CITY OF VANCOUVER

COUNCIL REPORT

Report Date:	February 27, 2024
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Meeting Date:	March 13, 2024

Submit comments to Council

TO: Standing Committee on City Finance and Services

FROM: Director of Finance

SUBJECT: 2024 Property Taxation: Pilot Development Potential Relief Program and Targeted Land Assessment Averaging

Recommendations

Development Potential Relief

A. THAT Council approve, in principle, the extension of the pilot development potential relief program ("Pilot DPRP") in 2024 for eligible Light Industry (Class 5) and Business and Other (Class 6) properties as authorized by s. 374.6 of the *Vancouver Charter*;

FURTHER THAT for each category of eligible properties, Council approve the percentage of assessed land value, up to a maximum of $5.4 million, to be taxed at a general purpose tax rate that is 50% lower than the blended rate for Classes 5 and 6 (to be finalized based on the *2024 Revised Assessment Roll*) generally as outlined in Appendix G of this Report.

B. THAT the Director of Legal Services, in consultation with the Director of Finance, be instructed to bring forward for enactment a by-law in accordance with Council's decision on Recommendation A.

Targeted Land Assessment Averaging

C. THAT Council approve, in principle, the continuation of the targeted 5-year land assessment averaging program in 2024 for the purpose of calculating property taxes for Residential (Class 1), Light Industry (Class 5), and Business and Other (Class 6) properties;

FURTHER THAT in addition to the standard exclusions as outlined in the annual *Land Assessment Averaging By-law*, Council adopt a "threshold" of 10% above the property class average change for Class 1 and for Classes 5 and 6 (to be finalized based on the *2024 Revised Assessment Roll*) to define eligibility for targeted averaging;

AND FURTHER THAT applying the averaging formula will not result in:

i) a year-over-year change in values falling below the Council-adopted "threshold" for eligible Class 1, 5 and 6 properties; and

ii) a reduction in values exceeding $5.4 million for eligible Class 5 and 6 properties.

D. THAT properties impacted by a Director of Planning-initiated amendment to the *Zoning and Development By-law* or an Official Development Plan be considered for targeted averaging, in accordance with the criteria set out in the annual *Land Assessment Averaging By-law*;

FURTHER THAT 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, not be eligible for targeted averaging;

AND FURTHER THAT subject to Recommendations A and B, properties that receive relief under the Pilot DPRP not be eligible for targeted averaging in accordance with s. 374.6(6) of the *Vancouver Charter*.

E. THAT the Director of Legal Services, in consultation with the Director of Finance, be instructed to bring forward for enactment a by-law in accordance with Appendix H of this Report authorizing the use of targeted averaging in accordance with Council's decision on Recommendations C and D.

F. THAT subject to adoption of the applicable by-law in Recommendation E, the Director of Finance be instructed to make appropriate arrangements with BC Assessment for the production of the *2024 Average Assessment Roll* at an estimated cost of $25,000 plus applicable taxes; source of funding to be the 2024 Operating Budget.

Purpose and Executive Summary

The purpose of this report is to seek Council approval to:

- Extend the pilot development potential relief program ("Pilot DPRP") in 2024 as authorized by s. 374.6 of the *Vancouver Charter* to reduce the City's general purpose tax levy on a portion of the assessed land value of eligible Light Industry (Class 5) and Business and Other (Class 6) properties.
  - ~960 Light Industry and Business properties 2024 submitted declaration that met the provincial and City eligibility criteria[1] and are being considered for the Pilot DPRP.
  - 15% to 55% of their assessed land value, up to $5.4 million, will be subject to the DPRP tax rate, depending on the neighborhood/zoning district.

[1] Note: Subject to the 2024 *Revised Assessment Roll*, property owners (or authorized agents) opting out of DPRP from March 13 to 31, 2024, and further staff review.

  - The DPRP tax rate will be 50% lower than the blended Class 5/6 tax rate.
  - Property owners must notify their tenants of the tax relief to qualify.
- Continue to apply targeted 5-year land assessment averaging in 2024 to address assessment volatility for eligible Residential (Class 1), Light Industry (Class 5), and Business and Other (Class 6) properties.
  - ~5,800 Residential and ~4,280 Light Industry and Business properties are above the “threshold” and will be considered for targeted averaging.
  - Tax relief for each target property depends on how its land value has changed in recent years, and the reduction in land value derived from the averaging formula is subject to i) the Council-adopted “threshold” for eligible Class 1, 5 and 6 properties, and ii) up to $5.4 million for eligible Class 5 and 6 properties.

Should Council proceed with the Pilot DPRP (for Classes 5 and 6) and targeted averaging (for Classes 1, 5 and 6) in 2024, the overall impact would be ~0.2% increase to the Class 1 tax rate and ~1.8% increase to the blended Class 5/6 tax rate (to be finalized based on the *2024 Revised Assessment Roll*) in order to collect the same amount of general purpose tax levies from those classes.

Development Potential – *Bill 28 – Municipal Affairs Statutes (Property Taxation) Amendment Act, 2022* (“Bill 28”) came into effect in November 2022. It enables municipalities to provide development potential relief to eligible Light Industry (Class 5) and Business and Other (Class 6) properties.

Development potential relief is permissive in nature, and is available to municipalities under the *Vancouver Charter* and the *Community Charter*. Council can decide whether to use the authority granted by the legislation, set its own eligibility criteria (in addition to the minimum provincial eligibility criteria and exclusions), and determine the amount of relief as appropriate. The tax relief is time-limited (maximum five years), so it will not discourage development and the delivery of housing and job spaces over the long term.

Exercising the authority under Bill 28 will not affect the amount of general purpose tax levy collected from Classes 5 and 6. However, the tax relief provided to eligible properties will be redistributed to the remaining properties within those classes. As such, Council should balance the level of relief for eligible properties with the resulting tax impact on other properties.

Assessment Volatility – Since 2015, the City has used targeted averaging to provide short-term relief to “hot” properties, defined by the Property Tax Policy Review Commission (the “Commission”) as *“properties that experience 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 by more than ten percent”*. The program is intended to reduce the level of tax increases on the target properties until they are no longer “hot”. Target properties will pay taxes based on values derived from the averaging formula as stipulated in the annual *Land Assessment Averaging By-law*; properties below the “threshold” will pay taxes based on their BC Assessment values. Prior to 2015, the City used across-the-board averaging, which had been in effect since 1993.

Land assessment averaging is permissive in nature, and is available to municipalities under the *Vancouver Charter* and the *Community Charter*. For eligible Residential (Class 1) properties, targeted averaging augments the suite of Provincial mitigations (e.g., s. 19(8) of the *Assessment Act*, Property Tax Deferment and the Home Owner Grant). Refer to Appendix E: Provincial

Property Tax Mitigation – Residential Properties for further details. For eligible Light Industry (Class 5) and Business and Other (Class 6) properties, targeted averaging provides time-limited relief to enable market adjustments and/or lease renegotiations.

Applying land assessment averaging will not affect the amount of general purpose tax levy collected from Classes 1, 5 and 6. However, the tax relief provided to eligible properties will be redistributed to the remaining properties within those classes.

Council Authority/Previous Decisions

Development Potential Relief

As authorized by s. 374.6 of the *Vancouver Charter*, Council can, each year, consider whether or not to apply a lower general purpose tax rate on a portion of the assessed land value of eligible Light Industry (Class 5) and Business and Other (Class 6) properties (relative to the standard Class 5 and 6 tax rates). Council can set their own eligibility criteria (in addition to the minimum provincial eligibility criteria and exclusions), and determine the amount of relief as appropriate. The tax relief is limited to a maximum of five years. Eligible properties can benefit from either the DPRP or land assessment averaging, but not both. Should Council decide to proceed with the Pilot DPRP, the City must notify BC Assessment by March 15; and the annual *General Purpose Taxes Rating By-law* (typically adopted in mid-May) must specify the percentage of land value for each property that is to be taxed at the lower rate.

Land Assessment Averaging

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.

Refer to Appendix D: Chronology of Council Decisions on Land Assessment Averaging for further details.

City Manager's Comments

The City Manager concurs with the foregoing recommendations.

Context and Background

Stability and predictability are two desirable attributes of a property tax system. The City does not generate higher tax revenue as a result of rising property values. The required general purpose tax levy to be collected is determined by Council as part of the annual budget process, and tax rates are adjusted for assessment changes to ensure "revenue neutrality". However, relative assessment changes for individual properties could shift the tax burden from one property to another in any given year.

Over the past decade, the influx of investment capital and speculative real estate demand fuelled by an extended period of ultra-loose monetary policy has driven up land values across Metro Vancouver, resulting in significant year-over-year volatility in property assessment and taxes. Additionally, as the region continues to grow and evolve, Neighborhood Plans have been developed to set out 20 to 25-year plans to intensify land use to accommodate population growth and create job space. In British Columbia, real estate is assessed at its highest and best use ("HBU") value (i.e., market value), and property taxes are levied on that basis. As these long-range Plans are implemented over time, some properties will continue their existing use for a number of years until redevelopment occurs, while their assessed value could substantially increase to reflect a higher and better "future" use in accordance with the Neighborhood Plans.

The combination of assessment volatility and the HBU (market) valuation methodology is particularly challenging for commercial tenants and community partners residing in under-developed properties in neighborhoods that are experiencing a significant pace of change. Most landlords use lease agreements to pass onto tenants all property taxes, for both rented space and development potential. Tenants do not benefit financially from rising property values in the same way that owners do upon redevelopment or disposition, so the practice of passing on tax increase could cause significant financial distress for independent businesses, arts, culture and non-profit organizations who have limited ability to absorb and/or finance such an unanticipated surge in expenses during their lease term (typically five years or longer).

