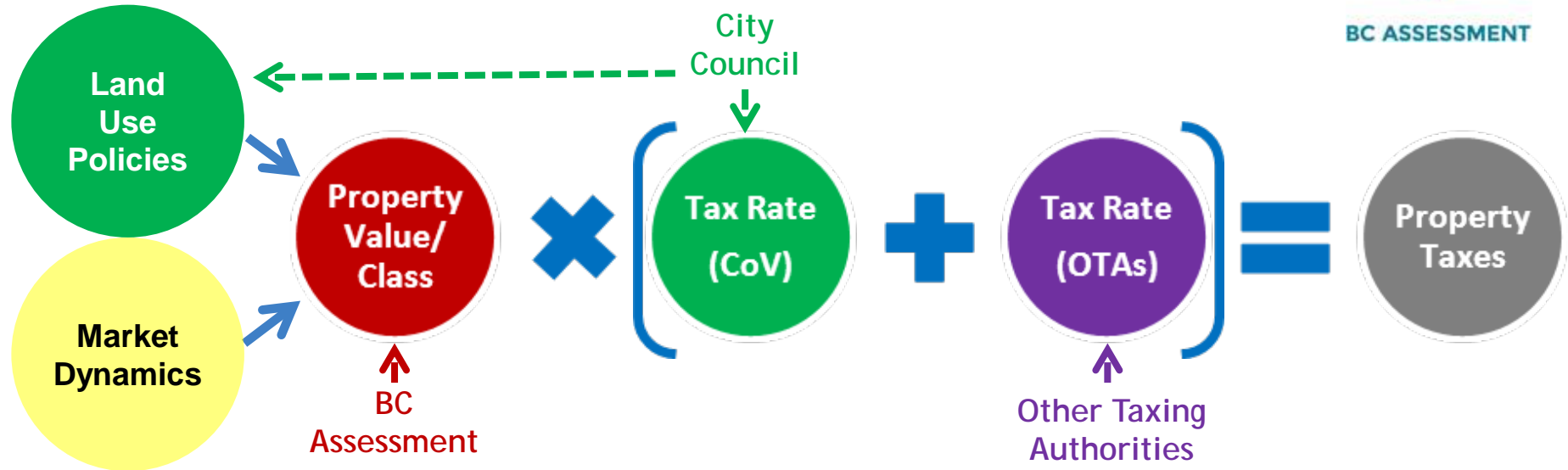


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- **Property Assessment & Taxation Framework**
  - Targeted Land Assessment Averaging
  - Recommendations
  - Development Potential & Split Assessment

# Property Assessment & Taxation Framework



BC ASSESSMENT



## BC Assessment determines:

- property value based on highest & best use & market activities
- property class based on actual use

## City Council determines:

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

# How Are City Tax Rates Determined?

Step 1: Determine tax levy required to support the budget

**Annual Operating Budget – Non-tax Revenues = Tax Levy**

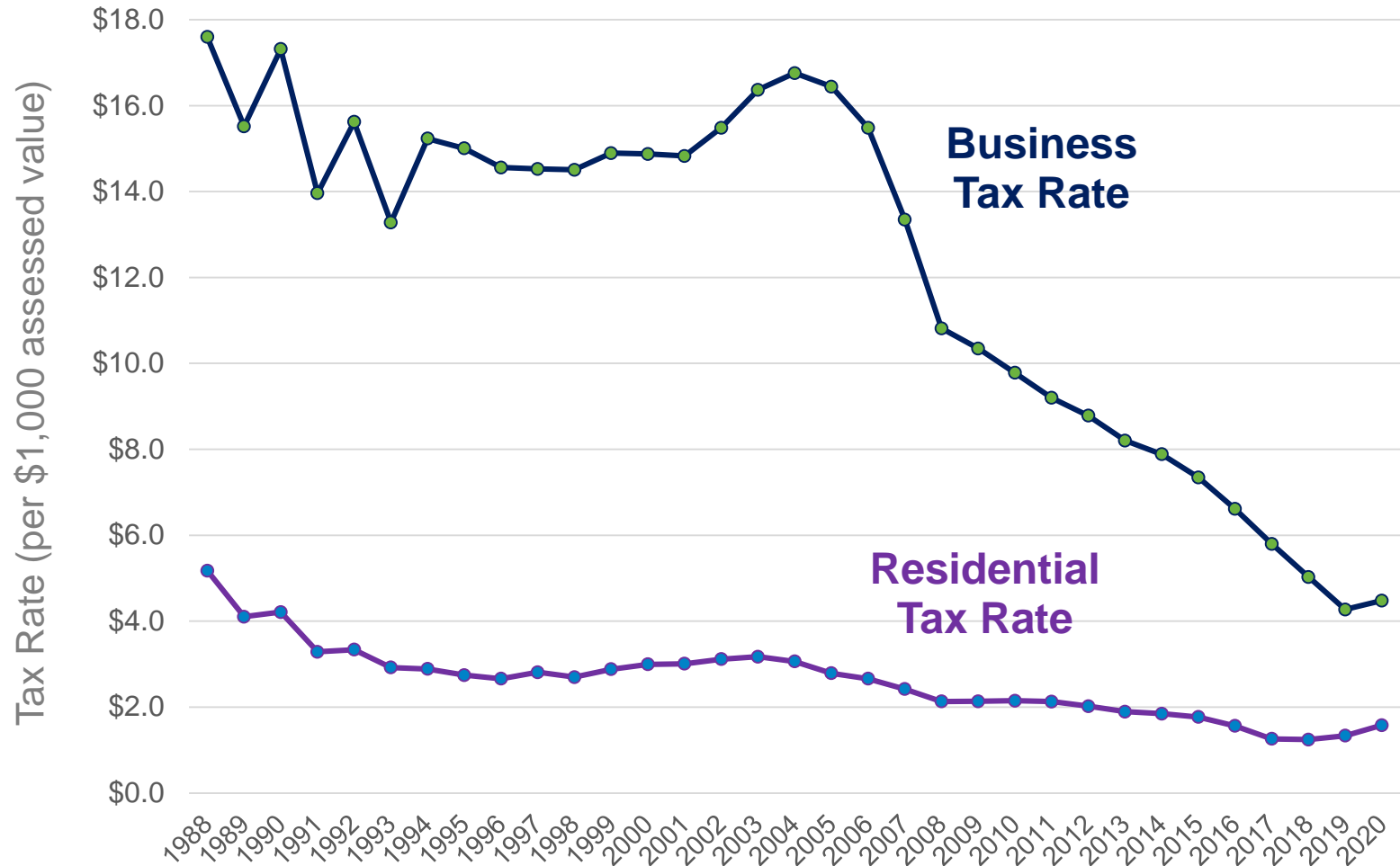
Step 2: Determine tax share between residential & non-residential property classes

**2020: Residential 57% / Non-residential 43%**

Step 3: Set tax rate for each property class

**Property Tax Rate = Tax Levy ÷ Taxable Assessment Base**

# Revenue Neutrality

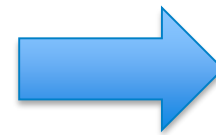


**City does NOT get more taxes as property value increases.**

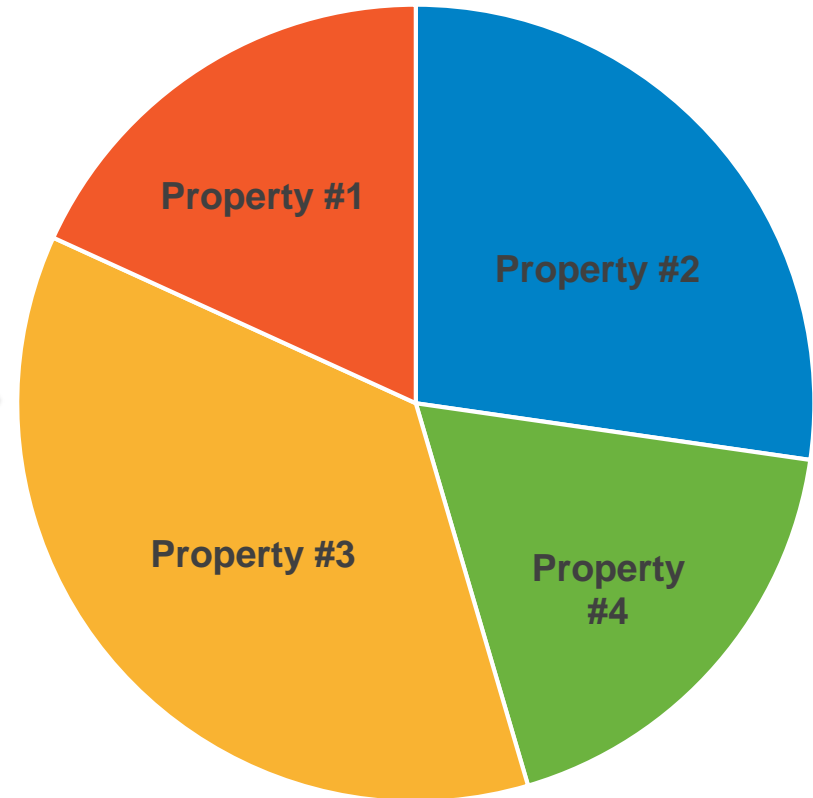
**Tax rates are adjusted to collect levy set by Council.**

