



COUNCIL REPORT

Report Date: November 27, 2023
Contact: Grace Cheng
Contact No.: 604.871.6654
RTS No.: 15338
VanRIMS No.: 08-2000-20
Meeting Date: December 12, 2023
[Submit comments to Council](#)

TO: Vancouver City Council
FROM: Director of Finance
SUBJECT: 2024 Land Assessment Averaging: Notice to BC Assessment Authority

Recommendations

- A. THAT, pursuant to s. 374.4 (4b) of the *Vancouver Charter*, the City Clerk be instructed to notify the BC Assessment Authority (“BC Assessment”), before January 1, 2024, of Council’s intent to consider the adoption of land assessment averaging for the purpose of property tax calculations for 2024.
- 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 land assessment averaging and, before March 31, 2024, report on the projected taxation impacts of the program based on the assessed values provided by BC Assessment in the *2024 Completed Roll*.
- C. THAT the Area Assessor for Vancouver be invited to address Council on the 2024 assessment trends.

Purpose and Executive Summary

Staff recommend that Council notify BC Assessment of its intent to consider the adoption of land assessment averaging for the purpose of property tax calculations for 2024. Averaging is an optional tool available to Council under the *Vancouver Charter* to phase in significant property tax increases arising from assessment volatility at a city-wide level. This program is revenue neutral to the City as the total municipal general purpose tax levy collected from each property class is the same with or without averaging.

This notice of intent is a statutory requirement but does not commit Council to implement averaging for 2024.

Council Authority/Previous Decisions

As authorized by s. 374.4 of the *Vancouver Charter*, Council can, each year, consider whether or not to use land assessment averaging for calculating property taxes, and specify certain eligibility criteria based on which averaging is applied. Council can establish the number of preceding years to be applied in determining the average land value, up to a maximum of five years. Once the choice is made, the number of years used in the averaging formula must not change for at least five years. Should Council decide to proceed with averaging, applicable by-law(s) must be adopted before March 31.

City Manager's Comments

The City Manager concurs with the foregoing recommendations.

Context and Background

While the Council-directed property tax increase applies to the City's total municipal general purpose 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, such as those in neighbourhoods with significant growth and/or development potential, 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.

Pursuant to the *Vancouver Charter*, Council is required to consider whether or not to adopt land assessment averaging each year. This program is revenue neutral to the City as the total municipal general purpose tax levy collected from each property class is the same with or without averaging. 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.

Discussion

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

- Notify BC Assessment, before January 1, 2024, of its intent to consider the adoption of land assessment averaging for 2024. 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, 2024, authorizing the use of land assessment averaging for the purpose of property tax calculations for 2024.
- Specify in the by-law the eligibility requirements for properties to be considered for land assessment averaging.

In advance of Council's consideration, staff will complete an analysis of the projected taxation impacts of targeted 5-year land assessment averaging and provide the required two weeks' notice to the public.

It should be noted that the Province's additional school tax on high-valued residential properties (over \$3 million) is levied based on the unaveraged assessment roll and not affected by averaging. The additional tax rate is 0.2% on property values between \$3 million and \$4 million, and 0.4% over \$4 million.

Targeted land assessment averaging is intended to address assessment volatility. To address the taxation impact arising from development potential, in March 2023, Council approved a pilot Development Potential Relief Program (“Pilot DPRP”) to provide tax relief to independent businesses and community partners who are paying disproportionately high taxes due to the “highest and best use” (market) value of their properties. Pursuant to the *Vancouver Charter*, eligible properties can benefit from either the DPRP or land assessment averaging, but not both.

The 2023 Pilot DPRP featured a 50% reduction in the municipal general purpose tax rate on a portion of the land value of eligible properties. 1,017 properties, including thousands of businesses and community partners, benefited from the 2023 Pilot DPRP. In October 2023, Council approved, in principle, the continuation of the Pilot DPRP for 2024, including certain refinements, and directed staff to report back on final program details before March 31, 2024.

Financial Implications

Should Council adopt land assessment averaging for 2024, the final tax rates for the City’s municipal general purpose tax levy and other taxing authorities will be adjusted to give effect to averaging to maintain revenue neutrality.

Legal Implications

The notice of intent to average is revocable should Council, at a later date, decide not to proceed with this mechanism.

* * * * *