Bill 28 enables municipalities to provide development potential relief to certain Light Industry (Class 5) and Business and Other (Class 6) properties by applying a lower general purpose tax rate (relative to the standard Class 5 and 6 tax rates) on a portion of the assessed land value for eligible properties. Bill 28 does not require BC Assessment to provide a development potential value on the *Assessment Roll*. As a proxy, a property that has a land value greater than or equal to 95% of its total assessed value is considered under-developed. The legislation anticipates that municipalities will impute the value of development potential for tax relief purposes from the limited data available from BC Assessment.

Refer to Appendix A: Property Assessment & Taxation Framework and Appendix B: Chronology of Establishing a Development Potential Relief Program for further details.

I. Development Potential Relief

Program Methodology – Development potential relief is applicable to eligible Light Industry (Class 5) and Business and Other (Class 6) properties. Pursuant to s. 374.6 of the *Vancouver Charter,* a commercial property could be eligible if:

- it has land and improvements in the Class 5 and/or 6;
- it was in use as of October 31 of the preceding tax year; and
- it has a combined Class 5/6 land value that is greater than or equal to 95% of the total Class 5/6 assessed value.

A commercial property will ***not*** be eligible if:

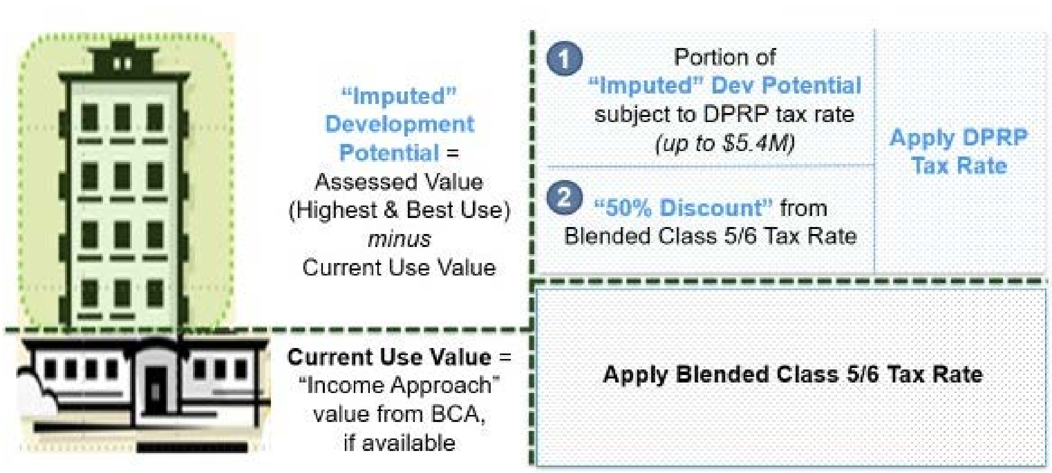
- a portion of its assessed value is in Classes 2, 3, 4, 7, 8 or 9;
- it is a restricted-use property or has a prescribed value;
- a portion of its assessed value is exempt from municipal taxation; and
- it benefits from assessment averaging or phasing.

Council can, by by-law:

- identify certain properties to be eligible for the relief;
- specify the percentage of land value for each eligible property to be subject to the DPRP tax rate (lower than the standard Class 5 and 6 rates); and
- set the DPRP tax rate.

The by-law may also require the owner of an eligible property to give notice of tax relief to the occupiers as a condition of the relief.

Figure 1: How Development Potential Relief Works



Data Analysis – Staff has completed an analysis of the impact of development potential relief based on the following:

a) *Data Source* – Based on the *2024 Completed Assessment Roll* available at the time of this report, BC Assessment generated a list of Light Industry (Class 5) and Business & Other (Class 6) properties that meet the provincial eligibility criteria, subject to the "in use" validation through declaration as well as the *2024 Revised Assessment Roll* which incorporates Property Assessment Review Panel decisions in April.

   Of the ~14,940 properties in Classes 5 and 6 totaling ~$83.5 billion in assessed value, ~3,145 properties (~21%) totaling ~$27.3 billion (~33%) are eligible for consideration under the provincial eligibility criteria.

b) *City Eligibility Criteria* – Consistent with Council direction to target tax relief to support independent businesses and community partners, with a focus on neighborhood retail along high streets, staff recommend that the following categories of use be excluded from the Pilot DPRP:

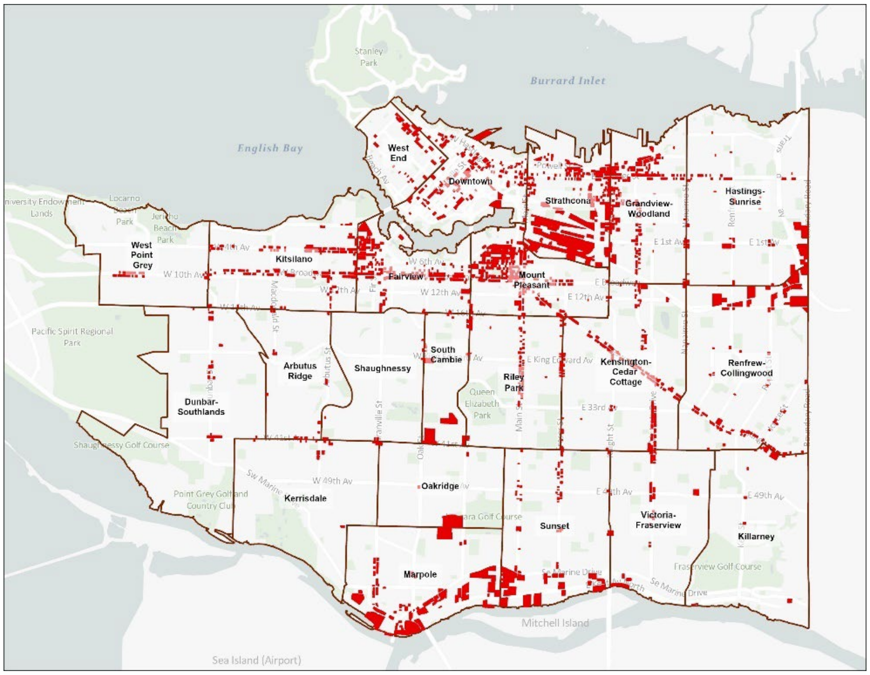
   - properties owned or operated by any government or its agent
   - big box stores, international or national chains
   - financial services, including banks, credit unions, investment advisors, insurance and trust companies
   - gasoline stations, parking
   - vehicle dealers, auto service*
   - storage**, warehouses**
   - hotels, office use**
   - development presentation centres, billboards
   - manufacturing**, production**, wholesale**, utility, communication and logistics
   - neighborhood or regional shopping centres

   *unless >50% floor area occupied by independent auto services
   **unless >50% floor area occupied by qualifying arts, culture & NPOs

In addition, properties whose owners are actively seeking additional density or change in use, and properties that were not in use (or vacant) from October 1 to December 31, 2023 will also be excluded from the Pilot DPRP.

All properties excluded from the Pilot DPRP will be considered for targeted averaging if they meet the eligibility criteria as outlined in the “Targeted Land Assessment Averaging” section of this Report. A listing of properties under consideration for the 2024 Pilot DPRP is posted on the vancouver.ca/taxrelief website.

Figure 2: Eligible Light Industry & Business Properties



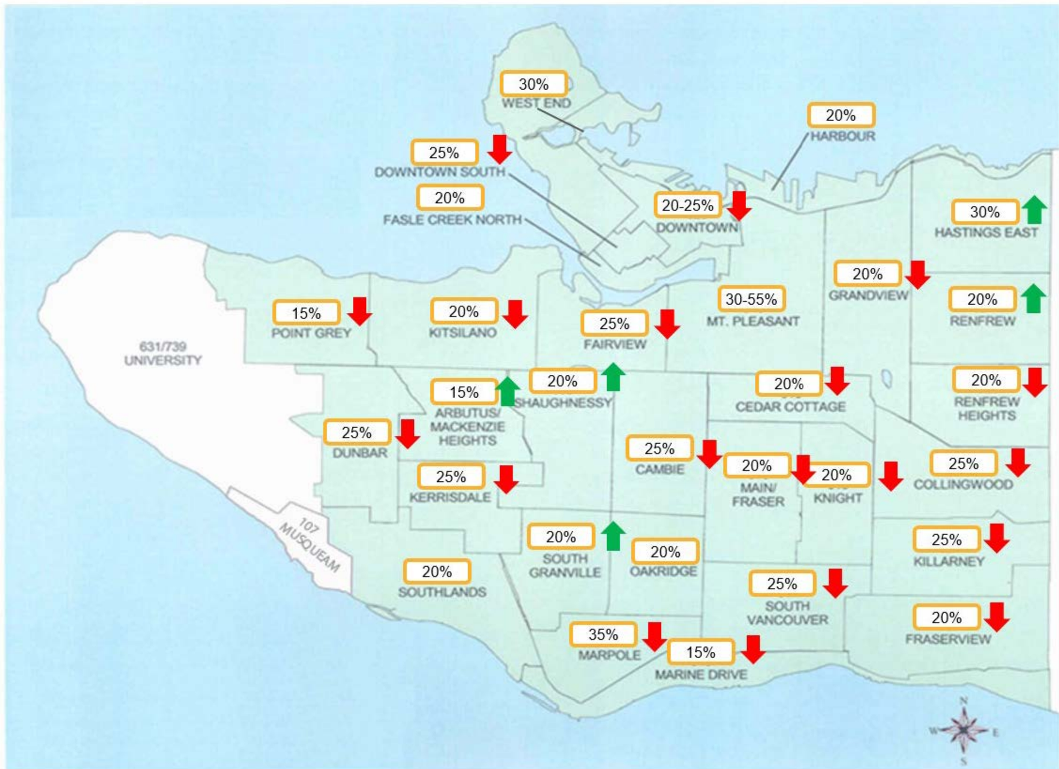
c) *Tax Impact* – Development potential relief is applicable to the City’s general purpose tax levy only; it does not apply to taxes levied by other taxing authorities (“OTAs”). The City, through the Mayor’s Office, submitted a request to the Province in November 2023 for *Vancouver Charter* amendments to enable application of development potential relief on OTA levies.