# Assessment Changes & Taxation Impact

Year 1



Year 2

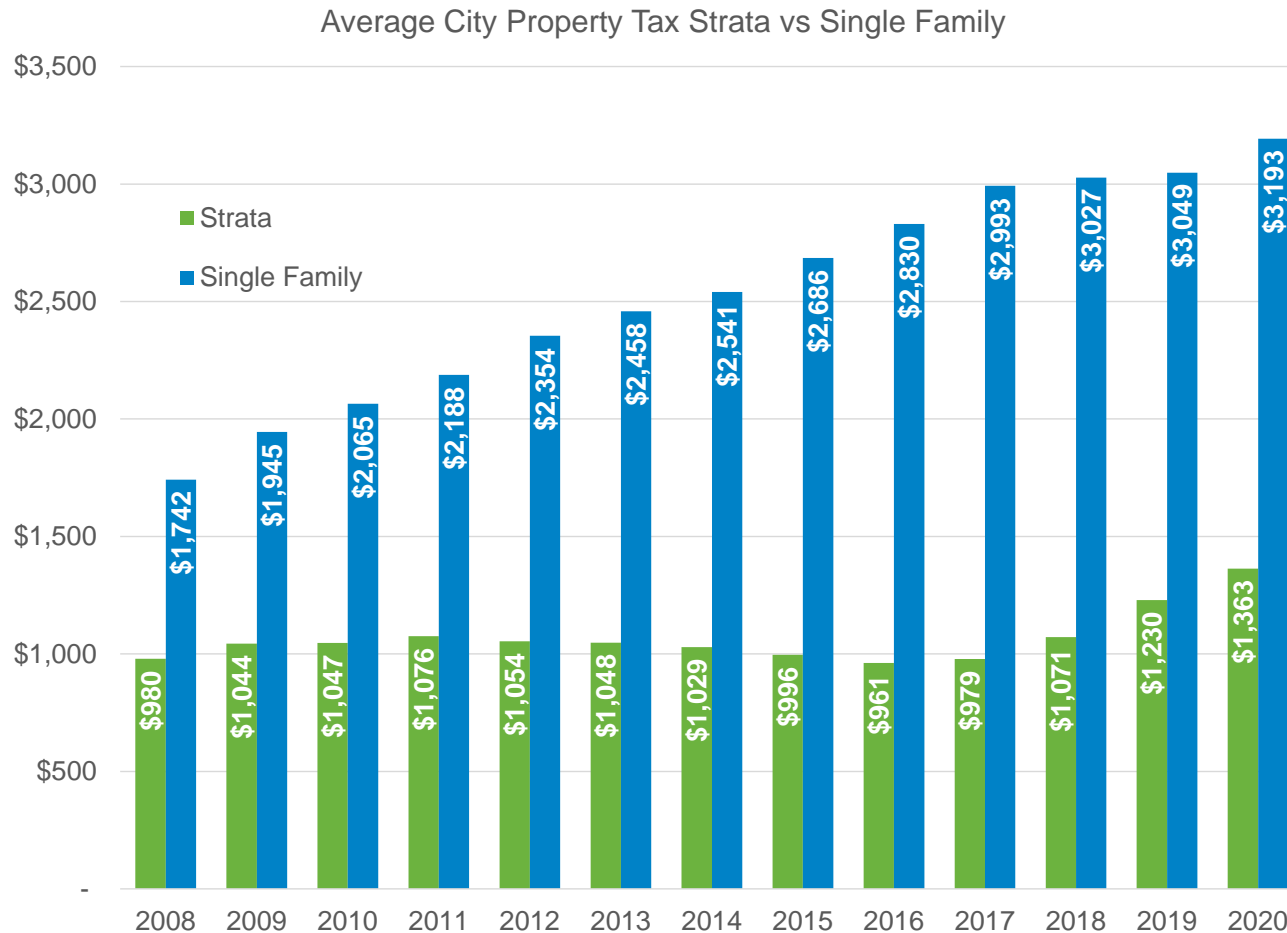


**City allocates taxes among properties based on assessed values**

- below avg increase in property value for 1 & 4 → lower tax
- above avg increase in property value for 2 & 3 → higher tax

# Assessment Changes & Taxation Impact

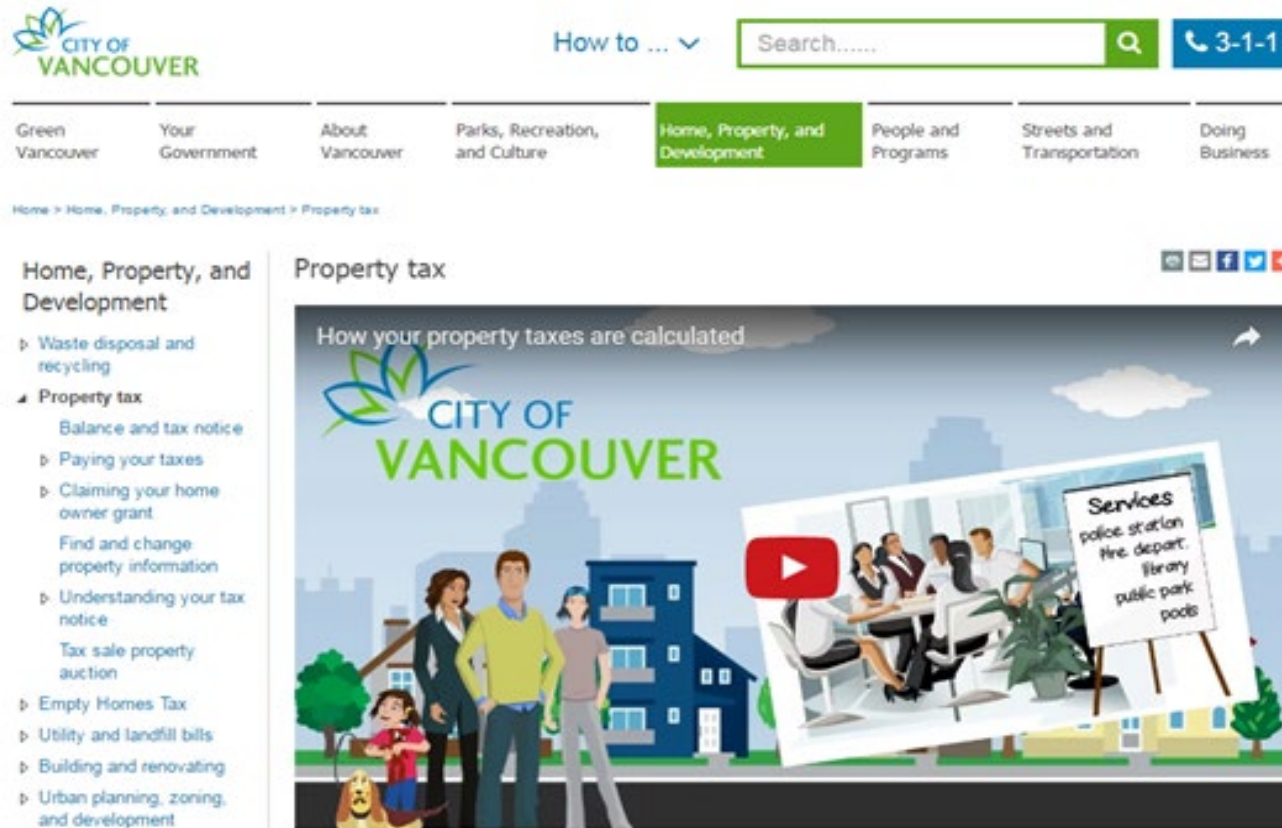
## Residential



Single family homes have had higher tax increases than strata until recent years

# Informing the Public

A video at [vancouver.ca/property-tax](https://vancouver.ca/property-tax) illustrates the relationship between assessment changes and property taxes



Home, Property, and Development

- ▶ Waste disposal and recycling
- ▲ Property tax
  - ▶ Balance and tax notice
  - ▶ Paying your taxes
  - ▶ Claiming your home owner grant
  - ▶ Find and change property information
  - ▶ Understanding your tax notice
  - ▶ Tax sale property auction
- ▶ Empty Homes Tax
- ▶ Utility and landfill bills
- ▶ Building and renovating
- ▶ Urban planning, zoning, and development

Property tax

How your property taxes are calculated

CITY OF VANCOUVER

Services: police station, fire depart., library, public park, pools

Q4 2020 - BCA notified property owners with significant assessment increases



- Property Assessment & Taxation Framework
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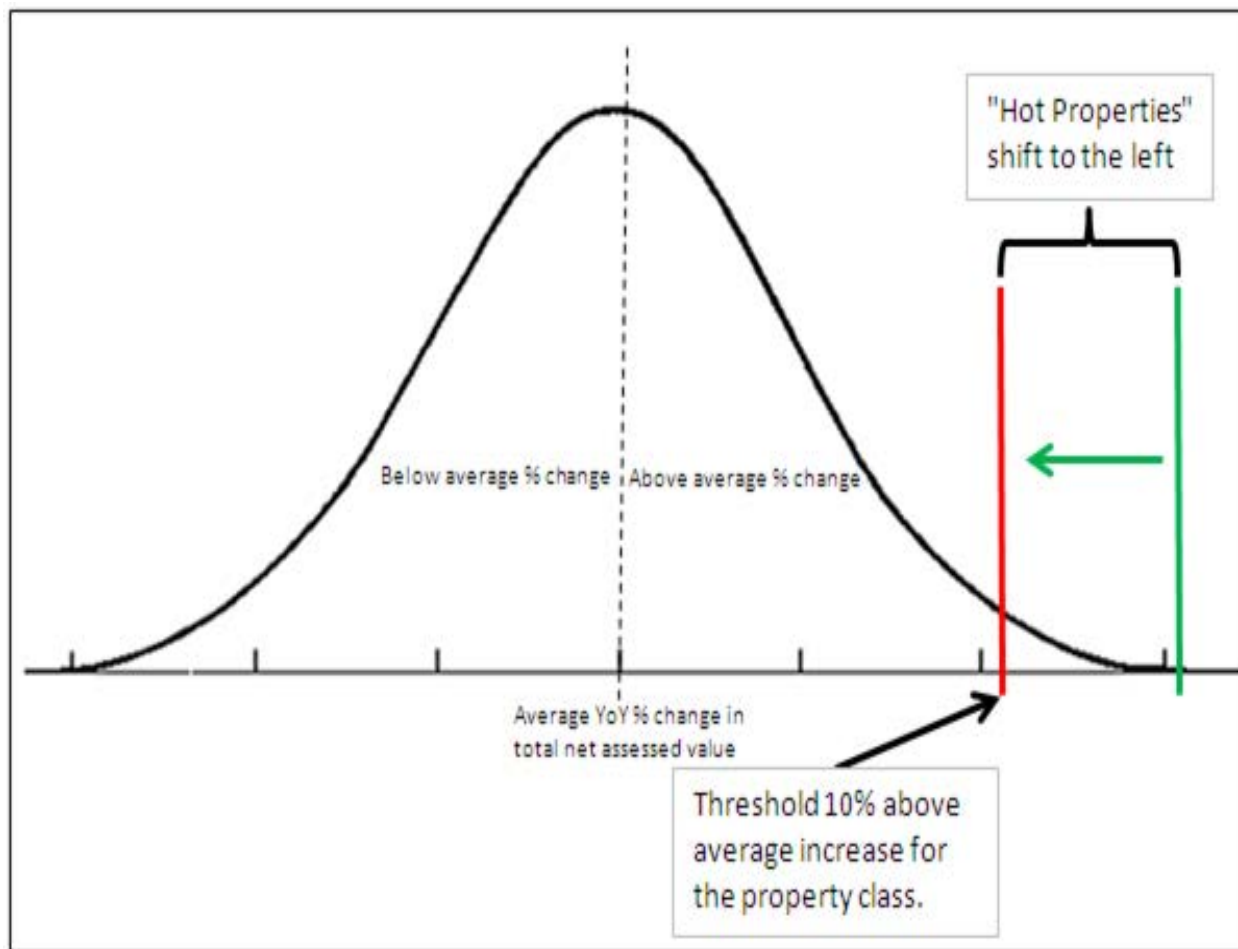
# Targeted Land Assessment Averaging

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Targeted averaging provides short-term, multi-year relief to “hot” properties to mitigate significant tax increases for residents, businesses, arts, culture & NPO sectors

*According to the Property Tax Policy Review Commission (2014), a “hot” property is one that experiences an unanticipated, year-over-year increase in total net assessed value, before land averaging is applied, which exceeds the average assessment increase for the same property class >10%*

# Targeted Land Assessment Averaging



Only "hot" properties above the threshold are eligible.  
Averaging could lower value up to, but not below, the threshold.

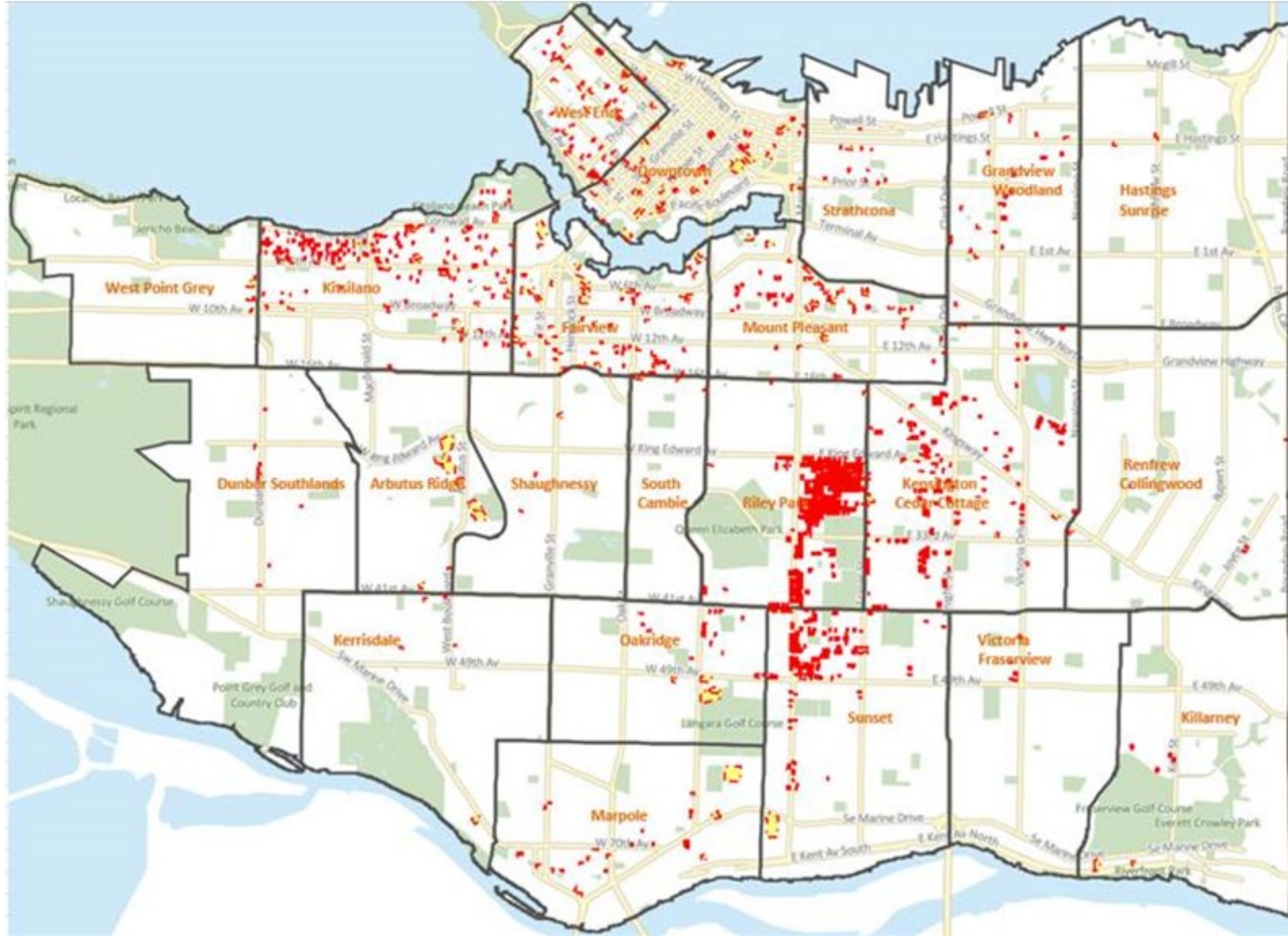
# What Drives Property Values?