Effect of DPRP –

a) *Development Potential Relief* – Given the assessment data limitations and consistent with 2023, staff recommend that development potential relief (expressed as a percentage of land value to be subject to the DPRP tax rate) be set at a neighborhood/zoning district level, based on the median “imputed” development potential value across the eligible properties within that neighborhood/zoning district.

Figure 3 below summarizes the range of development potential relief recommended for each neighborhood/zoning district. Refer to Appendix G: Development Potential Relief – % Land Value Subject to DPRP Rate for the complete listing.

Figure 3: % Land Value Subject to DPRP Tax Rate by Neighbourhood / Zoning District

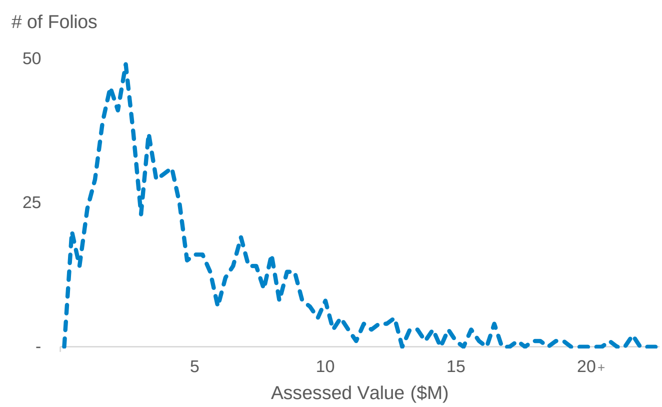


Increase from 2023 Decrease from 2023

b) *DPRP Tax Rate & Limit on Tax Relief* – Consistent with 2023, staff recommend that the DPRP tax rate be set at 50% of the blended Class 5/6 tax rate, and the amount of assessed land value that is subject to the DPRP tax rate be capped at $5.4 million per property to limit i) the amount of relief going to a few high value under-developed sites and ii) the impact on the blended Class 5/6 tax rate.

As most independent businesses and community partners tend to occupy lower value properties, they will likely not be impacted by the cap.

Figure 4: Distribution of Assessed Value of Eligible Properties under Pilot DPRP



To collect the same amount of taxes, the blended Class 5/6 tax rate will need to increase by ~0.8% (to be finalized based on the *2024 Revised Assessment Roll*).

Figure 5: DPRP Impact on Blended Class 5/6 Tax Rate

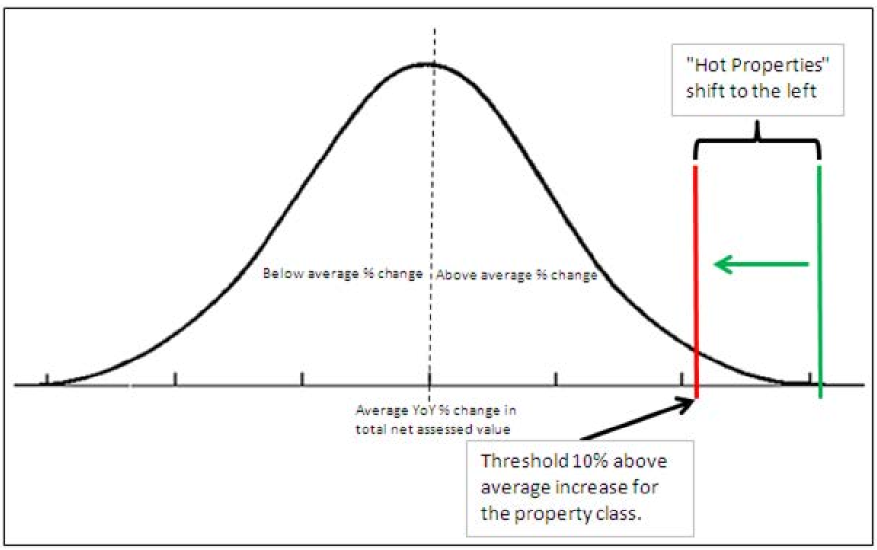
	Preliminary 2024 Rate Impact	Final 2023 Rate Impact	# of Properties Impacted
No cap	0.9%		-
$5.4M Cap **(Recommended)**	0.8%	0.78%	33 (3%)
$2.2M Cap (75th percentile)	0.6%		153 (16%)

II. TARGETED 5-YEAR LAND ASSESSMENT AVERAGING

Program Methodology – Targeted averaging is applicable to eligible Residential (Class 1), Light Industry (Class 5) and Business and Other (Class 6) properties. The intent is to reduce the severity of the increase in assessments until the property is no longer "hot". As such, the percentage change in land value will decrease while intervention is applied.

If a property is deemed "hot" (above the "threshold" set by Council), averaging will move the target property towards, but not lower than, the "threshold". The rest of the properties will not be subject to any intervention.

Figure 6: How Targeted Land Assessment Averaging Works



Depending on how the land value of a target property has changed in recent years, the impact of averaging will likely differ for each target property. Refer to Appendix C: Targeted Land Assessment Averaging for further details.

Data Analysis – Staff has completed an analysis of the impact of targeted averaging based on the following:

a) *Data Source* – The *2024 Completed Assessment Roll* available at the time of this report; the *2024 Revised Assessment Roll* which incorporates updates from the Property Assessment Review Panel decisions will not be available until April.

b) *Eligibility Criteria* – For targeted averaging, a "threshold" of 10% above the class average increase is used to define "hot" properties. Vacant land, new construction, class transfers, and other ineligible properties as set out in the annual *Land Assessment Averaging By-law* are typically excluded.

Based on the *2024 Completed Assessment Roll*, the class average change (*2024 Completed Assessment Roll* value vs. *2023 Average Assessment Roll* value) and "threshold" are summarized in Figure 7 below, and will be finalized upon publication of the *2024 Revised Assessment Roll* in April.

Figure 7: Preliminary "Threshold" based on 2024 Completed Assessment Roll

	Class average change		"Threshold" Class average change + 10%	
	2024	***2023***	**2024**	***2023***
Residential (Class 1)	1.1%	*4.0%*	11.1%	*14.0%*
Light Industry & Business (Classes 5 & 6)	(5.9%)	*6.2%*	4.1%	*16.2%*

~5,800 (3%) Residential (Class 1) properties [2023: ~7,570 (4%)] and ~4,280 (29%) Light Industry and Business and Other (Classes 5 and 6) properties [2023: ~3,200 (25%)] are above the "threshold" and will be considered for averaging.

Figure 8: "Hot" Residential Properties

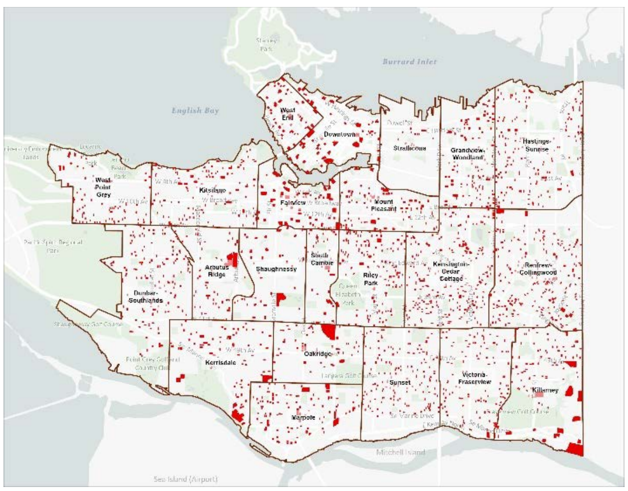
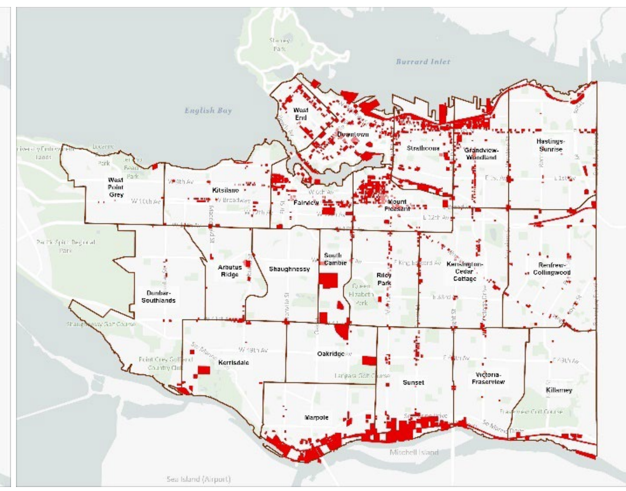


Figure 9: "Hot" Light Industry & Business Properties



c) *Tax Impact* – 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 because OTAs' tax rates are not available at the time of this report. However, a similar impact will apply.

(Note: The additional school tax on high-valued residential properties – 0.2% on property values between $3 million and $4 million, and 0.4% over $4 million – is based on BC Assessment values, not averaged values.)