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- supply and demand
- market speculation
- major infrastructure investment
- an actual (or perceived) higher & better use relative to existing use

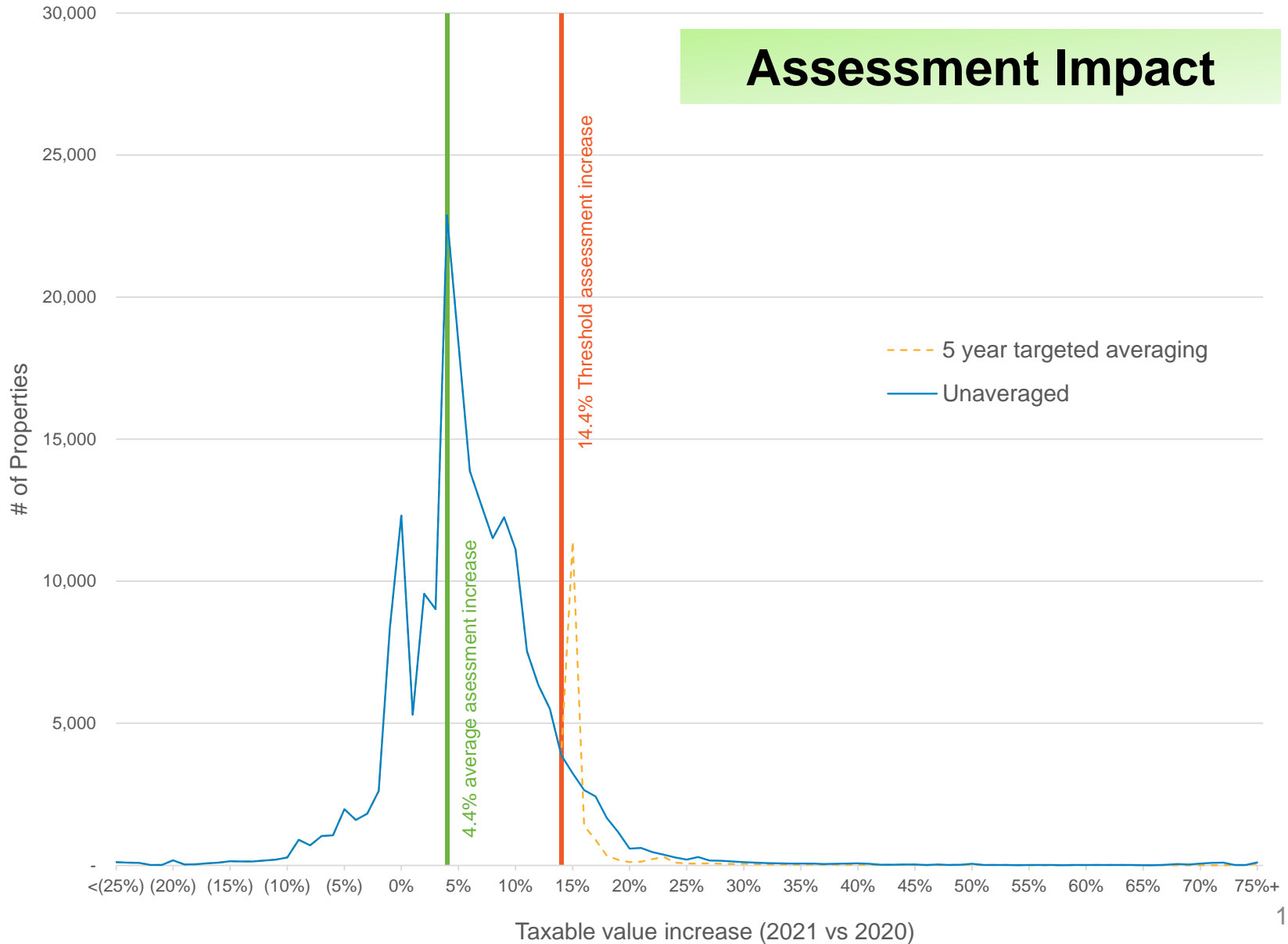
# Where are the “Hot” Residential Properties?

2021: ~14,900 (7%) [2020: ~25,200 (13%)]



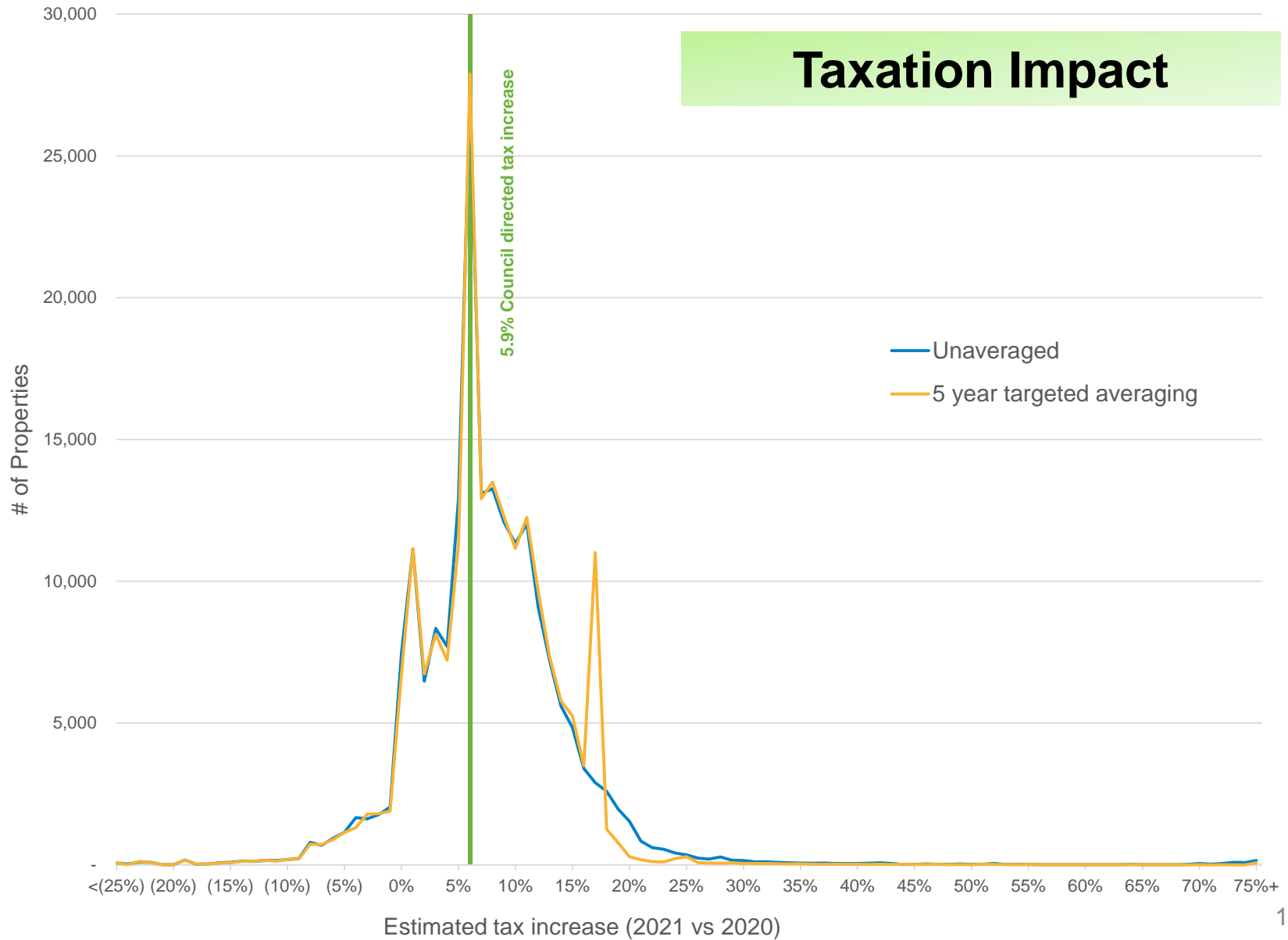
# Targeted Averaging – Residential

## Threshold: Taxable Value Increase >14.4%



# Targeted Averaging – Residential

## Threshold: Tax Increase >16.1%



# Averaging – Impact on Residential Tax Rate

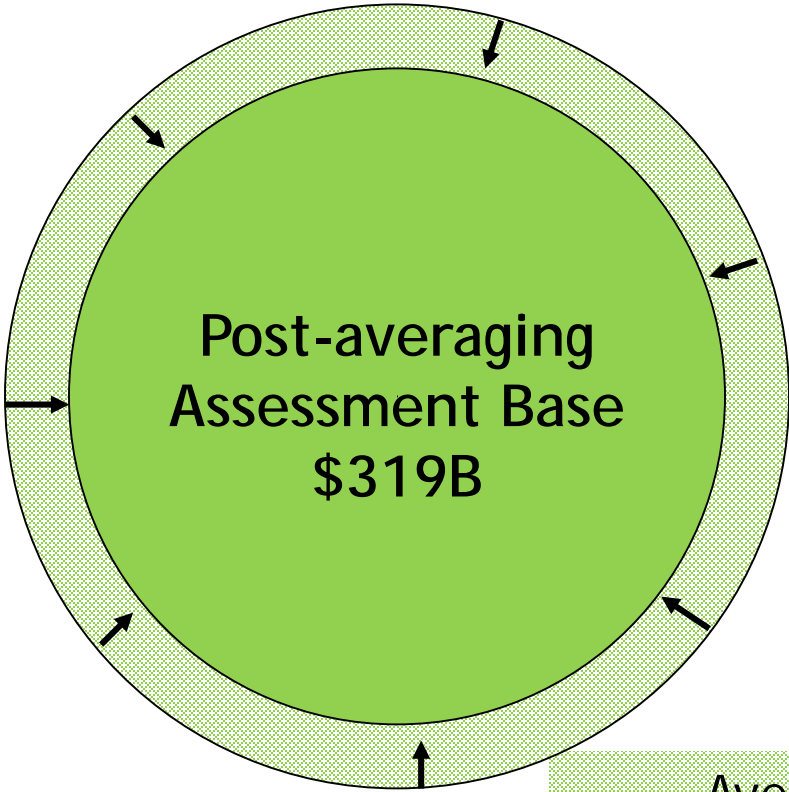


**Pre-averaging  
Assessment Base  
\$320B**

Tax levy required	\$ 512M
<u>Assessment base</u>	<u>\$ 320B</u>
Tax rate	\$1.602



# Averaging – Impact on Residential Tax Rate



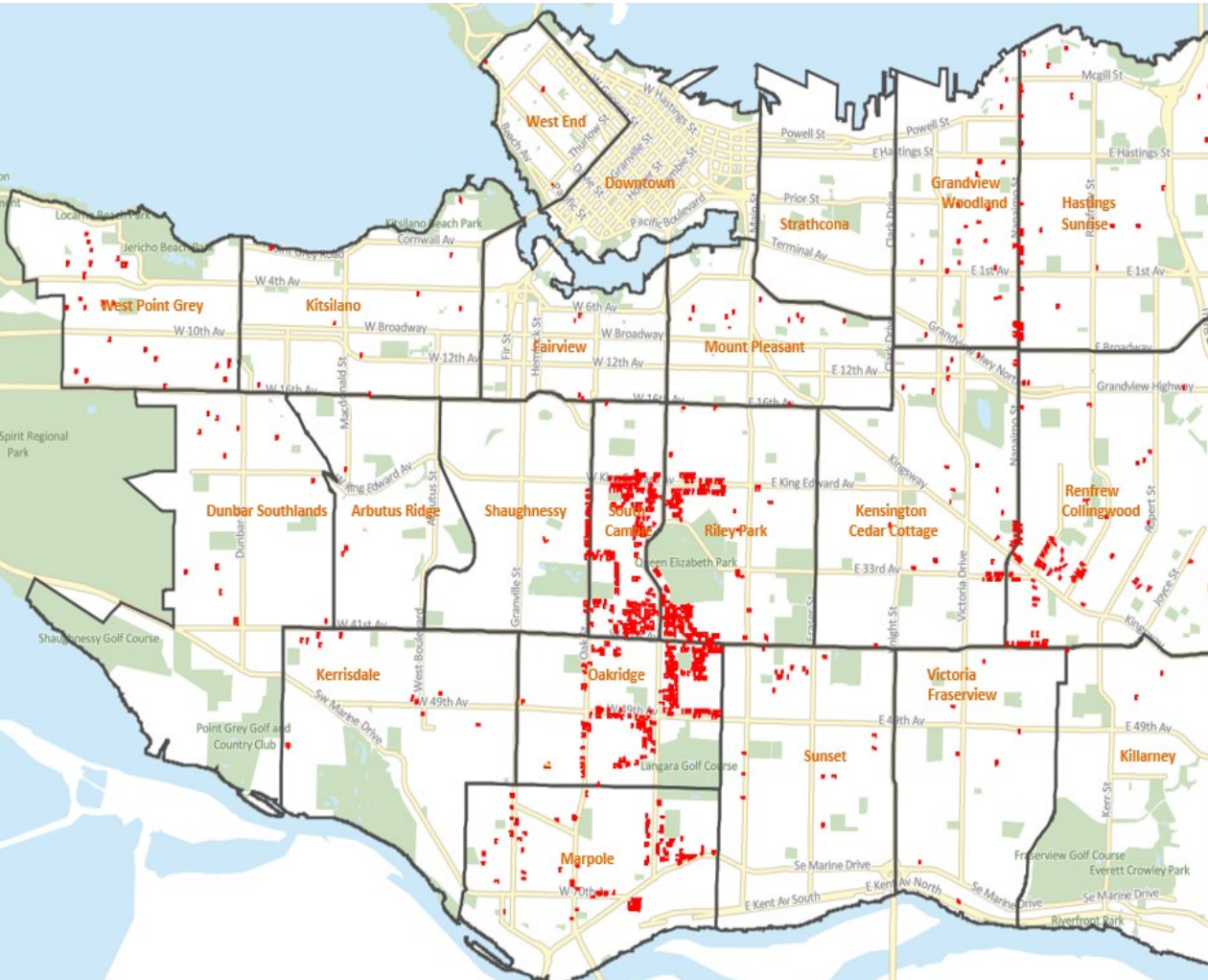
Tax levy required	\$512M	\$512M	
<u>Assessment base</u>	<u>\$320B</u>	<u>\$319B</u>	↓
Tax rate	\$1.602	\$1.605	↑

Averaging reduces assessment base

Higher tax rate to achieve “revenue neutrality”

# Provincial Tax Relief Programs

## Residential – 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:

2021: 1,245

2020: 1,099

# Provincial Tax Relief Programs

## Residential – Home Owner Grant



### 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:

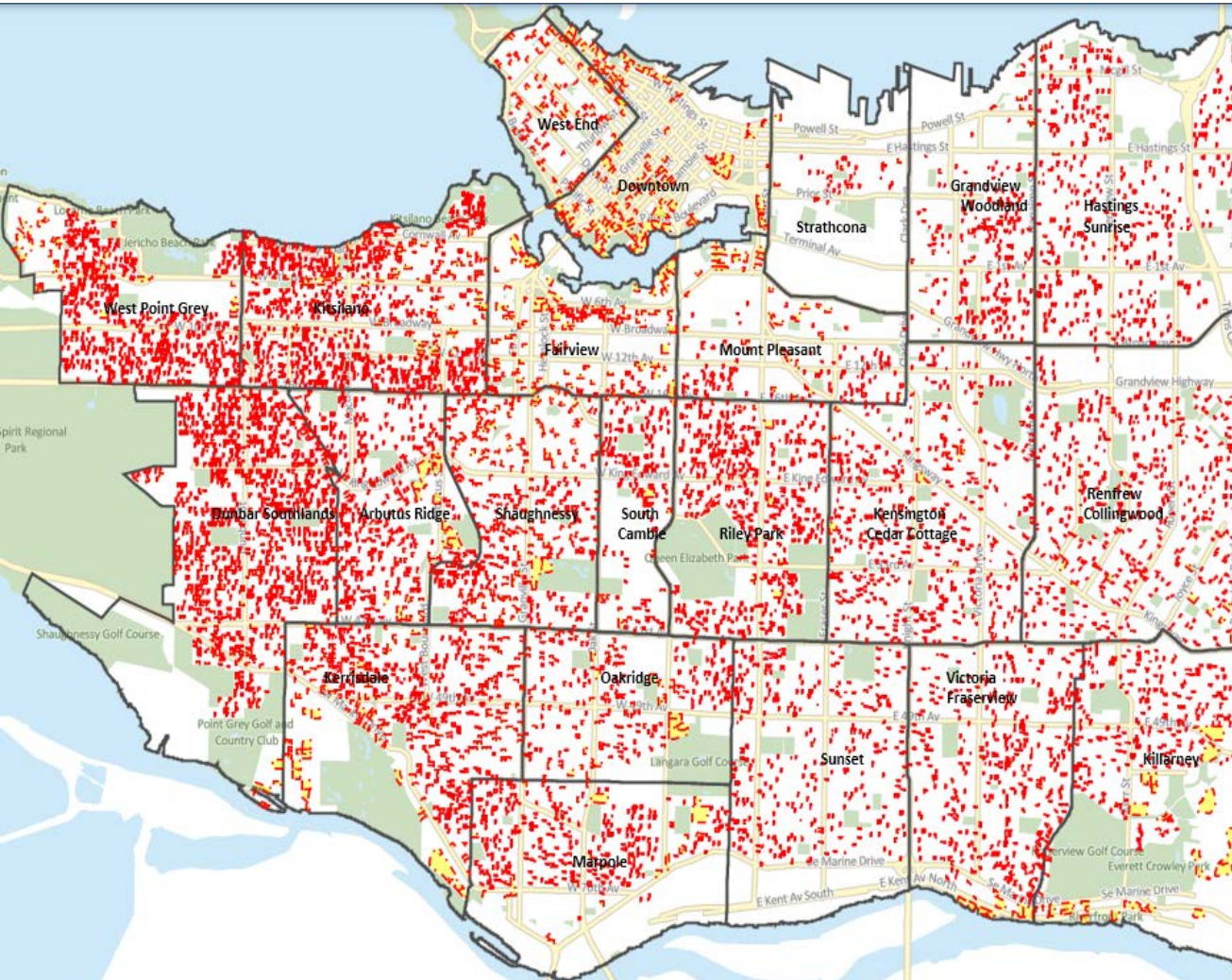
Owner/occupier @ principal residence valued up to \$1.625M (reduced to zero @ \$1.739M)