Effect of Averaging – In December 2023, Council approved the 2024 budget with an estimated tax increase of 7.5% and an overall tax levy of $1.16 billion. 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 the average change within its class.

Assuming no tax shift in 2024, the tax levy to be collected from Residential (Class 1) properties will be ~$660 million and from Light Industry and Business and Other (Classes 5 and 6) properties will be ~$477 million.

As averaging reduces the total taxable value of a property class:

- Residential (Class 1) – from ~$382B to ~$381B
- Light Industrial and Business and Other (Classes 5 and 6) – from ~$84B to ~$82B

the tax rates will need to increase to collect the same amount of taxes:

- Residential (Class 1) – ~0.2% increase [2023: 0.1%]
- Light Industry and Business and Other (Classes 5 and 6) – ~1.0% increase [2023: 1.4%]

Limit on Tax Relief – As illustrated in figure 6 earlier, averaging will move the target properties towards, but not lower than, the "threshold". Upon further review, the top 10 properties in Classes 5 and 6 could receive ~$1.2M (~23%) of the City's general purpose tax relief from averaging. To limit the amount of relief going to a few high value properties, staff recommend that the reduction in land value derived from the averaging formula be capped at $5.4 million per property for Classes 5 and 6 (same cap under Pilot DPRP).

Figure 10: Averaging Impact on Blended Class 5/6 Tax Rate

	Preliminary 2024 Rate Impact	# of Properties Impacted
No cap	1.3%	-
$5.4M Cap **(Recommended)**	1.0%	29 (0.8%)

Figures 11, 12, 13 and 14 below illustrate the effect of averaging on the year-over-year increase (%) in taxable values and City property tax for Residential (Class 1) and Light Industry and Business and Other (Classes 5 and 6) properties. The vast majority of properties that are below the "threshold" will be subject to slightly higher taxes to subsidize the tax relief for those "hot" properties.

Residential (Class 1) – No Averaging vs. Targeted 5-yr Averaging

Figure 11: Estimated Taxable Value Increase

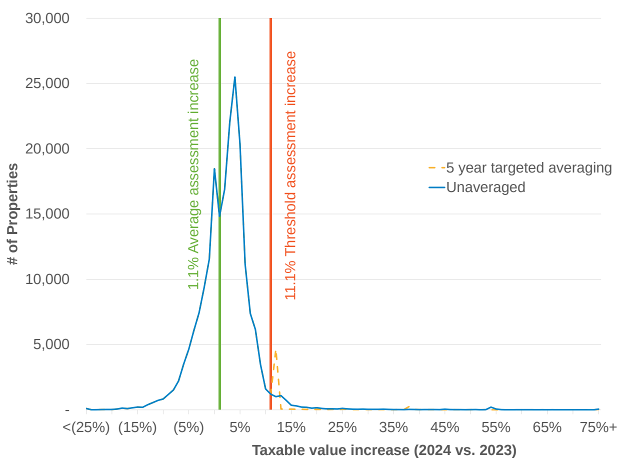
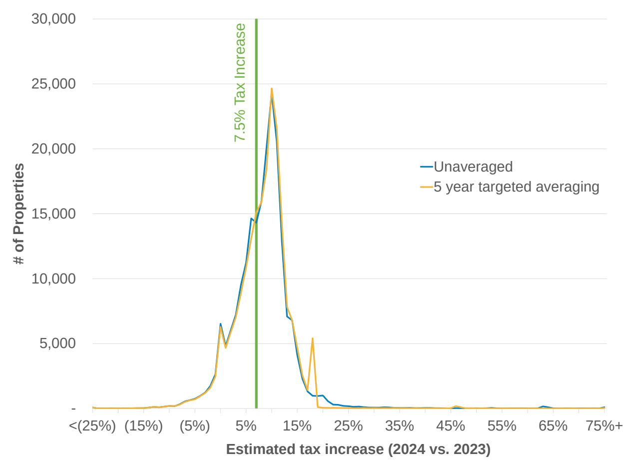


Figure 12: Estimated City Property Tax Increase



Light Industry & Business (Classes 5 & 6) – No Averaging vs. Targeted 5-yr Averaging

Figure 13: Estimated Taxable Value Increase

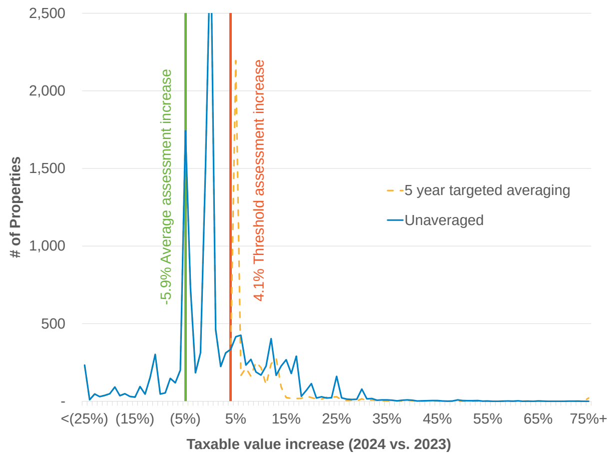
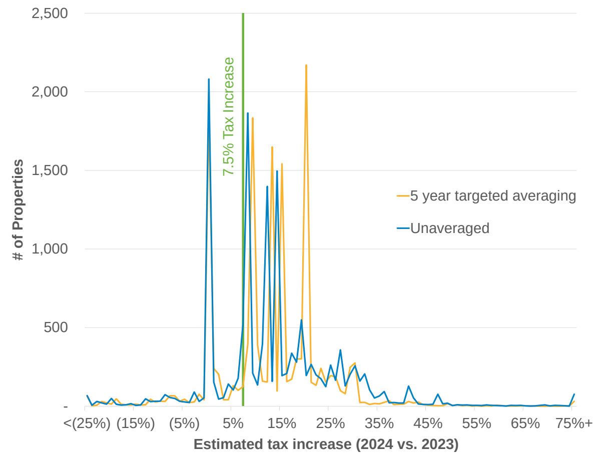


Figure 14: Estimated City Property Tax Increase



Director of Planning-initiated Amendments to Zoning & Development By-law and Official Development Plans ("ODPs") – It has been Council practice to mitigate the assessment and taxation impact arising from Director of Planning-initiated amendments to the *Zoning and Development By-law* and various ODPs under the averaging program, especially where there has been no physical change to the property and no action by the property owner to change the zoning of the site.

Consistent with past practices, staff recommend that properties that are affected by the aforementioned amendments during the 12-month period ending October 31, 2023, including the False Creek North ODP, be considered for targeted averaging in accordance with the criteria in the annual *Land Assessment Averaging By-law*.

Owner-initiated Rezoning and/or Change of Use – In recent years, a number of property owners sought additional density or a change in use through policy statements or rezoning, but the applicable by-laws were enacted at a much later date (sometimes a couple of years later). It has been Council practice, as stipulated in prior *Land Assessment Averaging By-laws*, that properties which have been subject to rezoning are not eligible for tax relief under the averaging program.

As property values typically go up when the market reacts to a clear indication from Council in policy statements or rezoning approvals rather than at enactment, it is not fair for other property owners to subsidize those properties whose owners actively seek additional density or change in use. Starting in 2020, 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, will not be eligible for targeted averaging.

Financial Implications

Applying development potential relief and land assessment averaging will not affect the amount of general purpose taxes collected from Classes 1, 5 and 6. However, the tax relief provided to eligible properties will be redistributed to the remaining properties within those classes.

Since 2007, Classes 5 and 6 have been "blended" for the purpose of calculating property taxes, i.e., the tax rates for these classes are the same. Should Council proceed with the Pilot DPRP and targeted averaging in 2024 with the recommended cap on tax relief, the cumulative impact on the general purpose tax rates are summarized in Figure 15 below.

Figure 15: Estimated Tax Rate Impact from Pilot DPRP & Targeted Averaging

Tax Rate (per $1,000 Taxable Value)	Class 1 Residential	Classes 5 & 6 Light Industry & Business
No Mitigation	$1.730	$5.714
Applying Targeted Averaging	$1.733 (+0.2%)	$5.774 (+1.0%)
Applying Development Potential Relief		
- Blended Class 5/6 Tax Rate	N/A	$5.817 (+0.8%)
- DPRP Rate (50% of Blended Class 5/6 Tax Rate)	N/A	$2.909

Subject to the *2024 Revised Assessment Roll* as well as Council decision on tax distribution in April 2024, the rate impact arising from the Pilot DPRP and targeted averaging could change.

The City will also 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 2024 is estimated at $25,000 plus applicable taxes; source of funding to be the 2024 Operating Budget.

Legal Implications

Should Council decide to proceed with the Pilot DPRP and targeted averaging in 2024, the Director of Legal Services, in consultation with the Director of Finance, will bring forward for enactment applicable by-laws that reflect Council's decision.