### # of Claims:

2021: applications in progress  
2020: 86,248

# Provincial Tax Relief Programs

## Residential – 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

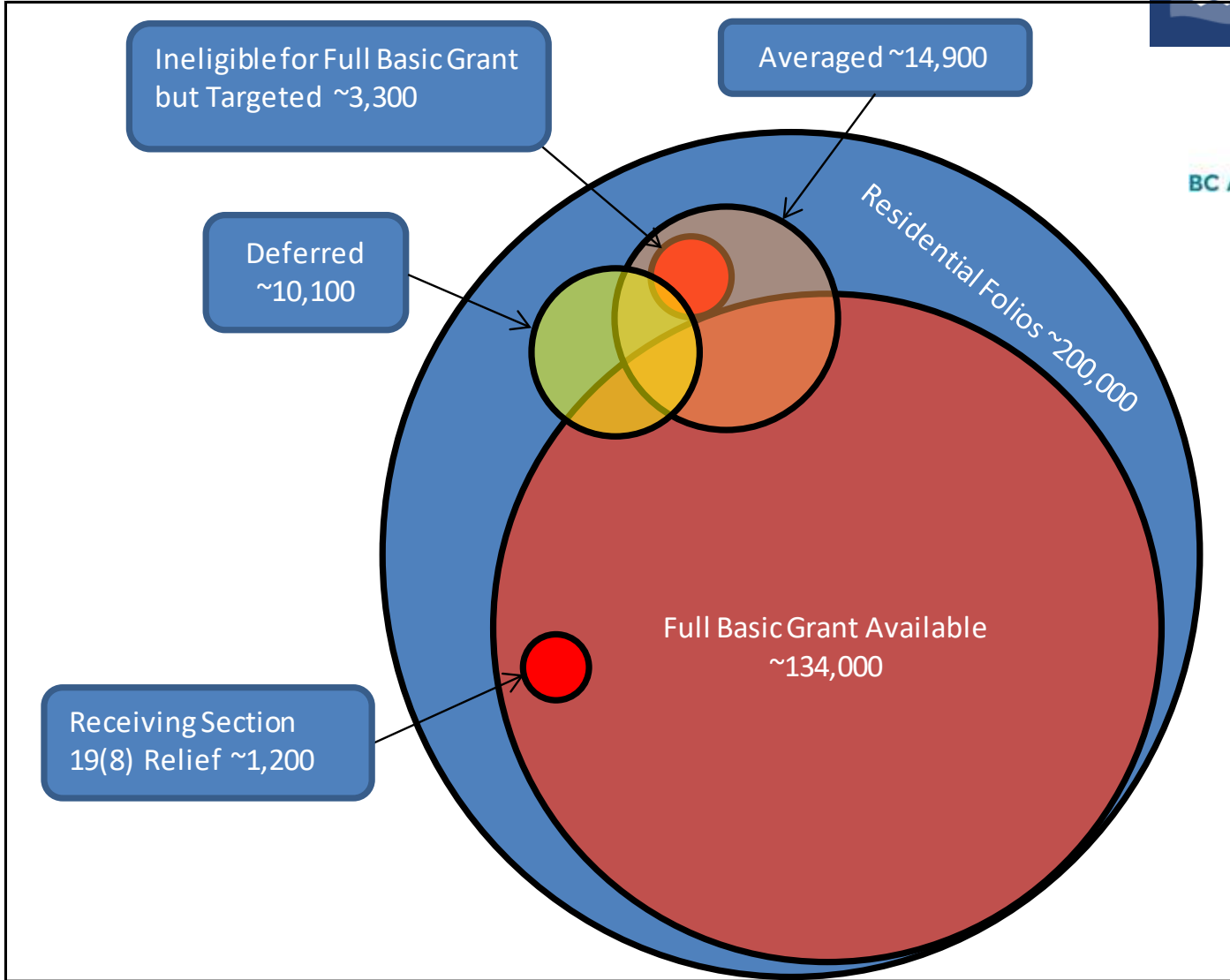
- $\geq 55$  yrs old, or
- with children  $\leq 18$  yrs old

### # of Properties:

2021: applications in progress

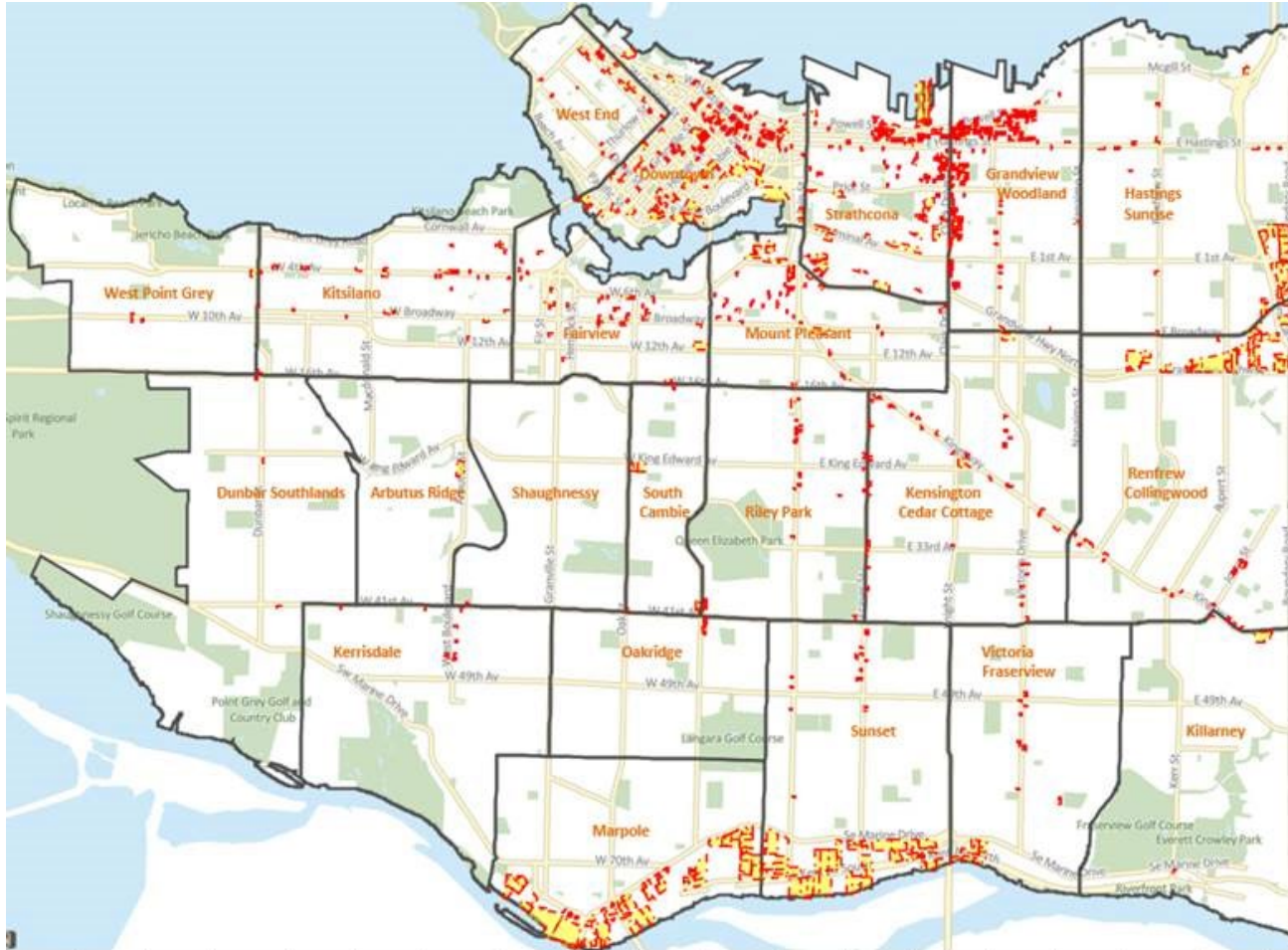
2020: 10,099

# How Provincial & City Programs Work Together



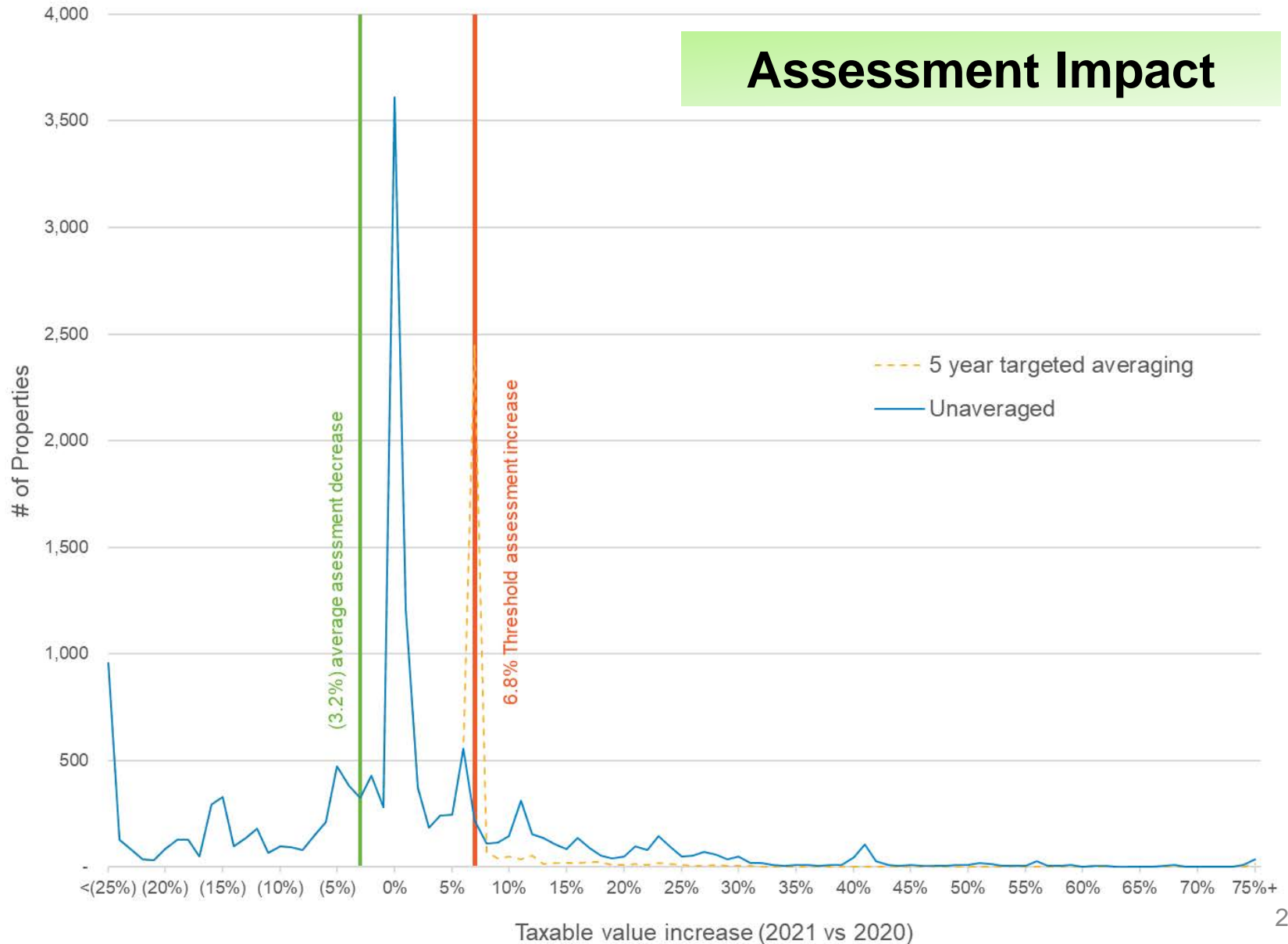
# Where are the “Hot” Commercial Properties?

2021: ~2,800 (19%) [2020: ~3,200 (22%)]