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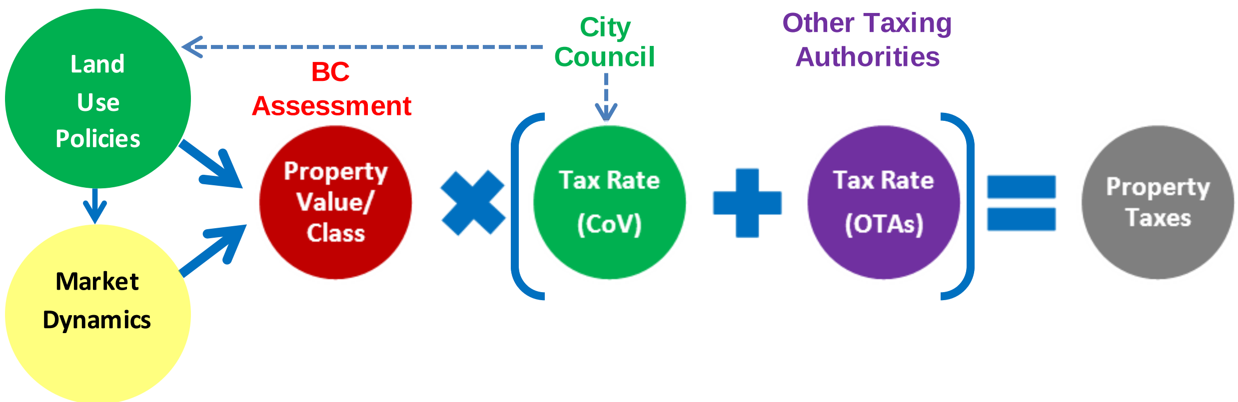
Appendix A: Property Assessment & Taxation Framework

British Columbia's property assessment and taxation framework is recognized as one of the best in class due mainly to the segregation of assessment and taxation functions that ensure objectivity and credibility; and the annual market valuation approach that ensures currency, equity and transparency.



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-laws 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") – Provincial schools, TransLink, BC Assessment, Metro Vancouver and Municipal Finance Authority – 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. If averaging is applied, the overall tax rates (City and OTAs) for the impacted property classes will be adjusted to ensure revenue neutrality. The City's general purpose tax portion accounts for ~50% of the overall tax rate.

Other Taxing Authorities set tax share and tax rate for each property class, and levy property taxes using the Assessment Roll. OTAs accounts for ~50% of the overall tax rate.

Assessment Changes & Property Tax Impact

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

Properties with a higher increase in value relative to the average change in the class could experience a 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 neighbourhoods 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.

Appendix B: Chronology of Establishing a Development Potential Relief Program

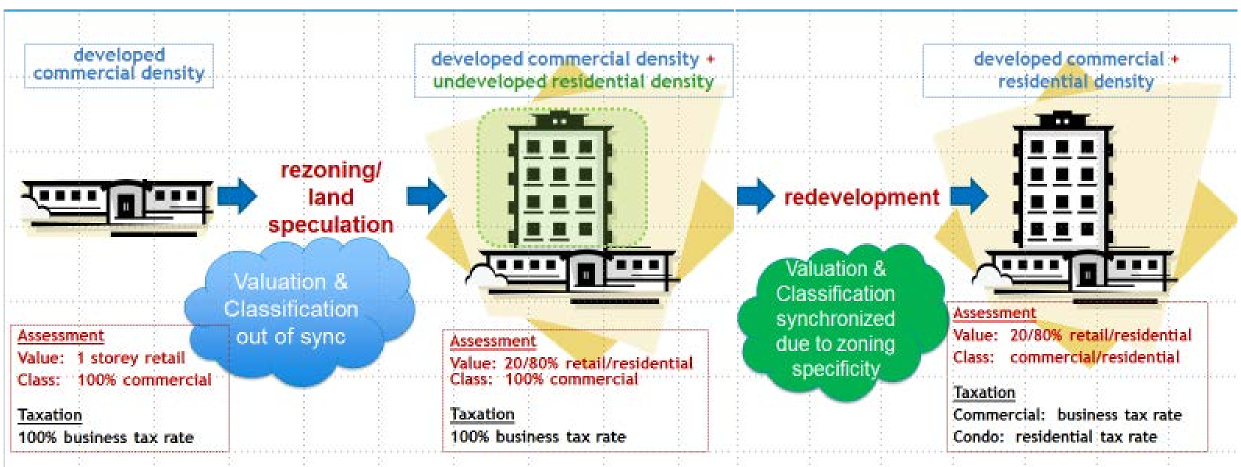
Development Potential & Taxation Impact

In British Columbia, properties are assessed at their "highest and best use" ("HBU") value (i.e., market value). Hundreds of independent businesses and community partners are affected by property taxation on development potential for properties that are not developed to their highest and best use.

As Metro Vancouver cities grow and evolve, OCPs (or ODPs) and Neighbourhood Plans have been developed to set out 20 to 25-year plans to increase density in communities to support anticipated population and job growth, and to expand commercial and light industrial space. As OCPs and Neighbourhood Plans are implemented over time, certain properties will continue their existing use for a number of years until redevelopment occurs, while their assessed value reflects a higher and better "future" use as set out in OCPs/Neighbourhood Plans.

Figure 16 below illustrates the property assessment, classification and taxation over the relevant time horizon.

Figure 16: Property Assessment, Classification & Taxation for Under-developed Properties



At the outset, the one-storey retail space is assessed and classified by BC Assessment as Class 6 - Commercial. As time passes, the market expects a higher and better use of the property, which may include some residential density above the commercial retail space. This expectation is priced into the market value of the property, and is reflected in its assessed value. As the actual use of the building continues to be retail, the property is classified as Class 6 – Commercial. Upon redevelopment, which includes retail at grade and residential condominium above, the property will be split-classified as Class 1 – Residential and Class 6 – Commercial. This situation applies to most zoning areas in Vancouver.

At present, there is no property class for this future development potential as a type of use. Existing use value and the future development potential value is aggregated into the same property class. As a result, municipalities cannot set different tax rates for existing use vs. future development potential. This limitation has significantly affected the viability of local independent businesses as well as the arts, culture and NPO sectors, particular for tenants on triple net leases.

While there are a number of provincial mitigation tools available for eligible residential properties (see below), those measures do not apply to commercial properties. Land assessment averaging is an optional tool available to Council under the *Vancouver Charter*. Vancouver is the only municipality that uses targeted 5-year averaging, on a City-wide level, to phase in significant property tax increases arising from assessment volatility.

- For eligible residential properties, this program complements other provincial measures such as s. 19(8) of the *Assessment Act*, Property Tax Deferment and the Home Owner Grant in alleviating significant year-over-year tax increases.
- For light industrial and business properties, this program is the key mitigating measure that provides businesses with short-term, multi-year relief to enable market adjustments and/or lease renegotiations.

“Amacon” Split Classification

The Amacon ruling in 2014 introduced the possibility of split classification – classifying undeveloped density as Class 1 – Residential – should there be enough specificity in the zoning by-law to cap the commercial density. Since then, properties that had similar characteristics as the Amacon properties have received split classification.

In 2021, the “Amacon” split classification was reversed to better reflect decisions of the Property Assessment Appeal Board. To ease the sudden and unexpected taxation impact arising from this change, the Province announced Order in Council No. 640 in November 2021, to provide a one-year remission from Class 6 General School Tax to the impacted properties for 2022. 110 properties in Vancouver, primarily located on West 4th Avenue and downtown, benefitted from this.

Split Assessment through a Commercial Sub-class (“Split Assessment”)

In May 2019, the IWG recommended “Split Assessment through a Commercial Sub-class” to the Province to provide the most targeted approach to address the core issue – taxes on development potential – impacting independent businesses, arts, culture and non-profit organizations residing in under-developed properties in neighborhoods that are experiencing significant pace of change.

- It addresses the root cause of the problem by creating a sub-class for future development potential and allowing municipalities to tax existing use versus development potential differently.
- It offers a common platform for municipalities while allowing a high degree of flexibility, scalability and customization.
- Municipalities can decide whether or not to use the tool (permissive in nature) and determine the eligibility requirement, tax rate and duration of the tax relief by-laws.
- It is more transparent and straight-forward to administer than permissive exemptions.
- It will not result in tax shift across municipalities – for municipalities that chose to use split assessment, any tax reallocation will be confined within the municipality.

Should the Province enact applicable legislation(s) and/or regulation(s), local governments would be able to levy a lower tax rate (compared to the commercial tax rate) on the development potential for eligible properties as defined by by-law.

In July 2019, the Mayors of the Cities of Burnaby, Coquitlam, and Surrey and District of North Vancouver, signed a joint letter of support for Split Assessment and submitted it to the Honorable Premier of British Columbia. In July and September 2019, key stakeholders and community partners (The Vancouver BIA Partnership, Greater Vancouver Board of Trade, BC Chamber of Commerce, Canadian Federation of Independent Business, Urban Development Institute Pacific Region, National Association for Industrial and Office Parks Vancouver, and Building Owners and Managers Association of British Columbia) also signed two joint letters of support and submitted them to the Province.

The Interim Business Property Tax Relief Legislation ("Interim Solution")

In Spring 2020, the Province enacted the Interim Business Property Tax Relief Legislation ("Interim Solution") for the 2020 tax year, to be in effect for a maximum of 5 years.

Program Criteria – The Interim Solution gave municipalities the ability to provide property tax relief to small businesses and organizations that they identify as paying high property taxes resulting from a combination of years of increasing real estate values and their commercial lease terms, including triple-net leases.

It required a property to be assessed in a commercial class – Class 5 (light Industry), Class 6 (Business & Other), or a combination of the two – and have at least one small business tenant responsible for all or a portion of the property taxes to qualify for the exemption.

It allowed municipalities to exempt a portion of the assessed value of certain commercial properties from taxation, easing the tax burden for tenants responsible for property taxes through their commercial leases. To be eligible, the property:

- Must have experienced cumulative land assessment increase by more than a set threshold (e.g., 80%) over 5 years
- Must have at least one tenant on triple net lease
- Must not be occupied by owner/operator businesses

Municipalities would need to set further parameters to identify properties where the taxes have increased significantly due to a spike in land value in their communities. Those parameters include:

- a base tax year of 2015 or later to use as comparison to the current tax year
- a minimum percentage of increase in commercial land value since the base year
- a minimum percentage of the total property value that must be land value
- the percentage of the exemption by property, area or kind

Staff Analysis – Staff, in consultation with the CFOs from eight Metro Vancouver municipalities, reviewed and analyzed the Interim Solution, and recommended not proceeding with it due to the following reasons:

- It addresses assessment volatility (similar to land assessment averaging) rather than the core issue of development potential.
- Owner/operator businesses are not eligible.
- "Small business" is not defined for property assessment and taxation purposes.