# Targeted Averaging – Light Industrial/Business

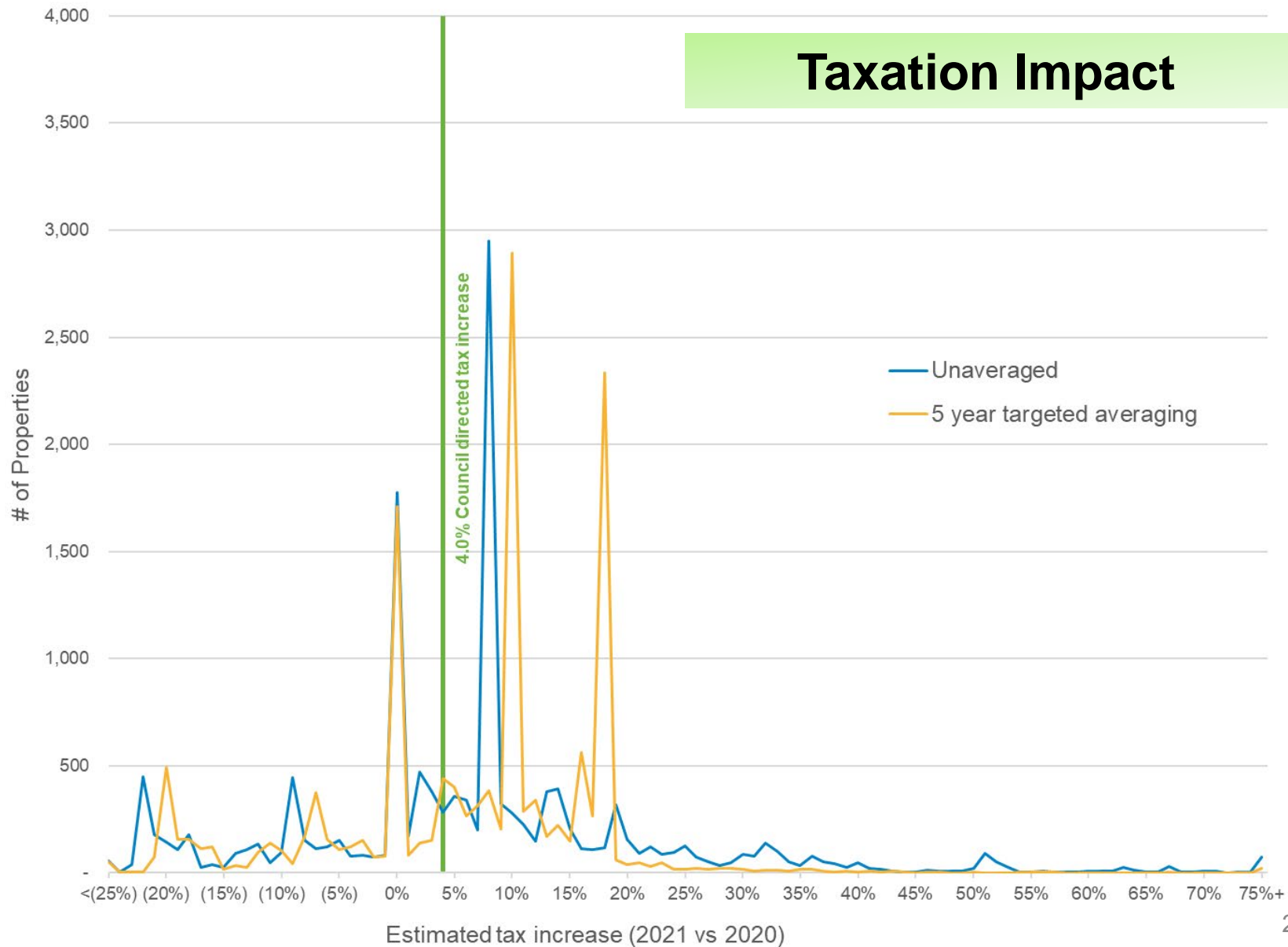
Threshold: Taxable Value Increase >6.8%



# Targeted Averaging – Light Industrial/Business

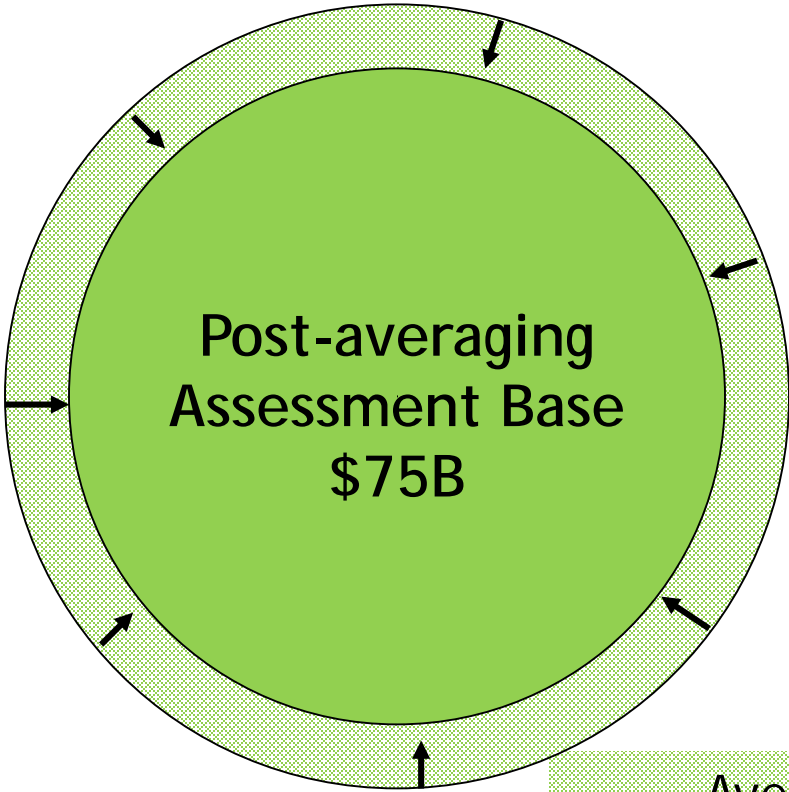
Threshold: Tax Increase >17.2%

## Taxation Impact





# Averaging – Impact on Commercial Tax Rate



Tax levy required	\$369M	\$369M	
<u>Assessment base</u>	<u>\$ 77B</u>	<u>\$ 75B</u>	↓
Tax rate	\$ 4.814	\$ 4.916	↑

Averaging reduces assessment base

Higher tax rate to achieve “revenue neutrality”

- Apply targeted 5-yr averaging for residential, light industrial & business properties
  - set threshold at property class average change + 10%
  - limit averaging up to, but not below, the threshold
- Include properties impacted by Director of Planning initiated amendments to Zoning & Development By-law or ODP
- Exclude properties whose owners sought additional density or a change in use from Council through rezoning, whether enacted or not, or through Council-approved policy changes

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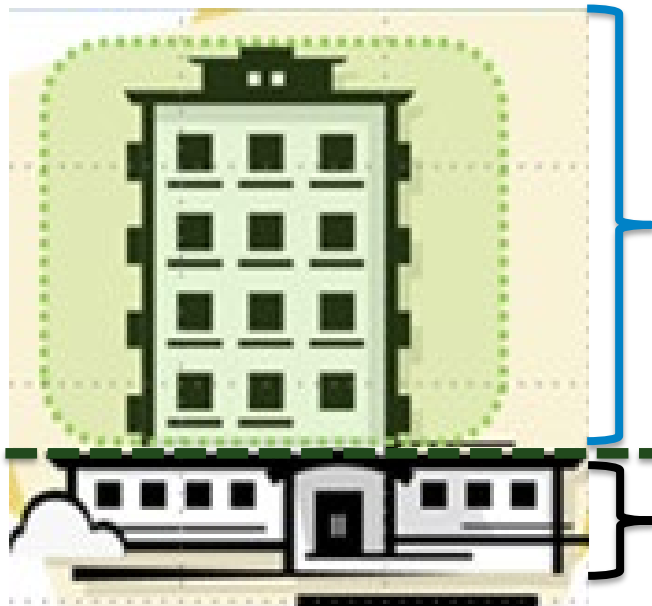
# Impact of Development Potential on Independent Small Businesses, Arts, Culture & NPOs

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Independent small businesses, arts, culture & NPOs operating in underdeveloped/non-HBU properties, particularly those in neighborhoods that are experiencing fast pace of change and dramatic increase in market valuation, are impacted the most

- Through triple net leases, landlords pass the entire tax burden onto tenants – taxes on the space they rent and taxes on the development potential
- Independent owner/operators may also experience significant cashflow challenges until they redevelop/sell their properties

# Split Assessment Thru' Commercial Sub-class



Development  
Potential

Existing  
Commercial Use

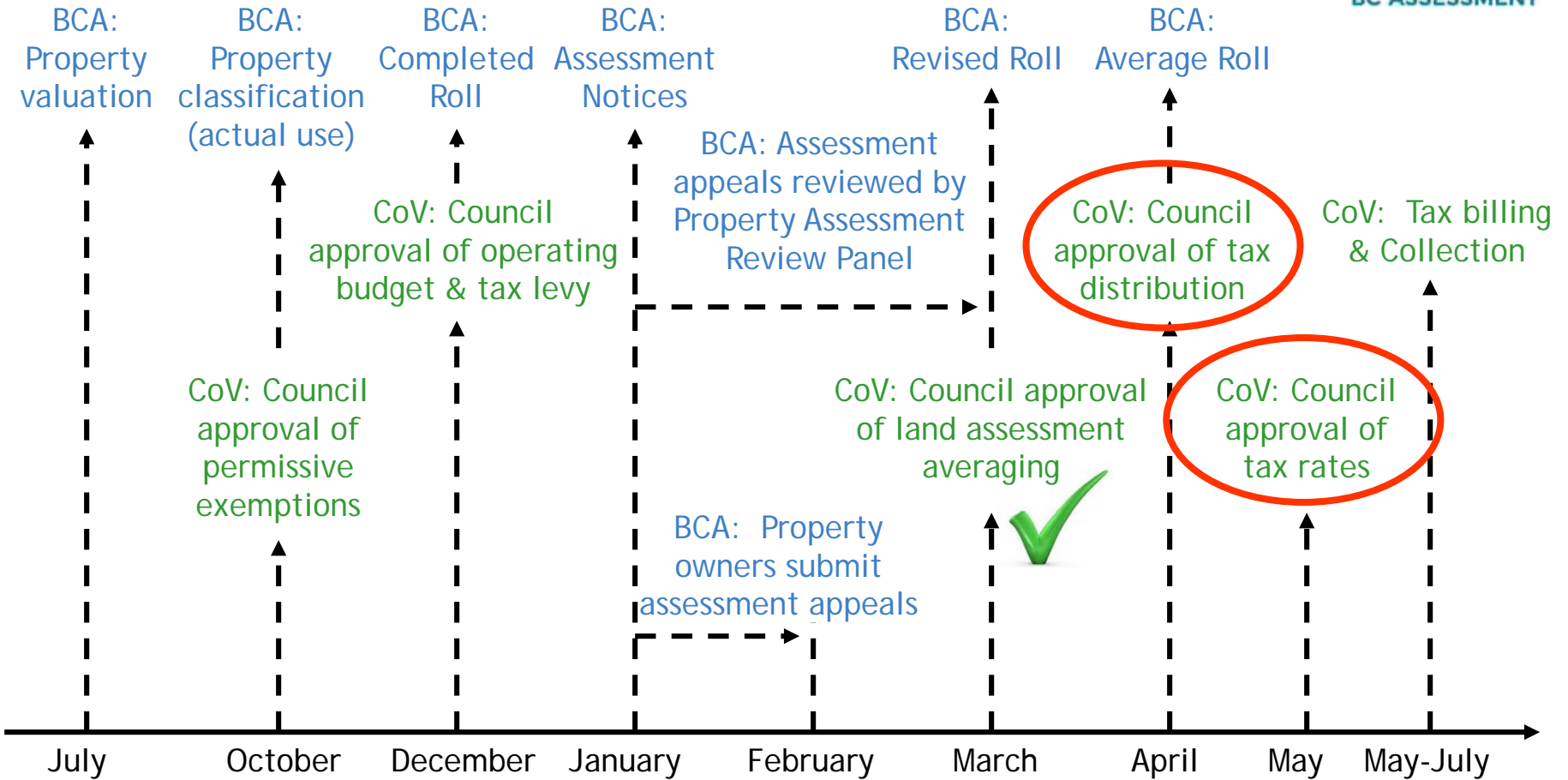
Current: Class 6 – Business  
Future: **New Commercial  
Sub-class**

Remains in  
Class 6 - Business

**BC Assessment: Splits existing use vs. development potential values**  
**Council: Lowers tax rate on development potential for eligible properties**

- Residents, businesses and community partners still struggling from the financial fallout from the pandemic
- No indication that Province will extend one-time School Tax reduction on commercial properties
- Assessment/taxation impact from development potential continues to be a challenge
- Renewed support from business community for Split Assessment as part of COVID recovery:
  - GVBoT – Recovery Plan Report (Sept 20)
  - Canadian Urban Institute – Bring Back Main Street Action Report (Oct 20)
  - CFIB – Small Business Perspective on Economic Recovery (Jun 20)
  - BIAs – CoV Mayor Virtual Round Table (Feb 21)

# Next Steps: Property Taxation Cycle



# Questions?

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