- Ownership and tenancy information and commercial lease agreements are not available from BC Assessment or other sources.

- A process to validate lease agreements to ensure only those with triple net leases are receiving the exemption is required.

Conclusion – Council did not proceed with the Interim Solution, and directed staff to continue working with the Province to focus on the necessary work to implement Split Assessment through a commercial sub-class.

The Interim Solution was repealed when Bill 28 came into effect in November 2022.

Appendix C: Targeted Land Assessment Averaging

Land Assessment Averaging

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 taxes collected from each property class is the same with or without averaging. To date, Vancouver is the only municipality in BC that uses averaging, on a City-wide level, to phase in significant property tax increases arising from assessment volatility.

- For eligible residential properties, this program complements other provincial measures such as s. 19(8) of the *Assessment Act*, Property Tax Deferment and the Home Owner Grant in alleviating significant year-over-year tax increases.
- For light industrial and business properties, this program is the only mitigation that provides businesses with short-term, multi-year relief to enable market adjustments and/or lease renegotiations.

In 2013, Council reconvened the Property Tax Policy Review Commission (the "Commission") 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 Commission 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. The Commission 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.

In determining which mitigation tool is the most appropriate, the Commission 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

The Commission concluded that *targeted 5-year land assessment averaging* best meets the above guiding principles. *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 the property is no longer "hot". Properties below the "threshold" will be left untouched and pay taxes based on their BC Assessment values.

On February 20, 2015, the Province confirmed that s. 374.4 of the *Vancouver Charter* authorizes the City to use a "threshold" to define eligibility for *targeted averaging*. With this authority, the value of the target properties will be reduced through averaging, thereby reducing the level of tax increases. Depending on how the land values of individual target properties have changed over recent years, the impact of averaging will likely differ for each target property. For eligible "hot" properties, targeted averaging should reduce their values for property tax calculation. Under limited circumstances where averaging would increase their values (e.g., properties that experienced a significant shift in value between land and improvements), property tax will be calculated based on the assessed values provided by BC Assessment.

To ensure *targeted averaging* would not over mitigate a "hot" property, the City has authority under s. 374.4(5)(b) of the *Vancouver Charter* to limit the impact of averaging up to the "threshold" (10% above class average change). Without such a limit, averaging could reduce the value of a target property below the "threshold" set by Council. As a result, some target properties could have an undue advantage or benefit 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.

Calculating Property Taxes Using Land Assessment Averaging

The table below compares the calculation of property taxes under the market value approach and the land assessment averaging approach. The total general purpose tax levy for the City is the same under both approaches.

	Market Value Approach		**5-yr Land Assessment Averaging Approach**
	2024 Land Value		Average of 2020/21/22/23/24 Land Value
+	2024 Improvement Value	+	2024 Improvement Value
=	2024 Taxable Value $_{Market}$	=	2024 Taxable Value $_{Average}$
x	2024 Tax Rate $_{Market}$	x	2024 Tax Rate $_{Average}$
=	2024 Total General Purpose Tax Levy	=	2024 Total General Purpose Tax Levy

As shown in above table, application of 5-year land assessment averaging affects two components in the property tax calculation:

Taxable Value $_{\textbf{\textit{Average}}}$ – The taxable value of a property is calculated using the average land value of the current year and the prior four years plus the current improvement value.

Tax Rate $_{\textit{Average}}$ – 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 taxes. 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

s. 374.4 of the *Vancouver Charter* sets out 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

As authorized under subsections 12 and 13 (enacted in 2013), Council is allowed to establish, by by-law, the number of preceding years to be applied in determining the average land value for the purpose of averaging, up to a maximum of 5 years. Once the choice is made, the number of years used in the averaging formula cannot change for at least five years.

(iii) Eligible Property Classes

Averaging is applicable to Residential (Class 1), Light Industry (Class 5), and Business & Other (Class 6) properties only.

(iv) 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.

Council can determine the eligibility of individual properties within the eligible property classes in the *Land Assessment Averaging By-law*. 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) Averaging Applies to All Tax Levies

Averaging applies to the calculation of taxes levied by the City and other taxing authorities on a revenue neutral basis. As averaging affects the taxable values for calculating all taxes, a decision to apply averaging to a property class requires that Council approve 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 is required to inform property owners of Council's intent to consider application of land assessment averaging and the resulting tax impacts on sample properties. The notice must be published in two issues of a newspaper at least two weeks in advance of the adoption of the Land Assessment Averaging By-law.

For 2024, the notice was placed on vancouver.ca and Vancouver is Awesome. A copy of the notice is in Appendix F.

(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.

Appendix D: Chronology of Council Decisions on Land Assessment Averaging

s. 374.4 of the *Vancouver Charter* allows Council to consider the application of land assessment averaging each year. If Council decides to proceed, it must enact the enabling by-law before March 31. Each year, Council can also specify certain eligibility requirements for properties to qualify for averaging under the by-law.

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 industry (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 the 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 for the purpose of land assessment averaging, 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. The averaging program was first governed by this amendment in 2014.

In May 2013, Council reconvened the Commission to provide an updated assessment of the City's property tax policy. In February 2014, the Commission recommended targeted 5-year land assessment averaging in order to further address the taxation impact arising from assessment volatility.

In March 2014, Council approved the continuation of across-the-board 3-year land assessment averaging, pending staff analysis of the Commission's recommendations presented in February 2014. As a result, a shift in the averaging formula from 3 years to 5 years could not be considered until 2019. In June 2017, Council instructed staff to request the Province to enact the necessary legislative amendments to allow the City to transition from targeted 3-year to 5-year averaging in 2018 (one year ahead of the original target transition in 2019). The Province denied the request in January 2018.

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 2015, subject to confirmation of authority from the Province. In February 2015, the Province confirmed that under s. 374.4 of the *Vancouver Charter*, the City has the authority to use a "threshold" to define eligibility for targeted averaging.

In March 2015, Council adopted the *2015 Land Assessment Averaging By-law* that authorized, for the first time, the use of targeted 3-year land assessment averaging for the purpose of calculating property taxes for residential (Class 1), light industry (Class 5), and business (Class 6) properties. Council again adopted targeted 3-year averaging for 2016, 2017 and 2018.

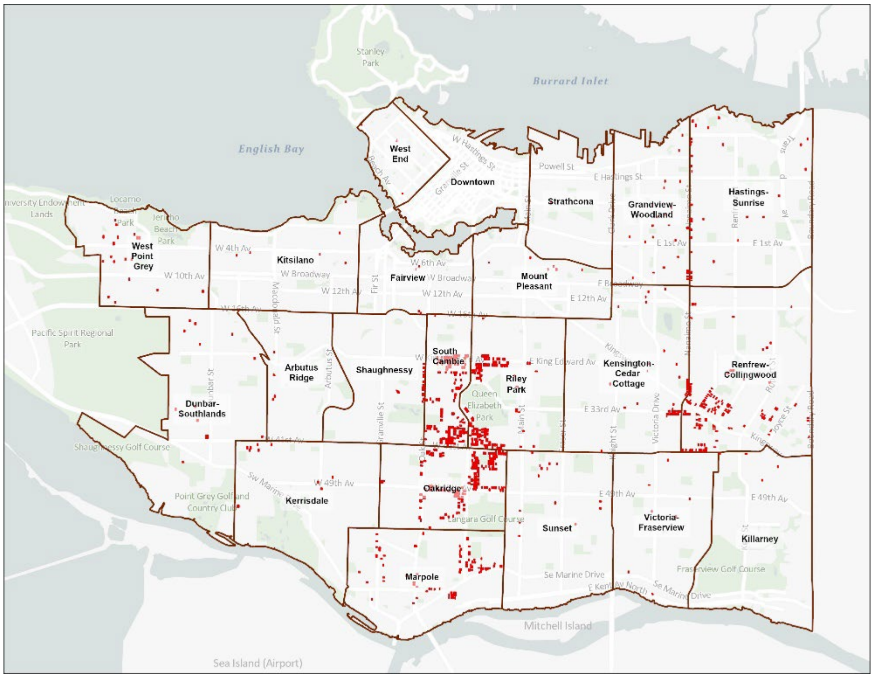
In April 2016, at Council's request, staff submitted a request to the Province to seek authority to limit the effect of averaging on the target properties up to the "threshold" set by Council in order to fully align with the Commission's recommendations presented in February 2014. In February 2019, the Province confirmed that under s. 374.4(5)(b) of the *Vancouver Charter*, the City has the authority to limit the effect of averaging where averaging would result in an increase in a property's value falling below a "threshold" set by Council.

In March 2019, Council approved the transition from 3-year to 5-year targeted land assessment averaging with a threshold to limit the effect of averaging. Council adopted a similar approach for 2020, 2021, 2022 and 2023.

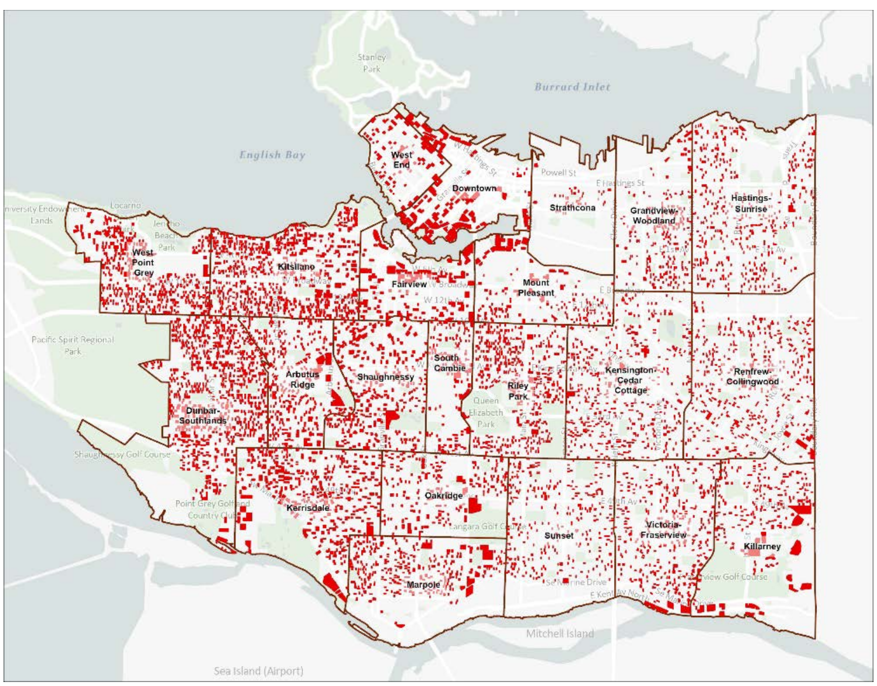
Appendix E: Provincial Property Tax Mitigation – Residential Properties

Apart from targeted averaging, the following Provincial tax relief measures are available for eligible residential properties.

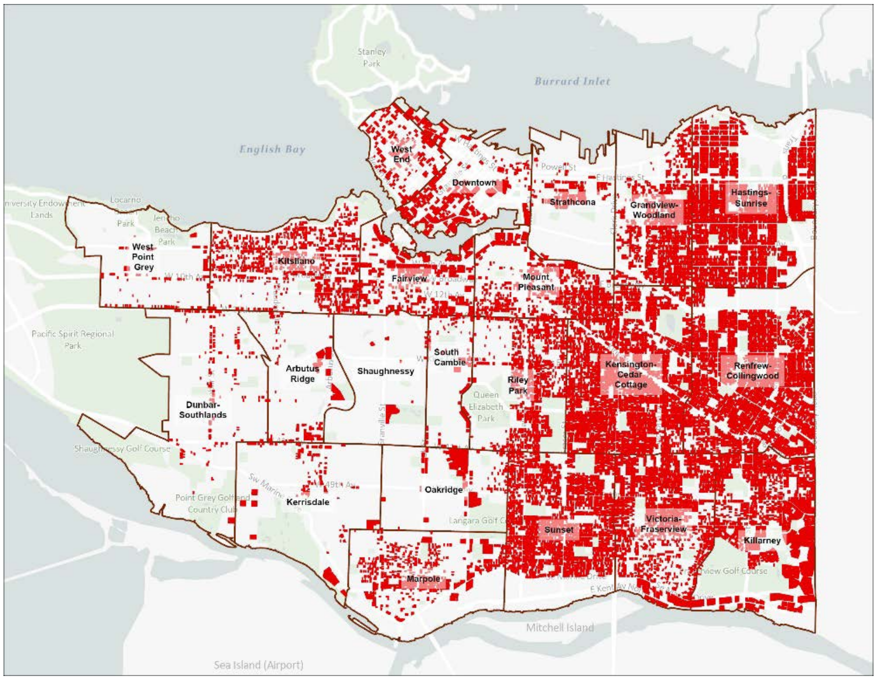
Assessment Act s. 19(8) – available to property owners who have continuously occupied their principal residence for at least 10 years; the land will be assessed based on current zoning rather than anticipated zoning and development potential. [2023: 1,183 properties; 2024: 1,157 properties]



Property Tax Deferment – available to property owners 55 years of age or older who occupy their principal residence and families with children under 18 years of age. [2023: 10,123 properties; 2024 applications in progress]



Home Owner Grant – available to property owners who occupy their principal residence of which the value falls within the qualifying range. [2023: 90,201 properties; 2024 applications in progress]



Appendix F: Targeted Land Assessment Averaging – Notice to Property Owners

CITY OF VANCOUVER

IMPORTANT NOTICE TO PROPERTY OWNERS:

Land Assessment Averaging

	Prior year		Current year without averaging		Current year with averaging	
	Taxable value ($)	2023 taxes ($)	Taxable value ($)	Est. 2024 taxes ($)	Taxable value ($)	Est. 2024 taxes ($)
Sample Residential Strata (Class 1) properties						
Targeted "hot" property	665,000	1,086	810,000	1,402	738,943	1,281
Property not targeted	803,000	1,311	810,000	1,402	810,000	1,404
Sample Residential Single Family (Class 1) properties						
Targeted "hot" property	1,864,200	3,045	2,209,000	3,822	2,071,484	3,591
Property not targeted	2,168,000	3,541	2,209,000	3,822	2,209,000	3,829
Light Industry and Business & Other (Classes 5 & 6) properties*						
Targeted "hot" property	1,000,600	5,059	1,160,000	6,628	1,059,000	6,083
Property not targeted	1,179,507	5,964	1,160,000	6,628	1,160,000	6,663

*If eligible, a property from Classes 5 and/or 6 can benefit from one of the two tax relief programs – Targeted five-year Land Assessment Averaging Program or Development Potential Relief Program (DPRP) – but not both. The above taxation impact could change depending on the number of eligible properties seeking relief under DPRP.

Since 2015, the City of Vancouver has used targeted land assessment averaging to mitigate the taxation impact arising from significant assessment volatility as recommended by the Property Tax Policy Review Commission. While averaging does not increase or reduce the City's tax revenue, it affects the amount of taxes paid by individual property owners.

Under the targeted averaging approach, only those properties facing significant year-over-year increases in property values above a certain threshold ("hot" properties) would be considered for averaging. For eligible "hot" properties, the program calculates property taxes for the City and other taxing authorities using an average of the assessed land value for the current and prior four years, plus their current assessed improvement value, provided that this averaged value does not go below the threshold value. Non-eligible properties will pay property taxes based on their current year BC Assessment value.

The table presented shows the estimated effect of the targeted five-year averaging program on the City's general purpose tax levy for sample properties based on the thresholds proposed for 2024 (10% above class average change), subject to City Council approval. The program requires an adjustment to the tax rates such that properties below the threshold would pay slightly higher taxes to provide tax relief for those "hot" properties above the threshold. Amounts levied by other taxing authorities such as provincial schools, TransLink, BC Assessment, and Metro Vancouver are not included in the analysis.

On March 13, 2024, Vancouver City Council will consider whether or not to use targeted five-year averaging for residential (Class 1), light industrial (Class 5) and business and other (Class 6) properties, and determine the appropriate thresholds and other program parameters for these property classes if targeted averaging is adopted.

Should Council decide to use targeted five-year averaging, a bylaw must be adopted before March 31, 2024.

The report, which details the program and how it could impact property taxes, will be posted on our website at: **vancouver.ca/averaging**

For more information, visit: **vancouver.ca/averaging**

COMMENTS?

Contact Council: **vancouver.ca/contact-council**

or write to:
Mayor and Council
453 West 12th Avenue
Vancouver, BC V5Y 1V4

SPEAK TO COUNCIL:

Prior to adoption of the bylaw, you may speak in person or by phone at the Council meeting on March 13, 2024.

Visit **vancouver.ca/your-government/speak-at-city-council-meetings** for details on how to register as a speaker.

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

Appendix G: Development Potential Relief – % Land Value Subject to DPRP Rate

Neighborhoods / Zoning Districts	# of Properties	Assessed Land Value Subject to DPRP Rate[1]	
		%	$M
Arbutus Ridge - Mackenzie Heights	3	15%	3.0
Cambie	11	25%	17.6
Cedar Cottage	44	20%	33.8
Collingwood	54	25%	46.5
Downtown (HA-1, HA-1A, HA-2 zones)	19	20%	16.0
Downtown (Other)	30	25%	58.3
Downtown South	36	25%	46.1
Dunbar	12	25%	10.1
Fairview	91	25%	170.3
False Creek North	4	20%	0.0
Fraserview	2	20%	0.6
Grandview	91	20%	88.0
Hastings East	12	30%	5.9
Kerrisdale	15	25%	13.5
Killarney	12	25%	15.8
Kitsilano	122	20%	124.2
Knight	21	20%	18.7
Main & Fraser	60	20%	30.8
Marine Drive	17	15%	17.8
Marpole	20	35%	46.1
Mount Pleasant (C zones)	96	30%	151.5
Mount Pleasant (I1, I-1A, I2, I-4 zones)	52	30%	133.8
Mount Pleasant (IC-2, IC-3 zones)	9	55%	41.7
Mount Pleasant (Other)	34	30%	48.9
Point Grey	25	15%	15.4
Renfrew	10	20%	11.0
Renfrew Heights	11	20%	4.5
Shaughnessy	4	20%	4.6
South Vancouver	17	20%	12.8
West End	24	30%	48.1
Total	**958**		**1,235.3**

[1] Note: The percentage assessed land value, up to a maximum of $5.4 million per property, is subject to the DPRP tax rate. A listing of properties under consideration for the 2024 Pilot DPRP is posted on the vancouver.ca/taxrelief website.

Appendix H: Land Assessment Averaging Draft Bylaw

BY-LAW NO. ______

A By-law to Average Land Assessments for 2024

THE COUNCIL OF THE CITY OF VANCOUVER, in public meeting, enacts as follows:

Name of By-law

1. The name of this By-law, for citation, is the "2024 Land Assessment Averaging By-law".

Definitions

2. In this By-law:

"assessed improvement value" means assessed improvement value on the *Assessment Roll* as determined by the assessment authority, pursuant to the *Assessment Act;*

"assessed land value" means assessed land value on the *Assessment Roll* as determined by the assessment authority, pursuant to the *Assessment Act*;

"assessed value" means the combined value of assessed land value and assessed improvement value;

"assessment authority" means the British Columbia Assessment Authority;

"Average Assessment Roll" means the *Assessment Roll* produced annually by the assessment authority as a result of an assessment averaging by-law enacted under section 374.4 (1) of the *Vancouver Charter*;

"averaged land value" means the averaged land value determined by the land assessment averaging formula set out in this By-law;

"averaged value" means the combined value of averaged land value and assessed improvement value;

"threshold %" means 10 percentage points above the average year-over-year % change in property value within Class 1 – residential or 10 percentage points above the average year-over-year % change in property value within the combined property classes of Class 5 – light industry and Class 6 – business and other, as determined by the assessment authority based on the *Revised Assessment Roll*;

"year-over-year % change in property value" means the difference between the current year's assessed value and the preceding year's value as shown on the Average Assessment Roll, all divided by the preceding year's value as shown on the Average Assessment Roll; and

"target parcel" means:

(i) any parcel or part of a parcel in Class 1 - residential, Class 5 – light industry, or Class 6 – business and other, that experienced a year-over-year % change in property value that was greater than or equal to the threshold %, and

(ii) notwithstanding (i), the property identified as 009-170-743-04-0000 on the *Assessment Roll*.

Assessment averaging

3. Notwithstanding anything else in this By-law, if any parcel or part of a parcel:

(a) has no assessed improvement value for 2024; or

(b) is a new entry on the 2024 *Assessment Roll*, unless that entry results from an administrative roll number re-assignment by the assessment authority; or

(c) was subject to:

(i) subdivision or consolidation during the period between completion of the 2023 and 2024 *Assessment Rolls*, unless:

(i.i) the sole purpose of the subdivision or consolidation is to vest in the city, by dedication or transfer, all or part of the parcel for street purposes, or

(i.ii) the subdivision or consolidation is initiated by the assessment authority for assessment or administrative purposes, and does not alter the physical characteristics of the target parcel; or

(ii) a Council policy statement guiding consideration of an anticipated rezoning of the parcel or part of the parcel that was approved by Council between November 1, 2021 and October 31, 2023, other than a Council policy statement that was developed primarily on the initiative of the Director of Planning, that has not resulted in a proposed rezoning of the parcel or part of that parcel that has been approved in principle by Council following a public hearing; or

(iii) a proposed change in zoning or zoning district, including a proposed change to an existing CD-1 zoning district that includes a proposed change to permitted density, that has been approved in principle by Council between November 1, 2021 and October 31, 2023 following a public hearing, but has not been enacted, except for:

(iii.i) any proposed rezoning from RS-1 to RM-8, RM-8A, RM-8N or RM-8AN, or

(iii.ii) any proposed rezoning initiated by the Director of Planning; or

(iv) a change in zoning or zoning district, including a change to an existing CD-1 zoning district that includes a change to permitted density, except for:

(iv.i) any rezoning from RS-1 to RM-8, RM-8A, RM-8N or RM-8AN, or (iv.ii) amendments to the Zoning and Development By-law or to an Official Development Plan that were initiated by the Director of Planning and enacted by Council between November 1, 2022 and October 31, 2023, except for amendments to applicable CD-1 By-laws to convert the sites located at 1502 Granville Street, 431 Beach Crescent, and 900 Pacific Boulevard from social housing to market housing; or

(v) a change in the prescribed class of the parcel or part of the parcel during the period between the completion of the 2023 and 2024 *Assessment Rolls*, except for:

(v.i) a change between Class 5 - light industry and Class 6 - business and other, or

(v.ii) a change to or from Class 1 – residential or Class 3 – supportive housing resulting from the installation or removal of temporary modular homes supported by a decision to relax a zoning by-law to allow for the provision of low cost housing for persons receiving assistance as authorized by section 5.1.3 of the Zoning and Development By-law; or

(vi) a change in the method of determining the assessed value under section 19(8) of the *Assessment Act* where the preceding year's assessed value was determined based on the actual use of the land and improvements and the current year's value is determined taking into consideration any other use to which the land or improvements could be put,

then the entire parcel is exempt from land assessment averaging set out in section 5 of this By-law.

4. Notwithstanding anything else in this By-law, if any parcel or part of a parcel in Class 5 or Class 6 is subject to tax relief during 2024 under a by-law enacted pursuant to section 374.6 of the Vancouver Charter then the entire parcel in Class 5 or Class 6 is excluded from land assessment averaging set out in section 5 of this By-law.

Land assessment averaging formula

5. If a parcel or part of a parcel is not exempt from averaging in accordance with section 3 of this By-law, is not excluded from averaging in accordance with section 4 of this By-law, and was not exempt from averaging under section 3 of any of the 2020, 2021, 2022 and 2023 Land Assessment Averaging By-laws (No. 12674, No. 12943, No. 13293 and No. 13649 respectively), and is a target parcel, then the 2024 averaged land value for each target parcel is the quotient arrived at by dividing the 2020, 2021, 2022, 2023 and 2024 assessed land value by the number of total years prescribed by the Preceding Years for Land Assessment Averaging By-law, 2019 (No. 12397), for each such target parcel.

Averaging of properties that regain eligibility

6. If a target parcel is not exempt from averaging in accordance with section 3 of this By-law and is not excluded from averaging in accordance with section 4 of this By-law, but was exempt from averaging in accordance with section 3 of the 2023 Land Assessment Averaging By-law (No. 13649), the 2024 averaged land value for that parcel is the quotient arrived at by dividing the 2024 assessed land value by one (1).

7. If a target parcel is not exempt from averaging in accordance with section 3 of this By-law, is not excluded from averaging in accordance with section 4 of this By-law, and was not exempt from averaging in accordance with section 3 of the 2023 Land Assessment Averaging By-law (No. 13649), but was exempt from averaging in accordance with section 3 of the 2022 Land Assessment Averaging By-law (No. 13293), the 2024 averaged land value for that parcel is the quotient arrived at by dividing the sum of the 2023 and 2024 assessed land values by two (2).

8. If a target parcel is not exempt from averaging in accordance with section 3 of this By-law, is not excluded from averaging in accordance with section 4 of this By-law, and was not exempt from averaging in accordance with section 3 of both the 2022 and 2023 Land Assessment Averaging By-laws (No. 13293 and No. 13649, respectively), but was exempt from averaging in accordance with section 3 of the 2021 Land Assessment Averaging By-law (No. 12943), the 2024 averaged land value for that parcel is the quotient arrived at by dividing the sum of the 2022, 2023 and 2024 assessed land values by three (3).

9. If a target parcel is not exempt from averaging in accordance with section 3 of this By-law, is not excluded from averaging in accordance with section 4 of this By-law, and was not exempt from averaging in accordance with section 3 of all of the 2021, 2022 and 2023 Land Assessment Averaging By-laws (No. 12943, No. 13293 and No. 13649, respectively), but was exempt from averaging in accordance with section 3 of the 2020 Land Assessment Averaging By-law (No. 12674), the 2024 averaged land value for that parcel is the quotient arrived at by dividing the sum of the 2021, 2022, 2023 and 2024 assessed land values by four (4).

Non-applicability of By-law

10. Despite sections 5, 6, 7, 8 and 9 of this By-law, land assessment averaging does not apply to any target parcel if the land assessment averaging will result in an averaged value greater than the assessed value.

Limit on Application of By-law

11. Despite sections 5, 6, 7, 8 and 9 of this By-law, for any target parcel:

(a) the averaged value shall not be less than the product resulting from the multiplication of the preceding year's value as shown on the Average Assessment Roll and 100% plus the threshold %. If it is, then the averaged land value is calculated by subtracting the assessed improvement value from the product resulting from the multiplication of the preceding year's value as shown on the Average Assessment Roll and 100% plus the threshold %, and

(b) the averaged land value shall not be lower than the assessed land value by more than $5,400,000. If it is, then the averaged land value is calculated by subtracting $5,400,000 from the assessed land value.

Correction of errors

13. An owner who receives notice under section 403 of the *Vancouver Charter* of adjustments to the net taxable value of the owner's property, and who wishes the Collector of Taxes to correct errors made in applying this By-law to such property, must file a request for correction with the Collector of Taxes on or before the last business day of July 2024.

Appeal to Court of Revision

14. A person:

(a) may appeal to Council, sitting as a Court of Revision, any decision of the Collector of Taxes with respect to:

(i) an adjustment to the net taxable value of any property, or

(ii) an exemption from this By-law; and

(b) must file such appeal within 30 days after the Collector of Taxes makes that decision.

Adjudication by Court of Revision

15. The Court of Revision must sit no later than October 31, 2024 to:

(a) adjudicate complaints made under this By-law respecting errors in:

(i) an adjustment to the net taxable value of any property, or

(ii) an exemption from this By-law; and

(b) direct the Collector of Taxes to amend the net taxable value of any property, necessary to give effect to any decision of the Court of Revision.

Severability

16. A decision by a court that any part of this By-law is illegal, void, or unenforceable severs that part from this By-law, and is not to affect the balance of this By-law.

Force and effect

17. This By-law is to come into force and take effect on enactment.

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